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it's our business

newspad of the Employee Share Ownership Centre

SAYE and CSOP on the up, but EMI falls back

The number of companies using SAYE option based share schemes has exploded by almost a fifth between the fiscal years 2013-4 and 2015-6, HMRC announced as it published the annual share scheme statistics after a two year gap.

There was a heartening rise of almost ten percent too during the same years in the use of the Company Share Option Plan (CSOP), which was set to disappear a few years back, but for the intervention of the Esop Centre.

By contrast, corporate use of the Share Incentive Plan (SIP) was down very slightly during the two years ending April 2016, while the usage of the hugely successful Enterprise Management Incentive (EMI) fell by 12 percent from its 2013-4 peak of 9,820 companies who operated the share options-based scheme for key employees during that year.

The number of UK companies operating SAYE rose from 440 in April 2014 to 520 in April last year - welcome news for providers who at one staged feared that SAYE would be overwhelmed by its newer tax-advantaged scheme, the SIP.

However, company usage of the SIP fell from 820 to 800, but partnership and/or matching shares are growing in popularity, while the use of free shares is declining, according to the statistics.

The number of companies registered to deliver CSOP rose by 100 to 1,150 over the same period, though the rise in the number of 'live' CSOP schemes (*sometimes more than one per company) was more modest, up 30 to 1310.*

The number of employees granted CSOP options within these companies rose too - from just 25,000 in 2013-4 to a far healthier 40,000 in 2015-6, though the average *initial value of the options they received apparently declined from £8,200 to £6,480.*

However, HMRC was forced to admit that the latest share scheme statistics were incomplete, especially for detailed SAYE usage, as data retrieval had been hit once again by serious IT glitches experienced by its seemingly jinxed Employment Related Securities (ERS) online service, which prevented some returns being processed for an extended period.

From the Chairman

The share scheme stats have crept out in their normal belated way. You might expect more from such a successful government investment, making society more equal and more entrepreneurial. Yet Friday is typically a day when governments bury bad news. Next year let's see a mid-week release of the statistics and statements about getting a bigger bang for our buck. More than additional resources we need visible and heartfelt ministerial support. Step up to the plate, Mel and Margot! And Mrs M: give them a nudge.

Malcolm Hurlston CBE

The technical problems experienced were so severe that HMRC had to abandon entirely publication of the annual share scheme statistics for the fiscal year 2014–15. This was an unheard of move by the government department.

Centre chairman, **Malcolm Hurlston CBE** said he was glad share schemes were ticking along even though they were not playing the part they could in promoting equality. "These tax breaks cost up to £1bn and it is money well spent. But government needs to put its heart into it too. If we see a quote from a minister by the end of the day I shall be pleasantly surprised."

In a shock announcement days ago, HM Revenue & Customs (HMRC) extended the deadline for the submission of share schemes returns for the tax year 2016–17 from July 6 to **August 24** (2017), reported Centre member **Postlethwaite**, the employee ownership lawyers.

In its *Employment related Securities Bulletin* No 24, published a few days ago, HMRC said:

"We're aware that the ERS annual returns online service has experienced some issues. "We're sorry this has prevented some returns from being submitted.

"The service is ***now*** working and you can upload Output Delivery System (ODS) templates and CSV files when submitting your annual return for the tax year 2016–17.

"The deadline for filing annual returns is July 6 following the end of the tax year, so for the tax year 2016–17 it's July 6 2017.

"**However, in view of the recent problems**

encountered by customers using the ERS service we've extended the deadline to August 24 2017 for the tax year 2016 to 2017."

Returns, including nil returns, must be submitted for any schemes that you've registered on the ERS online service, such as:

Enterprise Management Incentives (EMI); a non-tax advantaged scheme or award; Schedule 4 Company Share Option Plan; Schedule 3 SAYE scheme and/or

Schedule 2 Share Incentive Plan.

A return is required even if you have:

already paid the initial penalty of £100; had no transactions; made an appeal; had an appeal allowed; ceased the scheme by entering a final event; registered the scheme in error; registered a duplicate scheme; notified EMI option grants.

Scheme returns filed on or after **August 25** 2017 will incur penalties, starting with an automatic £100 penalty. Further details of the extended deadline and the penalties for late filings are contained in this link: HMRC's ERS Bulletin No 24. Additional automatic penalties of £300 will be charged if the return is still outstanding three months after the *original deadline* of July 6 and a further £300 if it's still outstanding six months after that date.

Over half of surveyed employers offer no Esops

Only 29 percent of employer respondents offer share schemes or share options to their employees, concluded recent research. The *Employee Benefits/Staffcare Benefits research 2017*, which surveyed 271 employer respondents in February–March 2017, found that a further 17 percent only offer shares or share options to staff at senior or executive level. More than half (54 per cent) of respondents' organisations do not offer ANY shares or share options to employees, whatever their rank. The situation has hardly changed from a year ago. The types of share schemes that participating companies offer to staff remain similar to those used a year ago; long-term incentive plans (48 percent), SAYE-Sharesave schemes (29 percent), and CSOPs (company share option plans – 25 percent) continue to be the most common schemes. The Share Incentive Plan (SIP) was being used by only 20 percent of the respondent companies.

Not being listed as a public company (cited by 63 percent) was the main reason why respondents' organisations do not operate employee share schemes. The proportion of respondents that do not offer share or share options to staff because it is considered *'inappropriate'* has increased. More than a fifth (21 percent) of respondents cite this as their reason for not doing so in 2017, up from 13 percent in 2016.

EVENT REPORT

Exec reward levels are justified, delegates told

Despite 40 years of regulatory intervention in the UK executive reward market, on the ground very little had changed, said **Damian Carnell**, director of consulting services at **Willis Towers Watson**.

Speaking at the recent *newspad* summit, hosted by **Clifford Chance** at its **Paris** offices, Damian was addressing the clash between core capital and top talent in executive reward. There had been "vicious disputes" about the alleged effects of global capitalism – as witnessed in executive compensation – it was a "very emotional" issue, stoked up by the mass media, he said. Critics complained that the link between executive reward and performance was weak and that companies were even paying some executives for failure.

As companies pushed costs down, total average earnings in the workforce were rising by a bit less than three percent, while executive reward – two thirds of which comprised variable pay – was much higher. However, the seemingly high cost of large executive reward packages was actually cheap compared to the huge returns for business and the economy as a whole.

Executive share options had fallen out of favour in many companies, especially since the advent of IFRS accounting requirements and to those who thought Long-Term Incentive Plans would be abolished soon, he said: "Dream on." The corporate sector was moving towards variable and long-term pay and LTIPs were increasingly seen throughout south-east Asia and in South America. "There's been a huge amount of government intervention over executive reward, but despite all this, not much has changed. Companies tell us that pay for performance is the issue and they don't think that the reward system is broken," added Damian.

Much had been made about 2017 being the year for remuneration policy renewal, with the first binding vote under the new rules, but it was not a good year in which to change overall remuneration policy, he said. Core capital had the whip-hand, but there were constraints, though shareholder activists as in *Say On Pay* were not really effective, he said.

His speech led to an invitation to contribute to the journal of the Institute of Economic Affairs, edited by Prof J R Shackleton.

Unavoidably kept away by a family wedding, Centre chairman **Malcolm Hurlston** sent delegates a message, which was read out by Centre international director **Fred Hackworth**, who chaired the event in his absence**.**

Mr Hurlston said: "The Centre came to Paris for its first world event; on that occasion David Reid of Clifford Turner, who shared responsibility with me for bringing the American Esop to Europe and founding the Centre, was the star speaker and I believe Marcel Hipszman, then helping the president's Delegate to the Social Economy, came to support us. We held it not here – I think neither Clifford Turner nor Coward Chance, the constituents of the merged firm of Clifford Chance, boasted such fine premises – but in the Lutetia Hotel, which was known as the grand hotel of the left bank: a nice approximation to the breadth of our interests.

"Then and subsequently France and the UK – in our different ways – have been the main protagonists of employee financial participation in Europe, as we no doubt shall continue to be – both protagonists and in different ways.

"Both I and our international director, your host today and the reader of this speech, live in France. With such political oddities on both sides of our channel it is tempting to join all the others who don't know what they are talking about and speculate on the political future. However I have found that the success of employee ownership goes in fits and starts according to chance and caprice more than as a result of the political nature of the government.

"It is better to concentrate on what can be done and that is a message we have passed to the European Commission – *leave grand plans aside while you lack tax power and concentrate on nudge and tidying aspects which are under your control and affect us.*

"Our work with the Commission is greatly helped by our taking part in the multi-country group ProEFP, chaired by Marco Cilento of the European Trades Union Confederation, who is with us today. Now we have rediscovered Paris. Your numbers ensure this is the first of many *newspad* summits which I hope we shall hold here regularly – the decisive vote will lie with you and how much you enjoy and value this event."

French President Emmanuel Macron is very interested in *The Third Way,* which fits into his political ideology, said **Michel Bon**, chairman of **FONDACT**, the French organisation which supports participative management and profit sharing in all its forms. "I am optimistic that Macron will encourage performance based share awards," he told delegates. "I hope that the president will extend company employee savings schemes to companies with less than 50 employees too," he added. About €120bn (£105bn) is invested in French employee financial participation (EFP) plans and the average percentage of the equity of CAC 40 companies owned by employee shareholders was around 3.5 percent, said Mr Bon. The percentage of employee equity was predictably higher in ex state owned companies, like the bank Societe Generale because the employees had been given shares as part of the privatisation process. As in the UK, there was a big gap at the smaller company end – those employing between ten to 49 people, where only 20 percent benefited from profit-sharing.

Sonia Gilbert, partner at **Clifford Chance**, asked what had French companies done to make EFP (employee share ownership) successful outside France itself. The classic French Eso plan was based on employees buying shares at a discount, but under lock-up terms. Next was the leveraged plan, in which participants had the right to the eventual upside on discounted share purchases and thirdly, the free shares plan, in which participants received their free shares after vesting. Sonia said that Clifford Chance was trying to get French companies interested in the UK's Share Incentive Plan, especially the feature which allowed employees to get free shares matching those they had bought. Regulation was an issue because French companies were worried about their plans being compliant worldwide. They were used to using local champions to get HR on side, but there was danger of too much info being required and sometimes too much jargon – so many employees couldn't be bothered to read it. Translation was the key to the success of French plans in the UK because hardly any Brits spoke good French.

Anne Lemercier, a **Clifford Chance** partner based in Paris, spoke about the participation of French employee shareholders in the corporate governance of companies, which was a key issue in France. Employee shareholders in France had to be treated in the same way as 'ordinary' shareholders and some French companies didn't like that, which was "regrettable" because financial participation by employees gave them a better understanding of their place in the company and its objectives. Their rights included having employee representatives on the company board, which UK companies didn't want, but there were constraints – French employees had collectively to own at least five percent of the equity to permit them to table resolutions to company meetings. Was the hurdle too high? Another key hurdle was the requirement for at least three percent of the company equity to be held by employee shareholders before they could have a representative on the board. Individual French employee shareholders tended not to exercise their voting rights at agms, said Anne. In addition, since 2013 there had been an obligation for French companies with more than 5,000 employees, or 10,000 worldwide, to have an employee director. Nor was it unusual to see an employee shareholder representative to be a member of the company remuneration committee. Some criticised the appointment of employee shareholder representatives on company boards and there was an issue about how independent in their decisions they really were, added Anne.

Bastien Martins da Torre, corporate solutions director at Centre member **Solium** and **David Lee**, product management director at **Solium** delivered an impressive survey review on what French corporate issuers wanted from their employee plans. To help them, they enlisted client **Jacqueline Vidales** of the food services and facilities management giant **Sodexo**, which employs 425,000 people in 80 countries.

The employee participant experience was the number one concern, the survey revealed, said Bastien. Although high technology could accelerate concerns like voting rights, Excel spreadsheets were still prevalent in parts of the industry. It was helpful that **Google** was a client because "they forced us to keep things simple" in share plan delivery, he said. David said that improving participant experience revolved around the question of "what information they need and how do we give it to them?" Companies wanting to track their mobile employees and companies in both the UK and France were looking for similar systems online and worldwide, which could be adapted to local needs. Performance criteria were important to them for executive plans – would it be TSR, EPS or ROCE, or a combination of these? There might be valuation challenges and, as plans grew more complex, so did accounting demands, added David.

Jacqueline was asked by Bastien to outline Sodexo's free share plan for 1,270 senior managers throughout its vast empire. Although the plan was automated, some local offices still depended on Excel sheets, she said. Teething problems in some jurisdictions had included privacy of information and the mobility of participants.

A panel comprising senior officials from the Paris based **International Association for Financial Participation (IAFP)** then discussed what kind of Eso plan was best suited to the millennial generation. US based IAFP president **David Hildebrandt** explained that millennials were either not buying traditional financial products in the traditional way, or not buying them at all. He was upset to see evidence from the US that some companies were adopting Eso structures solely to get the Esop tax benefits. Their survey showed that millennials were changing jobs frequently, didn't plan to retire at 65 and trusted the internet more than their parents or employers. They judged it more important to work for a socially-conscious company than to be paid a high salary, said David. "About 87 percent of them think that money is not the best measure of success. 83 percent of the 18–29s in our survey admitted to sleeping with their cell phones either next to, or even on, their pillows and they use Facebook in work situations too – so we are seeing the fundamentals changing in employee relationships." **Kevin O'Kelly**, a former EU official and executive committee member of **IAFP**, said that it was a great shame that EFP/Eso had been downgraded in importance by the European Commission and that DG Justice now ruled the roost, so that Eso was largely seen through the prism of the Shareholder Rights Directive. The traditional labour market was shrinking – 34 percent of people doing paid work did so mainly through online platforms and millennials were struggling to get on the housing market.

Fred Hackworth asked whether the current sacrifice of all employee shareholdings when people moved jobs before plans vested could be justified for much longer. It seemed a heavy price to pay for job mobility. The millennials phenomenon raised the issue of whether it was sensible for companies to continue to offer five-year share or share options savings plans – e.g. SAYE plans – when not so many participants would still be in post five years on.

Next up was **Hannah Needle**, senior associate at **Tapestry Compliance**, who discussed global share plans in the fast-changing workplace. Yes, the rationale behind such plans remained productivity improvements, staff attraction and retention and risk management, but the focus was changing to concerns about tax avoidance, data protection and diversity reporting. In the UK, corporate governance had pushed itself onto the agenda – companies were looking at worker dissent, whether Long-Term Incentive Plans should end and an overhaul of their own corporate governance procedures, said Hannah. The EU was at the centre of some controversial changes: e.g. the Markets in Financial Instruments Directive II, known as MiFID II, which from January 3 next year, will migrate the European regulatory landscape from a principles-based philosophy toward a more US-style rules-based regulatory regime. It extends the MiFID framework across asset classes and into markets in which central bid/offer markets and pre -and post-trade transparency have never existed. This is expected to have a tremendous impact on how OTC markets operate. Then there were the revised Prospectus Directive share schemes exemption and threatened fines of up to four percent of annual turnover for data protection infringement, said Hannah.

Richard Nelson, md of Centre member **Cytec Solutions**, looked at the Market Abuse Regulation (MAR) a year on. The EU had got itself involved in surveillance of how companies managed price sensitive information. Did we need to rewrite our disclosure policy? – well, MAR had not proved to be the major headache once feared, said Richard. Company focus was on compliance – getting all the papers into the right order, but what about prevention? For instance, by setting up more controlled access to insider information, he said. The Reckitt Benckiser case had shown that everyone had to know what their responsibilities were, warned Richard. In January 2015, the **Financial Conduct Authority (FCA)** fined consumer goods giant Reckitt Benckiser £539,800 for inadequate systems and controls to monitor share-dealing by its senior executives in its own shares. This had contributed to late and incomplete disclosure to the market of share dealings by two senior executives. RB had breached key requirements in the listing, disclosure and transparency rules and had failed to identify breaches of the Model Code, which is designed to ensure that senior executives do not abuse, and do not place themselves under the suspicion of abusing, inside information. French companies had shown a lot of interest in *Insider Track*, the special software developed by Cytec Solutions to cope with the regulatory challenge. Around two-thirds of quoted UK companies had permanent lists of six people on average who were 'in the know' and who therefore could be regarded as 'insiders' when push came to shove, he added. Many companies had at least 16 external advisers (e.g. consultants, lawyers and PR teams) who fell into the same category.

Rob Collard, partner at Centre member **Macfarlanes**, addressed the recent issue of gender reporting. The EU average for pay disparity between men and women was 16 percent, but the UK was lower at ten percent, said Rob. Austria and Germany seemed to be the worse for pay discrimination against women, he added. To date only 17 major UK companies had reported on gender pay, but all that would change next year when it would become compulsory for UK listed companies to publish official reports on gender pay within their organisations. Such info to date – year to year comparisons – was mostly published on websites.

Though companies would be encouraged to set targets for reducing pay discrimination, the trouble was that there was no enforcement regime, said Rob. “It’s a PR issue for companies to get this right,” he said. The policy would catch around 8,000 UK companies who each employ more than 250 people, in total about 11m people, though partnerships would escape. Intriguingly, share plan awards were included in gender pay reporting, but the yardstick for comparison would be the size of the reward when the awards were exercised and *not* when they were granted, he added.

Stephen Woodhouse, partner at Centre member **Pett Franklin**, said that international share plans were still suffering from the wash created by the global 2007–8 financial crash. The expansion of such plans in the UK might be restrained by the twin uncertainties of Brexit and the Tory failure to achieve an overall majority in the recent general election, he said. For example, the hugely successful share options based Enterprise Management Incentive was being viewed by some in Brussels as akin to illegal ‘state aid’ so what would happen next year when EMI was due for review, given that by then the UK would be well down the road towards Brexit? However he predicted, on balance, increased use of employer share plans in the future. “Share plans help companies to better manage their cash by providing more variable pay to their employees, as an alternative to redundancies, which are often expensive,” said Stephen. The BEIS corporate governance report had called for Long-Term Incentive Plans (LTIPs) to be phased out by 2018 and that existing LTIPs should not be renewed.

Marco Cilento, of the **European Trade Union Confederation**, warned that employee share ownership in Europe could turn selective by becoming accessible only to those who could afford to pay to participate. France was the only country within the EU which had solid legislation that recognised the wider interest of society in supporting and regulating employee share ownership, said Marco. In the UK, which was second to France in the universality of Eso, it essentially belonged in the sphere of private companies and their employees. “However, Eso/EFP never appears in the toolbox of decision makers at European level, which is at odds with the fact that the use of such plans has been increasing in the aftermath of the economic crisis” he added.

Louise Jenkins, md of European tax and reward solutions at the global consultant and tax adviser **FTI Consulting**, examined the UK tax treatment of internationally mobile employees (IMEs). Louise said that the tax treatment of the increasing number of highly mobile employees was “quite complicated” and that quite a lot of companies were still getting it wrong under the 2014 Finance Act, effective from April 2015, which had brought in major changes in the way IMEs are taxed in the UK on their share-based reward. Breaches could lead to very nasty fines. The idea behind it was to align the UK tax treatment of share based pay with general international practice. In general terms, the ‘winners’ had been UK IMEs, incentivised with options, and sent on secondment to another jurisdiction, whereas the ‘losers’ were UK IMEs who came back to the UK with unvested options or restricted stock. Apportionment of the gain and time spent by IMEs in each jurisdiction was necessary and obligatory, so good corporate tracking processes for each grant, vesting, exercise of equity rights, sales, lapses or lifting of restrictions for each IME were essential, said Louise.

Garry Karch, managing partner at Centre member **RM2** outlined the latest trends in employee ownership and executive incentives in both the US and UK. Garry said that a lot of US Esops were the result of the significant tax incentives. Some Esop companies were very large – the biggest one he had worked on in the US involved a company with a turnover of $800m. Yes, the tax Esop incentives cost the US Treasury $2bn a year in lost revenue, but the US economy benefited overall by up to $17bn a year due to the extra jobs created, as well as other jobs which were saved by Esop creations. Financing was the key and in that respect, the UK was on the “ground floor.” By way of comparison, there were 12,000 Esop companies in the US and perhaps a maximum 150 UK companies controlled by the Employee Ownership Trust. It was ironic that employees in EOT companies only really benefited from their ‘ownership’ (*which he maintained was indirect*) when the company was being sold, because they had crucial votes on whether a proposed sale was in the employees’ interests or not. Why was it that in the US, owners could get CGT relief by selling just 30 percent of the company’s equity to its employees, whereas in the UK, to qualify for EOT status, the owner had to sell or give more than 50 percent of the equity to the employees? “We are still paying the price in the UK for the once tremendous misuse of employee benefit trusts in the 1980s” Garry said.

However, the successful Enterprise Management Incentive had put the UK ahead of the US in management incentives.

Sian Halcrow, head of reward analytics at **New Bridge Street**, an **Aon Hewitt** company, said the new EU Shareholder Rights Directive, introduced shareholder votes on forward-looking executive remuneration policy, as well on actual reward paid out for the previous year, as disclosed in the remuneration report.

Member states had until September to put the Directive into effect. The Commission would publish a template shortly on the advisory remuneration report; there would be more focus on external people like shareholders, whose views had to be considered; there would be benchmarking against peer companies, but pay ratios were not explicitly mentioned in the Directive, though no executive base salary increase should be greater, percentage-wise, than what was given to the workforce, it said. Any additional reward increases should be paid in shares, rather than cash and long-term incentive plans should not reward failure.

Nicholas Greenacre, partner at **White & Case**, posed the question: *Singapore of the North Sea, or a one-way ticket to Mars? – The impact of Brexit on international* *equity plans.* It was unclear how Brexit would impact international share plans, because it was unclear how long Mrs May's government would last and how hard Brexit would be, said Nicholas. "I suspect that the so-called 'hard Bexit' option has ended and that maybe it will take the form of a Norway or EFTA deal in which the UK has tariff-free access to the single market, but no say in the EU's policies."

International share plans had been exposed already to the slump in the value of sterling on money markets and people were interested in companies with strong US dollar earnings. Another problem was that share prices would fluctuate because of the uncertainty, so would employers remain confident about share plans in general? Much had been said about the UK's comparatively low productivity rates, vis-à-vis those of many continental rivals, so looking beyond Brexit, would employees want shares in low-performing UK companies? In turn, would UK companies be put off from launching new international Eso plans in the wake of the new Data Protection Regulation, which gave the regulator power to impose fines of up to €20m or four percent of worldwide turnover in the event of serious breaches, asked Nicholas? "Regulators have the appetite to raise fines across the board," he warned.

The summit e-brochure was logo sponsored by Channel Islands based trustee member **Ocorian**. Selected slide presentations are available to members on request .

EVENTS

Why Centre events offer better value for money

Centre events have better engagement (as well as being pitched at more expert levels) than other employee equity conference providers, so our delegates tell us. They like the way we limit numbers to make our events more manageable and friendlier, encourage participants to pose questions to speakers and to wade into the discussions. We don't hold our events in soulless out-of-town halls or allow corporate brands to dominate our agenda. In the margins, we organise optional informal lunches and dinners, and our delegates tell us they appreciated the chance to meet each other in a relaxed atmosphere.

Share schemes for SMEs: Thursday September 14

The next SME employee share schemes conference, jointly organised by the **Esop Centre** and the **Institute of Directors**, will be held at the offices of **Travers Smith** in London on **Thursday September 14** 2017. This one-day event is designed for small businesses and their advisers who are considering introducing an employee share scheme, or who want to develop existing plans. The event will be chaired by Centre chairman **Malcolm Hurlston CBE** and speakers will include: **Mahesh Varia,** Travers Smith; Robert Postlethwaite, **Postlethwaites;** Liz Hunter, Mazars; David Craddock, **David Craddock Consultancy Services**; Catherine Gannon, **Gannons;** Nigel Mason, **RM2 Partnership**; Colin Kendon, **Bird & Bird**; Stephen Woodhouse, **Pett Franklin**; Garry Karch, **RM2 Partnership.** Members interested in attending this conference should contact Daniel Helen at events@esopcentre.com or call 020 7239 4971.

Guernsey share schemes and trustees seminar: Friday October 6

The annual Guernsey share schemes and trustees seminar, organised by the **Esop Centre** and the **Society of Trust & Estate Practitioners**, will be held at the St Pierre Park Hotel in St Peter Port on **Friday October 6** 2017. Save the date.

World Centre Awards 2017: Tuesday October 31

The World Centre for Employee Ownership's sixteenth awards reception and dinner will be held at the **Reform Club**, in London's Pall Mall, on **Tuesday October 31** 2017. This annual highlight event brings together members and their guests – representing UK and international plan issuer companies and their expert advisers – to recognise the best in employee share ownership. This stylish black-tie event is the perfect way to celebrate the year with clients, colleagues and peers. Both individual and group tickets are available. **Table of ten*: £1,800 + VAT Member: £195 + VAT; Non-member: £270 + VAT** *Tables of ten can only be purchased by Centre members. To purchase tickets, please email events@esopcentre.com or call 020 7239 4971.

Nominations are now open for the World Centre Awards 2017. These awards recognise the achievements of companies which offer broad-based employee share plans and hold up best practice models for other companies to follow. Applications will be reviewed by two impartial judges, experts in the use of employee equities, together with Centre chairman Malcolm Hurlston. Each category winner receives a framed certificate, which is presented to the winning teams at the dinner.

Categories:

Best all-employee international share plan*
Best all-employee share plan+
Best financial education of employees
Best share plan communications
Best use of video communication
Best use of technology & Most creative solution

Visit the World Centre Awards 2017 webpage for further details, including descriptions of each award category. * In a company with more than 5,000 employees and participants in at least three countries. +In a company with fewer than 5,000 employees and participants in no more than two countries. Entries should be made using our secure online application form and the deadline for receipt is **Friday September 1.**

Employee equity symposium: speaker appeal

The Centre has launched a speaker appeal for its second *British Isles employee equity Symposium* for quoted companies, to be held in the offices of leading Centre member & legal giant **White & Case** in the City of London on **Thursday & Friday, November 16–17 2017.**

The Centre is planning a participative programme with panels and marquee speakers and *newspad* editor **Fred Hackworth** is determining content and giving priority to members who want to take part and make early contact.

Preliminary symposium subject segments include: Executive compensation – *are executives paid too much?* Corporate governance – *an industry out of control?* All-Employee share plan design & Plan case histories; Employee Share Plans & Investment; Minimising tax risks for internationally mobile employees; the Employee Ownership Trust – how successful is it? Accounting for share schemes; Should the share schemes industry fear Brexit? and many others.

Practitioner speakers and panelists will enjoy **discounted prices** and plan issuer speakers will not be charged. Please email your speaker topic suggestions to: Fred Hackworth, Esop Centre, **asap**, at britishisles@esopcentre.com

MOVERS AND SHAKERS

Channel Islands based Centre member **Estera** announced the acquisition of **Heritage Financial Services Group (HFSG)**, an independent business providing third party fund administration, depositary, trust and corporate services in Guernsey, the UK and Malta. Separate from the wider Heritage Group, HFSG has more than 100 employees with a reputation for high quality service, very much aligned to the values of the Estera group. The transaction was finalised on June 5 and is subject to regulatory approvals, following which the business will be re-branded under the Estera name. *The funds market is a strategic priority for Estera and the acquisition of two leading fund administration businesses so far this year demonstrates our commitment to building an international presence in this segment.* “This acquisition adds considerable scale and expertise to our existing corporate and trust service lines”, said Estera ceo **Farah Ballands**. For further information, visit estera.com or contact your team member at Estera.

David Richardson was appointed interim director general for customer compliance at **HMRC**. He will take over responsibility for business tax compliance and oversight, replacing **Jennie Granger**, who left HMRC at the end of June. He is currently director of counter-avoidance.

UK CORNER

EBTs to be caught by new HMRC reporting rules?

Employee Benefit Trusts may be affected by new reporting rules that came into force last week as part of a money laundering crackdown, said *The Financial Times.*

Trustees will need to give HMRC a detailed picture of the assets held in a wide range of trusts, as well as the identities of trustees and beneficiaries, so at the very least, trustee advisers will have yet more electronic form-filling to contend with.

The government expects the extra information to deliver a marked change in its ability to identify the misuse of trusts, as well as giving it a wider understanding of the tax liabilities of people connected to a trust.

Only law enforcement agencies are set to get access to the information, but the majority of EU states are pushing to make the registers public. The issue was reignited by the last year’s Panama Papers, the leaked documents that exposed illicit aspects of offshore finance.

The UK government and the wealth management industry argued against public access to trust registers because of concerns over privacy, human rights and data protection as well as fears it could expose vulnerable beneficiaries to potential abuse. Critics say that exempting trusts from public disclosure has created a loophole that can be used by criminals. The *One Campaign*, an advocacy group, said: “Trusts provide an unparalleled degree of secrecy, allowing individuals to disguise the origin and ownership of assets while still benefiting from them.”

If the EU insists on public disclosure of trusts, it is unclear whether the UK would be affected post Brexit. Brussels might take the UK’s compliance with the new rules into account when evaluating what form of market access the UK financial services industry should be granted after Brexit. The new rules catch a big range of trusts — potentially including those set up in wills — but only if they incur tax liabilities. HMRC said that 162,000 trusts made self-assessment returns for the 2014-15 tax year. Trustees will need to update the register for each year that the trust generates a UK ‘tax consequence.’ Graeme Robb of Prudential said that this might underline the advantages to trustees of holding a non-income producing investment bond. The implementation of the new register has been delayed for a few weeks. Trustees will have until October 5 this year to register new taxable trusts and until January 31 2018 to provide information on existing trusts. **STEP,** the Society of Trust & Estate Practitioners, said the regulations had been “rushed through HMRC with little industry consultation, and, as a result, there has been only nominal guidance on some key issues”.

Shares for young people (*the many, not the few*)?

The Centre is interested in the idea floated by financial author and journalist Matthew Lynn in the *Telegraph* recently that all young UK citizens aged between 19 and 24 should be offered some free shares by the government, as a way of encouraging them not to feel alienated from the economy.

Suppose the five million or so young British people in this age cohort were offered £250 worth of free shares in **Royal Bank of Scotland** (**RBS)**. The tax-payers' remaining **73 percent** holding in RBS is worth c. £21.5bn at the current market price of c. 250p per share. So giving them each £250 worth of RBS shares would cost the Exchequer £1.25bn, equivalent to just under six percent of the value of the taxpayers' stake.

Were this to become UK government policy, the Centre would want all RBS's 75,000 employees worldwide, mostly in the UK, to be offered the same free share award, which would cost taxpayers a mere £18.75m extra.

Employees and the young recipients would have to hold their free shares for at least three years (after which no Capital Gains Tax would be charged – *if applicable*) and for five years (after which no income tax or NICs would be charged). The rules of the scheme could mirror those applying to the tax-advantaged Share Incentive Plan (SIP). In fact, the **Young People's Shares** scheme could be bolted onto the current tax-approved HMRC employee schemes, with the same rules applying.

The Centre's expertise would come in play to provide HMG with list of trustees to warehouse the shares and the Centre would find 'broker' members to handle share dealing. There would have to be a small clearing house set up because applicants, in order to qualify for their free shares, would have to prove that they are UK citizens and in the right age group (19–24).

The privatisation of **Royal Mail** in October 2013 provides the best example to date of how successfully a free shares award – to almost 150,000 postal workers – can interest large numbers of people who hitherto had little or no knowledge of shares and shareholding.

The advantages for the government of implementing a Young People's Shares scheme, using the forthcoming RBS shares sell-off, would be considerable:

* The Treasury would pay out next to nothing in short term – just set up costs.

* Young people would start to understand the system by holding shares – which would become a talking point at work and in universities.

* Over time, most likely there would be an appreciation in value of the shares, which would provide a potential boost to future consumer spending when the young shareholders sold part or their entire stake.

* When the RBS sell-off arrives, HMG would have a media *Good News* offset – the young people free share scheme – because clearly the rest of the shares would be sold (*if at recent market price*) at a heavy loss compared to what the taxpayer put in to save the bank.

* Having such a stake in the system could influence voting patterns among the young in the run-up to the next general election.

Two year parliamentary session

The PM's Office announced that the current session of Parliament, which started with the **Queen's Speech** on Wednesday June 21, will run for two years instead of the usual one year, reported Centre member **Deloitte**. There will be no Queen's Speech in 2018, as there will be no new Parliamentary session. There were 27 Bills listed, including three Finance Bills. A Summer Finance Bill 2017 will be introduced to 'include *a range of tax measures including those to tackle avoidance*.' It is not yet known which of the measures not included in the truncated Finance Act passed on April 27 2017 will be included. Further Bills will be introduced in November 2017 and in 2018 (both following a Budget). There will be a National Insurance Contributions Bill to legislate for changes announced in the 2016 Budget and the 2016 Autumn Statement. The notes issued with the Queen's Speech say that this does not relate to the discussion of Class 4 contributions at the time of the Spring Budget 2017. In that Budget, it was announced Class 2 NICs were abolished. Following the abolition of Class 2 NICs, self-employed contributory benefit entitlement will be accessed through Class 3 and Class 4 NICs. There will be a Customs Bill which will provide for Customs duty, excise duty on imports and certain VAT matters consequent on the UK leaving the EU.

See http://deloi.tt/2sAQ5Fb

Post election Treasury team

The Treasury ministerial team had to be re-organised following Mrs May's failure to secure an overall majority in the General Election last month. **Philip Hammond** was reconfirmed as **Chancellor of the Exchequer**, despite his uneasy relationship with the PM. Hammond's deputy is **Chief Secretary to the Treasury**, **Liz Truss**, the former Justice Secretary. She took over from former Centre Awards speaker **David Gauke**, who is now **Work and Pensions Secretary of State**.

Over at Business the highly regarded small business minister Margot James remains in post.

Jane Ellison, who lost her seat at the election, has been replaced by **Mel Stride MP** as **Financial Secretary to the Treasury**. He was previously deputy Chief Whip. Detailed responsibilities are yet to be confirmed, but

Mr Stride is likely to be 'Tax Minister,' as well as minister with overall responsibility for employee share ownership. He has received a welcome letter from the chairman.

The new **Economic Secretary to the Treasury** is **Stephen Barclay MP**, formerly a member of the Public Accounts Committee and the new **Exchequer Secretary** is **Andrew Jones MP** for Harrogate and Knaresborough.

Election chaos throws in doubt exec reward curbs

The PM's failure to retain her overall parliamentary majority in the General Election may lead to her plans to enact further curbs on executive reward being put on the back-burner. Before becoming prime minister, Theresa May had made executive pay and corporate governance reform a big part of her broad policy goal of making the economy 'work for everyone,' reported Centre member **Pinsent Masons**. Her government had followed this up with a green paper on corporate governance reform, and by commissioning an independent report on the 'gig' economy.

Politics and public opinion were already engaging with issues of pay inequality and corporate governance, especially executive directors' total reward at quoted companies, even before the UK snap election was called. Allegedly, their reward packages have been growing disproportionately to both average pay and company performance for some time, with share incentives making up a significant proportion of remuneration and widely seen to be part of the 'problem'.

In its now torn-up manifesto, the Conservative Party essentially proposed strengthening disclosure requirements, governance practice and shareholder powers, and to rely on – and possibly press – investors to deliver change. It did not extend beyond listed companies, although the Tories proposed a further review of private company corporate governance. The manifesto promised to legislate to make listed company executive director pay packages subject to strict annual votes by shareholders and to make the same companies publish the ratio of executive pay to broader UK workforce pay.

But the green paper had made clear that any annual binding vote might not now be universal. "I want ceos to be paid in line with performance," said Business Secretary Greg Clark: "The right thing is to give greater powers to shareholders to hold executives to account." The document said that the binding vote could apply to the full remuneration report. Alternatively, it might just apply to the variable pay elements, such as the bonus, long-term incentive plan and any pay rise, and not the actual salary. Meanwhile the policy might only be applied to companies which had encountered "significant minority opposition" to pay awards in the previous year or two, or to companies that had lost their existing annual advisory vote. It could be applied annually to all companies or only to companies that have encountered significant shareholder opposition to the remuneration report."

Under another option put forward by the government, companies could set an upper threshold for total annual pay and then only have binding annual votes when pay exceeded that limit. Alternatively, they might be allowed to bring forward the current three-yearly vote in special circumstances.

The CBI business lobbying group said it welcomed the "targeted" use of binding votes on pay. "Introducing a targeted binding vote regime would focus attention on the most concerning cases and give shareholders the teeth to truly have the final say on top executives' pay," it said. Quoted companies would have to explain their pay policies better, particularly complex incentive schemes. They would either have to appoint employee directors, an employee advisory panel or a designated non-executive director to represent employees' interests on the board.

The Tory manifesto plan was for the new government to review the use of share buybacks, with a view to ensuring these could not be used artificially to hit incentive performance targets and inflate executive pay, according to the election manifesto. Buybacks could do that if widely-used performance measures, such as earnings per share and total shareholder return, were to be calculated without appropriate corrections for any shares bought back during the performance period.

However, all of this looked to be up in the air following Mrs May's failure to secure a working majority of MPs. The question is: *Could most of these plans be enacted by regulation, rather than by legislation?* There was no immediate guidance on whether or not the minority government would proceed in the near future with the proposed reforms of executive reward.

Eso scheme contributions rise

New research found that SAYE share schemes are more than ever used as *safe havens* with average per employee monthly contribution rising to **£158.18** in 2016, the fifth consecutive year of increased contributions. The findings are based on the share plans data of almost 1,000 UK companies of all sizes, which offer either or both the SAYE and Share Incentive Plan (SIP) schemes to their employees. Tax-advantaged share plans offer employees the opportunity to purchase shares in the companies they work for and use the scheme as an effective savings vehicle. The weighted average participation rate for SAYE schemes within participating companies stands at **35** percent and the number of employees' SAYE savings accounts stands at 1.4m. In addition, Partnership and Matching shares available through the

SIP are taken up by 35 percent of employees, with the average monthly investment per employee standing at **£89**. The average SIP holding value per employee rose by 43 percent to **£12,926** as of the end of last year, following a good year for share prices. Average SIP participation levels fell slightly to 29 percent

Ups & downs in executive reward

*Four top directors at UK turnaround specialist **Melrose Industries** are to share a bonus pot of £160m in one of the biggest corporate paydays in the City, reported *the Guardian*. The UK-listed engineering firm said it would pay out share bonuses to its three co-founders and the finance chief under a five-year incentive plan, which was approved by investors in 2012. Based on the average share price over 40 days last month of 234p, the total bonus pot is worth £240m. The quartet – Christopher Miller, executive chairman; David Roper, executive vice chairman; Simon Peckham, ceo; and Geoff Martin, cfo – are entitled to 68 percent of it. This means they will get £40m each in shares while the rest of the pot will be shared between **20 senior managers**. The executives can sell shares to cover the £70m of income tax due on the awards but must retain at least half the remaining shares for at least two years. They have never sold any shares, except to cover tax bills. At present, the four directors together own 2.25 percent of Melrose, which will rise to 3.1 percent after the share awards. The rest is owned by financial institutions led by **BlackRock**. Melrose stressed that the bonus plan was strongly aligned to shareholder returns, with £3.5bn returned to investors over the five -year period. The firm buys and turns around struggling manufacturing businesses before selling them on. Melrose's share price has soared from 43p five years ago to 236p recently. Melrose is listed in the FTSE small cap index but is expected to rejoin the FTSE 250 soon. It declared a statutory loss before tax of £69.3m last year. Excluding restructuring, acquisition and disposal costs, it made an underlying pre-tax profit of £96m, with revenues of £889m. The bonus payouts are among the biggest in City history.

***Burberry** is scaling back its executive bonus pay plans ahead of the arrival of new boss Marco Gobbetti to avert a repeat of the shareholder rebellions against the pay policy which have erupted in the past. The luxury retailer was spared a second shareholder revolt after boss Christopher Bailey refused his bonus for the 2016/17 financial year, three years after a bruising showdown with shareholders in which more than half voted against Mr Bailey's £20m total pay package for 2014. Mr Bailey, the chief designer and outgoing ceo, will receive a **£10m loyalty reward this month** as he steps down as boss. Its annual report revealed that 600,000 shares granted to Bailey will vest this month. The payout arises from an *exceptional award* of a million shares issued in 2013 when a rival luxury group tried to poach Bailey, who had been praised in the fashion press for helping the company to reclaim its high-fashion credentials. The board, led by chairman Sir John Peace - an unlikely but successful fashion house boss, is hoping to see off a repeat backlash by proposing cuts for future payouts for the new look executive team – to bolster the retailer's flagging fortunes. Burberry's annual report says it plans to lower the maximum annual salary increase for its top honchos from 15 percent to ten percent and proposed that bonus pay is capped at twice the base salary compared to 2.25 times larger under the previous policy. Executive share plan awards for 'exceptional performance' will be slashed from six times salary to just 3.75 times higher, while the maximum award for 'normal' performance will fall to 3.25 times the base salary from four times larger. Burberry will cut pension contributions for new external executive directors from 30 percent to 20 percent of salary and scrap 'sign on' bonuses. Shareholders will vote on the pay plan at the group's July 17 agm in London.

***J Sainsbury** deprived its ceo Mike Coupe of a potential £1m cash bonus after he failed to hit last year's sales and profits targets, while deciding he should receive a £716,000 share award based partly on the same measures. Although Mr Coupe had done well against individual objectives set at the start of the year, the board concluded it could not award a cash bonus when profits, at £502m, were seven percent short of an agreed goal. "In retrospect, looking backwards somebody could say that was a rather tough objective given what happened in the market in the last twelve months," Sainsbury's chairman David Tyler told the *Financial Times*. "But that was it and when you set these targets, you should be disciplined about them." However, Mr Coupe fared better against the criteria for a share award scheme, qualifying for 70 percent of the maximum payout, which he will receive in two years if he stays in his post. Sainsbury's policy dictates that "at least 50 percent of the [share] award will be based on the delivery of financial performance and returns to shareholders".

Marks & Spencer** boss Steve Rowe was handed a near-£600,000 bonus despite annual profits tumbling by 64 percent at the high street chain. The M&S annual report revealed it paid Rowe £1.6m in pay and bonuses, although all executive directors missed out on share awards under an LTIP after missing targets. Rowe, who was promoted ceo in April last year, picked up a £599,000 bonus on top of his £810,000 salary and £234,000 more in pension and benefits. Fd Helen Weir was awarded a £496,000 annual bonus, while marketing director Patrick Bousquet-Chavanne landed a £459,000 bonus. The annual report showed Rowe could be in line for a total pay package worth up to ***£4.7m in cash and shares over the year to next April if all targets are met in full. His pay details come just weeks after M & S reported a gloomy set of annual results, which showed profits diving to £176.4m. The report confirmed that Rowe and executive directors had waived a two percent pay rise for the second year running "in support of the proposed new pay arrangements being made elsewhere in the UK organisation". In awarding the annual bonus to Rowe, the group's remuneration committee said it “considered the overall performance of the business and of the executive directors against this, as well as against their individual targets”. It added: “The rem com is satisfied that incentive payments for the executive directors reflect both the overall financial performance of the business and the hard work undertaken by the team to achieve this in the challenging environment.”

The committee made changes to the long-term share incentive scheme for top executives, including ensuring shares must be held for two years after being awarded.

***Shell** boss Ben Van Beurden came under fire over his multi-million euro salary ahead of the oil giant’s agm at The Hague. The ceo’s pay has ballooned by €3m since 2015 to £7.4m for last year, driven by a €4m boom in long-term incentives which proxy advisors have branded “excessive”. Nevertheless, voting shareholders approved both the remuneration policy and report with stonking majorities – the pay rebels failing to obtain even ten percent in either vote. The Investment Association had issued an amber top warning – meaning it is a significant issued to be considered – against the pay plans and advised shareholders to closely examine the proposals. They set Mr Van Beurden’s LTIP payouts at almost double the maximum rate of rival BP. Shell’s long-term incentives could balloon to eight times Mr Van Beurden’s €1.46m salary while its bonus pay is capped at 2.5 times salary.

*Sir Martin Sorrell survived a bruising meeting with shareholders, despite his advertising company **WPP** cutting his pay to £48m in light of past investor protests. The best-paid boss in the FTSE 100 is in the final year of a controversial bonus scheme that awards him with multi-million-pound share packages tied to WPP’s ballooning profits. More than 20 percent of investors failed to support a non-binding vote on Sir Martin’s pay packet, reduced from £70m the previous year. WPP’s growth has outpaced that of most British blue chips, with its market value leaping 172 per cent to £23.3bn since 2012 compared to a 28 percent rise in the FTSE 100. However, this growth was not enough to quell anger from some investors about the board’s bid to pay Sir Martin the biggest bonuses in British corporate history. The board proposed cutting the maximum pay for its ceo to £15m in future, although the value of this package could rise with the share price. Sir Martin, who has led WPP for more than three decades, has been paid more than £200m over the past five years. Several high-paying FTSE 100 companies including BP, Reckitt Benckiser and Shire have pared back their executive bonuses this year following confrontations with shareholders. There have been few major rebellions this year, as companies adapt to tighter rules on pay that brought in binding votes on future pay plans. Sir Martin wrote in WPP’s annual report that “not for the first time, residents of the Davos bubble (of which I am one) had misjudged the public mood” on issues such as populist politicians and the Brexit referendum.

More pensions misery

Less than a quarter of the FTSE 100 – 23 companies – are still paying into defined benefit (final salary) pensions for a significant number of staff. For those that are, including **Shell, BAE, Lloyds** and **GlaxoSmithKline**, it can be a heavy burden. Some defined benefit schemes now account for up to 40 percent of payroll costs. Central Bank use of historically low interest rates to stimulate the global economy since the financial crisis is one of the two main reasons final salary schemes are now on the endangered species list. Gilts, a mainstay of pension fund investments that provided reliable returns before the near-collapse of the financial system, have been delivering negative yields. Companies that sponsor defined benefit schemes therefore have to pay more in to cover the obligations to retirees. The second deadly blow to the affordability of final salary pensions is the combination of longer life-spans (and so longer retirements) and the exit of the baby boom generation. Typical retirements have doubled in length since many schemes were set up in the Fifties and Sixties. Companies are being encouraged to close final salary schemes, in favour of money purchase (defined contributions) schemes, not only by economics. Boardroom politics are in play too. Company interests were once aligned with those of workers on defined benefit pensions. Senior executives were members of the generous schemes and so boards had more incentive to keep them open. Recent tax changes have weakened the pensions bond between the boardroom and the shop floor. The lifetime allowance and annual allowance effectively act as caps on pension pots for high earners. Once they hit them – a feat easily achieved by senior executives in a final salary scheme – the tax advantages of pensions over cash payments and other forms of retirement savings disappear. Boards are now grappling with splits in the workforce that can breed resentment. At **BT** 33,000 are enjoying hefty contributions from the company into their retirement funds. Tens of thousands more current staff get much less in their defined contributions scheme. Generational inequality is becoming an issue in the private sector, as well as in the public sector, which is protective of defined benefit schemes.

COMPANIES

*****Equipment rentals giant **Ashtead Group** made annual awards to 193 senior executives under its Performance Share Plan (PSP). Awards under the PSP comprise the conditional right to receive ords of 10p each, which for the directors vest on the fifth anniversary of grant. Vesting is subject to continued employment and the achievement of challenging performance targets set by the remuneration committee. Ashtead intends to use shares held by the group's Employee Share Ownership Trust (ESOT) to fulfil any obligations to award shares to employees. Ceo Geoff Drabble received 97,000 performance shares worth £1.55m at the current share price of almost £16 per share. Fellow director Brendan Horgan received 66,000 performance shares currently worth £1.05m and Suzanne Wood received a further 46,000 shares worth £736,000. Mr Drabble received £1.77m for the sale of his 111,000 vested shares for the 2014 performance scheme, while Mr Horgan and Ms Wood received around £730,000 each for their vested performance shares. Ashtead's shares have risen 53 percent in value during the past year.

*New **British Steel** ceo Peter Bernscher wasted no time in introducing an all-employee share scheme at the reviving business bought by investment firm **Greybull Capital** from Tata Steel a year ago for £1. For Mr Bernscher is no stranger to Eso, having worked for years for the Austrian steel and industrials group **Voestalpine,** in which ***24,000 employees*** – more than half the workforce – collectively own 14.5 percent of the equity, a record in the steel industry. Colleague Max Stelzer from Voestalpine, which is based in Linz, delivered a fascinating Eso case history at the Centre's international conference in Vienna a year ago. The employees who can act collectively through their foundation are the second largest shareholder on the company's books. Mr Bernscher announced that British Steel had returned to profit, recording its best performance in a decade and would reward employees by giving them a *five percent* stake in the business. The firm turned a £79m loss last year into a £47m profit in the year to March 31. It employs 3,000 workers in Scunthorpe and has a site in Skinningrove in North Yorkshire. "I'm therefore delighted to set out the employee share scheme, an almost unique initiative in our industry to recognise their contribution," said chairman Roland Junck.

***BT Group** intends to buy back up to £200m of its shares from **Orange**. BT issued almost 400m new ords to Orange in January 2016, as partial payment for the purchase of **EE**. The shares were subject to lock-up provisions which expired in January this year. Orange announced its intention to offer one third of these shares – 133m – to institutional investors through an accelerated book-build. BT said would participate in the offering and had placed an order to repurchase shares up to a maximum total value of £125m. It said that separately that **Ilford Trustees (Jersey)**, trustee of the **BT Group Employee Share Ownership Trust** had placed an order to buy additional shares with a maximum total value of £75m from Orange, which BT would fund. BT said its orders amounted to a maximum aggregate value of £200m. It said that Orange would allocate BT's and the employee trust's orders in full. BT announced earlier that it expected to buy back £100m of shares in 2017–18 to help counteract the dilutive effect of all employee share option plans maturing in the year. BT said it expected to continue to offset the dilutive effect of employee share options in future years and had therefore decided to take advantage of market conditions to purchase a significant number of shares in a single transaction.

WORLD NEWSPAD

US ceos rake it in: The typical big-company ceo raked in $11.5m (£9m) last year in salary, stock and other compensation, according to a study by executive data firm **Equilar** for *The Associated Press*. That's an **8.5 percent** rise from a year earlier, the biggest in three years. The uplift reflects how well stocks have done under these ceos' watch. Boards of directors increasingly require that ceos push their stock price higher to collect their maximum possible payout, and the ***Standard & Poor's 500*** index returned 12 percent last year. Over the last five years, median ceo pay in the survey has jumped by 19.6 percent – almost double the 10.9 percent rise in the typical weekly pay of full-time employees across the US.

The top-paid ceo last year was Thomas Rutledge of **Charter Communications**, at $98 m. The vast majority of that came from stock and option awards included as part of a new five-year employment agreement, and Charter's stock will need to more than double for Rutledge to collect the full amount. Second on the compensation list was Leslie Moonves of **CBS**, who earned $68.6m. Third was **Walt Disney**'s Robert Iger, who made $41m.

Ceo pay did fall however for one group of companies last year*: those where investors complained the loudest about executive pay. Compensation dropped for nine of the ten companies who scored the lowest on 'Say on Pay' votes, where shareholders give thumbs up or down on top executives' earnings.* At **Exelon** the majority of voting shares were pitched against the 2015 executive awards, as the stock lost 22 percent in value that year. Following the vote, Exelon made several changes, including capping how much executives can receive in incentive payments if the stock loses money over the year. Auto supplier **BorgWarner** had last year's second-lowest pass rate in the survey on *Say on Pay*, with 60 percent of voting shares against or abstaining. The company made changes to its compensation programme and cut a 2016 incentive award by $2.4 m to $950,000 for ceo James Verrier, whose total compensation dropped 29 percent to $12.3m last year.

The **Australian** Treasury is looking at how to stop banks from adjusting executive base pay rates to get around a crackdown on bonuses. The federal budget proposed a new regime which would regulate senior banking executives’ salaries and bonuses. The Australian Prudential Regulation Authority would be empowered to change remuneration policies, ban executives and impose heavy penalties for misconduct. A minimum 60 percent of ceo bonuses and 40 percent of other senior executive’s bonuses would be deferred for at least four years.

Employee Ownership Association (Oz & NZ)
The **EOA (Oz & NZ)** annual share scheme award winners were: **Woolworths** (Most Effective and Innovative Communications & People’s Choice); **CSL** (Best International Share Plan); **Dulux** (Fostering ownership over 1,000 employees) & **Red Bubble** (Best New Employee Share Plan).

Irish share schemes woe
The **Irish** economy is at a Brexit disadvantage because companies here cannot offer their employees share incentives that are as attractive as those available in the UK and other EU countries. That was the warning from the **Irish ProShare Association (IPSA)** as it called on the Government to fast-track tax reform and introduce new measures to encourage employee financial involvement in companies.
Gill Brennan, ceo of IPSA, said there are significant opportunities for Ireland to attract companies seeking to establish EU bases in the wake of the UK’s decision to leave the bloc but that means being able to compete when it comes to those companies being able to attract and retain talent, said the *Irish Examiner.*
“Currently Ireland is at significant competitive disadvantage due to our poor employee ownership record and employee share incentive schemes. The current tax measures in this area lag the UK and our EU competitors, and we have a short period of time to remedy this. The UK has a scheme called the ***Enterprise Management Incentive*** which enables share options to be received by employees without any tax bill arising until the shares are sold. *This scheme is now being replicated throughout Europe and it would put Ireland at a competitive disadvantage to ignore this and to fail to develop its own version of EMI*,” said Ms Brennan.
“EMI uses tax-advantaged equity to attract and incentivise staff who might otherwise be paid higher cash amounts by larger businesses. A scheme like this would be of great benefit to start-ups and SMEs considering a base in Ireland, not to mention companies that are already here.
“The tax system must be reformed to make it easier and more efficient for smaller firms to participate in share-based remuneration, so that they can compete for top talent with larger multinational enterprises. Across Europe Governments and the EU Commission have recognised the importance of providing, particularly start-ups and SME’s, with the right tools to attract and retain the best talent that will help grow indigenous business, increase employment, and provide stability in their economies.
“By offering employees a stake in the business they work in, employees have a vested interest in ensuring that the business thrives and at present in Ireland we cannot do this effectively.”
The IPSA said that the main option for unlisted smaller Irish businesses to attract the best talent was to offer shares through unapproved schemes under which, from the outset, employees must pay income tax and social charges even though there was no market for the shares to which the employee became entitled. The employee must self-generate the funds to pay the tax, and then face a second tax bill when they dispose of the shares, usually by selling them back to the company, as they are subject to Capital Gains Tax. Ms Brennan added: “Revenue-approved plans (APSS) are too rigid and complex for many companies, particularly for start-ups and SMEs. They are really only suited to large quoted Irish companies or publicly-listed multinationals with Irish operations who can afford to administer them. Ireland needs a new share ownership incentive scheme to attract home key talent and then encourages them to remain. Such a scheme which is easy to administer both from the employer and the Revenue’s perspective and can be used by the smaller employers who would benefit from it most.”

Kenya
Insurance firm **Britam** and the **Nairobi Securities Exchange** announced plans to set up employee share ownership schemes. The two firms said in their respective agm notices that they were seeking shareholder approval to establish the Eso plans, with NSE saying it will be allotting 12.9m shares to the scheme, equivalent to five percent of its issued share capital. The employee share ownership plan unit trust will be called the NSE ESOP Unit Trust. Britam is yet to disclose the number of shares going into its Esop, as its plan is still in its initial stages. The insurer is seeking approval to develop the trust deed for its Esop, which will be submitted to the regulator. Other firms with Esops in Kenya include ARM Cement , EABL , Equity Bank , HF , I&M Bank , KCB , KenolKobil , Kenya Airways , Safaricom , ScanGroup , Car & General and Standard Group.

The Employee Share Ownership Centre Ltd is a members’ organisation which lobbies, informs and researches on behalf of employee share ownership