

How LEO Pharma's ESPP became an award winner

43%

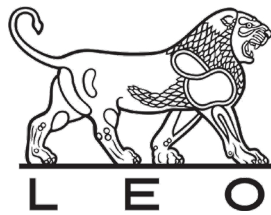
online platform
sign-up

>2,300

participants

3 Month

communication
program



Case Study

Name: LEO Pharma

Headquarters: Ballerup, Denmark

Industry: Pharmaceuticals

LEO Pharma's commitment to improving people's lives goes beyond their customers, and the introduction of their award-winning ESPP proves just that, with inclusivity at the forefront of every decision regarding their employees. This was recognized when Leo Pharma were named joint winner in the Best Plan Effectiveness (under 10,000 employees) category at the 2023 GEO Awards.

Since their establishment in 1908, LEO Pharma have had many accomplishments, including funding ground-breaking research to produce the first batches of insulin in Denmark and supplying standardized medication to the market. The company continues to make strides in its product development, with a clear vision focused on being the preferred medical dermatology partner to improve people's lives.

This striving for excellence has cultivated an internal working culture that nurtures personal development and inclusivity, and it was therefore a natural progression for LEO Pharma to set about creating a share plan to give employees a tangible stake in the future success of the business. With that in mind, a company-wide Employee Share Purchase Plan (ESPP) went live in December 2021.

The challenge

When LEO Pharma's board set about introducing a share plan for employees, they had quite the task on their hands. With 88% of the total workforce eligible and formal operations in more than 50 countries, it was imperative that the company's ESPP got it right from the start.

"We were eager to reward employees for their contribution to our success as a business and we were determined to reach all employees with our share plan through a thorough information effort," a company spokesperson told us.

During the process of introducing the ESPP, the company faced numerous challenges:

- With offices around the world, there were jurisdictional issues that needed to be addressed.
- The company wanted to ensure that all eligible employees, irrespective of where they were based, would have access to the information needed to understand the complexities of the share plan and the opportunities associated with it.
- The board recognized the importance of a smooth enrollment process and wanted to ensure that there would be no obstacles to participation on this front.

What's next? ->

The solution

On the jurisdictional issues: Not all countries in which the company operated allowed equity-based incentives, so they had to get creative, with the help of their equity management solution provider, J.P. Morgan Workplace Solutions (formerly Global Shares).

It was decided that in countries with few eligible employees and where equity incentives couldn't be offered due to regulatory issues, a Phantom plan would be introduced instead. This plan mirrored all features of the ESPP, except in one key respect: it was a cash-based award. Echoing LEO Pharma's drive for inclusivity, this development helped ensure that all eligible participants, regardless of location, had the same opportunity to avail of employee ownership

On access to information: Again, the focus on inclusivity was paramount when LEO Pharma set about creating a program that would provide all eligible employees with the information they needed to make an informed decision on participation. In that program:

- All relevant documentation was translated into the native language of countries hosting LEO Pharma offices.
- Local points-of-contact were appointed in each region to explain the ESPP. They also made themselves available to answer employee questions.
- A robust communication plan was put in place to share information on a defined timeline in the lead-up to, and overlapping with, the enrollment period.
- Online manager briefings, focal point information sessions, Q&A sessions, and all-employee information sessions were hosted in-office and online.
- Information posters and marketing materials were produced in local languages.

This program was not a one-way street, however; LEO Pharma consulted with employees to understand what they wanted from their ESPP. Taking these different viewpoints into consideration helped to make the share plan participant-aligned, before final decisions were made.

On ease of enrollment: It was deemed key that the sign-up process was accessible for all, simple to understand, and as straightforward as it could be. As LEO Pharma's provider, the Workplace Solutions team worked to ensure the enrollment process was as seamless as possible by implementing:

As LEO Pharma's provider, the Global Shares team worked to ensure the enrollment process was as seamless as possible by implementing:

- An easy-to-use sign-up process for participants to register, with all eligible employees receiving a preliminary email to activate their account online
- An easy-to-follow enrollment task for participants

And internally in LEO Pharma, payroll deductions and admin tasks were set-up on participants behalf.

What about **the plan**?

LEO Pharma's ESPP was uniform in its design; all participants would, through monthly deductions, invest 3% of their annual salary, capped at €8,000, from December 2021, with the accumulated funds converted into shares at the end of each quarter.

To further encourage participation, LEO Pharma would award free shares to participants in two rounds through 50% top-ups, the first taking place in January 2025, the second due to coincide with an IPO in the coming years and subject to a performance threshold. The goal was to motivate employees to become long-term shareholders in the company, and with this in mind, the terms of the agreement require participants to retain some of their shares post-IPO.

What did **success** look like?

A key metric on the effectiveness of LEO Pharma's efforts, as with any share plan, was the final participation rate. By the end of December 2021, more than 43% of eligible employees registered for either the ESPP or Phantom plan via Workplace Solutions' online platform; 2,322 had bought into LEO Pharma's vision of employee ownership.

However, success is not just measured in numbers. Anecdotally, there has been increased interest among employees in the performance of the business, and the ESPP has played a role in LEO Pharma's value proposition, with employees wanting a better understanding of the company's long-term strategy. This was recognized when Leo Pharma were named joint winner in the Best Plan Effectiveness (under 10,000 employees) category at the 2023 GEO Awards.

What **next**?

LEO Pharma's companywide ESPP is the first step in their journey towards IPO. With a resoundingly successful implementation, LEO Pharma has been able to align their goals across the company, with each individual participant having a more profound stake in working collectively to achieve its objective of going public.

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