

Managing Equity Compensation in a Complex Global Corporate Spinoff

Overview

A large, U.S.-based multinational company undergoing a complex, transformative reorganization and spin-off relied on Covington to lead the strategic redesign of its global equity compensation plans to more effectively deliver meaningful compensation to executives and employees in over 50 countries.

Project Challenges

Our client, a large Fortune 500 company, was undergoing a complex transaction involving mergers, reorganizations, and spin-offs.

The company needed help deciding how to manage legacy equity awards from a sister company and its own outstanding equity awards, and with designing a new global equity compensation plan suitable for the company's post-transaction business strategy and future business goals.

The company's worldwide footprint added to the complexity, because the approach taken needed to satisfy local requirements without causing adverse consequences for employees.

50+ Countries

Strategy

A lean Covington team of global executive compensation and employee benefits lawyers, combined with assistance from Covington global employment, securities, data privacy, and tax lawyers, worked closely with the company to create an integrated strategy that prevented traditional compliance hotspots from becoming problems.

Is Your Company Facing Similar Issues?

- Are you a multinational company contemplating or undergoing a transformative business transaction?
- Are you a domestic U.S. company acquiring an overseas business?
- Are you a non-U.S. headquartered company acquiring a business with a substantial presence in the United States?
- Are you considering spinning off a multinational business?

Strategy (Continued)

Our experienced equity team played a key role in orchestrating the company’s approach to handling its inbound and outbound employees, and in designing and enhancing the company’s new global equity compensation plan. This work involved direct coordination with the key stakeholders at the company who have a hand in successfully administering the company’s equity plans, including representatives from:

- human resources
- the legal department
- the corporate secretary’s office
- executive compensation design and strategy
- executive compensation plan administration
- global payroll
- corporate tax
- global mobility
- treasury
- finance
- accounting

Prior to this project, many of these internal stakeholders had not had the opportunity to work together across departments as a dedicated group

“Quarterback” Role

Covington coordinated efforts with other outside and local counsel to ensure a practical, integrated approach that would not solve a problem in one area only to create a new problem elsewhere. Over the course of the project, we worked closely with in-house counsel, outside and local counsel, outside consultants, and business-side executives and staff.

The company decided on a multi-pronged approach to converting existing equity awards, which added complexity to the project. Covington advised on the conversion methodology and the implementation plan, serving in a “quarterback” role in coordinating among the various stakeholders and other outside advisors mentioned above.

Securing Post Spin-Off Goals

We also led the effort to redesign and implement the company’s equity compensation offerings for new awards to be granted after the spin-off, to more closely align with the spin-off company’s business and compensation strategies, while maintaining a successful compliance posture in the U.S. and internationally.

Results



Our client successfully completed its reorganization, spin-off, and listing on a major U.S. stock exchange on-time and on-schedule.



Our work and coordination efforts enabled the client to communicate with employees about their equity awards in real-time, and to give employees access to their converted awards immediately after trading restrictions were lifted.



The company, and its employees, were very pleased and satisfied with the smooth rollout of the plans and awards.

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