

Is Outsourcing Right for You?

Five key questions to answer about your
equity plan.



Introduction

Managing and reporting on a stock plan comes with its fair share of challenges. Manual processes, meeting filing deadlines, complying with regulatory mandates, coordinating cross functional teams and synchronizing data are all elements that contribute to the complexity of offering equity to your employees. A recent Certent survey of 150 stock plan administrators and finance professionals revealed the top three challenges stock plan professionals face today as manual processes, lack of time, and lack of resources. Outsourcing can be a solution for those challenges, and if you're considering this option, there are five key questions you must contemplate when making your decision.

1. Would you benefit from deeper expertise?

Equity compensation management and reporting is complex and requires a diverse skill set, from accounting to participant communications. It takes a continual investment of time to maintain expertise in one area, let alone a number of them. An outsourcing partner can support your plan with dedicated experts for each element of stock plan management, from CEPs to CPAs. These individuals can provide training and education in complex areas such as taxation, not only to your internal team, but to your plan participants as well. Outsourcing your equity management is one way to add experts as an extension of your team.

Areas with Least Expertise Across Stock Plan Teams

- Taxation knowledge
- Participant communications
- Training of others
- Personal finance literacy
- Organizational skills



2. How accurate is your data?

Another component to maintaining a successful equity plan is ensuring accurate data; data accuracy equals data integrity. Standardizing and documenting your company's equity compensation process is an effective way to reinforce the accuracy of your data. The cross-functional nature of offering equity compensation to employees drives the need for documentation of workflow. Many companies are not able to make this a priority, mostly due to lack of time. An outsourcing vendor can help you lay down this ground work in order to avoid any unnecessary missteps. By using the guidelines you develop as a team, your vendor will be able to successfully administer your company's stock plan on their software. They are masters of their stock plan solutions which will result in efficient problem solving and accurate results.



3. Do you need more resources?

Stock plan and finance professionals are responsible for countless tasks and wear many hats. Ensuring timely completion of each piece of the puzzle while complying with industry regulations is crucial in maintaining a successful equity plan and keeping your company out of trouble. In a recent survey, Certent found that beyond the day-to-day tasks of equity plan management, some of the top added responsibilities are routine reconciliation of monthly activity, accounting for equity compensation, routine reconciliation of plan reserves and preparation of proxy and other SEC filings. These results illustrate the broad spectrum of responsibility placed on stock plan administrators and financial reporting professionals. Any or all of these elements can be moved to an outsourcing model. Some providers will offer the choice of full or partial outsourcing so that you may decide which service model best fits your company's needs. This can be a great opportunity to offload the tasks that drain the most resources.

Additional stock plan administrator responsibilities beyond day-to-day tasks.

71% Routine reconciliation of monthly activity

56% Accounting for equity compensation

53% Routine reconciliation of plan reserves

48% Preparation of the proxy solicitation statement

36% Section 16 filings

33% Administration of other benefits

32% Tracking and reporting equity impact on the \$100K payroll tax liability

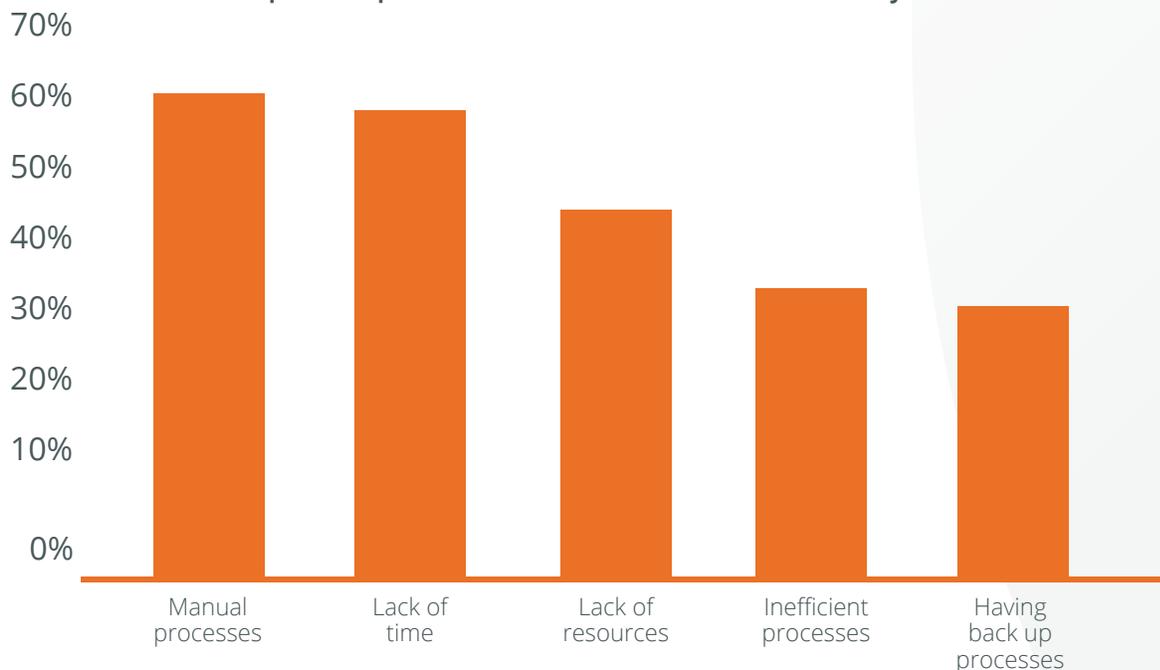
29% Routine reconciliation of broker receivables



4. How confident are you in your compliance?

Compliance is key in stock plan administration, accounting and financial reporting. The equity world is laden with rules, guidelines and legislation governed by various organizations and regulatory bodies. An outsourcing partner can help to make sure you are adhering to ever-changing regulatory requirements. They maintain relationships with industry partners in order to stay abreast of any crucial regulatory updates. An outsourcing provider can also interface with your audit firm, helping to ease the audit process. Time sensitive or highly visible events can present additional compliance challenges. An outsource provider can help you navigate these complexities as well.

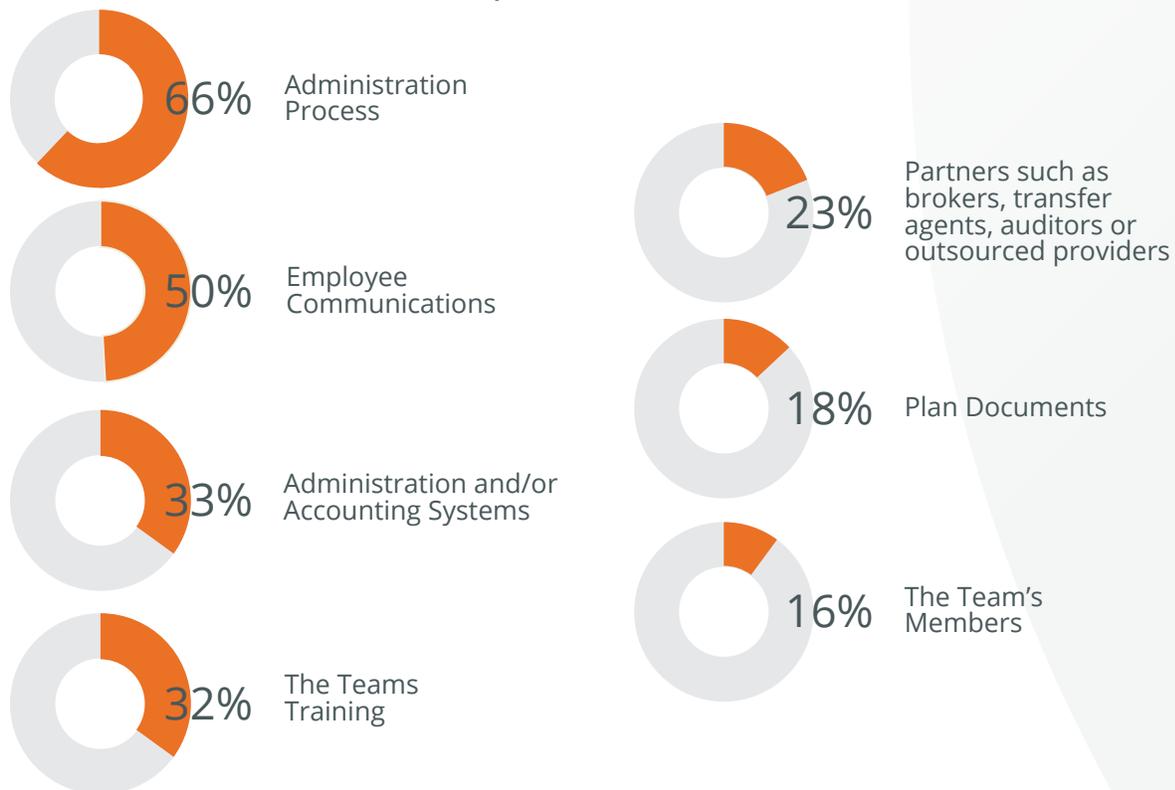
Based on a survey of 150 Stock administrators, this graph illustrates some of the top challenges stock plan professionals face today.



5. Are You Following Best Practices?

Partnering with an outsourcing vendor can provide you with the opportunity to leverage their depth of client experience. You can gain insight into key best practices for even the most complicated situations. An outsourcing partner will also be well-versed in navigating infrequent events that can affect your equity plan such as mergers or acquisitions, stock splits and uncommon plan provisions. An outsource partner can guide you through some of the key considerations of adding award types to your equity plan such as accounting implications of performance metrics vs. market conditions. A valuable resource for information, outsourcing vendors can also advise you on best practices for administrative processes, as well as latest trends for participant communication and engagement.

This chart illustrates some of the areas that stock plan administrators feel need the most improvement.



To outsource or not to outsource?

The challenges are endless for stock plan and finance professionals. It takes tremendous effort to coordinate complex cross-departmental responsibilities, driven by deadlines, with limited resources. Breaking down the inherent value of outsourcing into these five key considerations can help you determine if your processes would benefit from an outsourcing model, full or partial. Gaining expertise, adding extra resources, ensuring best practices, maintaining data accuracy and staying compliant are all elements to consider when evaluating if your company's equity compensation plan would fit in an outsourcing environment.

Get in touch

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ABOUT CERTENT

Certent, Inc. is a leading provider of software and services for equity compensation and financial disclosure management and reporting. Founded in 2002, Certent serves more than 2,400 public, private, and pre-IPO companies with innovative stock plan management, regulatory compliance and reporting technology. With five global offices, Certent delivers confidence across mission-critical finance and HR processes.

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