

10 success factors for ESOP



Complexity

Complexity of plan structure reduces understanding by beneficiaries and, as a consequence, the incentive effect



Transparency

To achieve continuous incentive effect, ongoing transparency regarding the current status of goal achievement is key



Tax

In addition to corporate tax issues, it is important to avoid a dry income effect for beneficiaries through appropriate structuring



Volume

Careful allocation of volume, between the individual management levels backed by benchmark studies, is key to a functioning ESOP culture



Leaver Clauses

To avoid deadweight effects and to promote medium and long-term company affiliation, inclusion of appropriate leaver clauses is essential



Governance & Administration

With regard to the governance and administration of ESOPs, the use of appropriate software is essential



Cash vs. Equity

Equity-settled structures are attractive from liquidity perspective but bear the potential for conflict with investors due to dilution etc.



Education

Education regarding how the plans and the associated instruments work supports acceptance and appreciation within workforce



Continuity

Continuity in the sense of allocation of grants avoids seasonal effects and unequal treatment among beneficiaries.



Legal Structure & Compliance

In some jurisdictions and investment models, it may make sense to consider separate management equity vehicles

