

*IRF Signature Study*

# IRF Market Survey: Regulatory Environment

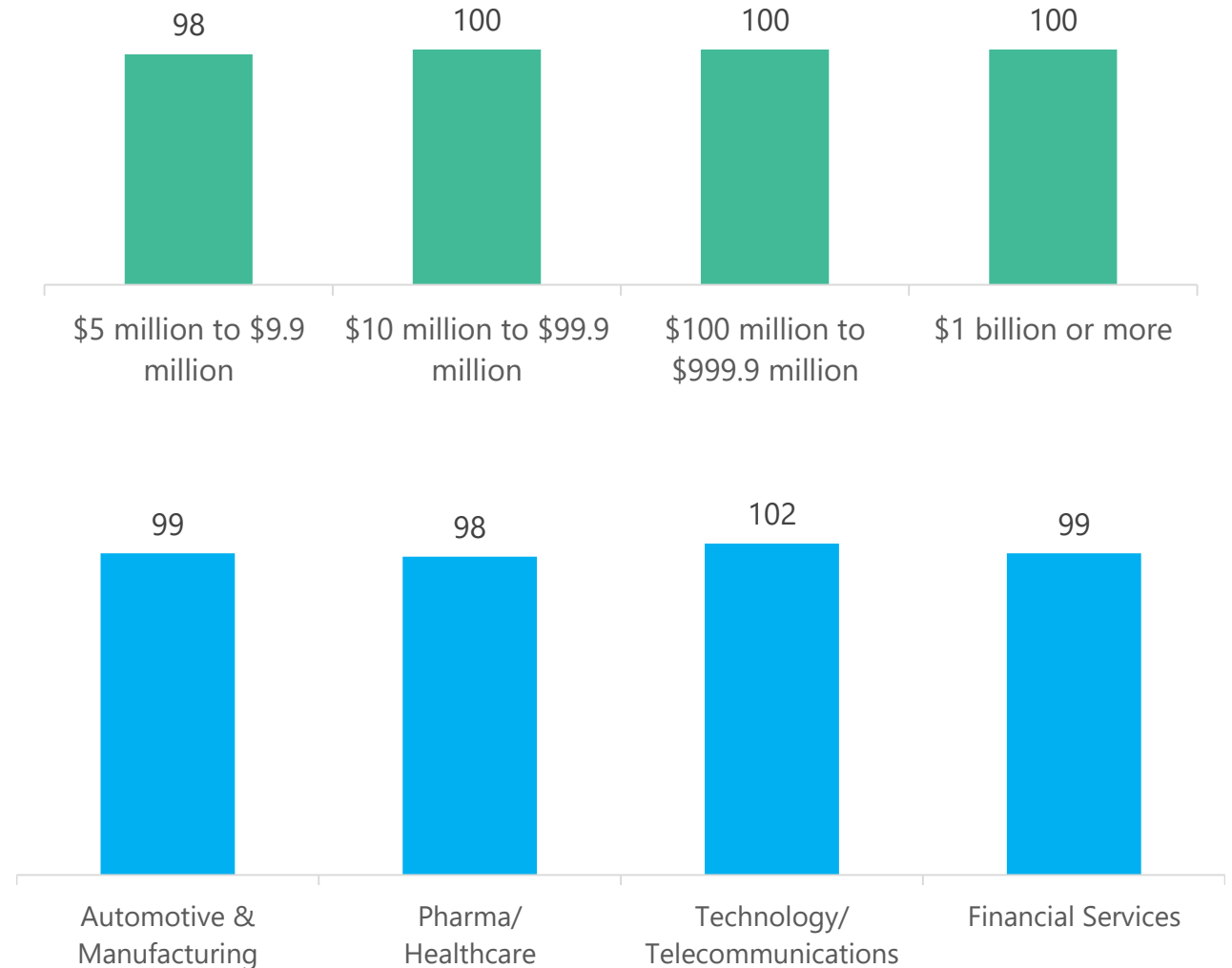
Regulatory Adaptations for Non-cash Recognition & Rewards Among Firms  
in the Pharmaceutical / Healthcare, Manufacturing / Automotive, Financial Services,  
and Technology / Telecommunications Sectors

2019



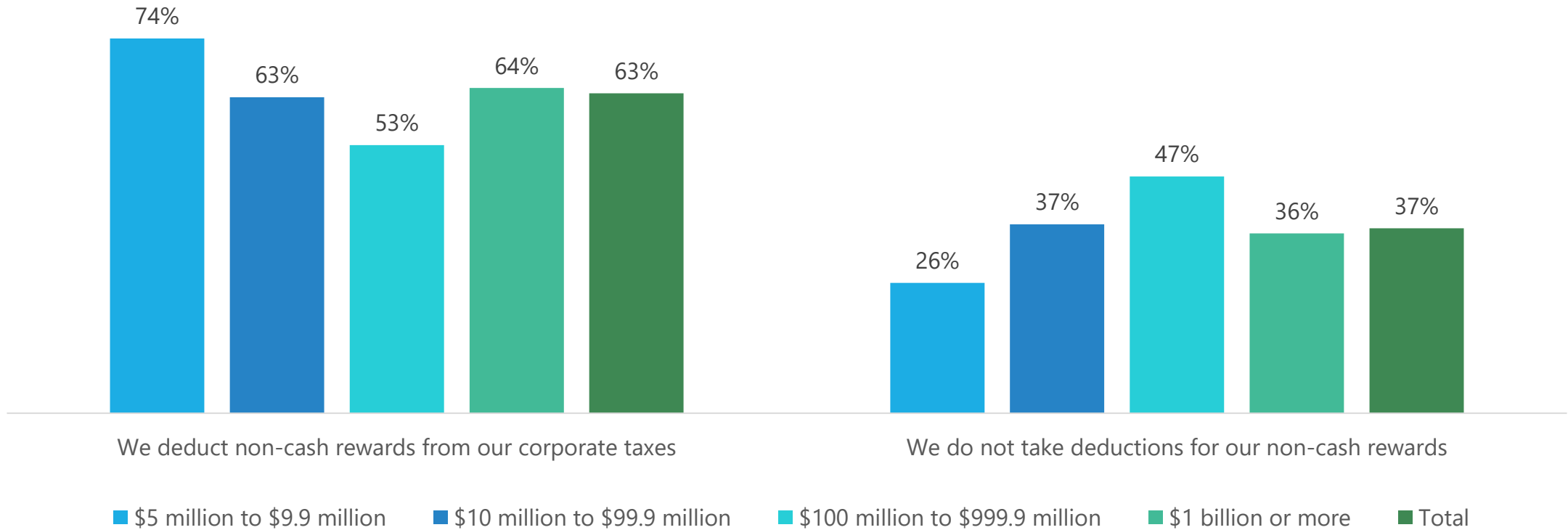
# Respondents

- 398 Respondents total
- Cross-section of US businesses with \$5M or more in revenue (balanced)
- Decision-makers for non-cash rewards programs
- Four business sectors



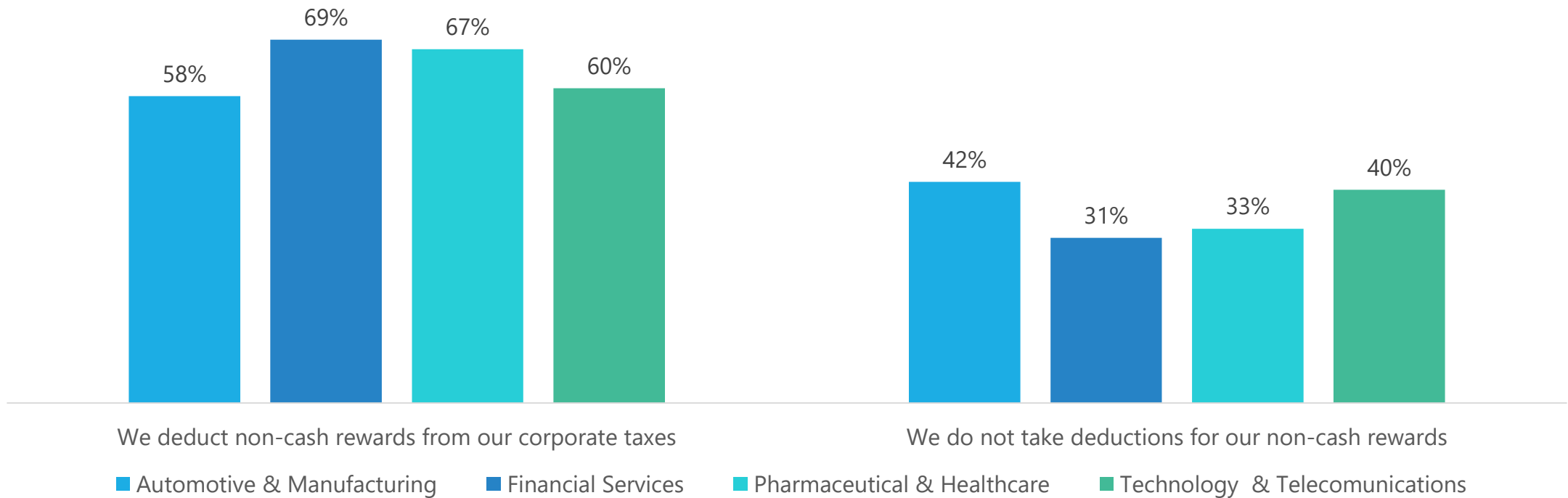
# Leveraging Tax Breaks for Employee Rewards

# Treatment of Non-cash Rewards



*Which of the following applies to how your organization treats non-cash rewards from a corporate taxation perspective?*

# Treatment of Non-cash Rewards



*Which of the following applies to how your organization treats non-cash rewards from a corporate taxation perspective?*

# Taxation of Employees for Non-cash Rewards



*Which of the following best describes how your organization handles taxation of employees for non-cash rewards they earn at work?*

# Taxation of Employees for Non-cash Rewards



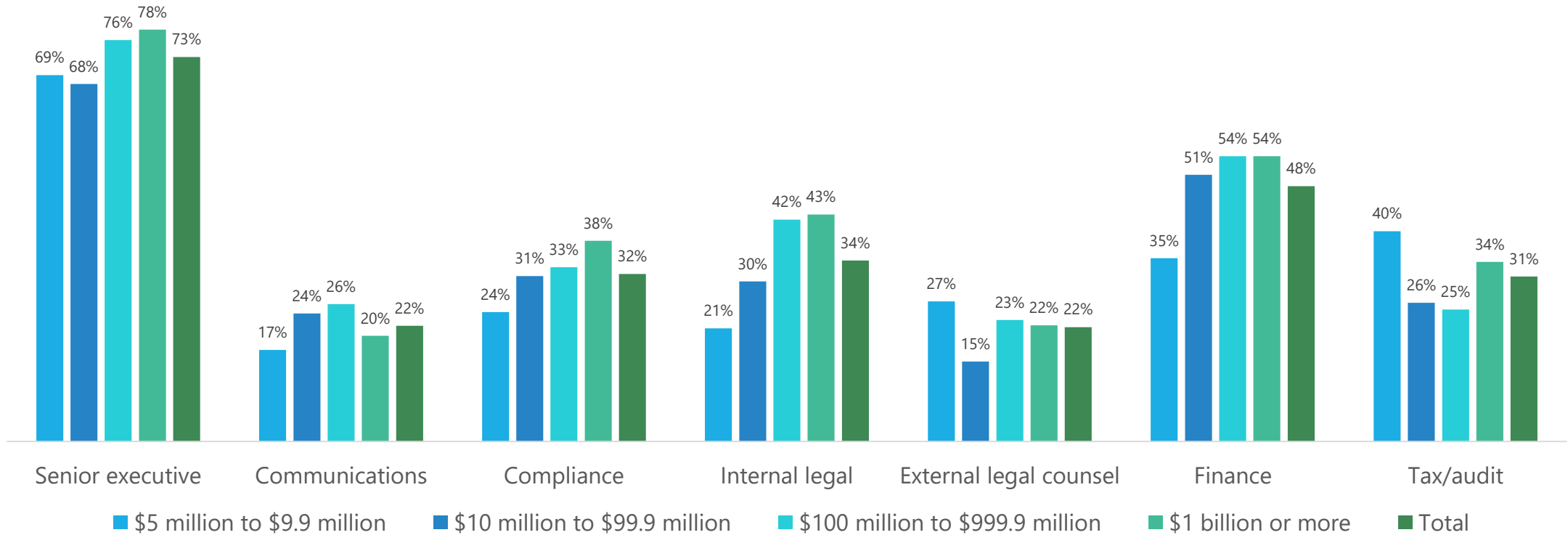
*Which of the following best describes how your organization handles taxation of employees for non-cash rewards they earn at work?*

# Ensuring Tax & Regulatory Compliance

Review & Approval of Program Changes

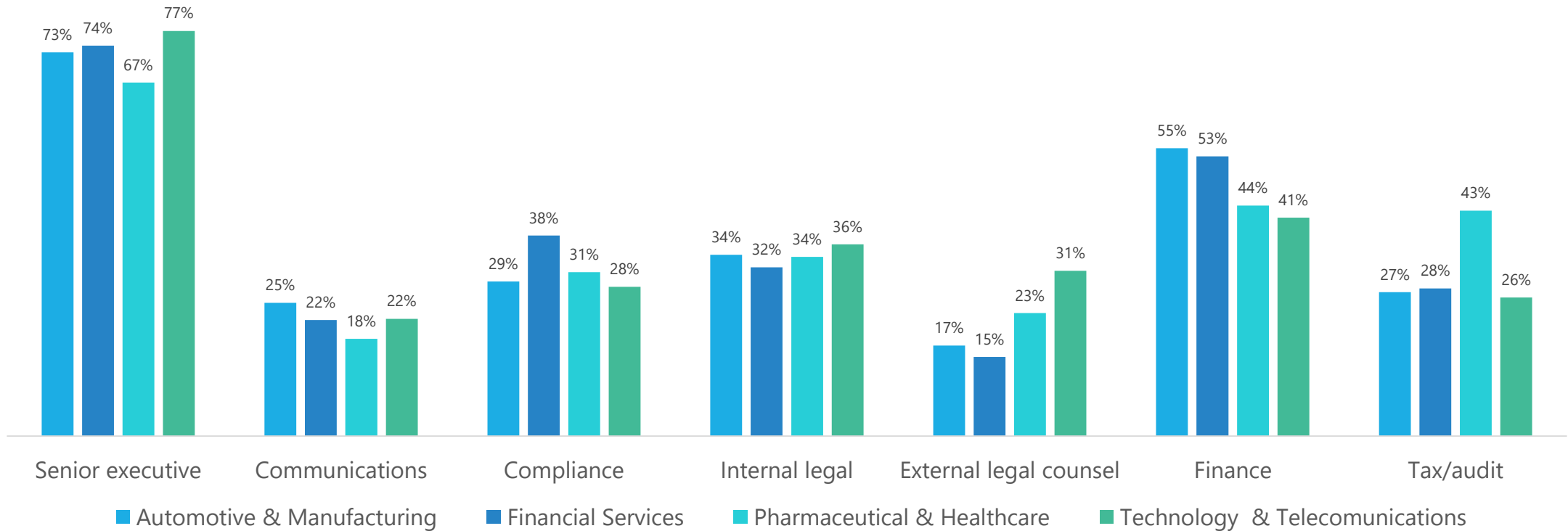


# Review & Approval of Program Changes



*Which groups must review and approve changes to your non-cash rewards/programs prior to implementation?*

# Review & Approval of Program Changes

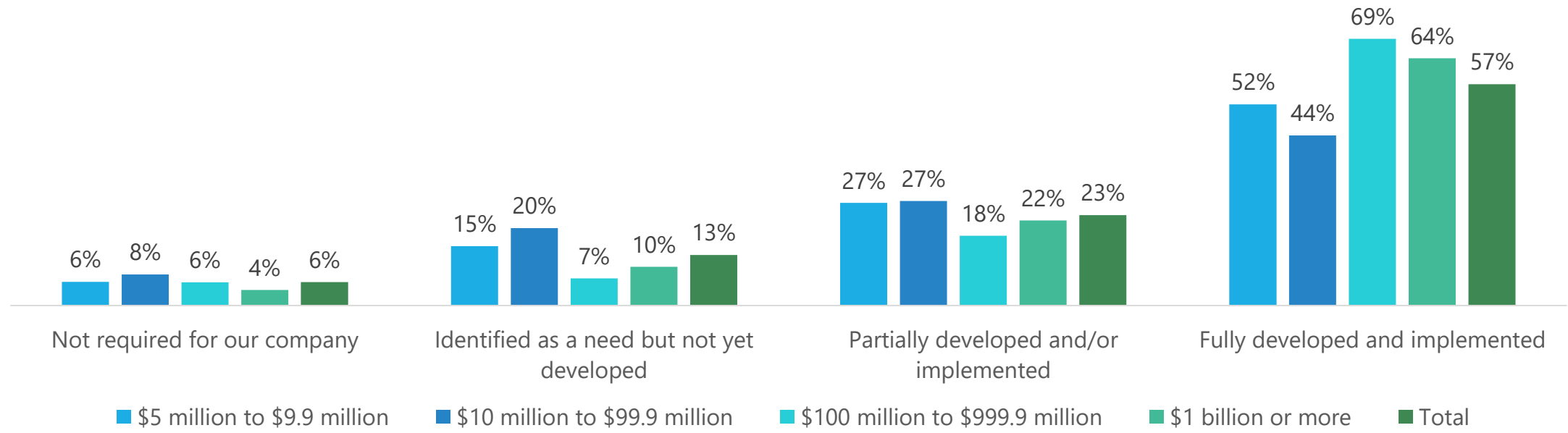


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# Program Oversight Mechanisms

## Explicit Policy

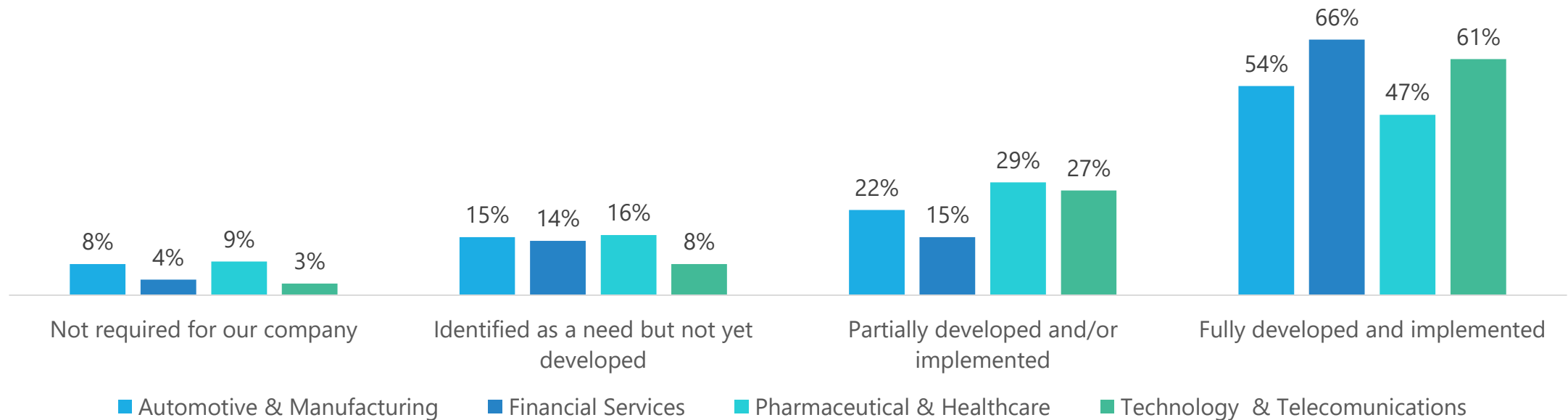
An explicit, documented policy to guide design, approval, and execution of non-cash reward programs



# Program Oversight Mechanisms

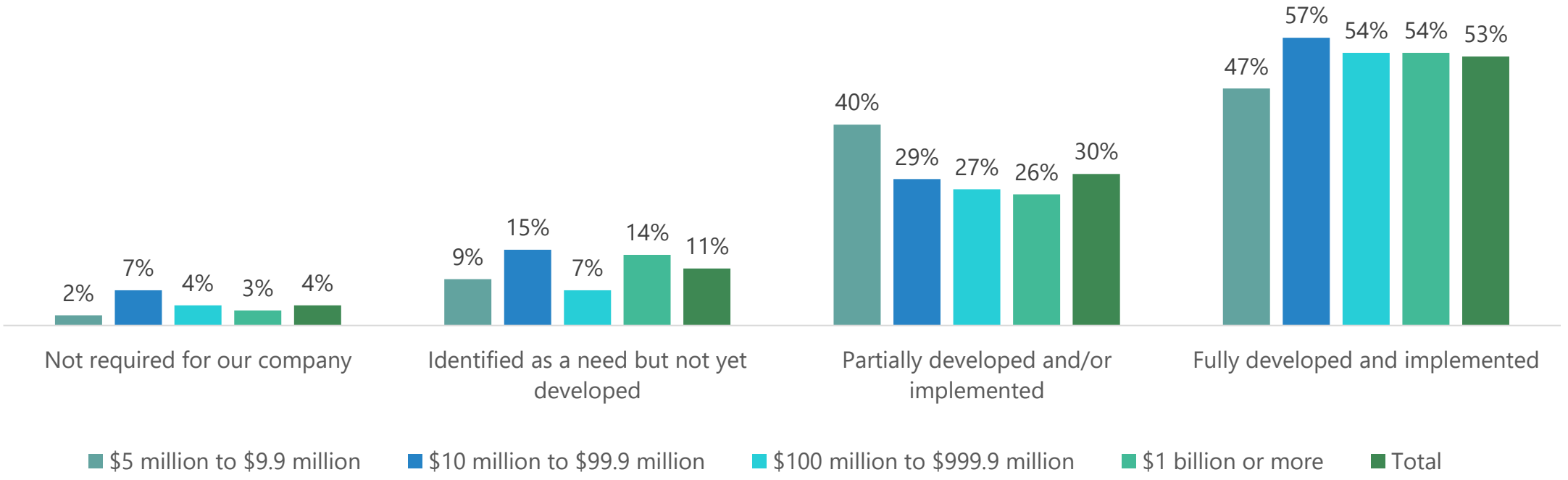
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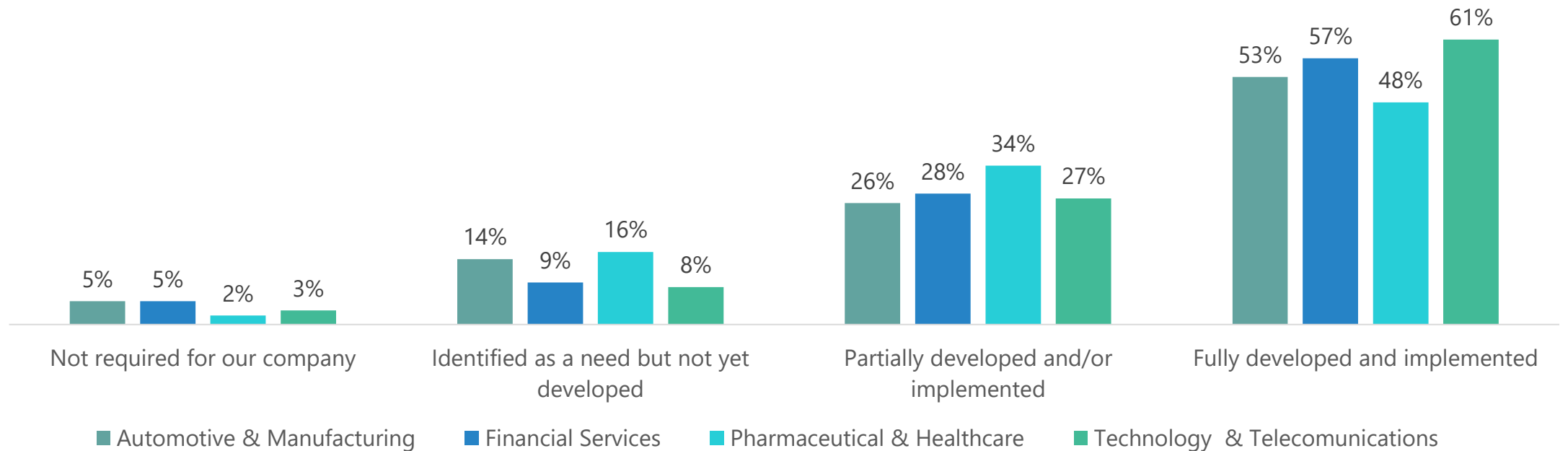
# Program Oversight Mechanisms Stakeholders Identified

Clearly identified stakeholders for review and approval of non-cash reward programs



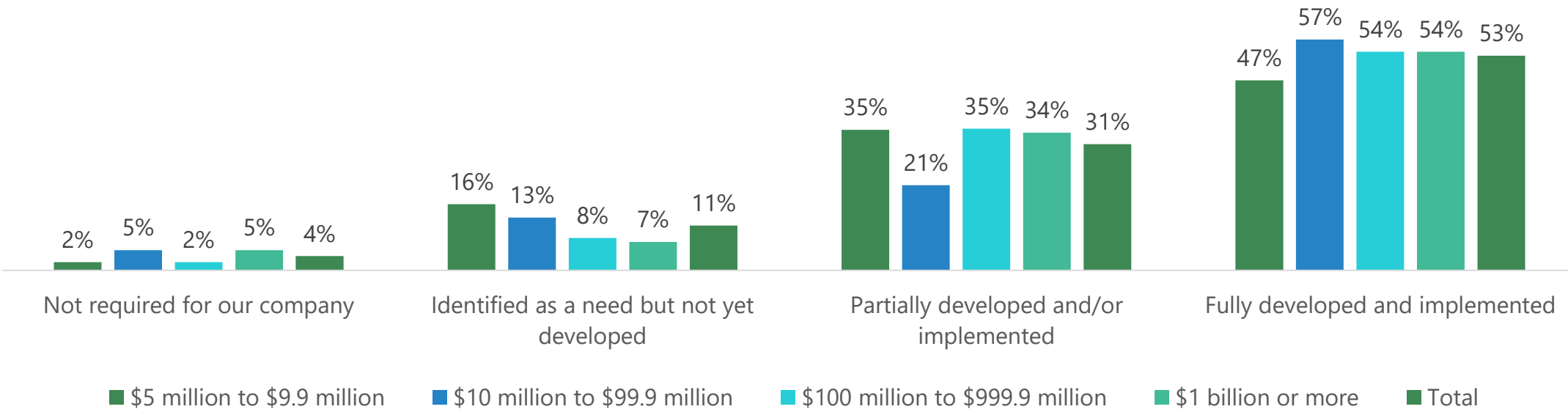
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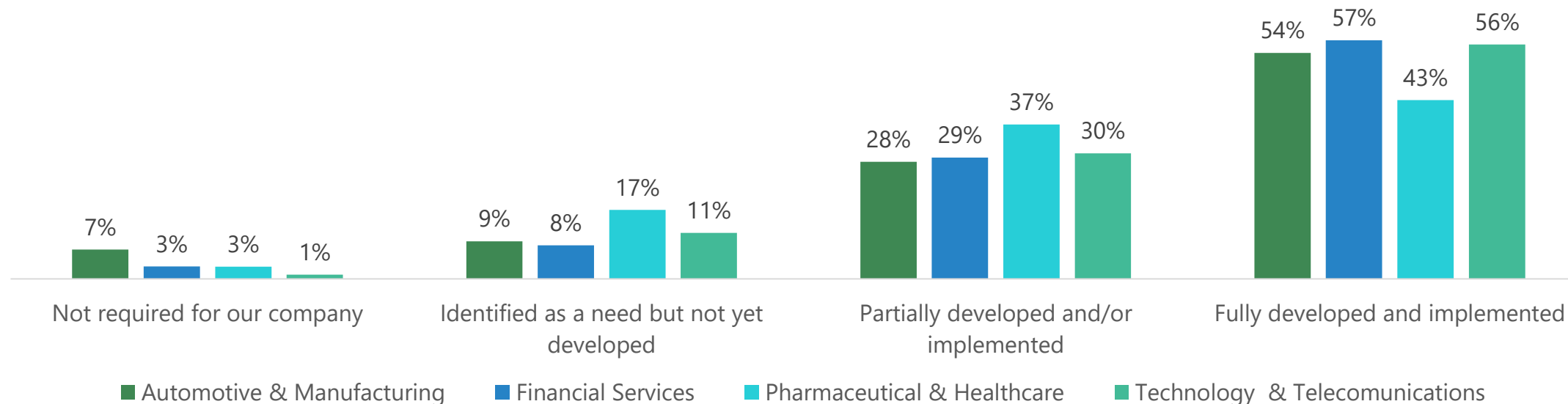
# Program Oversight Mechanisms Change Review

Formal review of any material changes in program design by compliance, legal, or audit team



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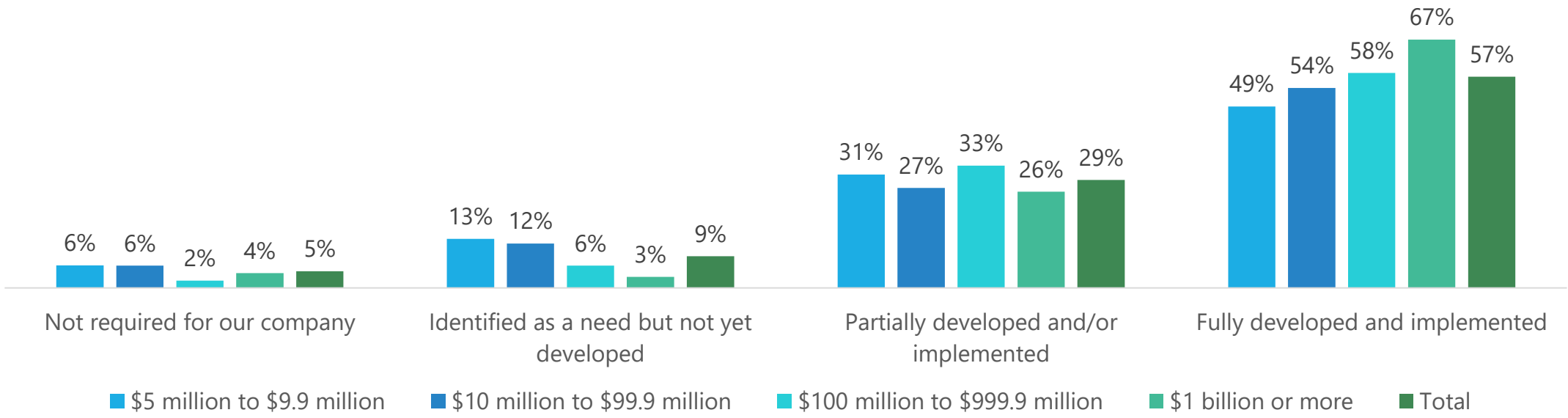




# Program Oversight Mechanisms

## Regular Reviews

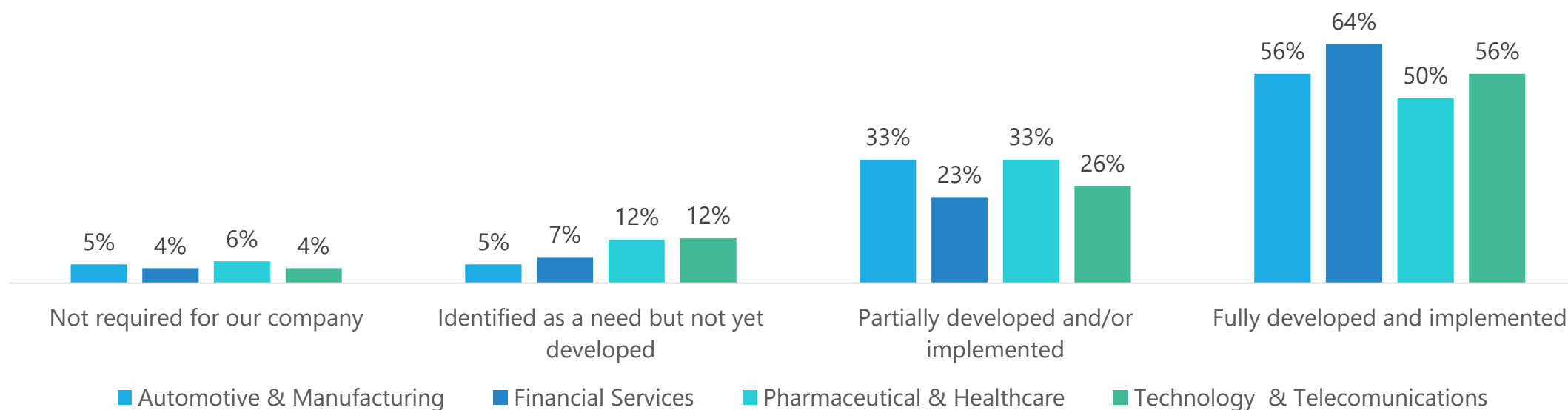
Regular reviews (annual or otherwise) by compliance, legal, or audit team



# Program Oversight Mechanisms

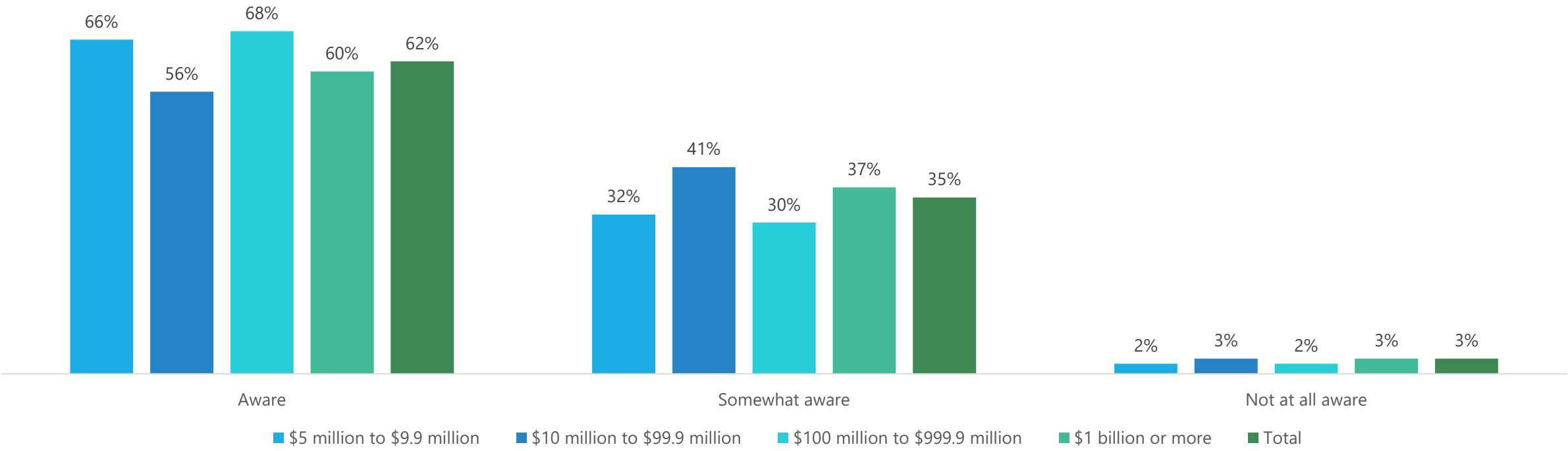
## Regular Reviews

Regular reviews (annual or otherwise) by  
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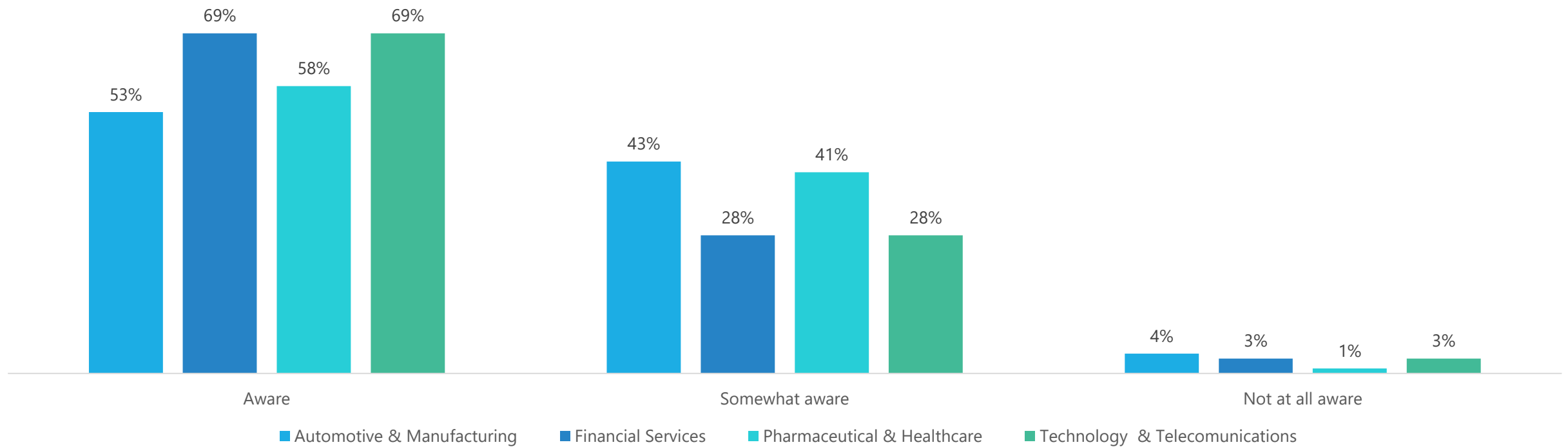
# **General Confidence in Reference to Regulatory & Tax Requirements**

# Awareness of Regulatory & Tax Requirements



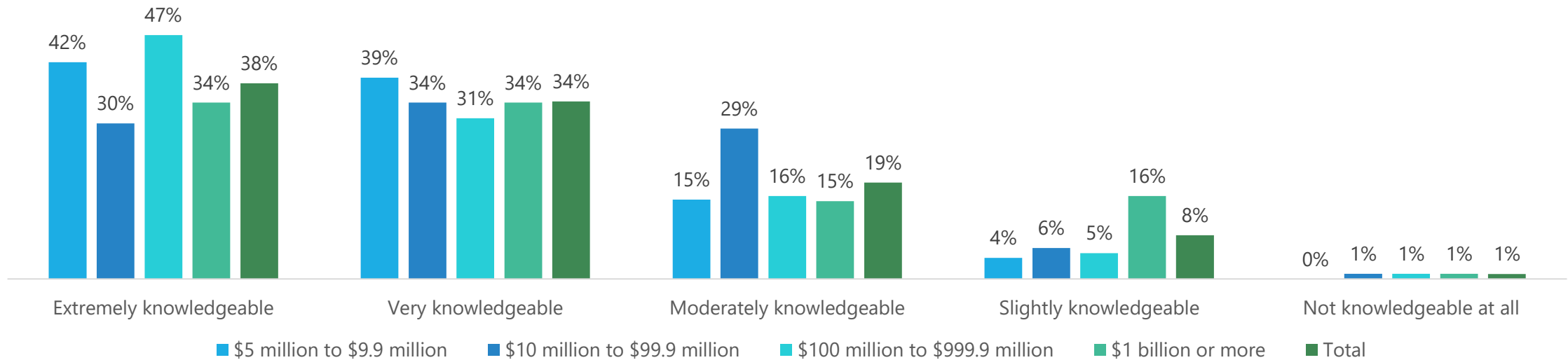
Are you **aware** of the **regulatory and tax codes** that impact the business use of non-cash rewards?

# Awareness of Regulatory & Tax Requirements



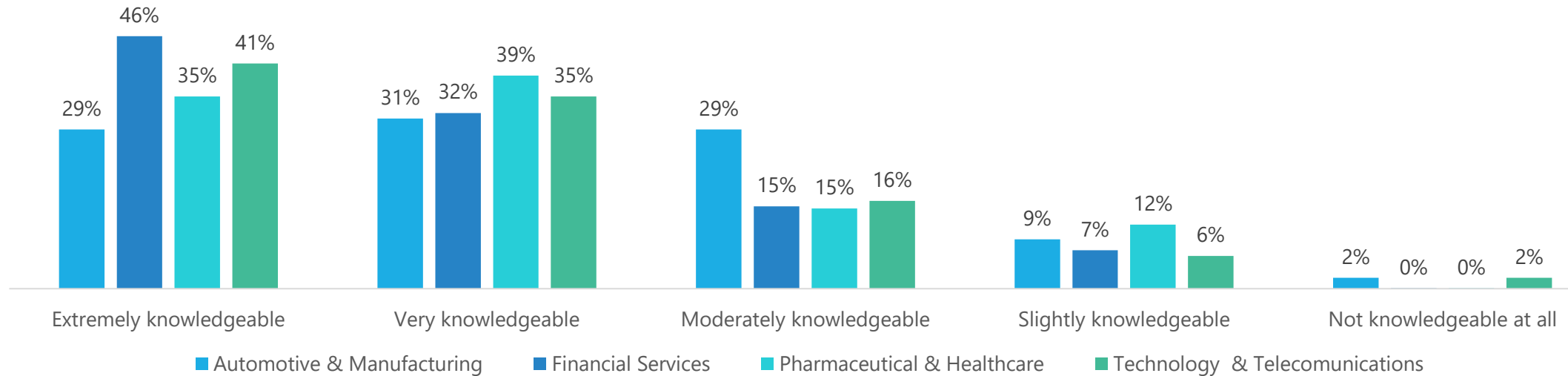
Are you **aware** of the **regulatory and tax codes** that impact the business use of non-cash rewards?

# Knowledgeable Regarding Regulatory & Tax Requirements



How **knowledgeable** are you regarding the **regulatory and tax requirements** that businesses must comply with for their non-cash reward programs?

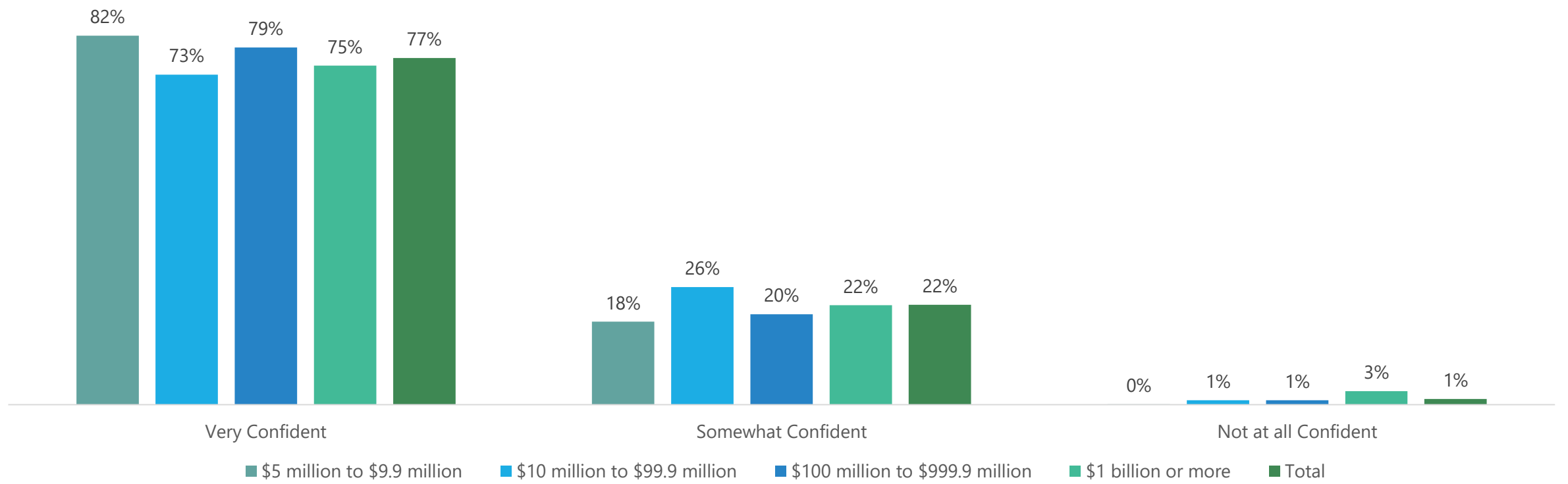
# Knowledgeable Regarding Regulatory & Tax Requirements



How **knowledgeable** are you regarding the **regulatory and tax requirements** that businesses must comply with for their non-cash reward programs?

# Confidence in Identifying Regulatory & Tax Requirements

We have identified all of the relevant regulations and tax requirements that impact our non-cash rewards programs

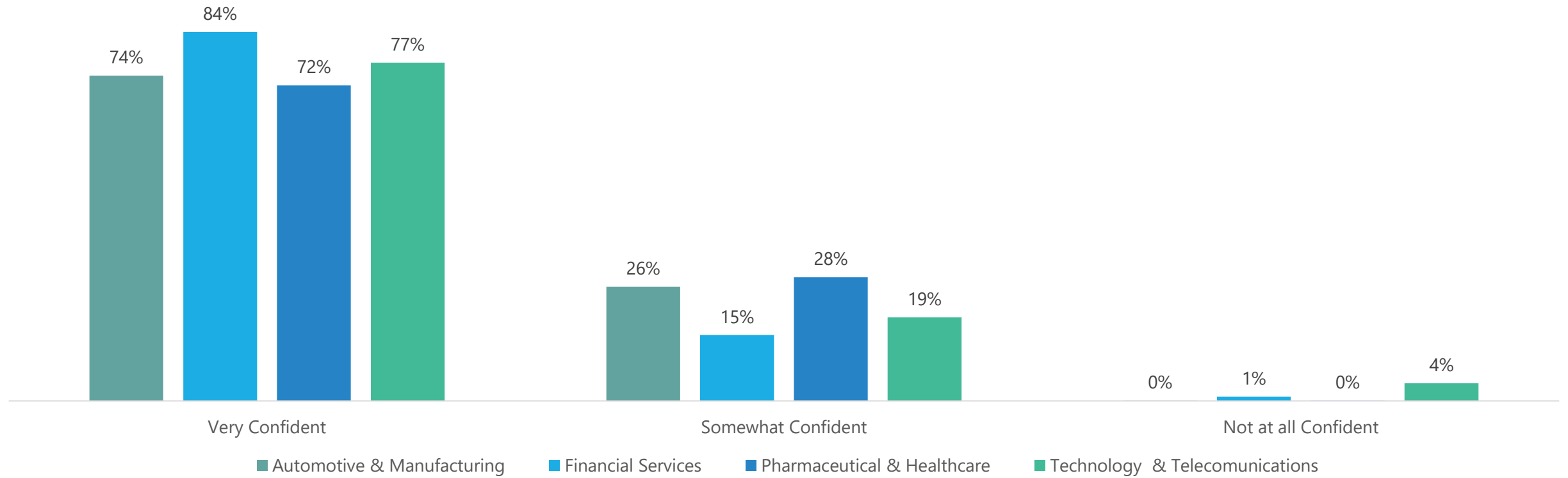


For each item, please indicate which of the options BEST describes your level of confidence.



# Confidence in Identifying Regulatory & Tax Requirements

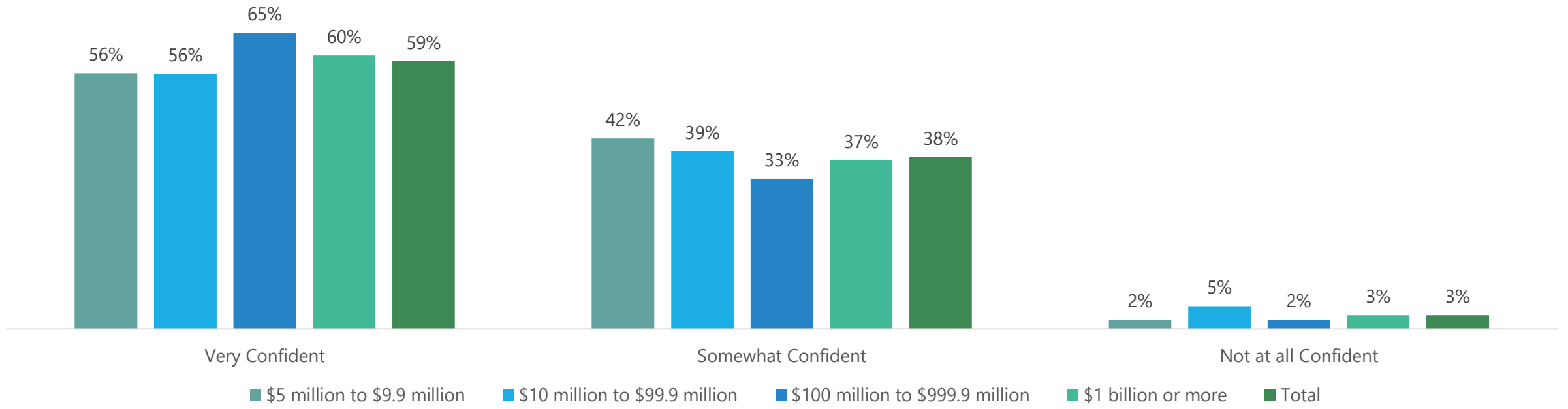
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# Confidence in Understanding Regulatory & Tax Requirements

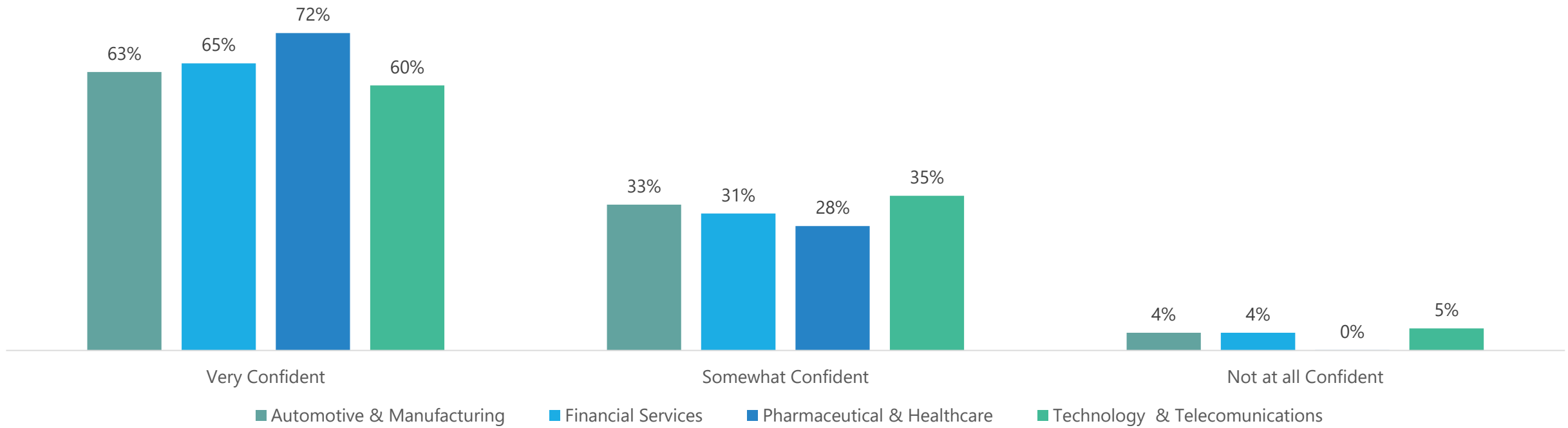
For the regulations we have identified, we understand in detail the implications for our non-cash programs



For each item, please indicate which of the options BEST describes your level of confidence.

# Confidence in Understanding Regulatory & Tax Requirements

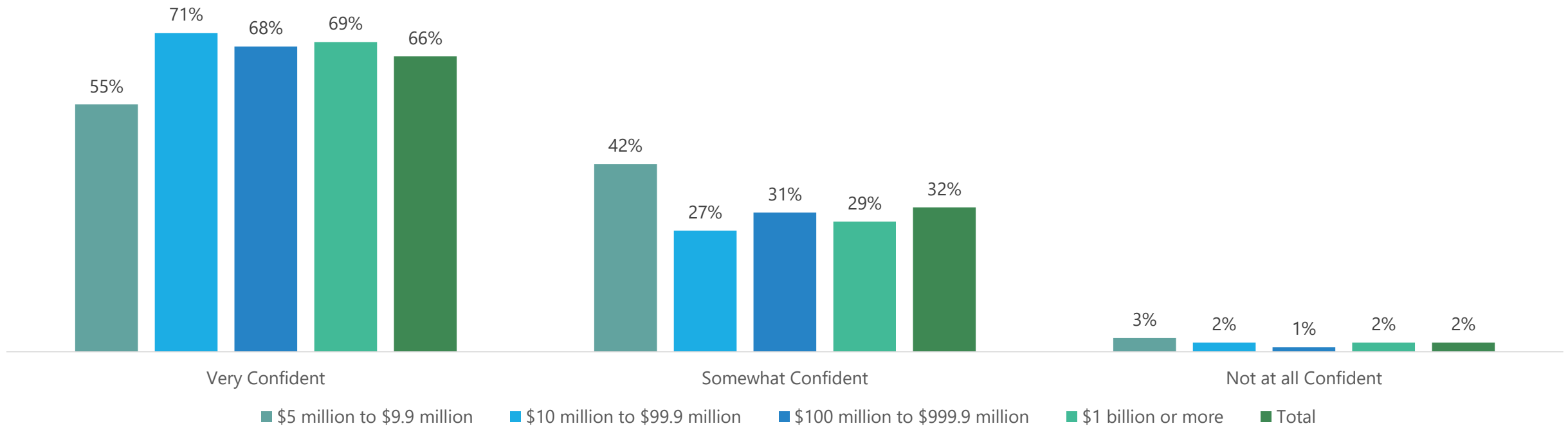
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# Confidence in Understanding Consequences of Regulatory & Tax Requirements

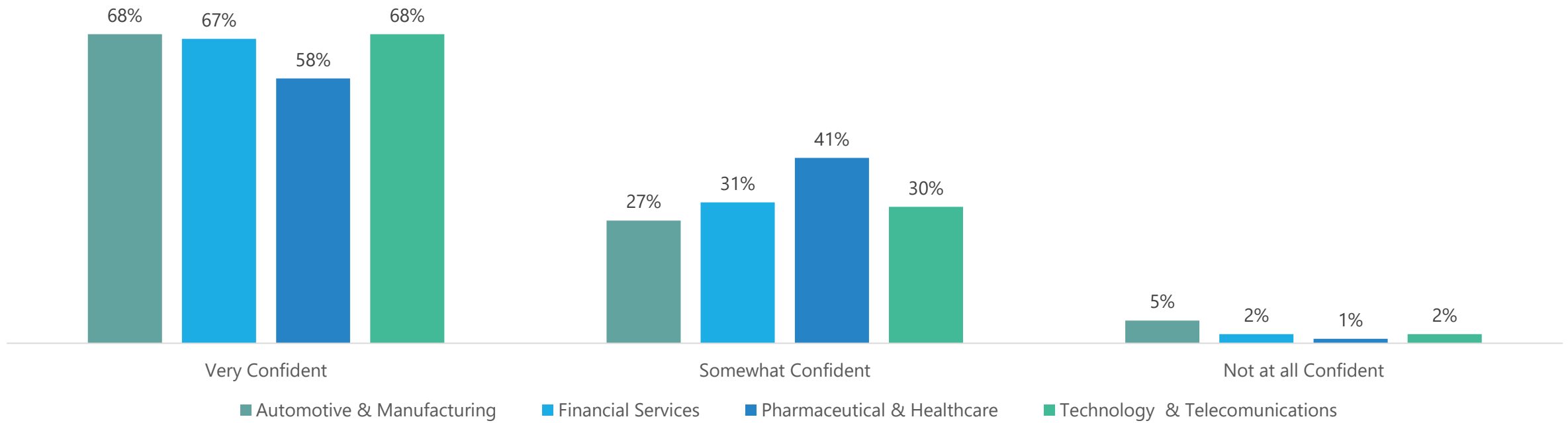
We understand the potential consequences of failing to comply with the regulations that apply to non-cash rewards programs



*For each item, please indicate which of the options BEST describes your level of confidence.*

# Confidence in Understanding Consequences of Regulatory & Tax Requirements

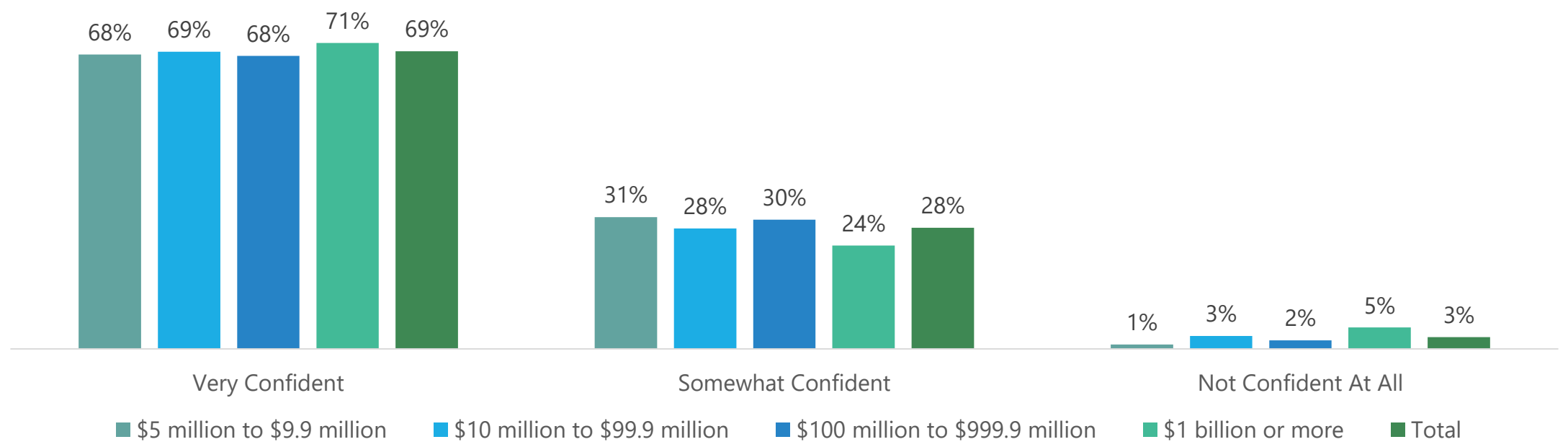
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# Confidence in Ensuring Compliance with Regulatory & Tax Requirements

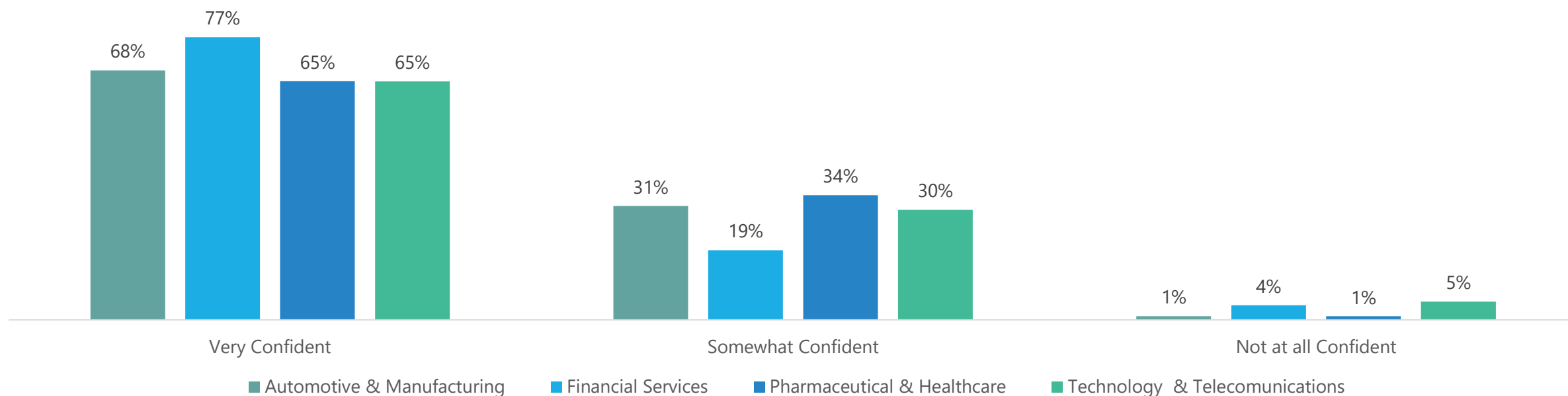
*We have adequate measures in place to ensure we remain compliant with all regulatory and tax requirements pertaining to our non-cash rewards programs*



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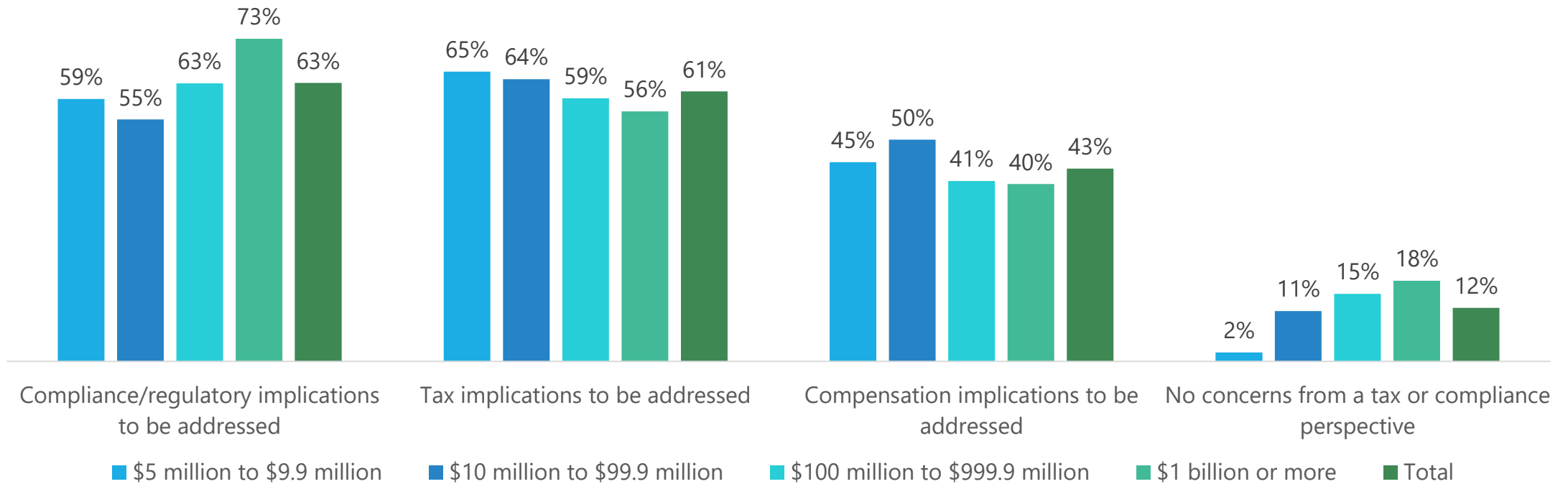
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# **Scenario-Specific Assessment**



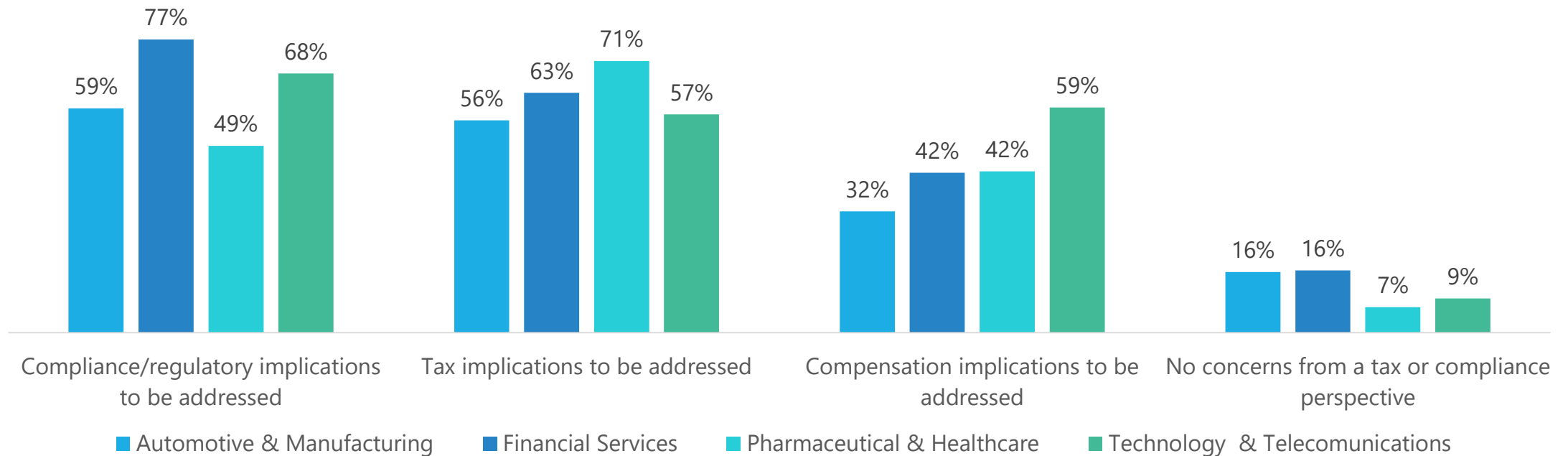
# Safety Incentives Scenario

*Your company operates a safety program - employees earn reward points for participating in safety training courses and for wearing appropriate personal-protection equipment. Executives want to add an opportunity for a end-of-month "jackpot" if there are no safety incidents during that month. In your experience, there are most likely:*



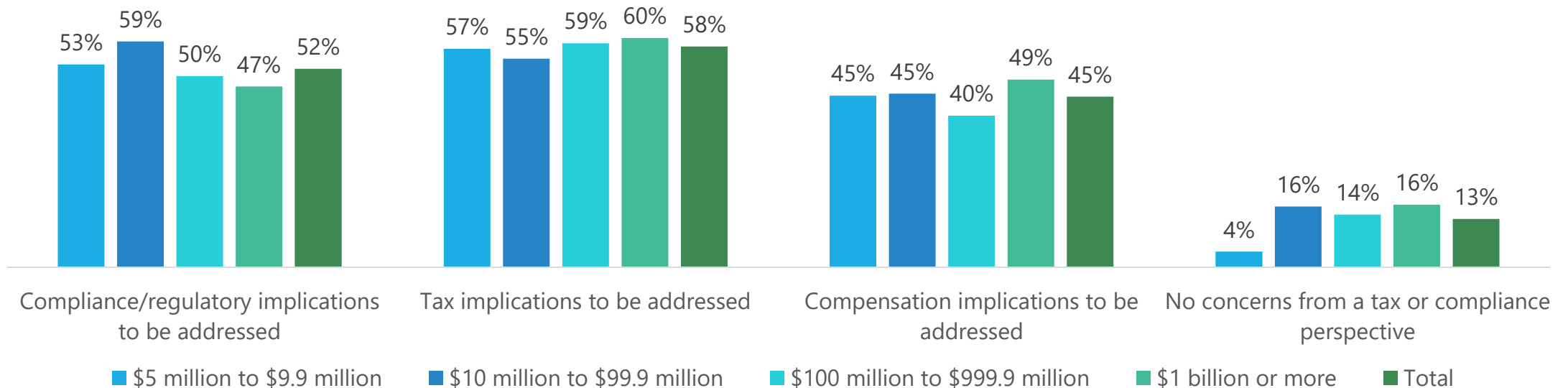
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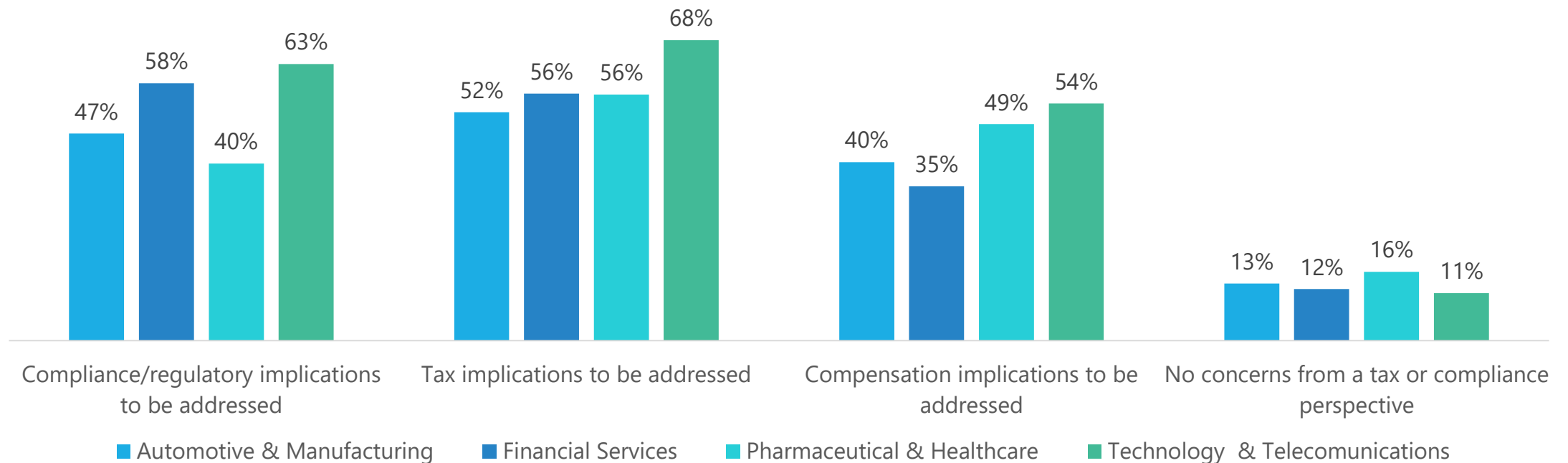
# Safety Program Scenario

*Your company operates a safety program. It's been a great success and the executive team wants to expand the number of employees earning in the program. In 2019, you expect the percent of eligible employees earning safety rewards to increase from 10% to 20%. Average reward value will be slightly reduced from \$200 to \$150 in merchandise. In your experience, there are most likely:*



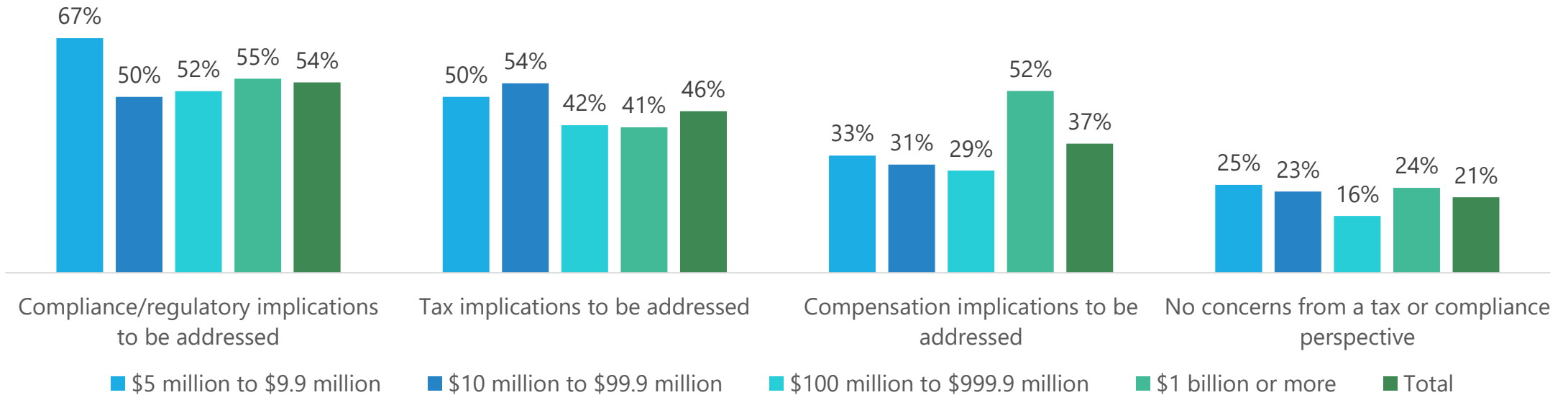
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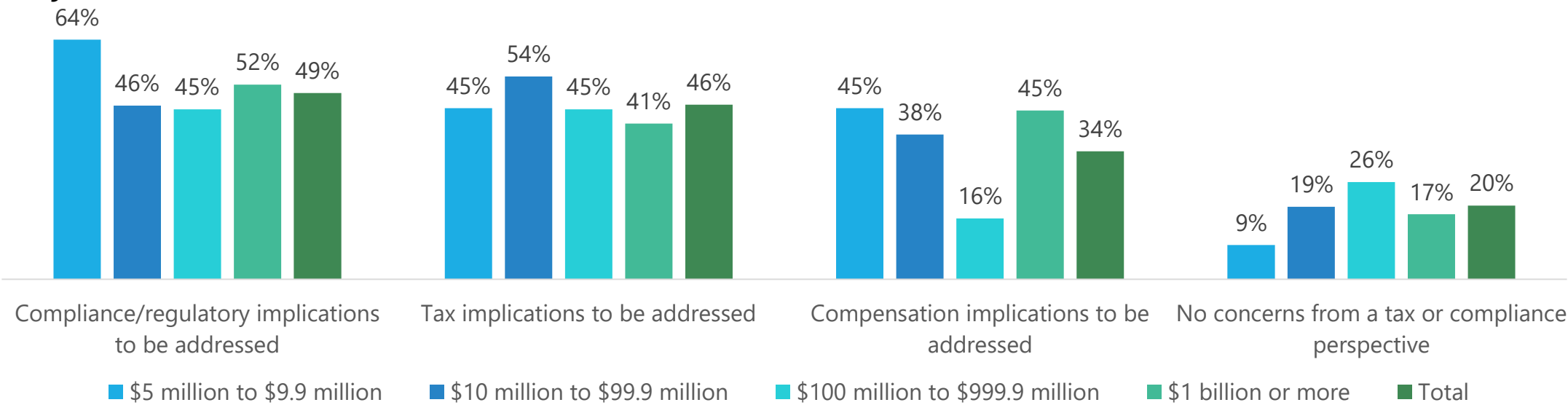
# Financial Services Top Performer Product Sales Scenario

*[Financial Services respondents only]: A company is operating a Top Performer sales incentive, which includes a large group incentive trip. Anticipating the launch of a new retirement investment product, a senior executive requests that the Top Performer qualifiers be updated to encourage advisors to introduce the new product to their clients. In your experience, there are most likely:*



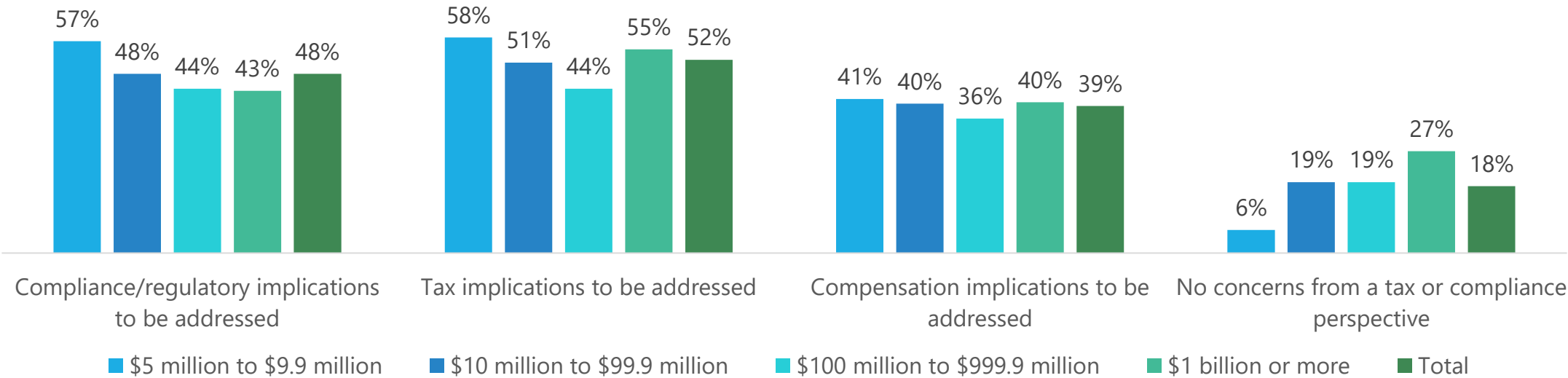
# Financial Services Top Performer Customer Satisfaction Scenario

*[Financial Services respondents only]: A company is operating a Top Performer sales incentive, which includes a large group incentive trip. The CMO wants to add a requirement that a salesperson achieves a minimum customer satisfaction score to qualify for the trip. In your experience, there are most likely:*



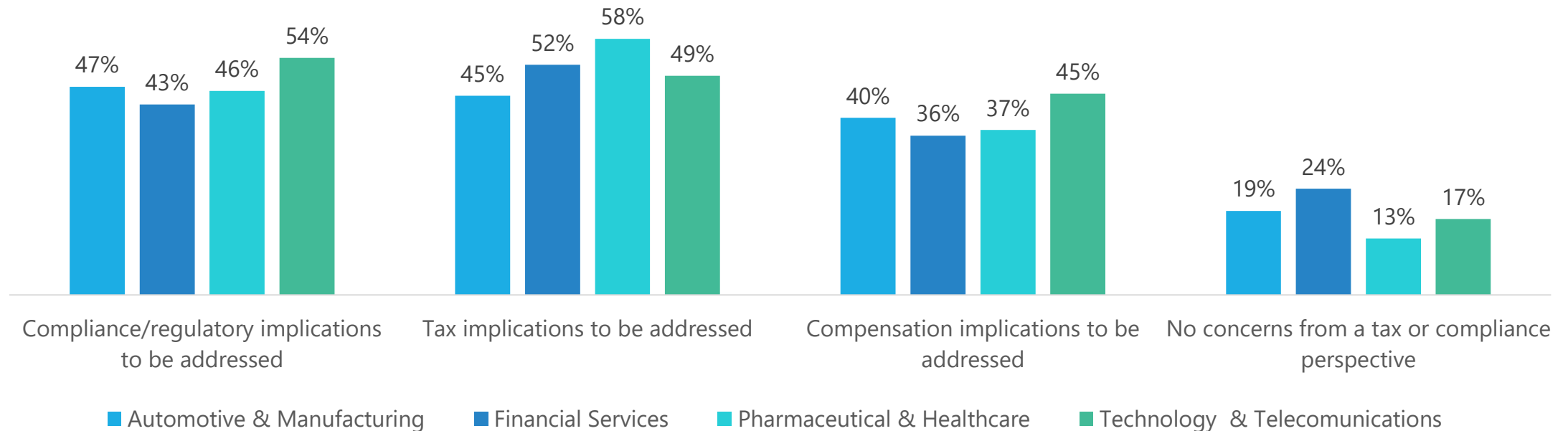
# Merchandise vs Gift Card Scenario

*A company is operating an all-employee recognition and reward program. The average award value is \$250, and awards are given in the form of a merchandise catalog. Based on the results of a recent employee engagement survey, the executive team asks that VISA and MasterCard gift cards be added to the rewards catalog. In your experience, there are most likely:*



# Merchandise vs Gift Card Scenario

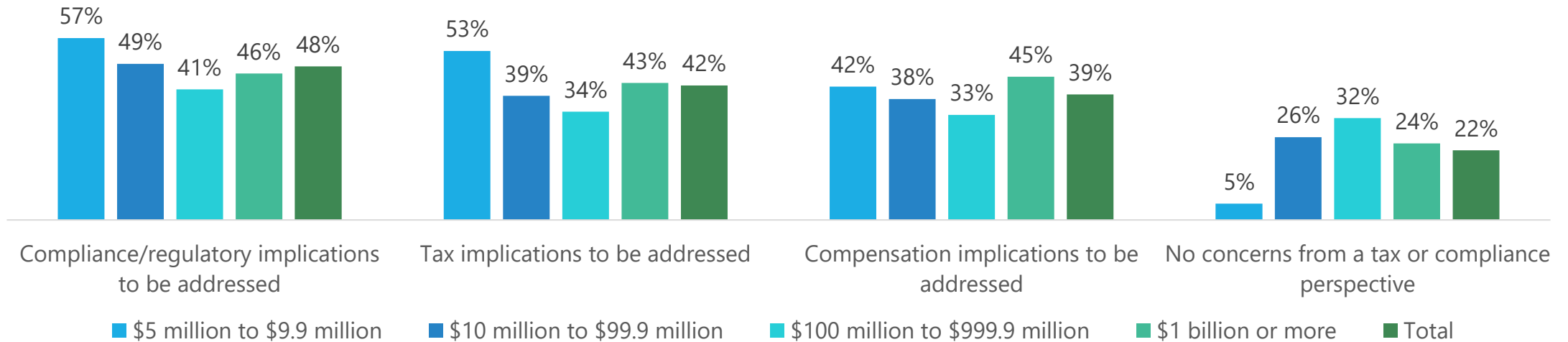
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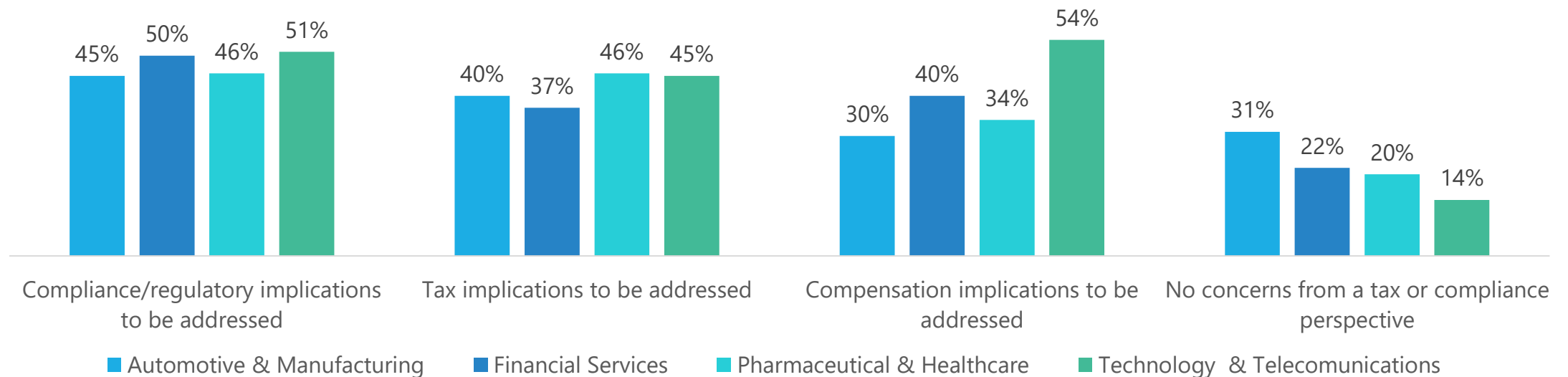
# Service Anniversary Scenario

*You are responsible for the service anniversary program, which currently gives employees rewards valued at \$50 on every 5th service anniversary (e.g., 5 years, 10 years, 15 years, etc.). To support the strategy of recruiting more Millennials to the company, the CEO wants to offer shorter-term anniversary rewards, starting with a reward for completing one year of employment. The program would recognize each yearly anniversary for the first 5 years, then revert to recognizing 5-year milestones. In your experience, there are most likely:*



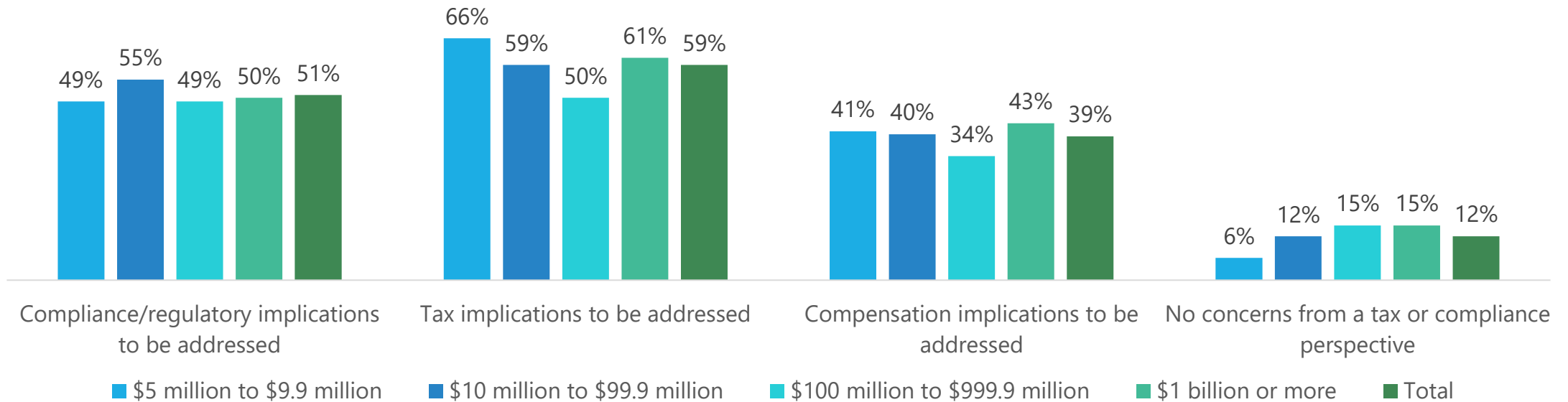
# Quiz Results

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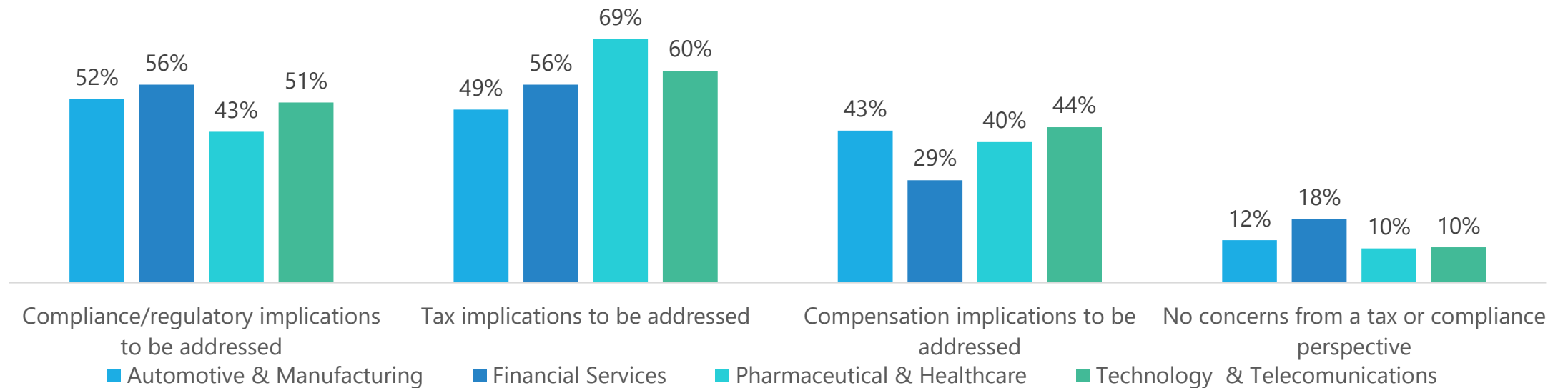
# Employee Incentive Scenario

*Your company operates a call center reward program in which customer service representatives earn rewards based on customer service and operational targets. Participants are hourly employees working 32-40 hours per week. An executive wants to generate extra excitement by adding a quarter-end incentive for the top 5% of CSRs - a \$1000 gift card to Target. In your experience, there are most likely:*



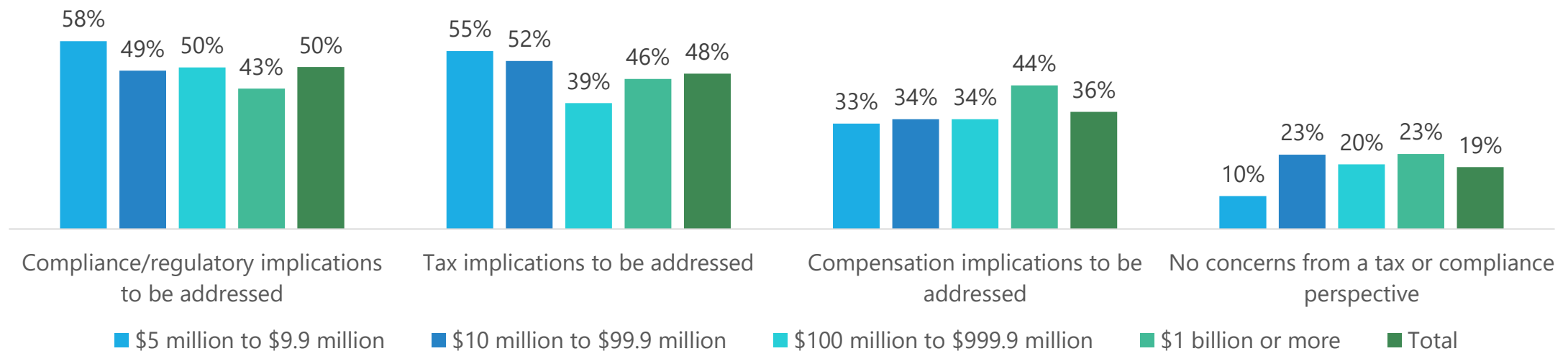
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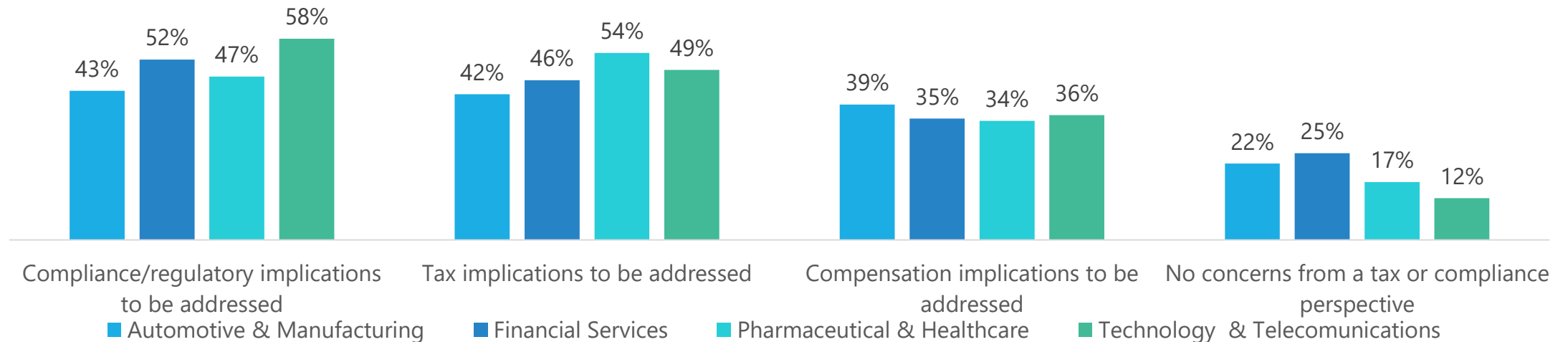
# Sweepstakes/Lottery Scenario

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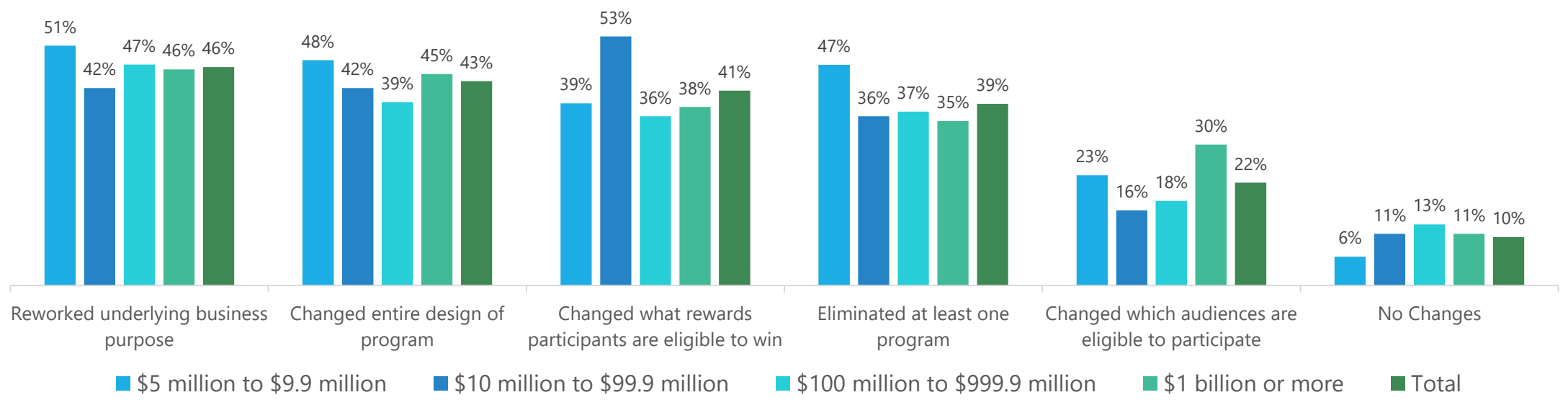
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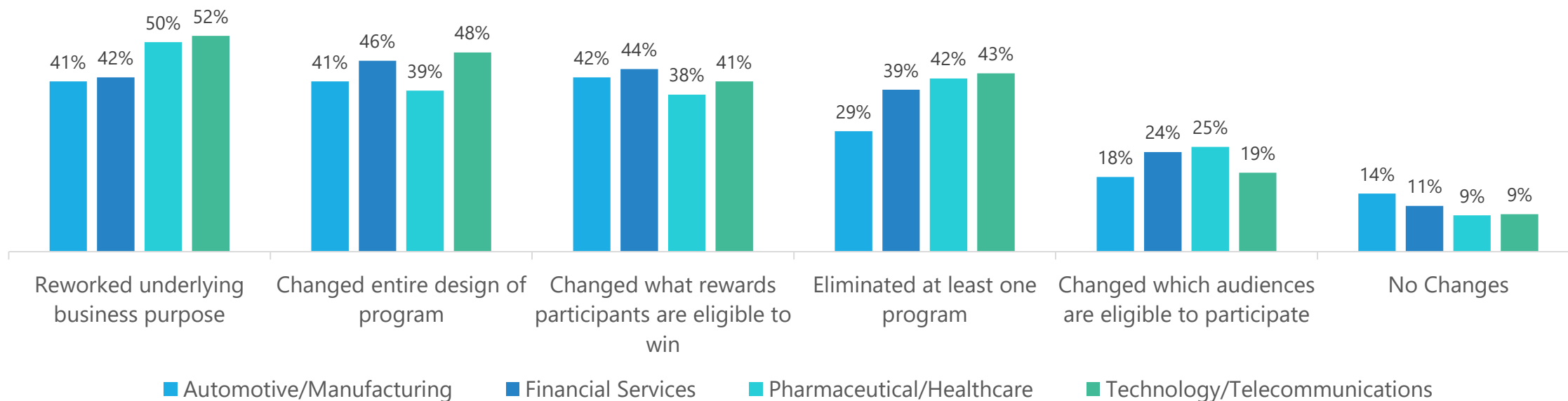
# **Program Changes to Address Regulatory & Tax Requirements**

# Regulatory Accommodations Program Design

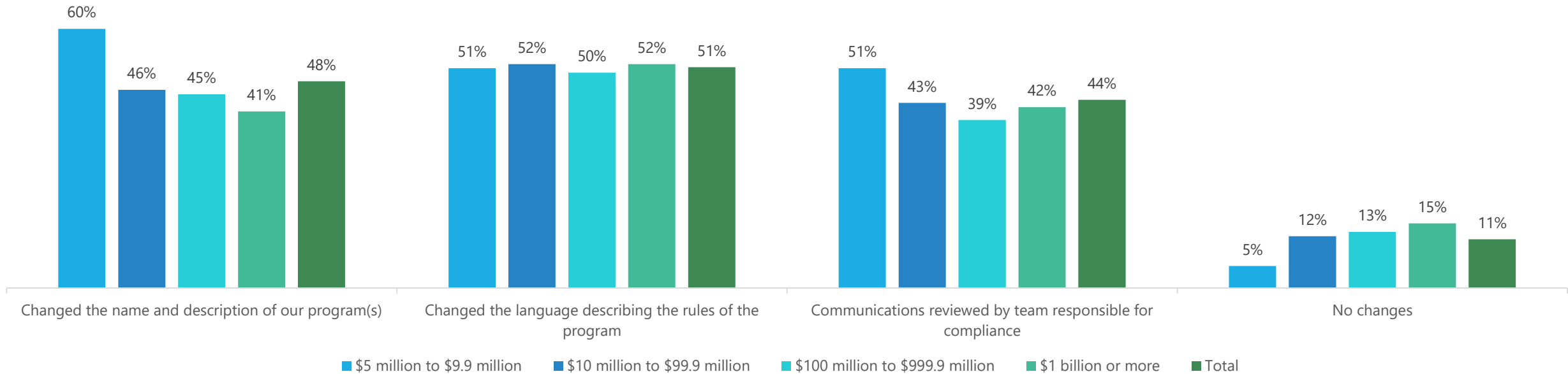




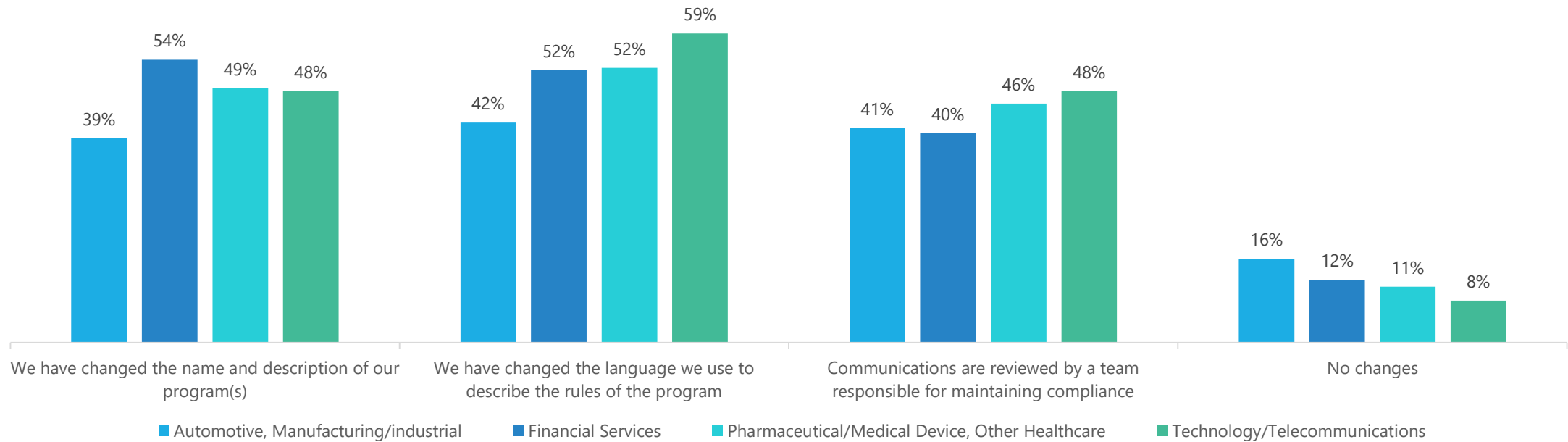
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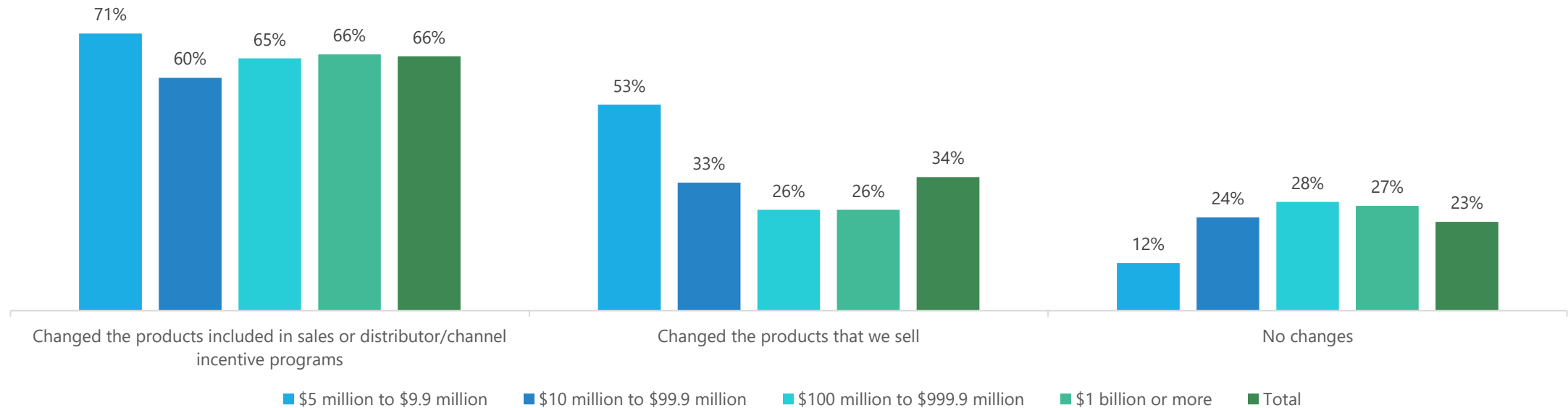
# Regulatory Accommodations Communications



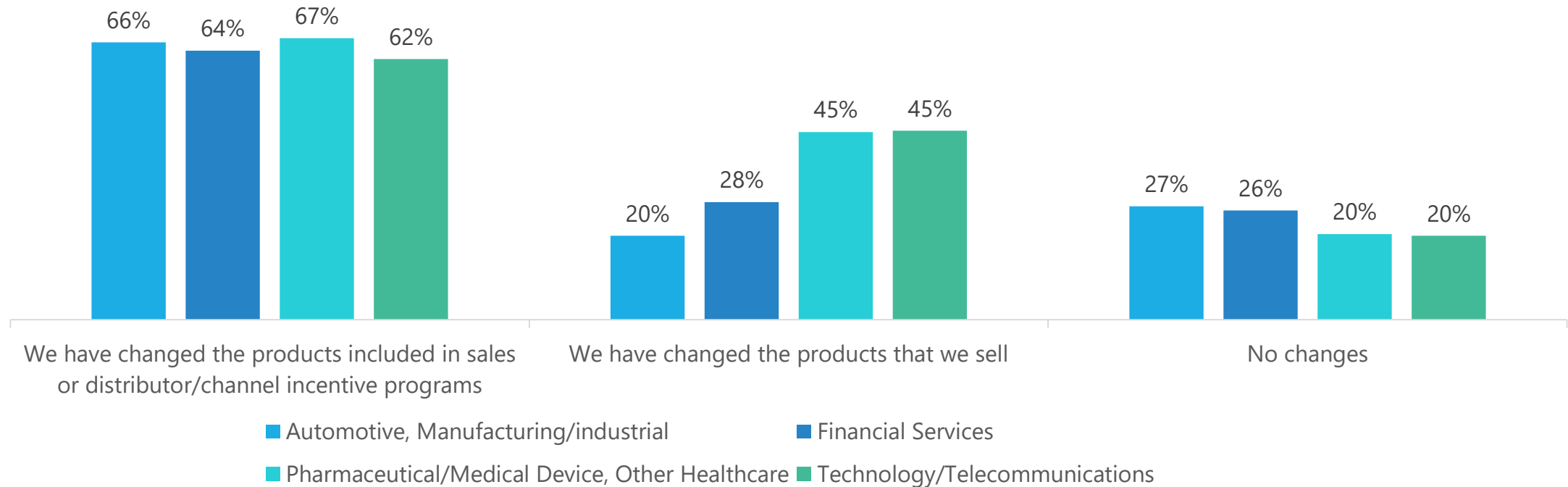
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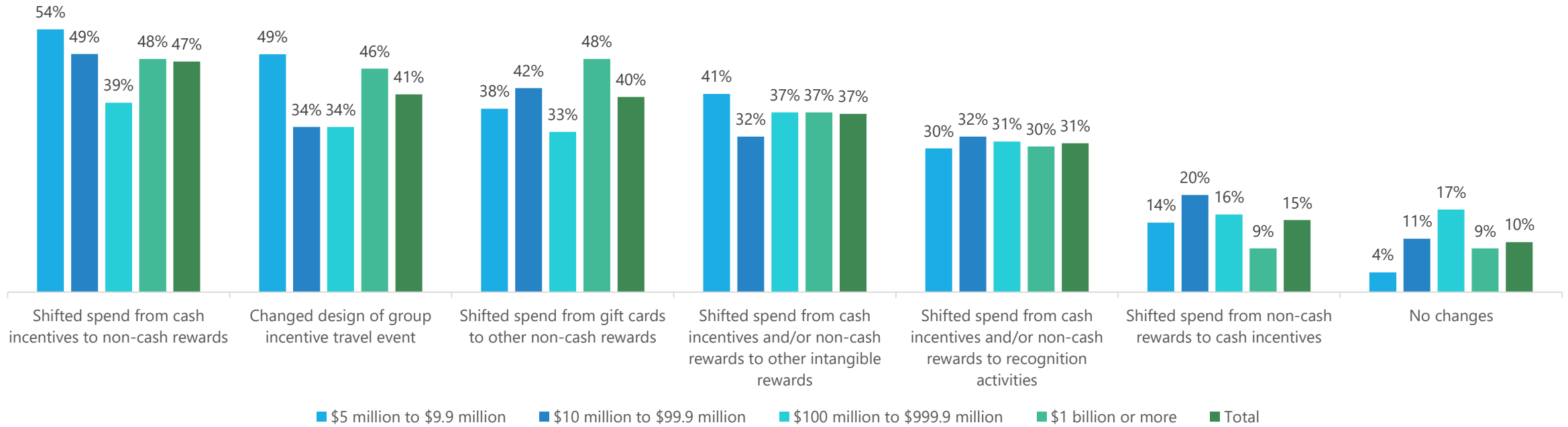
# Regulatory Accommodations Product Mix



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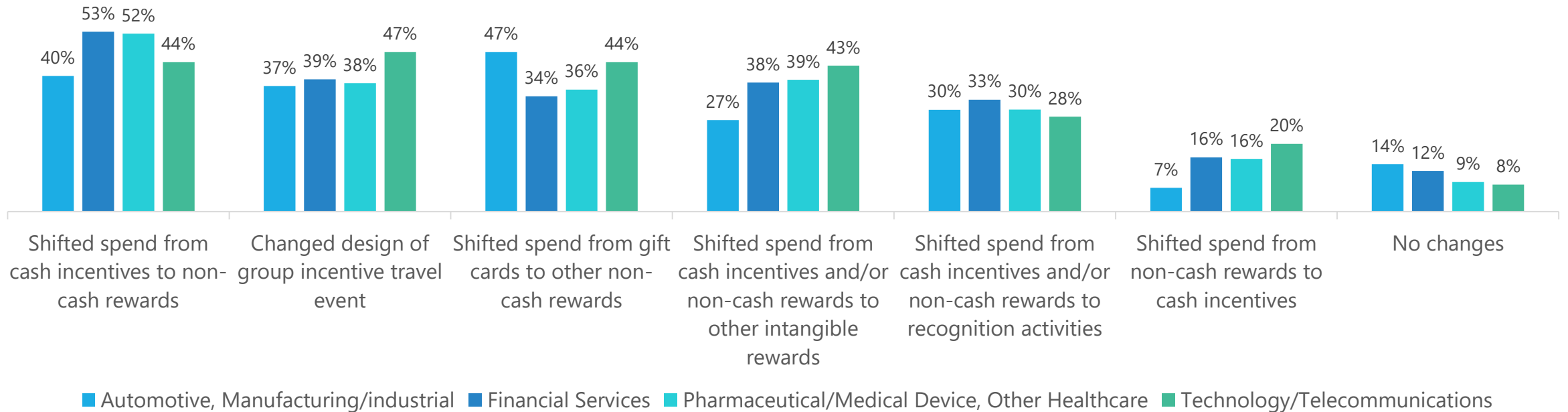


# Regulatory Accommodations Reward Changes

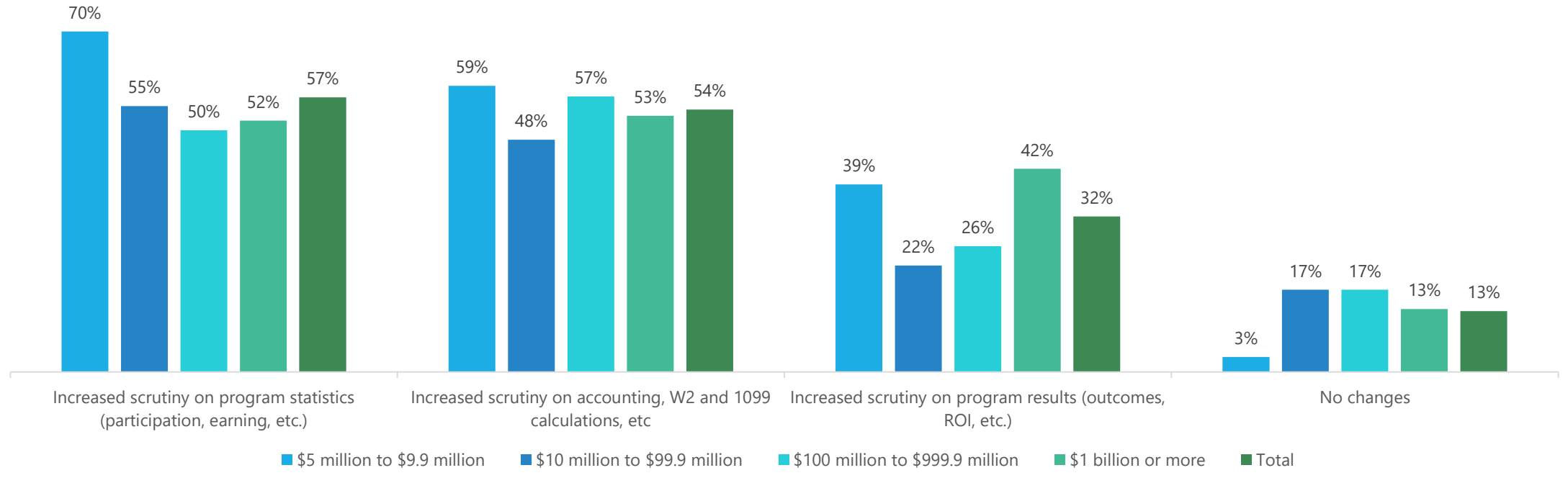


Which of the options best describes how your non-cash reward programs have been designed or changed to comply with regulatory and tax requirements?

# Regulatory Accommodations Reward Changes

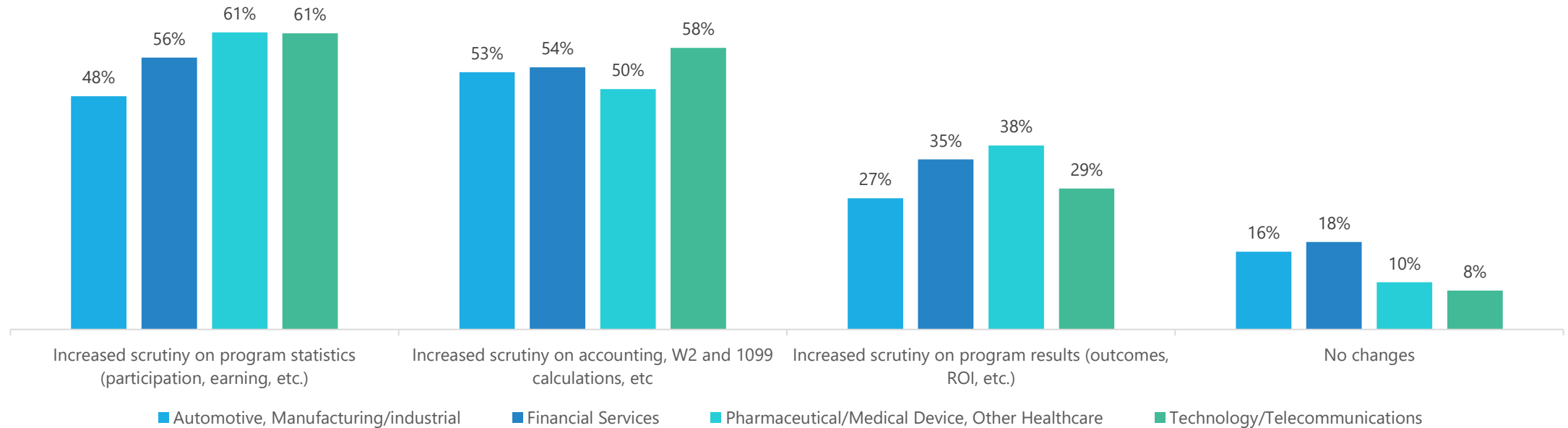


# Regulatory Accommodations Reporting & Analysis

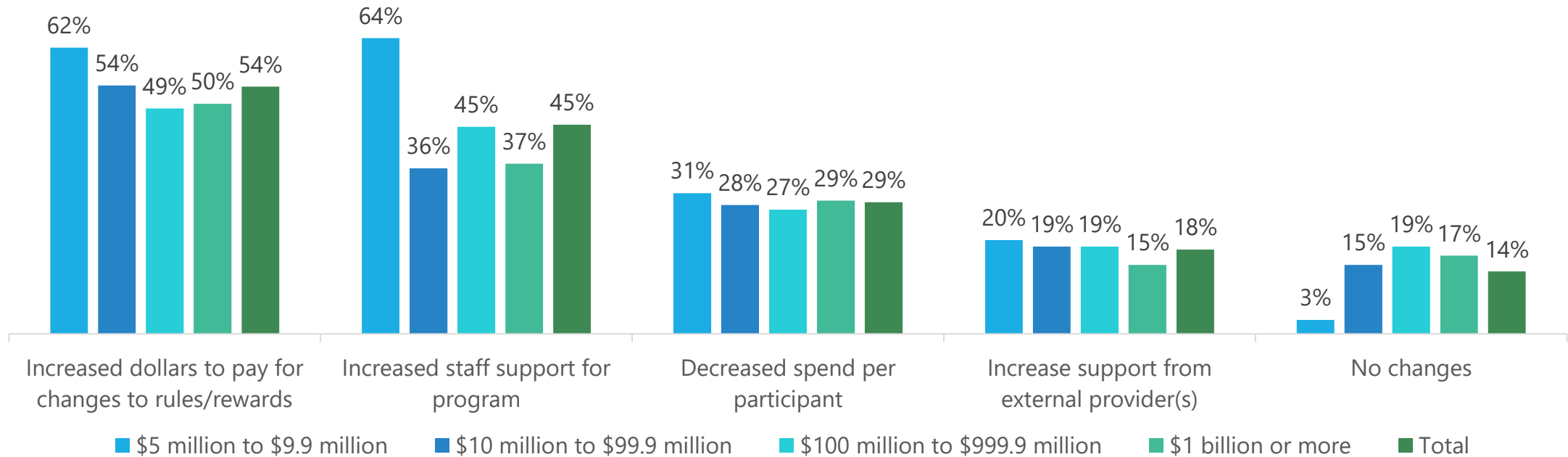




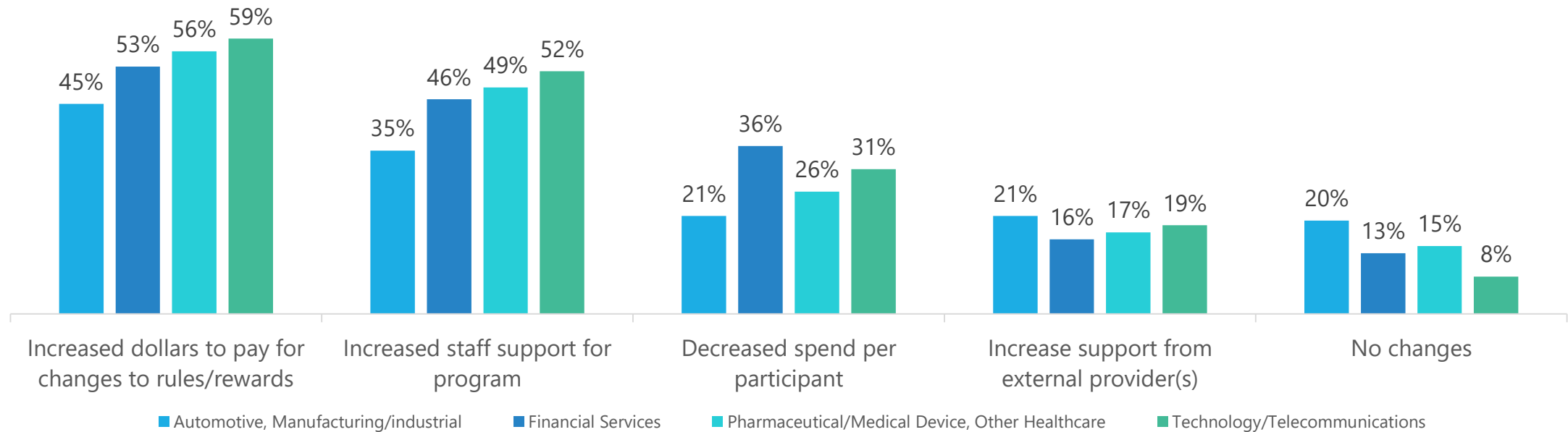
# Regulatory Accommodations Reporting & Analysis



# Regulatory Accommodations Company Resources

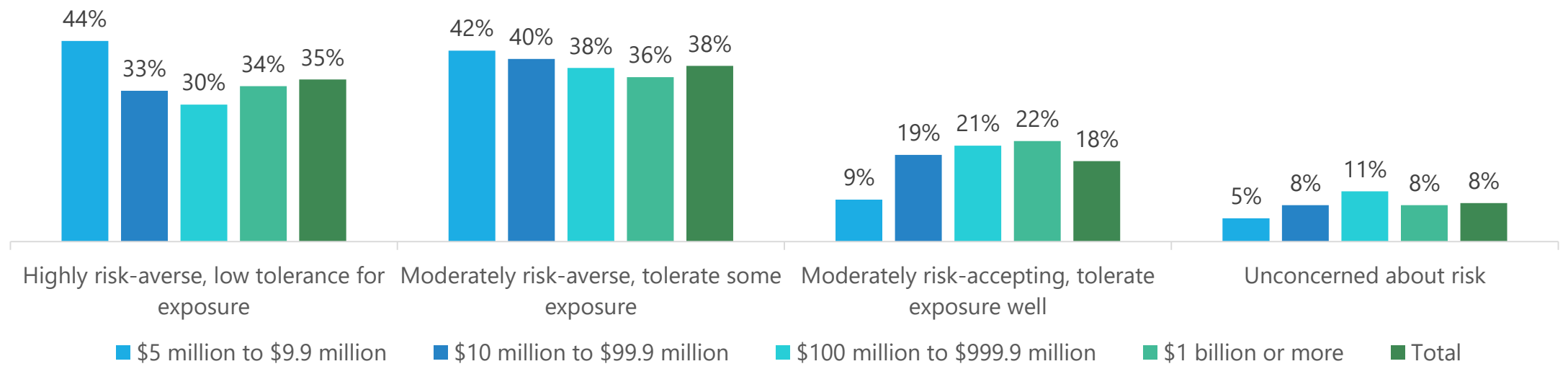


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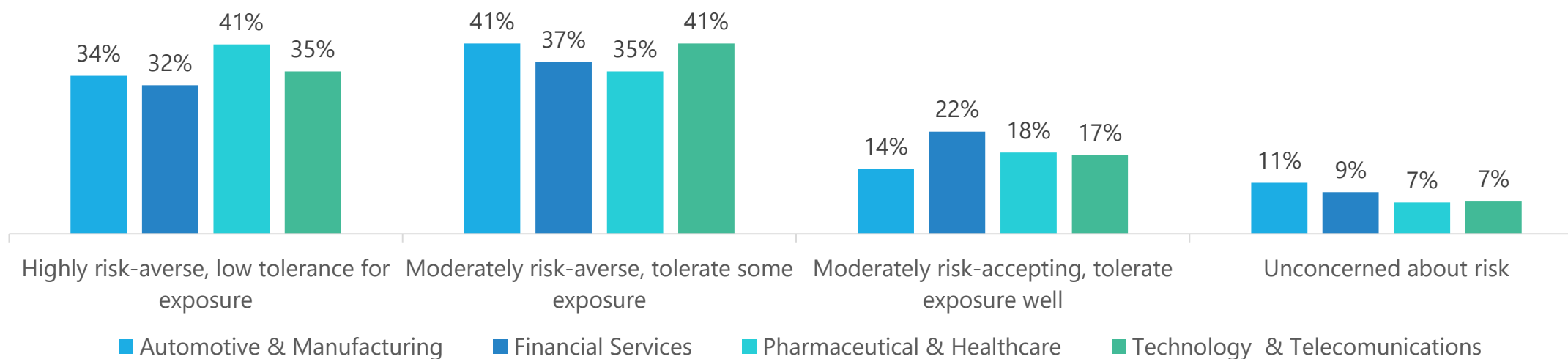


# **Attitudes & Perspectives Regarding Regulatory & Tax Requirements**

# Level of Risk Tolerance

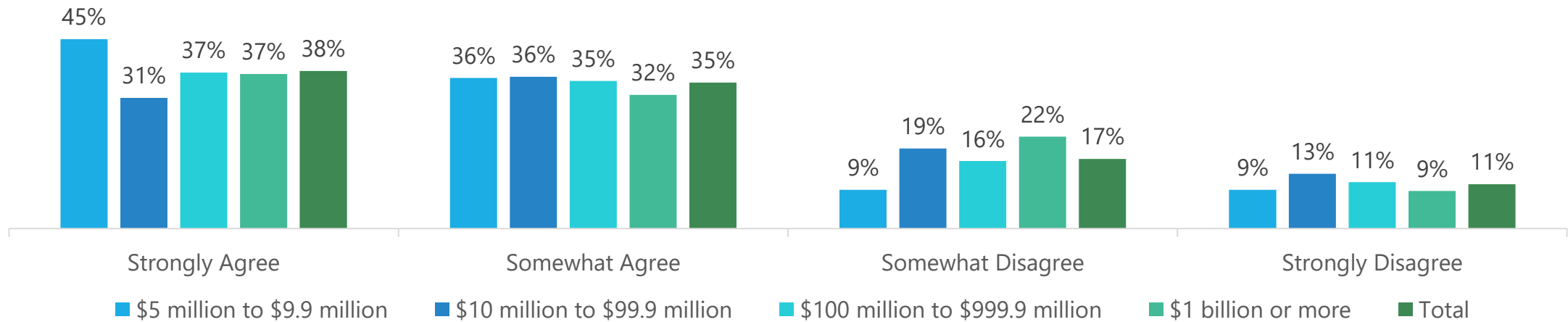


# Level of Risk Tolerance



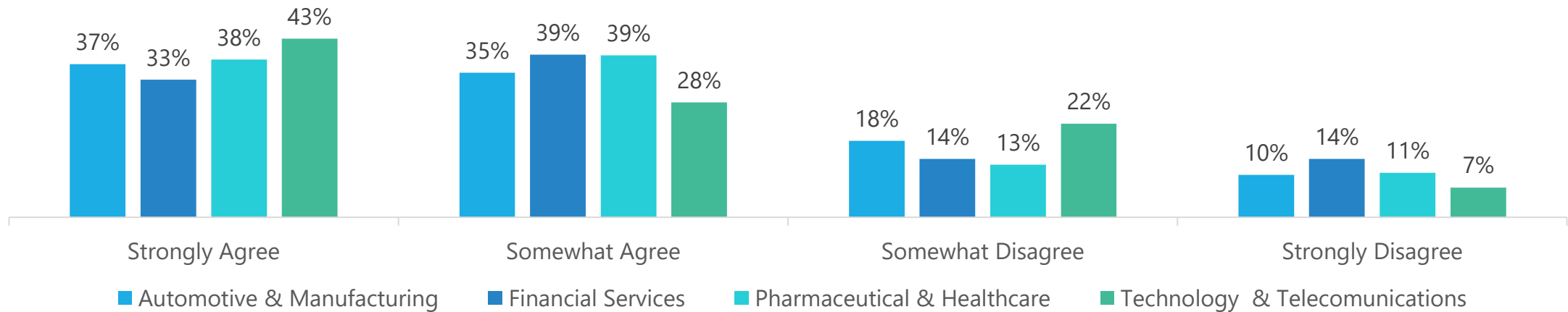
# Effect of Regulatory Requirements

The regulatory requirements for non-cash rewards programs make it difficult for us to reward and recognize good performers.



# Effect of Regulatory Requirements

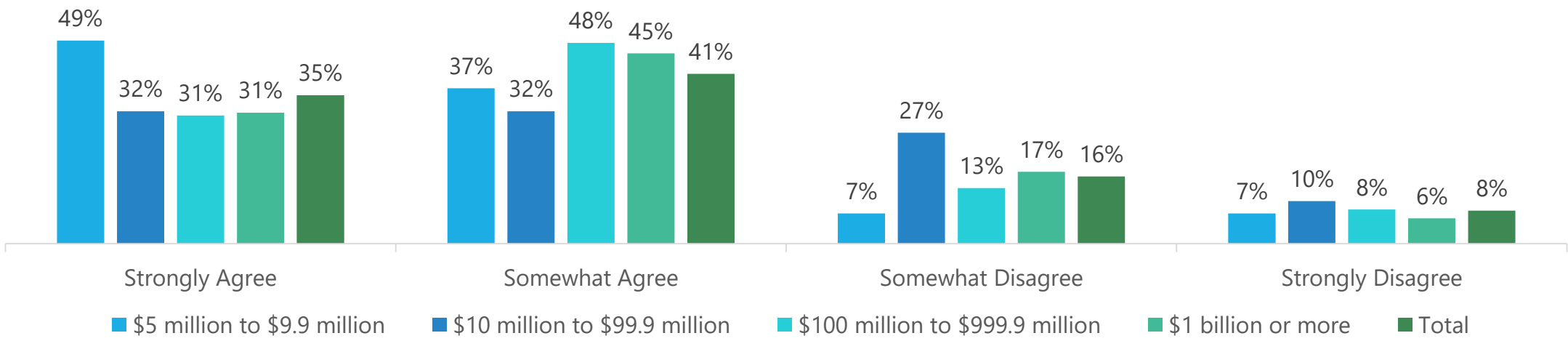
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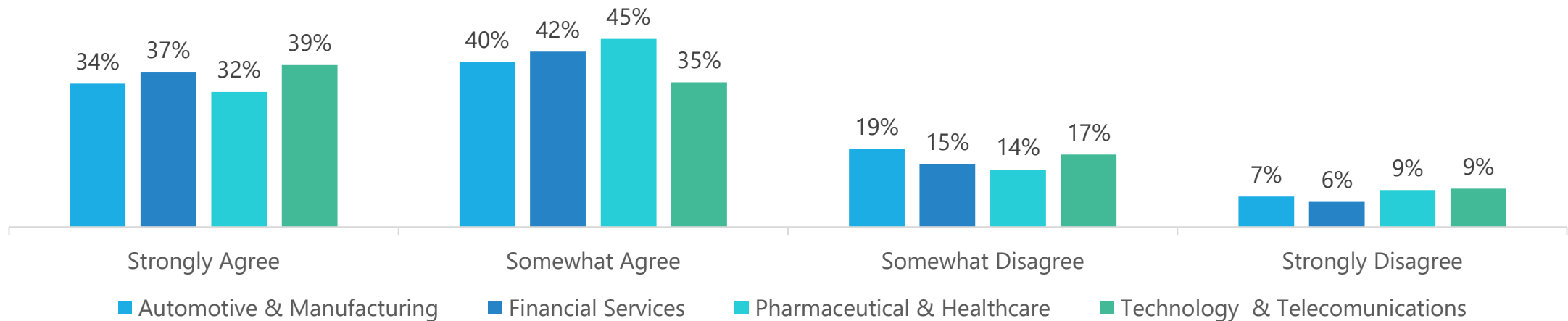
The regulatory requirements for non-cash programs have led to significant changes in how we design and operate or non-cash reward programs.



For each of the statements, please indicate the degree to which you agree.

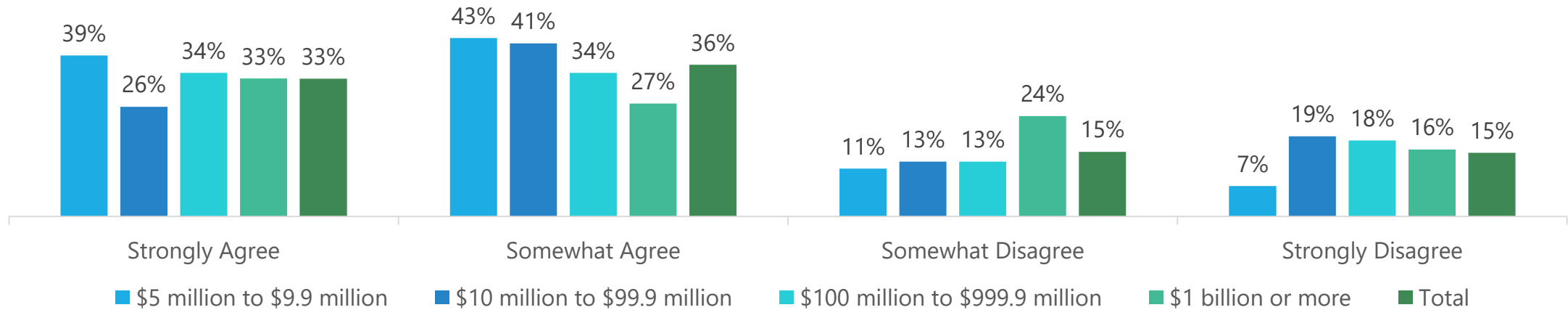
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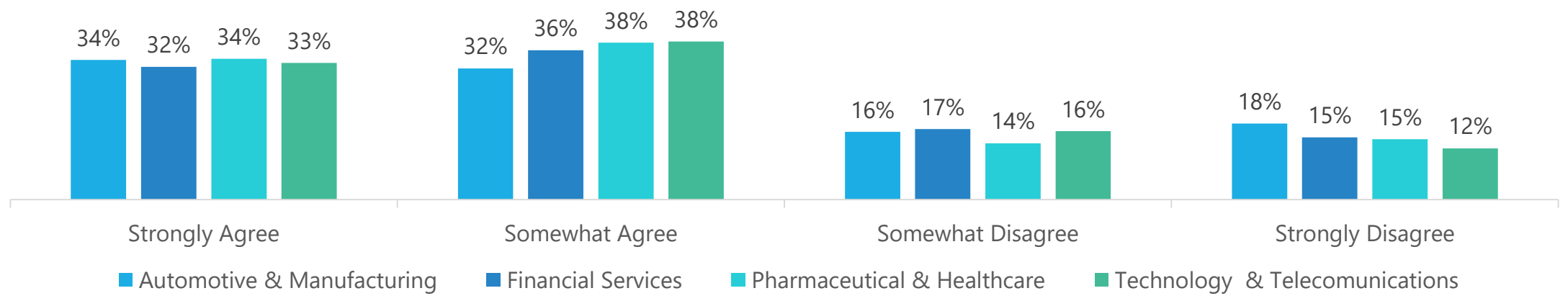
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The regulatory requirements for non-cash programs have diminished the effectiveness of our reward programs.



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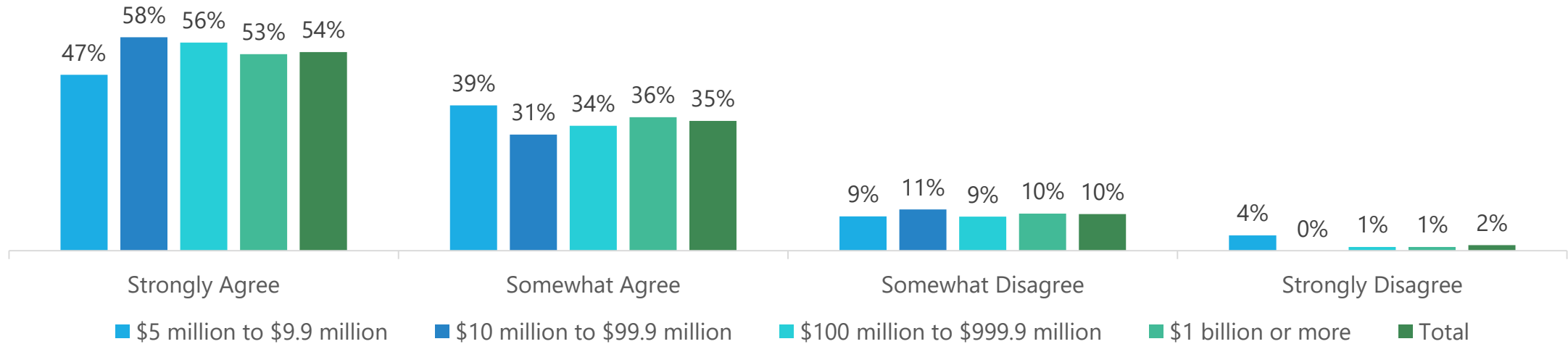
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For each of the statements, please indicate the degree to which you agree.

# Approach to Regulatory Compliance

Our company has taken a proactive approach, understanding and addressing regulatory compliance in our non-cash rewards programs before the rules are put into enforcement by the government.



# Approach to Regulatory Compliance

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