

newsbrief

June 2018



CONFERENCES AND EVENTS

newspad summit: Paris June 21-22 2018 – last chance to book

Less than a week remains to book to attend this year's *newspad* international employee equity summit. The event, which will be in Paris on Thursday & Friday June 21-22 at Linklaters' 25 rue de Marignan offices, has gained new topicality since BEIS announced this week that UK firms will have to **justify pay gaps between bosses and their workers**.



Prime minister Theresa May said “Firms who listen to their workers and are responsive to their shareholders see the benefit on the bottom line.”

A SPECIAL SESSION has been added to which Damian Carnell and Ras Berglund have been asked to contribute, with Malcolm Hurlston CBE. The UK government has been invited. Business minister Andrew Griffiths is known for his support of employee share ownership.

Other programme highlights include talks on: why US start-ups are better at rewarding all employees; Airbus' all-employee plans; a guide to using stock options to reward talent; business succession planning; corporate governance; share plans

regulation; executive equity reward; global plan communication techniques; trustee share plan administration; equity plan case histories - such as construction materials giant Saint-Gobain; and, the implications of Brexit for international employee equity plans.

newspad thanks Zedra for its co-sponsorship of the **programme e-brochure**.



French Senator Henri Leroy has been invited and former government adviser Marcel Hipszman has accepted.

Time is allocated for debates which delegates can lead. All participants are invited to the summit drinks reception, hosted by Linklaters, and Fred Hackworth is arranging informal dining groups on Wednesday and Thursday evenings.

Hurry, there is less than a week to book - email global@esopcentre.com or call +44 (0)20 7239 4971 to secure your place.

Delegate fees*:

- Centre member practitioners: £395
- Non-member practitioners: £615
- Plan issuer representatives: FREE *

*(subject to £10 admin fee)

WEBINAR

Sarah Anderson of RM2 gives an **introduction to the SIP** at 11:30am on June 20, including: its key benefits, how to establish a SIP, and how it worked in real life for an RM2 client.

CENTRE AND MEMBER NEWS

Accuro Jersey triathlon to welcome record number of triathletes

Six hundred triathletes will attend this year's **Accuro Jersey triathlon**, which will take place in St Helier on Sunday July 1 and raise funds for the Oscar Maclean Foundation. Triathletes at all levels will compete - from novices to Commonwealth Games standard athletes.

Bird & Bird named global leader in renewable energy

Bird & Bird has been declared **the number one law firm for renewable energy mergers and acquisitions deals** (by volume globally) by Clean Energy Pipeline.

UKSA: shareholder rights and nominee accounts issues

The UK Shareholders' Association has called for shareholders to attend AGMs and ask questions regarding shareholder rights and nominee accounts communication following the erosion of individual shareholder rights. UKSA policy director Peter Parry said: "Often, individual investors are not informed when a general meeting is going to happen, and do not receive circulars, voting forms and annual reports. And many platforms make it difficult and expensive for investors to get this information.

"By having shares registered in nominee accounts, rather than in shareholders own names, they are at risk in the event of a broker insolvency and subject to an FSCS compensation limit of £50,000. Any loss above this is not covered. The Beaufort Scandal has highlighted the way administrators can dip into investors' funds to pay their costs and fees

first. Some Beaufort investors may be facing a loss of up to 40 percent.

"UK law is at odds with the EU Directive. UK law defines a shareholder as the nominee and not the end investor (i.e. the individual investor like you or me). The UK law must be changed. However, to date, the UK government has been resistant to changing UK legislation so as to meet the intent of the EU Directive. We now have a once in a decade opportunity to get this problem resolved. We must not let the opportunity slip."

The Centre urges members who share UKSA's view to write to their local MP.

The UK Employee Ownership Trust second edition book launch

RM2 will **launch** the second edition of *The UK Employee Ownership Trust* on Thursday July 12, from 17:45-19:45. The second edition, authored by Garry Karch of RM2, is updated to include recent developments in the EOT sector and provide additional details on the structuring and financing of EOT transactions.

The event will include several short speeches from leading figures in the Esop world, including Centre chairman Malcolm Hurlston CBE. *newsbrief* readers are invited.

UK & WORLD NEWS

L'Oreal announces its first Esop

French beauty company L'Oreal has launched **its first Esop** to employees in 52 countries. L'Oreal ceo and chairman Jean-Paul Agon said: "L'Oréal has always intended that its employees benefit from the group's success and prosperity. This first employee share ownership plan will give employees who want to participate a new way to support the company's development and be involved in its strategic projects."

GDPR Power Matrix

POLITICO has released a **power matrix** highlighting the most influential and prepared actors following the introduction of GDPR. The matrix is based on: POLITICO's reporting of *who calls the shots*,

questionnaire answers and interviews conducted with key players in data protection. Facebook is ranked as the most influential actor, while European commissioner for justice, consumers and gender equality Věra Jourová is judged the most prepared.

HMRC: share schemes Q&A

HMRC has provided its response to questions posed by the QCA Share Schemes Expert Group and its members. Questions discussed included: the composition of HMRC's employee share schemes team; registrations; SAYE schemes; EMI; tax-advantaged plans; thinly traded companies and cashless exercise facilities; and, Form 42 reporting - independent acquisitions of shares by directors and employees of AIM companies.

Read the [Q&A here](#).

Tata Motors to hand half of its equity to employees

Tata Motors, the flagship entity of the Indian Tata Group, is to [hand over just under half of its equity](#) to its staff through an ESOP plan. The company, which is valued at \$45 billion, will hand out company stock initially to 200 employees, with plans to provide stock to more staff later.

Pret to pay 12,000 employees £1,000

International sandwich chain Pret a Manger has announced it will [provide its 12,000 employees with £1,000](#) following the chain's £1.5 billion sale. Employees who join Pret between now and the completion of its sale in the summer will still be eligible to receive the £1,000.

The “bullshit jobs” epidemic

Acclaimed Centre dinner guest Professor David Graeber, of the London School of Economics, has made more waves with his new book *Bullshit Jobs: A Theory*, [reviewed for your delight in the New Yorker](#). Professor Graeber argues that the rise in the number of *bullshit* jobs may be a key reason why long-term economic predictions about the shifting nature of work - such as Keynes' prediction

that increased automation and technological improvement would lead people to be bored of leisure time by 2028 - have proved so wrong.

Employee happiness – more than workplace gimmicks

[Research](#) by the Society for Human Resource Management shows that working in a culture which values people, provides a positive work life balance, and provides respectful treatment of all employees is a more significant contributor to employee happiness than *happiness gimmicks* such as [ping-pong tables and picnic chairs](#).

Sunny Optical share price surge turns “janitors into millionaires”

Sunny Optical Technology Group's stock has climbed 9,500 percent in value over the last decade - faster than the stock of any other company according to MSCI's global indexes. This, coupled with the firm's decision to hand stock to employees early on, regardless of their position, has turned hundreds of employees at all levels into millionaires.

Professor Louis Putterman, a scholar specialising in the Chinese economy, said: “Possibly Sunny Optical is the most outstanding example in terms of the wealth generated for the workers”.

Sunny Optical is a Chinese company which produces lenses for technological giants such as Samsung and Xiaomi.

Call for the establishment of EOT law in Ireland

The Irish ProShare Association has [lambasted the lack of succession options available to SMEs](#) in the Republic of Ireland. IPSA estimates that at least 929 SME owners, employing an estimated 27,870 people, will be close to retirement age by 2020. It warns that this combined with the current lack of succession options could lead a large number of businesses to close. It has called for the Irish government to create a legal framework to enable SMEs to be sold to their staff through an EOT.

IPSA ceo Gill Brennan said: “We have witnessed the closure of some well-known businesses where the founders prefer to wind-up the company

rather than sell to a competitor. If this was to continue unabated it could lead to the loss of several thousand jobs and huge economic reverberations for the local and national economies.

"Based on our assumptions above that would be 13,935 out of work and most likely dependent on the State – putting pressure on social welfare resources. What's more that would be €560m taken out of the economy and putting a nice little dent in future national growth plans."

Persimmon boss to be prosecuted over big bonus?

Aberdeen Standards Investments, a leading shareholder in Persimmon – the company which may pay CEO Jeff Fairburn up to £75 million through its controversial share scheme – **is investigating whether Mr Fairburn could be prosecuted under the Companies Act.**

Aberdeen's head of stewardship Euan Stirling stated Mr Fairburn may have breached section 172 of the Companies Act, which states that a director has the duty to act in ways which promote a firm's success. Mr Stirling commented: "People keep saying, 'shareholders should do more' – so one of the reasons we're doing this is because every time there's a scandal we also get upset about it and we do what we can."

Guernsey October 10 political parties referendum

Guernsey, which currently has no political parties, is to hold a **referendum** on October 10 on the island's electoral process. Currently Guernsey has 38 members of parliament (deputies), all of whom are independent and present their own individual manifestos. In October, Guernsey's citizens will decide whether to switch to an island-wide voting system, rather than voting for candidates in their local constituencies. Former member of the Centre steering committee, Gavin St Pier, is Guernsey's prime ministry equivalent.

IEA: "Clamping down on offshore financial centres would not raise tax revenue"

A new **report** from the Institute of Economic Affairs shows that, rather than increasing tax revenue and preserving current investment, clamping down on offshore financial centres would politicise investment decisions changing investment flows. According to the IEA offshore financial centres raise aggregate investment by mitigating double and triple taxation.

Jamie Whyte, director at the IEA said: "Offshore financial centres are a vital part of the modern global economy... Too often the debate around 'tax havens' generates more heat than light. It's time for a rational debate around tax policies."

MEMBER PROFILE



David Pett, barrister, Temple Tax Chambers

In what ways does employee share ownership serve a useful purpose?

Structured appropriately, it fulfils the widely-accepted principle that "for so long as an individual invests his or her time and labour, he or she should benefit from the growth in capital value to which they contribute".

How can we widen and deepen the adoption and use of employee share ownership?

By educating company owners and managers of the benefits, and by easing the way for companies and their shareholders to establish share plans in a straightforward and cost-effective manner.

What would you tell someone on the fence about introducing employee share ownership to their company?

A workforce whose members understand and can see in practice that, if the company succeeds financially, so do they, will be more ready and willing to act in ways which promote financial success. Correctly balanced and structured, the fact that employees profit from participation in a share plan means that other shareholders inevitably do so too.

What do you think will change about employee share ownership over the next five years?

If we are not vigilant, the interests of employees will be ‘crowded out’ as companies and their owners perceive that the (largely ‘up-front’) costs, complexities and management burden of establishing and operating plans reduce their attraction. The Esop Centre and all other interested bodies (ProShare, Share Plan Lawyers, Advanced Studies Group and others) must focus on persuading government to reduce uncertainties in the tax and regulatory treatment of share plans (and not just as a consequence of Brexit) and ensure that there is a clear path for companies to follow cost-effectively and with confidence that, if the company prospers, there will be no challenges to the operation of the scheme.

The government needs to establish a clearly-defined, and readily adoptable, structure for private-equity backed companies (now representing a substantial proportion of UK

corporates) to allow their employees to share in growth in value in a manner which, if not affording generous tax advantages, does at least avoid altogether treating such profits as employment income.

What has been the most important development in employee share ownership during your career?

Without doubt (a) the introduction of the generous tax advantages afforded under the very flexible EMI share option regime; and (b) allowing corporation tax relief for employee share acquisitions and share options gains, even when the economic cost is not directly borne by the company or its shareholders.

Which change to employee share plans legislation, in the UK or elsewhere, would you most like to see?

In the UK, (i) government recognition of all-employee joint share ownership plans allowing participants to benefit from future growth in value over the initial ‘pro-rata’ value of the award shares with no up-front tax charges; (ii) consolidation of CSOPs within the more flexible EMI regime, providing differential overall and individual limits for companies of different sizes; (iii) removal altogether of any possibility of double taxation if shares are held in a UK-based trust pending transfer to employees; (iv) a raft of small technical changes to the tax rules to remove ‘traps for the unwary’ and unforeseen barriers to adoption.

Why do you think employee share ownership has enjoyed cross-party support in the UK?

It is self-evident that the principle first described above has benefits for both employees and society at large. Employee share ownership moderates some of the excesses of capitalism by sharing more widely the wealth created by UK plc.

Which aspect of the Esop Centre do you most value?

newspad, and the Centre’s contacts with government, enabling effective dialogue on matters of policy and specific technical issues.

Which aspect of the Esop Centre would you most like to change?

Greater participation by a broader range of companies.

What is your idea of perfect happiness?

A cloudless summer afternoon spent at home in the hammock beneath the shade of oaks, the silence of the deep Devon countryside broken only by the hum of insects and occasional mewing of young buzzards.

What is your most marked characteristic?

An excess of romanticism.

What do you consider your greatest achievement?

Completing an acclaimed performance of Beethoven's 7th Symphony, as the timpani player, in an orchestra otherwise entirely made up of gifted young musicians including both my sons....and having managed to avoid their derision and embarrassment by playing all the right notes in all the right places.

What historical figure do you most identify with?

Difficult one – perhaps Patrick Leigh Fermor (or Julius Caesar?)

Which living person do you most admire?

If I had to name just one, it would be Mirga Gražinytė-Tyla (and if you don't recognise the name, Google it!)

Who are your heroes in real life?

I've never been one for 'hero worship', but I do greatly admire any individual who has managed to rise to the top of their chosen profession purely on

merit, such as Lisa Stevenson, a former colleague of mine who now runs Parisi Tax, and Janet Cooper (OBE).

Which word or phrase do you most overuse?

"Bloody trains..."

What is your most treasured possession?

A square of fabric which I embroidered with intricate patterns when at junior school under the guidance of a beloved teacher who showed me the satisfaction that comes from dogged persistence, hard work and determination.

ABOUT NEWSBRIEF

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To submit a story for the next issue of *newsbrief*, sponsor the publication, or to propose someone for a member profile, contact Robert Jarvis:

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