

INTRODUCTION

Thank you for participating in the NCEO's 2021 ESOP Corporate Governance survey. The survey has 40 questions and should take approximately 25 minutes to complete.

It asks for:

- Board composition, terms, and compensation;
- Trustee characteristics;
- And a few demographics to help in making comparisons with the data.

All of your answers to this questionnaire will be completely confidential.

Contact NCEO Research Director Nancy Wiefek (nwiefek@nceo.org or 510-208-1312) with any questions.

1.

Before we begin, does your company have an ESOP in place currently?

- Yes
 No

2.

Is your company's stock publicly traded?

- Yes
 No

3.

When did your company first establish an ESOP? (Please answer with a 4-digit year)

4.

What percentage of the company's shares are owned by the ESOP?
(Please enter a number between 0 and 100)

5.

Is your company an S or C corporation?

- S corporation
 C corporation

6. Is the company's ESOP leveraged?

- Yes, currently leveraged (has an outstanding ESOP loan)
 No, but was formerly leveraged (ESOP loan paid off)
 No, never leveraged

Board structure, meetings, and director terms

7.

How many of the following individuals are on your board currently?

(The sum of your answers for A through E should equal the total number of directors on your board.)

	Number
A. The CEO (or if you do not have a CEO, the top executive officer)	<input type="text"/>
B. Current employees who are officers of the company other than the CEO	<input type="text"/>
C. Current employees who are not officers of the company	<input type="text"/>
D. Independent directors (directors with no current or past employment with the company or direct financial relationship, other than compensation for director services)	<input type="text"/>
E. Affiliated directors (non-employees with an ownership or business interest in the company, retired employees, or family members of employees, owners, or business partners)	<input type="text"/>
F. Affiliated directors (see above) other than former executives	<input type="text"/>

8.

How many directors fit into the following categories?

	Number of directors
Company founder(s) who sold shares to the ESOP	<input type="text"/>
Other current or past owner(s) (not a founder) who sold shares to the ESOP	<input type="text"/>
Current owner(s) who did not sell shares to the ESOP	<input type="text"/>

9. How are the following board committees composed?

	Audit/ Finance	Compensation/ Personnel	Executive (Board Leadership Team)	Governance
We do not have this committee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Composed solely of outsiders (i.e., independent or non-affiliated)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Composed of both insiders and outsiders, chaired by an insider	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Composed of both insiders and outsiders, chaired by an outsider	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Composed solely of insiders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10.

Which of the following best describes the chair of your board?

- CEO
- Other current executive
- Former executive
- Independent (a director with no current or past employment with the company or direct financial relationship, other than compensation for director services)
- Other (please specify)

11. Who nominates candidates to be elected to the board?

- The Board
- A nominating committee of the board
- The president or CEO
- The shareholders, including the ESOP
- The ESOP participants and/or some employee function

12. Do you currently have any vacancies on your board?

- Yes
- No
- No, because we have a variable number of directors requirement

13. If you have term limits for your board, how long are they?

- We don't have term limits
- One year
- Two years
- Three years
- Four or more years
- Other

14. How important are the following criteria in selecting independent directors?

	The most important	Very important	Somewhat important	Not at all Important
Specific knowledge (marketing, finance, HR, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industry expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other board experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ESOP expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Relationships with key constituents	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other, please specify <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. Does your company have a written policy (board polices or bylaws) on...

	Yes	No
Director performance? (e.g. job description, principles, statement of responsibilities)	<input type="radio"/>	<input type="radio"/>
Removing a director? (e.g. a code of conduct)	<input type="radio"/>	<input type="radio"/>
How it will respond to unsolicited offers?	<input type="radio"/>	<input type="radio"/>

16.

Does the company have a board succession process that you follow when there is a vacancy?

- Yes
 No

17. Which of the following do directors use to evaluate the CEO's job performance? Check all that apply.

- Comparison compensation data
 Input from the executive team
 Input from a group broader than the executive team
 A written self-evaluation by the CEO
 Other

18. How important are the following services in helping your company ensure good governance practices?

	Very important	Somewhat important	N/A, we don't use this service
A financial review by an outside CPA	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Valuation firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ESOP attorney	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk management advisor (e.g. insurance, indemnification)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other, please specify <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Director Compensation

19.

Thinking about 2020, please report on types and amounts you pay your board. Indicate how much you pay your directors, in dollars, for each of the components listed below. If you don't offer that type of compensation, please check not applicable.

Use the present dollar value of any equity awards if you pay part or all of the fee in this form.

	Not applicable (We don't provide that type of pay)	Inside director (current employees)	Independent director (directors with no current or past employment with the company or direct financial relationship, other than compensation for director services)	Affiliated director (non-employees with an ownership or business interest in the company, retired employees, or family members of employees, owners, or business partners)
Retainer (that is, not based on the number of meetings)	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Fee per board meeting	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Fee per interim meeting	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Fee per committee meeting	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Deferred compensation denominated in cash	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Equity-based compensation based on full share value	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Equity-based compensation based on appreciation only	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other <input type="text"/>	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

20. To help us figure the total you paid for meetings, please answer how many of each type you had during 2020.

	Click to write Column 1
	Number of meetings
Full board meeting	<input type="text"/>
Interim board meeting	<input type="text"/>
Committee meeting	<input type="text"/>

21. Going forward, do you plan to make major changes to your board meetings?

- Yes, will no longer have any in person board meetings
- Yes, will have more virtual meetings than before the pandemic
- No, we intend to go back to the general schedule we had before the pandemic

22. Please indicate how much in additional retainer or fees each of the following receive.

	Not applicable (We don't pay additional fees)	Amount
The board chair	<input type="checkbox"/>	<input type="text"/>
Committee chairs	<input type="checkbox"/>	<input type="text"/>

23.

If your directors receive equity-based compensation, what is the vesting term in years?

24.

Do directors at your company have an ownership interest in the company? (Check all that apply.)

- No
- Yes, some or all have founding shares
- Yes, some or all have purchased shares
- Yes, some or all have been given shares
- Yes, some or all have received shares through the ESOP
- Yes, some or all have received shares through other employment-based programs
- Yes, some or all have received shares or synthetic equity as directors through stock-based compensation

Trustee Information

25.

Please choose which of the following best describes your current ESOP trustee. Then check any types you have had in the last five years. (Please answer regarding the trustee for normal operations. Later questions ask about your use of a different trustee to evaluate specific transactions.)

	Current ESOP trustee type (choose one)	Had this type sometime in the last five years (check all that apply)
An institutional trustee only	<input type="checkbox"/>	<input type="checkbox"/>
An individual who is not an employee	<input type="checkbox"/>	<input type="checkbox"/>
An individual who is an employee	<input type="checkbox"/>	<input type="checkbox"/>
A committee composed only of employees	<input type="checkbox"/>	<input type="checkbox"/>
A committee composed only of non-- employees	<input type="checkbox"/>	<input type="checkbox"/>
A committee composed of employees and non-employees	<input type="checkbox"/>	<input type="checkbox"/>

26.

If you have an inside trustee or a trustee committee, what other roles at the company does the trustee (or any member of the trustee committee) fill? (Check all that apply)

- CEO
- Director
- CFO
- Top HR position
- Seller
- Current shareholder
- Board chair
- Consultant

27. If you have a trustee committee, how many people on the committee are...

	Number
Currently employees of the company, who are management	<input type="text"/>
Currently employees of the company, who are not management	<input type="text"/>
Not currently employees	<input type="text"/>

28.

Is your trustee...?

- Not directed on any issues
- Directed on ALL issues
- Directed on all issues EXCEPT for the valuation determination
- Directed except for other specific issues, please specify

30.

If you do not currently have an outside, discretionary trustee, how likely is it that the company would hire one for a specific future transaction, in the event that the transaction requires a trustee decision? (e.g. purchase of stock, sale of company, plan termination)

- Very unlikely
- Somewhat unlikely
- Somewhat likely
- Very likely
- Not applicable

31.

If you have an outside trustee, how much did you pay the trustee in the most recently completed fiscal year?

32.

Did you have an ESOP transaction in the most recently completed fiscal year?

- Yes
- No

33. Did you use an outside trustee for that transaction or any prior ESOP transactions?

- Yes
- No

34.

Is your ESOP trustee someone who was a majority stockholder of the company at some point?

- Yes
- No

35.

What voting rights does your ESOP provide to participants?

- Pass-through voting rights for all shareholder actions
- Voting rights beyond what is required by law, but not full pass-through voting rights
- Just what is required by law (merger, sale of substantially all assets, acquisition, liquidation, reclassification, etc.)

. Your company and COVID

36. What is the most important COVID-induced change to your operations that you will retain after the pandemic, if any?

37.

In general, would you describe your financial outlook for your business over the next 12 months as:

- More optimistic than pessimistic
- More pessimistic than optimistic

Demographics

38.

Which of the below best describes your industry?

- Construction
- Manufacturing
- Wholesale trade
- Retail trade
- Finance, insurance, real estate
- Engineering or architecture
- All other professional, scientific and technical services
- Health care and social assistance
- Information, technology (computers, biotechnology, software)
- Other (please specify)

39.

How many total full-time and part-time employees does your company have?

40. Where is your company's headquarters?

State

Postal Code

41. Please choose a category below for the dollar value of your company's revenues in the most recently completed fiscal year.

- Up to \$10 million
- \$10 million to \$50 million
- \$51 million to \$100 million
- \$101 million to \$200 million
- \$201 million to \$500 million
- \$501 million or more

42.

If you would like to receive a discount on the survey results, please provide your contact information below. No identifying information will appear in the published survey results and your answers will not be associated with your company in any way.

Company

Email address

Name

43.

Thank you for your participation!

If you have any comments, additions or clarifications, please enter them here.

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