

Abstract

PT. Telekomunikasi Indonesia implements Employee Stock Option (ESO) program to provide the compensations for employees in a certain management level in order to buy the shares of the company. The OSK does not only give the advantages to the employees, but also will give the advantages to the company indirectly. The advantages for the company are this program can increase the employee performance, it is caused by the emergence of a sense of belonging to the company by the employee who acquire Employee Stock Option.

This final project will discuss the Employee Stock Option which will give the choice to the company's employees to choose the compensation they got in the form of shares or cash. The method that will be used is the binomial tree method. There are some parameters that will affect the value of Employee Stock Option, they are exit rate of employee in a certain time period and vesting time or waiting time. In the interval of waiting, the employee that holds the options can't execute their options before the waiting time of the options is exhausted.

By implementing binomial tree method, then the OSK fair value can be determined after finding the boundary exercise value at any time. The advantages that the company got after implementing this method is the increasing of employees' performances so that the company's performance become better.

Keyword: *Binomial Tree, Employee Stock Option (ESO)*