

# newsbrief

September 2018



## EVENTS

### Rush for symposium speaker slots

Centre members have already taken up half a dozen speaker slots at the third **British Isles share schemes symposium**, which will be hosted by **Travers Smith** at its London offices, on **March 7 2019**.

The full-day event will include a dozen talks and debates on employee equity plans in both UK based public quoted companies and in SMEs. The event will include a buffet lunch and conclude with an informal drinks reception.

Commitments have been received from **Pett Franklin**; the **RM2 Partnership**; **David Craddock Consultancy Services**; **PwC**; **Bird & Bird** and from sponsor **Travers Smith**. Centre chairman **Malcolm Hurlston CBE** will give the opening address.

We hope you will also take this opportunity to **make a 30 minute topic presentation at the symposium**, a highlight of the Centre's calendar for next year. Your presentation could cover technical issues which have confronted your company while operating either an all-employee share/option plan or a major executive equity plan, or it could be an issuer + adviser case study of the plan(s) your company has recently put in – as an example of whether or not corporate objectives have been achieved by your share plan experience to date.

Speaker fees are modest: member practitioners (service providers) pay **£240 + VAT** for each speaker, while plan issuers speak free of charge. The topics covered in the reserved speaker slots so far are:

- ♦ *Going Global - expanding your share plan offshore.* **Travers Smith**
- ♦ *A case study of a tech company that used EMI share options creatively at the*

*same time as attracting external investment.* **RM2 Partnership**

- ♦ *Hybrid EOTs: the new way to structure MBOs & employee ownership.* **Pett Franklin**
- ♦ *Employee share plans in volatile markets.* **David Craddock**
- ♦ *Managing expectations - the EMI risk and reward rollercoaster.* **PwC**
- ♦ *Alternatives to EMI.* **Bird & Bird**

You can adapt one of suggested topics listed in the [speaker brochure](#) to better suit your own speaker objectives, or suggest an entirely different theme. Contact us with your **speaker bids now** to avoid disappointment. Email Fred Hackworth at [fhackworth@esopcentre.com](mailto:fhackworth@esopcentre.com) or call the team on +44 (0)207 239 4971.



### IoD NW breakfast seminar: September 25

Centre members RM2 and David Craddock Consultancy Services will join Malcolm Hurlston for an introductory talk on Eso and the EOT at an [Institute of Directors North West chapter event](#) in Liverpool. The talks will include case studies, practical examples, and the Employee Ownership Trust route to business succession. The seminar will start with registration and breakfast at 8:30am at Tilney, Royal Liver Building, Canada Blvd, Liverpool, L3 1HU.

## Guernsey seminar: November 30

This year's Guernsey seminar, held in partnership with STEP Guernsey, will be hosted at the Old Government House Hotel, St Peter Port.

Given recent developments, such as the introduction of the UK Trusts Register and the growth in the establishment of employee ownership trusts (not to mention Brexit), it has never been more important for those interested in employee share schemes and trusteeship to stay informed with expert views and enjoy the continuing education which our Institute seminars offer.

The year's theme is "Leading the way – the Channel Islands as a global hub of ESOT specialism"



The programme will include talks on: Taking the ESOT to emerging markets; Information overload with a focus on tax avoidance/evasion; and Joint Share Ownership Plans and the role of the trustee. The seminar will conclude with a networking lunch.

Experts include: Elaine Graham, Zedra - Alison MacKrill, STEP/Appleby - Graham Muir, CMS - Paul Malin, Haines Watts - David Pett, Temple Tax Chambers - David Craddock, David Craddock Consultancy Services - Charlotte Fleck, Pett Franklin. The seminar will be chaired by Malcolm Hurlston, who founded the Esop Centre.

Prices: Esop Centre/STEP members: £375  
Non-members: £480

Book and pay before October 19 to choose one of the following early-bird discounts for this unique half-day event:

- ♦ 50 percent off a third delegate
- ♦ 10 percent off total

Only one early bird offer can be used for each

organisation, whichever gives you the larger discount.

To book email [events@esopcentre.com](mailto:events@esopcentre.com) or call the admin team on 020 7239 4971.

## newspad awards 2018

The *newspad* 2018 awards, for the best employee equity plans, either already operating, or about to launch, are now open to nominations.

This competition presents an opportunity for members, share plan advisers and their clients to show off their best all-employee equity plans to their friends, competitors and the wider world through *newspad's* unique international reach. Kevin O'Kelly of IAFP told us it was his best source of international news.

Framed award certificates, kudos and publicity await the winners, so help ensure that every member submits at least one entry for a *newspad* award this year.

The award categories are:

1. Best all-employee international share plan (companies with more than 5,000 employees)
2. Best UK centred all-employee share plan (companies with fewer than 5,000 employees)
3. FinEd award: Best employee financial education programme
4. Comms award: Best share plan communications
5. Video award: Best use of video communication
6. Technology award: Best use of technology in employee share plans
7. Diversity award: The most creative solutions to employee cultural, jurisdictional or social diversity issues when launching international all-employee share plans
8. Laurie Brennan award: for astounding achievement

You can enter share plans in more than one category.

Entries involving employee share plans in non-member companies will be accepted directly or through advisers, but advisers must be Esop Centre members in order to submit entries.

Entries involving executive/managerial equity reward schemes will be accepted at the editor's discretion, provided at least 250 executives/managers participate.

For details how to enter see:

[www.esopcentre.com/awards](http://www.esopcentre.com/awards). The process is simple.



The judges of the 2018 *newspad* awards will be: Damian Carnell, director at Willis Towers Watson, specialist in executive reward and employee share plans; Anna Watch, head of executive share plans (governance & compliance) at member firm BT, Robert Head, director of Neo Reward and formerly head of global share plans at Pearson with Malcolm Hurlston chairing. The Laurie Brennan award will be in the personal gift of the chairman.

Winners and commentary will be published in a special edition of *newspad*.

**Sponsorship opportunities:** The *newspad* awards will be published in the paper, which has an influential audience worldwide. In addition, members are encouraged to propose a celebratory event to host the awards, in association with the Centre; contact Juliet Wigzell at Centre HQ. Email: [jwigzell@esopcentre.com](mailto:jwigzell@esopcentre.com) telephone: +44 (0) 20 7239 4906.

## WEBINARS

### **Employee share plans for private companies**

Wednesday September 19, 11:30am - 12:00pm. Presented by Sarah Anderson, RM2.

Using real-life scenarios, Sarah will share “[Why – How – What](#)” real life examples showing how a business can decide on the right share plan.

### **UK corporate governance: moving from policy to implementation**

Tuesday September 25, 9:00am - 10:15am. Presented by Alex Beidas, Linklaters.

The [Government’s programme of corporate governance](#) reform is now well underway. The changes will apply to reporting periods starting from January 1 2019 so companies need to start preparing for the changes now.

### **An introduction to employee ownership trusts**

Wednesday September 26, 11:00am - 11:45am. Presented by Garry Karch, RM2.

Garry discusses the use of the [Employee Ownership Trust \(EOT\) in succession planning](#).

## CENTRE AND MEMBER NEWS

### **Unity Trust Bank awards £70,000 to credit unions**

Credit unions in Great Britain have been awarded funding from [Unity Trust Bank](#) to improve their services. The Credit Union Development Fund (CUDF) is a deposit account into which Unity pays the equivalent of 0.125 percent of the aggregated balances.

---

### **Fieldfisher: More Cambridgeshire companies explore employee ownership**

Following the example of fellow Cambridgeshire companies PA Consulting and Mott MacDonald, the equity in Cambridge Design Partnership has been transferred into an Employee ownership trust. Mike Beadman, one of the founding partners, said: “As a technology consultancy business, CDP recognised that people were the real value in the company and the key to future growth, so transferring ownership to the employees was the most logical progression.”

Graeme Nuttall, Centre member and partner at Fieldfisher, which advised CDP on the move, said: “Cambridge Design Partnership has moved to employee ownership because of the benefits for the local economy, the business itself, its clients and, of course, its employees. Staff are about to see an early sign of the benefits of EO, when they receive their first cash profit share as employee owners. This is income tax-free up to £3,600 per tax year, per individual.”

### **Zedra: Cryptocurrency going mainstream**

The world’s largest producer of cryptocurrency mining chips Bitmain Technologies is [planning to list](#) on the Hong Kong stockmarket which could raise as much as US\$3 billion.

Bitmain Technologies, which is based in Beijing, controls up to 80 percent of the global market for cryptocurrency mining gear. Listing on the stockmarket would enable Bitmain to move beyond designing custom chips to ventures such as artificial intelligence. Alexander de Haseth, of Zedra said: “If Bitmain lists it is significant because it is a sign that a major player in the crypto industry is moving into the mainstream and looking at new developments beyond cryptocurrencies”.

### **Travers Smith: European Commission approves Apple’s purchase of Shazam**

Travers Smith advised market-leading music recognition app [Shazam on the European Commission's investigation into its acquisition by technology giant Apple.](#)

In February this year the European Commission started a merger investigation into Apple's purchase of Shazam and was eventually cleared by the European Commission last week. The Commission raised concerns that Apple may be able to use Shazam's user data to directly target the customers of other online music streamers, and place those companies at a disadvantage to Apple Music.

Margrethe Vestager, EU Competition Commissioner said: “Data is key in the digital economy. We must therefore carefully review transactions which led to the acquisition of important sets of data, including potentially commercially sensitive ones, to ensure they do not restrict competition. After thoroughly analysing Shazam’s user and music data, we found that their acquisition by Apple would not reduce competition in the digital music streaming market.”

### **Low pay to blame for low savings, Equiniti finds**

Analysis from Equiniti, one of the UK’s largest pension administrators, finds that people are increasingly blaming low income on why they [do not contribute to a pension](#), according to recent figures from the ONS.

When asked for the reasons why they were not contributing to a pension, 55 percent of people in the 2016-17 cohort said that either low income, lack of work or still being in education were the cause. This marked a rise of 17 percentage points from the 38 percent of people who cited this in 2010-2012.

## HMRC opens 27 new serious tax evasion cases

As many as [27 of the UK's top 2,100 businesses](#) are defined as new serious tax evasion cases, involving more than £50,000 in tax or where prosecution is possible. The figures are based on a HMRC disclosure, according to international law firm Pinsent Masons.

However, as Jason Collins, partner at Pinsent Masons, explains, being under investigation for serious tax evasion is not the same as serious tax evasion actually taking place.

"Many businesses are still in the process of rolling out new procedures to comply with the Criminal Finances Act and, in doing so, irregularities could be uncovered. Businesses will need to ensure they have robust prevention procedures in place, particularly with regards to their supply chains," Collins suggested.

## UK AND WORLD NEWS

### JLP profit drop

John Lewis' 99 percent [profit drop](#) underlines that employee participation is not a one-way benefit. They may be on the line to David Craddock who has often spoken at Centre events about communicating bad news. If John Lewis partners held actual shares they might be thinking about selling but they do not have this option. Employees do not own shares in John Lewis Partnership, rather it is controlled by a trust that owns virtually all of the shares in the partnership. For now employees will have to trust Sir Charlie Mayfield, chairman of the partnership, who assured reporters that John Lewis is "setting out to sow the seeds of success in difficult times. We have done that before and I think we are going to do that again."

Mr Mayfield suggested that John Lewis was hurt by the weaker pound, though he denied blaming Brexit for the profit fall after Dominic Raab, the UK's Brexit secretary, told business leaders to stop using Britain's looming exit from the EU as an "easy" excuse for poor results.

## Scottish publisher sells company to EOT

Falkirk company, Palimpsest Book Production is to give its 21 members of staff a stake in the company as part of a [succession plan](#) written up by owners Craig and Ruth Morrison.

Scotland is bidding to become a [world leader in employee-owned businesses](#), with the creation of 'Scotland for EO', backed by £75,000 of Scottish government cash, to be confirmed when Nicola Sturgeon travels to the Isle of Arran for a special meeting of the Scottish cabinet.

The first minister said: "All the evidence tells us that employee ownership delivers benefits to business performance, the people who work in them and the places in which they are located. This has certainly been the experience of the Auchrannie team in Arran. Scotland for EO will help to make this into a real option for businesses across Scotland."

## McDonnell: Labour will give power to workers through 'ownership funds'

Labour's far-reaching proposals, which would [empower millions of workers](#) across the private sector, were unveiled by the shadow chancellor, John McDonnell, in an interview with the Observer. McDonnell's proposal would force - or highly incentivise - all private companies employing more than 250 people to set up "ownership funds" giving workers financial stakes in their companies and increasing powers to influence how they are run.

McDonnell cites a [recent report](#) by the Institute for Public Policy Research that suggests ideas for collectivising ownership. Chairman Malcolm Hurlston welcomed the report's focus on Employee Ownership Trusts but lamented the opportunity missed to bring many more people into share ownership. Employees would not be able to cash them in or trade them. Instead, the shares would be held in a trust, and elected trustees would sit on important committees in the business. The Centre is arranging a members' dinner with Labour influentials following the party conference season.

---

The proposal has met a mixed response from the City, with Stephen Martin from Scunthorpe, director-general of the Institute of Directors, telling the FT that the proposal “seems to cross the line between encouragement and coercion”.

### **Labour Research Department latest booklet: Women’s health and safety at work**

The UK’s 15 million working women now make up around half the workforce, but the risks women face at work are often described as hidden or invisible. A new booklet from Labour Research Department examines why “women’s work” is sometimes perceived as safer than traditionally male-dominated occupations. In response to [results of a recent poll](#) by her organisation, Dr Carole Easton, chief executive of the [Young Women’s Trust](#), said: “Young women’s treatment at work, pay and wellbeing are trailing far behind those of young men.” The booklet is available for £10.40 from [www.lrd.org.uk](http://www.lrd.org.uk)

### **USA: 120 year old family publishing business to be sold to newspaper workers**

After 120 years of family ownership, [Paddock Publications is changing hands](#). The descendants of patriarch and founder Hosea C Paddock are in the process of selling their interest in the parent company of the *Daily Herald*, which is expected to convert to full employee ownership before the end of the year.

Calling it “one of the most important decisions we have ever made,” Doug Ray, chairman, publisher and ceo of the company, announced that Paddock Publications would switch entirely to an Employee Stock Ownership Plan, a move approved unanimously by the board of directors. The Arlington Heights-based publisher has been partially employee-owned since 1976 when the ESOP was established.

### **Silicon valley and the quest for a utopian workplace: Chris Mackin**

In mid-August Google was [witness](#) to a remarkable show of courage from hundreds of its employees who signed a letter demanding transparency from their ceo Sundar Pichai. The letter stated “we urgently need more transparency, a seat at the table and a commitment to clear and open processes: Google employees need to know what we are building.” Meanwhile, the electric car maker Tesla has been in upheaval. In addition to managing external and lifestyle threats, ceo Elon Musk is contending with an internal union drive by the United Auto Workers (UAW) at his Fremont, California, factory.

Owen D Young, ceo of General Electric in 1927 was cited by Christopher Mackin writing in The New Republic. Presciently Young said: “From one point of view workers and capital were partners in a common enterprise. From another they were enemies fighting for the spoils of their common achievement. I hope the day may come when these great business organisations will [truly belong to the men](#) who are giving their lives and their efforts to them, I care not in what capacity. Then we shall have no hired men.”

### **SA: Solidariteit continues strike**

Members of the trade union group Solidariteit [have accused Sasol of ignoring their existence](#). As reported in the May 2018 edition of *newspad*, the company was lambasted for introducing a share scheme only open to black workers, and after a week of strike action, a letter of complaint has been handed over to company ceos.

### **Kenya: Safaricom managers get Sh2.3bn shares in four years**

High-performing [Safaricom managers](#) have over the past four years received for free 84.1 million shares with a current market value of Sh2.3 billion as part of their compensation package. The free shares make Safaricom’s stock compensation one of the most lucrative among Nairobi Securities Exchange-listed firms.

## China: Tencent-backed Meituan raises \$4.2 billion in IPO priced near top of range

Chinese online food delivery-to-ticketing services firm [Meituan Dianping](#) raised \$4.2 billion in the world's biggest internet-focused IPO in four years as it priced the float near the top end of a marketed range, people close to the deal said. There will be equity benefits for staff too.

Meituan is backed by Chinese social media and gaming firm Tencent Holdings. Tencent owner Pony Ma gave staff shares from his own holding, as reported in *newspad* December 2016.

## Barbados: Share privatisation pie with workers, says former PM

Giving [workers a piece of the ownership pie](#) would be one route former prime minister Owen Arthur suggested he would take were he to return to power and take further privatisation measures.

## Australia's co-op sector to head for UK on a fact-finding tour

The Business Council of Co-operatives and Mutuals – the sector body for Australian co-ops – has organised a [study visit to the UK](#) from September 17-28. It will include meetings with the John Lewis Partnership in London, the Co-op Group and Graeme Nuttall, who led the 2012 review of employee ownership.

It says the tour is “a unique opportunity to learn about mutuals and co-operatives and how successive UK governments have incorporated member ownership in the delivery of health and human services to increase diversity and choice in the market, improve the quality and productivity of services and create better jobs.”

## Canada: Harmac mill marks 10 years of employee ownership

The pulp mill in Canada Nanaimo's Duke Point industrial area held a brief ceremony outside the mill to [recognise 10 years as an employee-owned company](#).

The mill had been shut down for months in 2008 when it was rescued by employees who committed \$25,000 each, with help from financial backers.

“People were writing us off. All the analysts were saying that this wasn't going to work,” said Levi Sampson, Harmac president. “The mill had been shut down for five months at the time; it's very costly to get it back up and running. But all the employees believed that they could do it; they're the guys that know the mill best.”

**Lord Thomas of Macclesfield**, who co-founded the Esop Centre and was the lender in Britain's first Esop transactions, was the subject of a tribute from friend and Centre chairman Malcolm Hurlston on [BBC's Last Words](#). First newsbrief reader to spot it was Alan Jukes who shared Terry's ethical approach.

## ABOUT NEWSBRIEF

*newsbrief* is the Employee Share Ownership Centre's members-only mid-month publication.

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

T: +44 (0)20 7239 4971

E: [jwigzell@esopcentre.com](mailto:jwigzell@esopcentre.com)



Esop Centre Ltd, 65 King's Cross Road, London WC1X 9LW

+44 (0)20 7239 4971 | [esop@esopcentre.com](mailto:esop@esopcentre.com) [www.esopcentre.com](http://www.esopcentre.com)