

Quick Survey: April 2020

COVID-19 and Equity Awards

Key Findings



Top Concerns: Restoring lost value to equity awards and adjusting performance targets to meet current expectations are the top two concerns for survey respondents. Reduced participation is the top concern participants have for ESPPs.



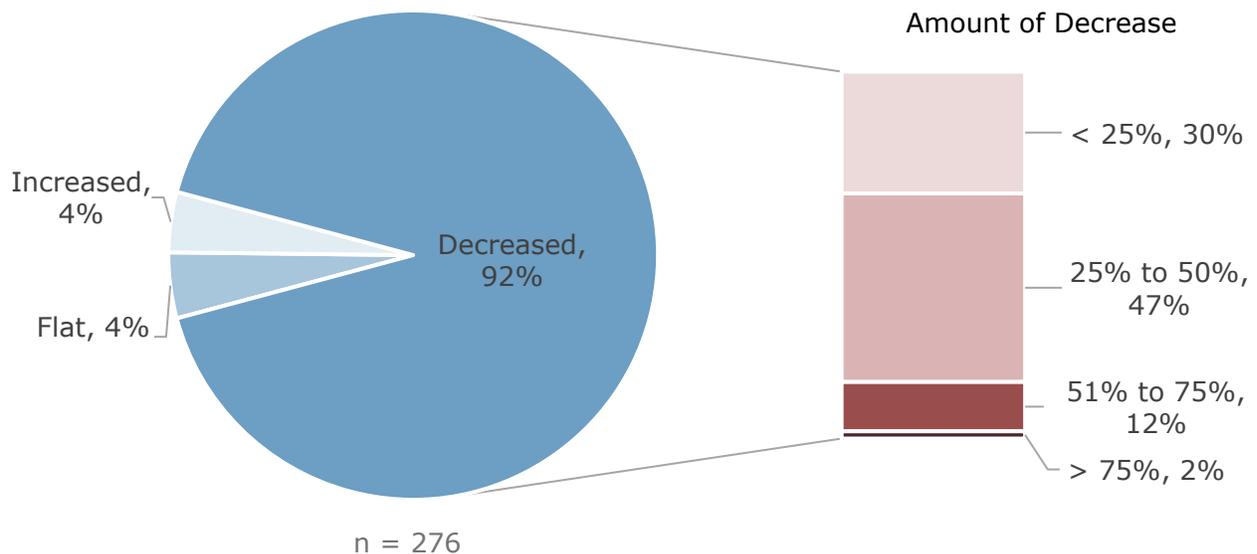
Actions Under Consideration: Most respondents are not currently considering actions to address existing underwater equity awards or concerns related to burn rates.



Employee Communications: Most respondents have not made any special communications to employees. Just under 20% of respondents have issued communications on market volatility or insider trading compliance procedures.

Stock Prices Since Mid-February

The overwhelming majority of respondents indicate that their stock price has decreased since mid-February, the COVID-19 first began impacting US stock markets. At the time of the survey (mid-April), most respondents' stock prices were down by less than 50%.



Top Concerns

Restoring lost value to equity awards and adjusting performance targets to meet current expectations are the top two concerns for survey respondents, followed by educating employees on market volatility and running out of shares in their equity plan.

Which of the following are your most significant concerns with respect to your stock compensation programs right now?
(Select up to three.)



n = 274

Restoring Lost Value to Equity Awards

Although replacing lost award value is a top concern for respondents, the majority are not currently considering taking any actions to address this concern. The most commonly considered actions are issuing additional grants and adjusting performance targets.

Actions under consideration:



Additional Grants
(n = 244)



Adjusting Performance Targets
(n = 219)

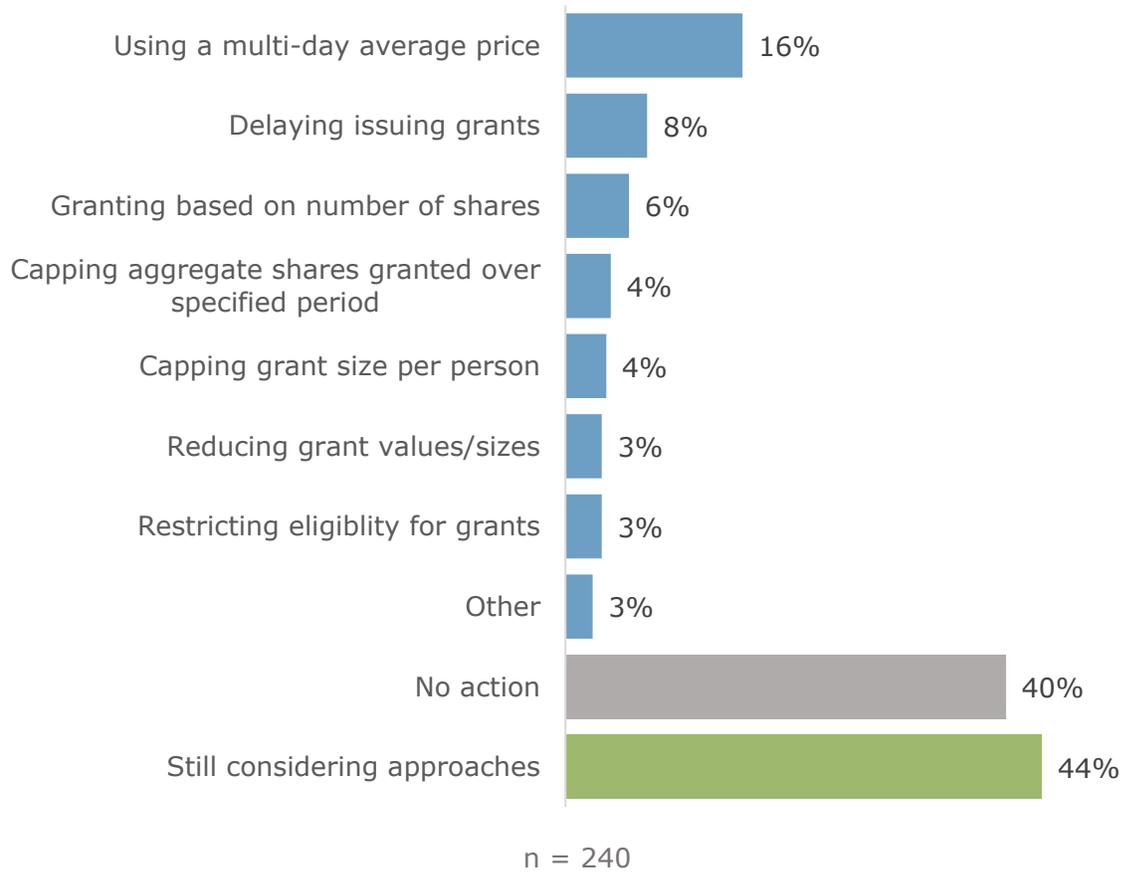


Repricing Stock Options
(n = 155)

Burn Rates

When stock values plummet, burn rates can skyrocket. This is because most companies use a value-based approach to determine grant size.¹ Although most respondents to the quick survey have experienced a decline in their stock price, the majority (70%) are not taking any action or are still considering various approaches to control their burn rate.

Are you currently using any of the following techniques to minimize the impact of a stock price decline on your burn rate?
(Select all that apply.)²

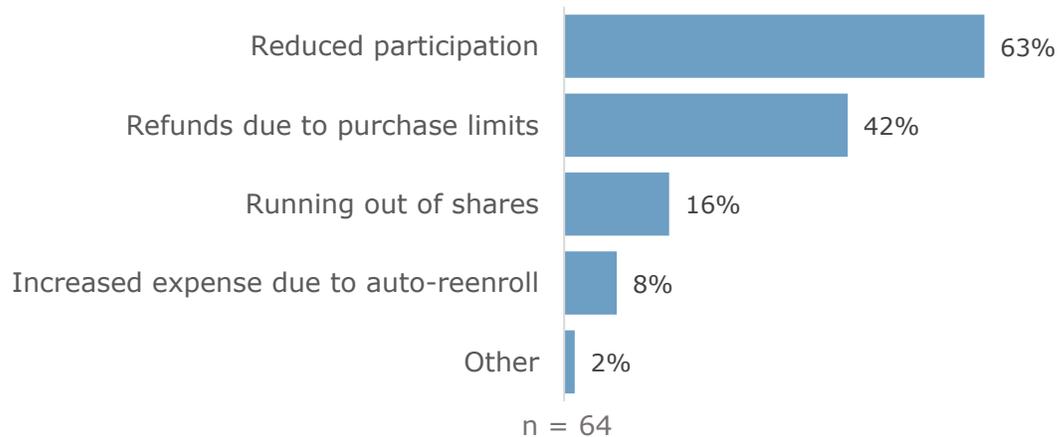


¹ 87% of respondents to the NASPP/Deloitte Consulting 2019 Domestic Stock Plan Design Survey base grant size on value.

ESPP

The most common concern related to ESPPs is reduced participation. Although virtually all ESPPs protect participants in the event of a decline in stock price, many employees instinctively divest their equity holdings during a market decline. Employees may also withdraw from the plan because due to needs for emergency cash.

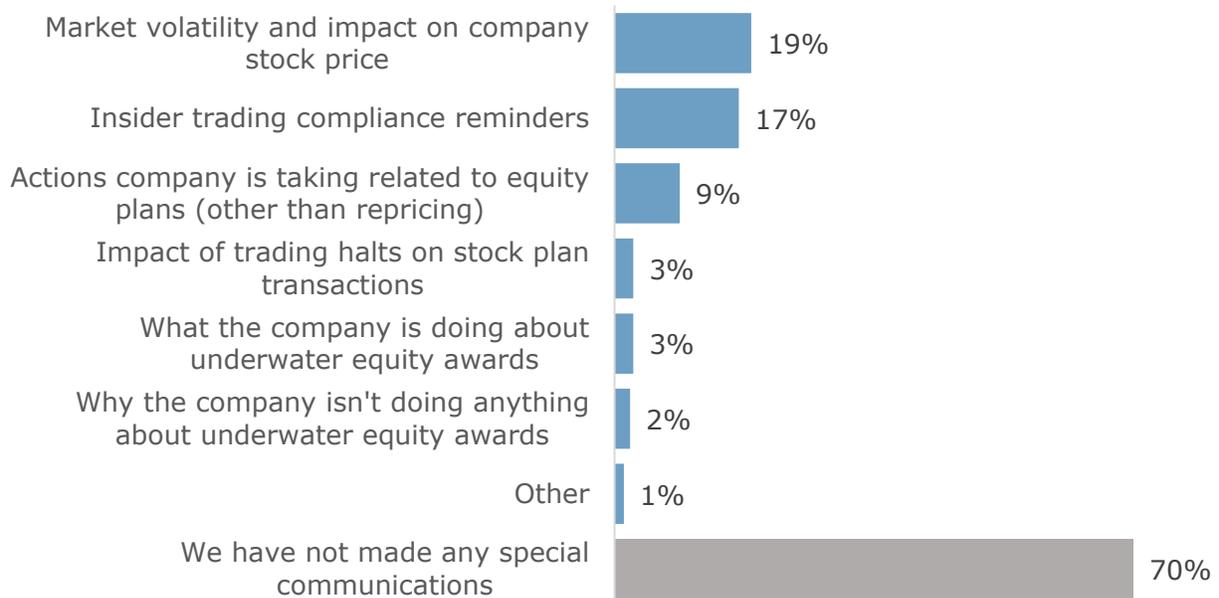
Do you have any of the following concerns for your ESPP?
(Select all that apply.)



Employee Communications

Most respondents have not made any special communications to employees with respect to their stock compensation programs.

Which of the following topics have you communicated (or are planning to communicate) to employees? (Select all that apply.)



An Important Note About This Survey Data

NASPP Quick Surveys are intended to be a quick, informal snapshot of current trends and practices. While minimal steps are taken to eliminate duplicate and invalid responses, the data is not subject to the level of scrutiny that a more formal survey would be subject to. We cannot prevent multiple people at the same company from taking the survey nor are we able to verify that the people completing the survey are appropriate respondents. Please keep this in mind when making decisions based on this data.