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SANTA CLARA UNIVERSITY • CERTIFIED EQUITY PROFESSIONAL INSTITUTE • SILICON VALLEY CHAPTER-NASPP



## Robotic Pitchers?? Automation in an Increasingly Complex World



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# Agenda

- Introduction
- Trends
- Concepts
- Tips and Tricks



# Introduction



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# ServiceSource International, Inc.

ServiceSource (SREV) is a global partner for customer engagement, expansion and renewal for the revenue life cycle. ServiceSource utilizes predictive analytics to identify opportunities to maximize customer lifetime value. Proactively drives customer engagement and decreases churn with unique insight for our clients existing customer base and channel.

- 3,400 Global Employees with approx. 1,000 active equity participants, representing approx. 2,300 grants and under 400 ESPP participants
- Granting equity in 9 Countries (United States, Canada, Ireland, United Kingdom, Malaysia, Singapore, Japan, Philippines, Bulgaria)
- ESPP offered in 6 countries(US, CAN, IRL, UK, MYS, SGP)
- Implementation process began in Dec. 2016, with a go live date in April 2017



# The Gap, Inc.

The Gap, Inc. (NYSE: GPS) is a global retailer of clothing and accessories that started in 1969 in San Francisco, CA. Over the past 46 years the Company has grown from a single store to a global fashion business with five brands – Gap, Banana Republic, Old Navy, Athleta and Intermix. Gap's clothes are available in 90 countries worldwide through 3,300 company-operated stores and almost 400 franchise stores.

- ~1,400 active equity participants, representing ~4,900 grants
- ~5,500 ESPP participants
- Granting equity in 13 countries (Canada, China, France, Hong Kong, India, Japan, Korea, Mexico, Singapore, Turkey, United Kingdom, United States and Vietnam)



# Trends



# Platform Conversions

- **Company growth and scaling processes**
  - ServiceSource integrating Workday HCM & Payroll and Equity Edge Online® (EEO)
- **Emergence of new platforms**
- **Platform consolidation**





# M&A

- Accelerated Vestings/ESPP Purchase - DTC Chill
- Integrating populations of acquired/merged company
- Dependency on legacy systems
- Required links to previously affiliated entities



# Mobility & Taxation

- Continued need for addressing mobile populations in general
- Deeper focus from organizations on all types of mobile populations
- New systems, platforms, and services available
- New functionality on existing systems



# Mobility & Taxation

## ServiceSource:

- **Small mobile population**

- Currently processed manually
- Employees on assignment can have multiple country tax jurisdictions for withholding tax. Tax calculated manually via spreadsheet.

- **Taxation**

- Upon option exercise and RSU release, taxable gain from administrative system (taxable income export) to calculate actual tax in Workday Payroll then loaded back to administrative system for settlement.
- Looking to reverse current process so administrative system calculates tax and information is loaded into Workday payroll.



# Mobility & Taxation

## The Gap, Inc.:

- **Global and Domestic population**

- Tax splits are calculated manually using an Excel spreadsheet
- Includes interstate business travelers and interstate and international transfers

- **Taxation**

- YTD income and tax balances are fed into administrative system nightly via an automated process; no need to confirm balances with Payroll
- Administrative system is updated manually at grant level to reflect multi-state or multi-country tax jurisdictions
- Working with outside firm to provide blended state rates to feed into administrative system; implementation expected in mid-2017



# 2 Day Trade Settlement

- **Change of timing for securities settlement**
- **Increased desire for speed, efficiency, and control**
- **DWAC Delivery**
- **Block Delivery?**
  - Recon challenges

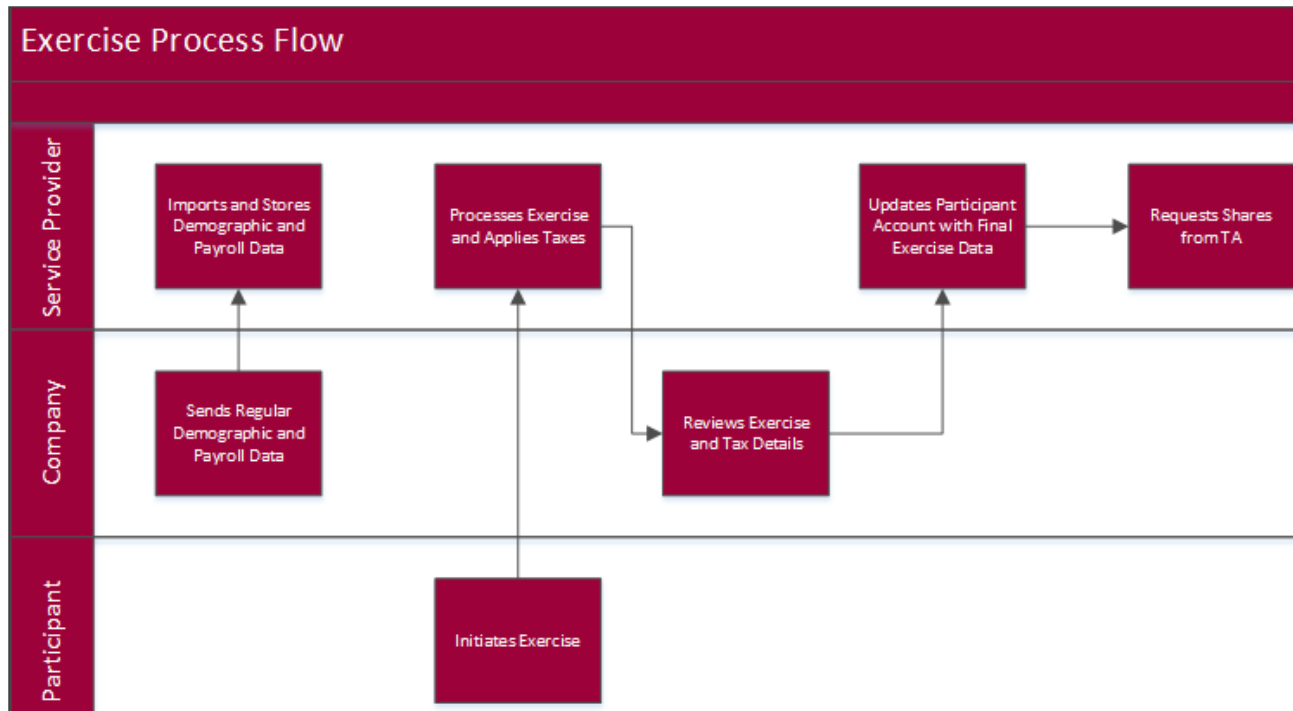


# Concepts



# Process Flows

- Review the business process end to end to assess impact of integration to process, technology, people, and customers
- Develop visual flow diagrams and review with business users and technology partners



# Function

- Demographic linkages
- Payroll exchanges
- Tax services
- Financial reporting integration
- Participant Portal
- Transfer Agent Interaction
  - Recon Cap Table





# New Data Requirements & Restrictions

- Vendor data usage changes
- Cross border movement & storage
- Data masking
- Company specific data points
- Integration analysis and data mapping



# Data Protection Options

- **Encryption**

- PGP
- SFTP

- **Access control**

- Row level security

- **Applications**

- Access review/audit



# Technology Options

- **New platforms**
  - Newly available
  - Consolidated platforms
  - Home grown data warehouse
- **New functionality on existing platforms**
- **File converters and custom feeds**
  - Bi-directional
- **File movement utilities**
  - Push/pull SFTP site



# Additional Partners

- Subject matter experts/business users
- Third party platform consultants
- Payroll providers
- Internal business groups
- Technology
- Project management



# Testing

- **Test plan/use cases**
  - End to end testing
- **System testing**
- **User acceptance testing**
- **Run parallel**



# Tips and Tricks



# Automation Project Checklist

- ✓ Identify all parties involved and/or affected
- ✓ Cross-functional kick-off meeting
- ✓ Define effective date and (if applicable) confirm outside vendor ability to deliver by effective date
- ✓ Develop timeline, steps, and responsibilities
- ✓ Scope / timing of testing – minimum of 2 tests with various scenarios
- ✓ Stay on track!



# Challenges to Consider

## ● ServiceSource

- Source data complexity (YTD supplemental earnings and taxes in multiple data fields and payroll reports)
- Timing of terminations and re-hires
- Inclusion or exclusion of all employees vs. only those with equity when importing data to equity administration system

## ● The Gap, Inc.

- How current automation interfaces with proposed automation
- Import errors
- Tax breakdown on release and exercise confirmations (mobile employees)
- Participant experience / resources (mobile employees)
- Timing of data calculations received from outside firm (mobile employees)
- Feeding blended rate on taxable export into PeopleSoft (state mobility)





# Project Management

- **ServiceSource**

- Internal time and staffing constraints
- Enlist vendor to assist and include applicable other stakeholders within the Company to keep everyone on task (IT, HR-Ops, Payroll, etc.)

- **The Gap, Inc.**

- Ensure roles and responsibilities are clear
- Realistic implementation date
- Weekly meetings



# Q & A



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