

newsbrief

May 2018



COMMISSION SAYS YES TO EMI

The European Commission has approved under EU State aid rules the prolongation of the Enterprise Management Initiative scheme, which reduces the taxation of employee share options for small and medium sized enterprises. Under the scheme, employees of SMEs will benefit from reductions from income tax and/or national insurance contributions, when exercising their share options. Furthermore, the employer (i.e. SMEs that are listed companies and would therefore be subject to national insurance contributions when the share options are exercised) will also benefit from reductions from such contributions. The aim of the scheme is to allow SMEs to grow by recruiting and retaining employees, without unduly distorting competition in the Single Market. The Commission initially **authorised the scheme in 2009**.

In March 2018, the UK authorities notified the Commission of their plans to prolong the scheme. The Commission found that the prolongation of the measure was necessary and contained safeguards, such as a cap on the value of the share options that can enjoy the tax advantage both at the employee and employer level, which ensure that potential distortions to competition are limited. On this basis, the Commission concluded that the measure was in line with State aid rules.

Without prejudice to any provisions of the Withdrawal Agreement, which is under negotiation, this Commission decision applies until the UK ceases to be a Member State. More information will be available on the Commission's **competition** website, in the public **case register** under the reference SA.47789. (For more information: Lucía Caudet – Tel. +32 229 56182; Yizhou Ren – Tel.: +32 229 94889; Maria Sarantopoulou - Tel.: +32 229 13740)



CONFERENCES AND EVENTS

newspad summit: Paris June 21-22 2018

newspad's 2018 international employee equity summit will be in Paris on Thursday & Friday June 21-22, hosted by Linklaters at its **25 rue de Marignan** offices.

Two ground-breaking presentations have been added to the event:

- J in-depth analysis of the Airbus all-employee plans led by Angelina Lederle of Airbus SE with Jennifer Rudman and Graham Avinou of Centre member Equiniti.
- J A guide to using stock options to reward talent by Dominic Jacquesson of Index Ventures, Europe's largest venture capital firm.

Other programme highlights include business succession planning; corporate governance - *RIP Carillion?*; share plans regulation - *try mifid II and GDPR for size*; executive equity reward; global plan communication techniques; trustee share plan administration; equity plan case histories - such as construction materials giant St Gobain; and, the implications of Brexit for international employee equity plans.



newspad thanks **Zedra** for its co-sponsorship of the [programme e-brochure](#).

Speakers include experts from FONDACT; St Gobain; Linklaters; and Willis Towers Watson. French Senator Henri Leroy has been invited and former government adviser Marcel Hipszman has accepted.

Time is allocated for debates which delegates can lead. Participants are invited to the summit drinks reception, hosted by Linklaters, and informal dining groups are being organised on Wednesday and Thursday evenings.

More people are booking as the event nears, but you can still book your place by emailing global@esopcentre.com or calling the team on +44 (0)20 7239 4971.

Delegate fees:

Centre member practitioners:	£395 each
Non-member practitioners:	£615 each
Plan issuer representatives:	FREE (subject to £10 admin fee)

You are also invited to **co-sponsor the summit** which provides an excellent opportunity to raise your profile in influential circles. To register your interest contact *newspad* editor, **Fred Hackworth** – but hurry: sponsorship places are limited.

Jersey shouldn't be 'hypnotised' by Brexit says Jersey international affairs adviser

Jersey based businesses have overcome a range of challenges over the last 50 years and Brexit will make no difference, Colin Powell CBE told delegates at the Centre's annual Jersey share schemes and trustees seminar, co-

-organised with STEP, on May 2. Mr Powell stressed that Jersey, which has never been in the EU, will remain just as *business friendly* once the UK leaves the Union. He noted that although uncertainty results from the island's close relationship with the City of London, this also provides new opportunities for the crown dependency. London's strength as a financial centre means that growth areas in the Middle East, East Asia and Africa are likely to find London an attractive place to invest in after Brexit – Jersey's complementary relationship with the City will add to the international renown it has developed independently.

The half-day event featured talks on: new challenges such as the April 2019 loan charge and the Digital Disclosure Service from Paul Malin of Haines Watts; GDPR from Graham Muir of CMS; underwater options and share price volatility from David Craddock of David Craddock Consultancy Services; challenges and opportunities for employee trusts from Stephen Woodhouse of Pett Franklin; and an update on EU state aid approval and the EMI scheme, and recent cases of note in the courts from David Pett of Temple Tax Chambers. Full slides are available to members at a fraction of the conference price.

Opening the event, Centre chairman Malcolm Hurlston CBE drew on his career as a multinational business adviser, congratulating Jersey on being ahead of the game with international compliance. Few businesses, he said, managed to 'jump before they were pushed'. He criticised the backwardness of the share scheme mindset in the UK which had been left behind by the emergence of the Financial Conduct Authority and applauded *new thinking* on international employee equity led by Index Ventures, KKR and Tencent.

A report for non-members will feature in June's *newspad*.

WEBINARS

Join Garry Karch of RM2, from 11:00-11:45 am on Wednesday May 23, as he explains *the role of vendor financing in an Employee Ownership Trust sale*.

On Thursday May 24 from 13:00-14:00 Martin Webster of Pinsent Mason will hold a webinar on proposed *reforms to the UK governance regime*, including: the key reasons for reform, challenges this will likely pose and what this means in practice.

CENTRE AND MEMBER NEWS

WEG's role to be explained at national conferences

The first worked valuation was approved last month by the Centre-hosted Share Valuation Worked Examples (WEG) Group. Prepared by Graeme Nuttall OBE of Fieldfisher it is to be published shortly under the rubric *Understandings* on the Centre's website.

The example was approved in principle by Tony Spindler, assistant head of HMRC's Shares & Assets Valuation; its publication by HMRC on gov.uk would be a next step. The group comprises share schemes experts representing the Esop Centre, the Share Plan Lawyers Group, ProShare and the Employee Ownership Association. Its purpose is to create a better understanding and reduce uncertainty for practitioners following the withdrawal of the HMRC post valuation transaction check procedure.

Group chairman William Franklin and Graeme Nuttall OBE plan speeches at member events in the autumn to brief on progress and encourage more examples. Malcolm Hurlston gave trustees a preview at the Centre's Jersey event.

Zedra acquires corporate management firm

Zedra has acquired *Quaestum Corporate Management*, a Maltese company founded in 2012 which offers independent fiduciary services and employs a team of professionals with experience in consultancy and financial services.

Zedra ceo Neils Nielsen said: "Malta is now firmly established as a widely respected and highly attractive business environment for our industry. Legal and accounting expertise is well developed, all the major international

legal and accounting practices have a presence there and the labour force is widely regarded as one of the most skilled and versatile in Europe, offering well trained, multilingual specialised and administrative staff. As a result, we regard Malta as a key element in our strategy to be able to offer clients a truly global range of corporate services and wealth planning solutions".

Aon purchases loyalty and wellbeing provider

Aon Iberia has *bought Inspiring Benefits*, a Spanish firm specialising in employee loyalty, wellbeing and rewards programmes, whose clients include a number of IBEX 35 firms. Eduardo Dávila, Aon Iberia ceo, said: "The acquisition of Inspiring Benefits strengthens Aon Iberia's ability to provide clients with first class services and solutions to help them manage talent, employee motivation and 360° wellbeing. These solutions contribute to increasing employee loyalty and retention"

Lewis Silkin named Firm of the Year

Lewis Silkin has won the accolade of *Law Firm of the Year for Labour, Employment and Pensions* at the Who's Who Legal 2018 awards.

Linklaters opens German office

Linklaters *opened its fifth office in Germany on May 1 in Hamburg*. Andreas Steck, a senior Linklaters' partner, said: "Hamburg is a significant business location, being home to numerous long-standing and internationally operating businesses. For many years, we have been working with an increasing number of Hamburg based clients. The new office in Hamburg will give us the opportunity to be present for our diverse clients in Northern Germany".

Equiniti launches Northern Tech Hub

Equiniti Credit Services, the UK's leading loans management and credit technology company, has *moved into a new office in Leeds*; more than 150 employees are currently based at the office. Equiniti Credit Services managing director Richard Carter said: "Leeds has emerged as a real technology powerhouse and we're excited to be at the heart of it, driving

forward ideas and expertise in digital financial services. This new building is an important landmark for Equiniti Credit Services and will allow us to take an even bigger role in the continued growth and development of the Northern Powerhouse fintech scene.”

Equiniti acquires shareholder governance specialist

Equiniti has purchased **Boudicca Proxy Limited**, a company specialising in progressive proxy solicitation, corporate governance advice, shareholder communications, share ownership analysis and global equity market intelligence.

No robocalypse - says IEA paper

Centre speaker and dinner guest Prof Len Shackleton has steadied the ship on robots and their impact in a paper for the IEA. Read the [headlines here](#).

UK & WORLD NEWS

Centre hero signs pact with UK government

Pony Ma, who gave all employees at Tencent shares from his personal holding, has signed a collaboration agreement with the UK government. It covers joint working with the BBC and other cultural and online enterprises. From the UK side it was signed by Liam Fox.

Wawa pays \$25m to settle Esop dispute

Around 2,300 **former Wawa employees are to be paid a collective total of \$25m** as a settlement after Wawa’s alleged forced buy-back of former employees’ shares. Under the company’s Esop employees were reportedly entitled to hold Wawa stock after they left the company until their retirement. Allegedly, upon leaving Wawa, employees were *forced* to sell back their shares - and subsequently lost out on investment gains as the company expanded along the East Coast of the US. Wawa has admitted no wrongdoing and stated it settled only to avoid future legal costs, according to court records.

Scottish Labour leader calls for more employee share ownership

Richard Leonard, leader of the Scottish Labour Party, has called for an **expansion of employee ownership**. He stated: “Why don’t the people who create the wealth own the wealth they create? It’s an old socialist idea, but it’s an idea that resonates with working people, because it’s a good example of where we could see a redistribution of power in the economy.

“What we do cannot simply be predicated on a Keynesian-style reflation of the old economy. We need to look at how we can build a new economy, a more democratic and diverse economy.”

Danone launches ‘One Person, One Voice, One Share’ programme

French multinational food company Danone has launched **‘One Person, One Voice, One Share’**, an employee engagement programme and development model, as part of its 2030 development goals. The new programme seeks to allow its 100,000 employees to co-own the company’s agenda and improve employee engagement; it will develop an internal platform enabling employees to voice their views on the company’s development and grant each employee a Danone share. In the future employees will be able to invest in the company at a discounted price.

Apple grants restricted stock units worth \$2,500 to its employees

Tech giant Apple has rewarded each of its employees with \$2,500 worth of restricted stock units. Following the granting of the stock, Apple ceo Tim Cook sent the following message to Apple employees: “I’m excited to let you know that we’re also increasing our investment in our most important resource—our people. You are the heart and soul of Apple and we want you to share in the success made possible through your efforts. Your dedication helps Apple make the best products in the world, surprise and delight our customers, and ultimately make the world a better place.

To show our support for our team and our confidence in Apple's future, we'll be issuing a grant of \$2,500 in restricted stock units to all individual contributors and management up to and including Senior Managers worldwide. Both full-time and part-time employees across all aspects of Apple's business are eligible."

Starbucks includes part-timers

Starbucks has **announced it will give stock grants** to full-time, part-time, hourly, and salaried employees at its stores, support centres, and bean-roasting plants, in addition to what employees are already entitled to receive. In April Starbucks granted \$2,000 of stock to every store manager and \$500 of retail stock to every retail partner.

Marco Rubio: No evidence that companies are sharing wealth with their workers following US tax cuts

2016 Republican presidential candidate Marco Rubio – who voted for Republican tax cuts in December 2017 – has stated that there is "no evidence" that the tax cuts are benefiting US workers. In an **interview with the Economist** he said: "There is still a lot of thinking on the right that if big corporations are happy, they're going to take the money they're saving and reinvest it in American workers. In fact they bought back shares, a few gave out bonuses; there's no evidence whatsoever that money's been massively poured back into the American worker."

US pro-Esop bills

The House passed the **H.R. 5236**—the Main Street Employee Ownership Act – on May 8. The bill seeks to encourage the Small Business Administration to increase lending to Esops. A complementary bill, **S. 2786**, has also been introduced by New York senator Kirsten Gillibrand. If passed it will provide \$500 million in support of Esop programmes and would operate through the Small Business Administration. The measure has been hailed by Nuttall review author Graeme Nuttall OBE and by the Esop Centre.

MEMBER PROFILE



Charlotte Fleck, solicitor, Pett Franklin

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

Stories about rising inequality and the UK's poor productivity growth seem to be all too common in the news. Employee ownership is only part of the solution – but it's an important one! Employees need to know that when the business they work in succeeds, they can share in the value they've helped to create.

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

Awareness is part of it – lots of business owners don't know what their choices are, or realise how well employee ownership can work for them too. But the legislation could be made easier and more flexible to use, as well. We regularly see serious problems with EMI plans come to light on due diligence exercises, and SIP and SAYE are difficult for small companies to administer cost-effectively – when SMEs employ such a large proportion of UK workers, it can't be right for them to find tax-advantaged plans so hard to use.

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

What do they want to achieve? How can employee ownership help them do it? Sharing value with employees shouldn't mean the existing owners lose out – it should be a win for everyone.

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

There's a lot of uncertainty right now – on a broad scale, about Brexit and the shape of future legislative changes, and more narrowly, with HMRC having withdrawn advance agreement of share valuations in most contexts and become more focused on raising revenue than giving approvals. Share plans can be a way to incentivise employees while managing risk, and their advantages aren't going away, but I think we'll also see more governance scrutiny and a move to simpler structures which are easier to administer and create less of a compliance burden.

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

Employee Ownership Trusts keep gaining momentum – they've got more companies than ever thinking seriously about how to make their employees a real part of the future of the business.

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

We're often dealing with legislation that's evolved out of a complex interaction of its original goals with ad-hoc changes over the last decade or more, not to mention the volumes of HMRC guidance on top of that. It's not that I lack affection for Part 7 ITEPA, but it does seem like the law could benefit from rethinking and simplification. That would be a huge

undertaking, though, and I doubt we'll see the political will and resources needed for it any time soon – so in the meantime, I'd settle for raising the CSOP limit to £60,000 and making it index-linked.

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

"Sharing the wages of capital" is a snappy tagline, but it's true – it's a way to make capitalism work for everyone, so no wonder it's popular on both the left and the right.

Which aspect of the Esop Centre do you most value?

Practitioners in this area are often competitors, but having an organisation that lets us work together for the common good is vital. I'm looking forward to seeing the output of the Worked Examples Group in future – in my experience, if employers have to deduct tax on share awards, it is what it is; but not knowing whether or how much tax is due is far more difficult to deal with. It's a great example of an initiative that benefits everyone in this area.

What is your idea of perfect happiness?

Sunday mornings with a cup of coffee, a good book and the cat purring noisily on my lap.

What is your most marked characteristic?

I'd like to say my incisive legal analysis, but I suspect the continual attempts at ironic humour are really more apparent to bystanders. (To see ourselves as others see us....)



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ABOUT NEWSBRIEF

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