
newsbrief

April 2022

ESOP STARS



There are certain years which we all come to remember. 1066 was the year when the Normans invaded us. 1666 was the date when the great fire destroyed the city of London. 1945 saw the end of the Second World War.

There is no doubt that for most of us the year 2021 will soon join those dates we can never forget. It was the year when all our lives were changed, often personally as well as our business lives. And that is why for this year only these awards have been differently judged and take a different format.

Normally we are guided by an expert panel of people who from their experience can judge the ingenuity and skills of employee share plans. In 2021 *all plans* were affected by the pandemic and we decided to look in preference at how companies achieved success in adaptation to the temporary new world.

And so for this year, Esop Centre founder, Malcolm Hurlston CBE, guided by Centre colleagues, Fred Hackworth, the editor of *newspad* and Juliet Wigzell, general manager of the Centre, exceptionally turned our awards into Esop Stars.

The Centre is grateful to all who submitted entries.

In addition to the stars for entries received, Malcolm Hurlston made special awards to two people on the world scale who have given outstanding examples for the way forward.

The first award was to the chairman of the Chinese company Tencent, **Pony Ma**. He

not only installed share schemes in the company for all employees but in addition gave equity to all employees from his personal holding. Malcolm will be sending his award to the China Development Centre in Shenzhen.

The second special award went to **John Menke** who was a colleague of Louis Kelso who created the Esop in California.

Accepting his Esop Star, John said that he was honoured to accept the award, and that he felt blessed to have been involved in Esops from the beginning. He told how Esops evolved from a pet project of Louis Kelso, to the two of them being able to work with Congress to draft the Esop provisions - nearly 50 years ago - to seeing the enormous economic and social consequences of Esops in the US and around the world.

He added that it is very pleasing to see the concept is still growing and expanding, as witnessed by the recent announcement that 50-60 private equity firms have embarked on a new project to spend \$20billion over the next decade, to implement Esops in private equity owned companies, where Esops have yet to play a significant role.

He hopes Esops will become five, or even ten times bigger over the next 50 years.

The major awards – the Esop Stars – were awarded to:

Ceres Power

In recognition that the Ceres Sharesave 2021 plan showed rare success in adaption to the covid year, with its effective communications of the plan to a multi-national workforce.

Kindred Group

In recognition that the K2 AESP plan showed rare success in adapting to the covid year, with the plan's international and inclusive reach.

Nigel Le Quesne

The ceo of JTC was awarded the Esop Star for outstanding company leader, in recognition of his effective promotion of all-employee equity with personal enthusiasm.

Winch Designs

In recognition that the Winch Employee Ownership Trust plan showed rare success in adaption to the covid year, with the success of its EOT, which owns 100 percent of the company on behalf of all 140 employees.

Wise plc

The Wise All-Employee Global Long-Term Incentive Plan was commended for its inclusive equity in a covid world.

In a letter to the Centre, **Nigel Le Quesne** said "I write to thank you, most sincerely, for bestowing upon me the honour of an Esop Stars award. As someone who has spent the past 25 years passionately advocating for employee share ownership – and building an entire organisation around that simple, yet hugely powerful principle – it was an absolute privilege to be recognised in this way. While I always find it difficult to have the personal elements of my own story intertwined with that of JTC and its incredible people, anything that helps us promote the concept of shared ownership to a wider audience, and to highlight the incredible achievements of our employee-owners, it is an opportunity that cannot be missed. "I would also like to offer my apologies for being unable to attend the awards ceremony in-person. Despite my best efforts, I'm afraid that a combination of being primarily based in Jersey and the responsibilities associated with the imminent release of our latest set of full year financial results, as well as the day-to-

day demands of a fast-growing business, conspired against me on this occasion, much to my disappointment. Please be assured that news of the award has been shared widely with all our people, and the award certificate itself already has pride of place at JTC headquarters.

"Thank you once again, on behalf of all of us at JTC."

EVENTS

Jersey conference – May 13

For this year's **Esop Centre Employee Share Plans and Trustees Conference**, held in partnership with STEP Jersey, scheduled for the morning of **Friday 13 May 2022**, we return to the Pomme d'Or hotel in St Helier.

With the international reach of trustees and the growth in the establishment of employee ownership trusts, 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 conferences and seminars offer.

We are delighted that we'll be joined by **Jersey Information Commissioner Paul Vane**, who will give a keynote speech on data protection regulation.

Other talks include: Catching up with HMRC and unravelling the mess left behind after Covid (including the new settlement opportunity for users of remuneration trusts) – Paul Malin, PMC; Recent developments in employee share schemes and content on Spring Statement announcements – Graham Muir, CMS; Employee Trusts: a look back at their uses and abuses – David Pett, Temple Tax Chambers. Don't miss this great opportunity to update your knowledge. *The programme is drafted to provide relevant technical information, which we trust will be acceptable as counting towards your Continuing Professional Development or Continuing Competence.*

The presentations will run from 9:00am to 1:00pm (approx.) followed by a social lunch for delegates and speakers. Tickets: In light of the postponement of the Centre's 2020 Conference, we are holding **our prices at 2020 levels:**
Esop Centre/STEP members: £375
Non-members: £480
Reserve your place now by emailing delegate details to events@esopcentre.com or call us on +44 (0)20 7562 0586

Here is our library of broadcasts: [The Future of Gig Working As A Dynamic Economic Alternative](#); [The Employee Voice: Share Plan Votes](#) ; [Esop Sofa: Hot Topics In Employee Share Ownership – Newspad Review IV](#); [Innovative Tax Techniques For Employee Share Schemes](#); [Share Schemes For Non-Employees & The Gig Economy](#); [Esop Sofa: Hot Topics In Employee Share Ownership](#); [Building Back Better With Your Employees Through Shared Ownership](#) ; [EOTs: The Credible Alternative To Succession](#); [The Role of Employee Share Schemes In Achieving The UN Sustainable Development Goals](#) ; [Esop Sofa: Hot Topics In Employee Share Ownership - Newspad Review](#) ; [Beyond Brexit: EU-UK Social Security Contribution Rules](#); [Esop Sofa: Hot Topics – newspad Review](#); [The Share Valuation Worked Examples Group In The Changing Valuation Landscape](#) ; [Looking Ahead To 2021: Moving Beyond Brexit In Financial Services Regulation](#); [Insights Into Share Valuation for Employee Share Schemes: Revealed Through Dynamic Case Studies](#); [Lessons From Lockdown: Re-Assessing How You Manage Share Plans In A Digital Way](#); [Employee Share Schemes: Innovative Communication Strategies Guaranteed To Increase Employee Take-Up](#) ; [Selling Your Company To An EOT - How It Differs From An MBO](#); [Institutional Investors' Views On The Use Of Share Plans](#); [Esop Sofa – Hot Topics](#); [Employment](#)

[-Related Securities: The Complexity Unravelling Into Practical Application](#); [Employee Ownership & The Future Of Capitalism](#); [Could Equity Be Used To Replace A Portion Of An Employee's Salary?](#); [The Case For Employee Share Ownership: The Heart Of The Matter Revealed](#); [Esop Sofa Lockdown Stories](#); [Share Valuation: The Wisdom On Price-Setting For Your Employee Share Schemes](#); [Tools Of Engagement: The Power Of All-Employee Plans](#); [Awarding Shares To Employees In A Covid-19 World](#); [The Employee Share Trust: Establishing A Dynamic Market For Your Employee Share Schemes](#); [How To Ensure All-Employee Share Plans Remain Relevant](#); [Esop Sofa - What Are Today's Big Employee Share Ownership Questions?](#); [Enterprise Management Incentives \(EMIs\) – Powerful Lessons From Five Practical Case Studies](#); [Enterprise Management Incentives \(EMIs\) – Igniting Your Business By Sharing Success](#); [Esop's Tales: The Foundation Of The Esop Centre](#).

Broadening horizons, Z/Yen Group Limited is hosting a range of webinars over the coming weeks. For a full listing of Z/Yen, Long Finance, FS Club, and Esop Centre webinars look here - <https://fsclub.zyen.com/events/webinars/> - or sign up for mailings - <https://fsclub.zyen.com/#Subscribe>

CENTRE & MEMBERS' NEWS

Report: EOT development & reform follow-up

The Centre hosted its sixth on-line members' networking event “[EOT Development & Reform – Follow-Up](#)” on March 21 2022. The 60-minute webclave, chaired by Centre manager Juliet Wigzell, provided an ideal platform for lively debates on key employee share scheme issues.

The Centre thanks David Pett, barrister, Temple Tax Chambers, for introducing the topic and setting out the issues to be carried forward into the two breakout discussions; and to David Craddock, founder and director of his eponymous employee equity consultancy, for leading one of the debate groups.

David Pett explained his evaluation, saying that there can be no doubt that there has been a snowball effect since the introduction of EOT legislation in 2014 and given that 600 to 700 companies have transformed, the indirect employee ownership structure has been a great success. But if we go back to the 1980s it was David's thesis that, for so long as an employee worked for a company by providing their labours, he or she should participate in the capital growth to which he or she contributes by those labours. - The Existing EOT structure doesn't achieve that.

In summing up the group discussion he led, David Pett acknowledged that some of what he proposed is already available through the EOT, but not all. In particular the idea that a long serving employee should benefit from the capital growth in value to which they contribute is difficult to achieve in terms of commercial practicality.

Legislation needs tweaking to enable companies to, cost effectively, allow good leavers to benefit from that growth in value.

There was general support for this and he suggested that the Centre could put forward a paper to the Treasury, with a few ideas for tweaking the legislation to allow that.

David Craddock added that the predominant factor in his group's discussion was that people do not want to lose the flexibility, simplicity and the idea of the EOT, and the main recommendation was to strengthen the EOT by a tax freedom around more substantial profit share.

US research has shown that the benefits of the Louis Kelso model are substantial.

There may be a case for two models, echoing Graeme Nuttall's call to not toy with the EOT, but rather add an EST or US Esop type model to enable more direct ownership.

In David's view, there are substantial advantages in encouraging government to embrace a US Esop style model, either to replace or run alongside the EOT.

There is also merit in including a SIP or EMI plan when installing an EOT – perhaps an all-employee EMI, so we may wish to call for further reform of EMI.

Lewis Silkin advises shareholders of PR agency Cirkle on acquisition by Huntsworth

Lewis Silkin has advised its long standing client, Cirkle and the shareholders of Cirkle, an Employee Ownership Trust, and founder Caroline Kinsey on its acquisition by Huntsworth, the international healthcare and communications group. Cirkle, which serves clients such as AkzoNobel, Pepsico, Dreams, Dyson and GSK with consumer, corporate and B2B communications was recently awarded PRCA's Medium Consultancy of the Year.

CMS advises on £97m AIM-IPO of Celadon Pharmaceuticals

The **CMS team advised Celadon** on its reverse acquisition into Summerway Capital as well as its acquisition of a controlling interest in a prospective cannabis pain clinic business Harley Street (CPC), operating as LVL Health, and a minority interest in Kingdom Therapeutics, an early-stage pharmaceutical company focussing on the promising field of the endocannabinoid system for those with neurological disorders.

The CMS Employee Incentives team supported Celadon Pharmaceuticals plc on this exciting stage of its journey. Andrew Quayle and Mala Patel (née Kumar) were commended for their work.

Travers Smith advises on £1.6bn takeover by RBC Wealth Management

Travers Smith is advising UK wealth manager Brewin Dolphin Holdings plc on its recommended £1.6bn takeover by RCB Wealth Management, an indirect subsidiary of Royal Bank of Canada.

Specialist advice is being provided by head of incentives & remuneration Mahesh Varia and senior associate Claire Prentice. Meanwhile, you can listen to Claire as she discusses the tax implications of moving your people and operations into and out of the UK, in a variety of contexts, in the third episode of Travers Smith's *Travelling Seamlessly* global mobility podcast series.

Workers of the world unite...

Following the gig economy session led by David Craddock at the symposium, Centre friend Prof Len Shackleton took part in a *BBC World Service discussion*, on whether recent economic upheavals have given workers more leverage. Len discussed the recent founding of a union for Amazon warehouse workers in New York and workers' rights in the gig economy.

House bill adds tax benefit for sellers to Esops in S Corporations

NCEO reports that on March 29, the House passed the SECURE 2.0 Act (H.R. 2954) by a vote of 414-5. The bill will now go to the Senate. *The bill makes two minor improvements for Esops* plus a number of other changes aimed at making it easier for employers and employees to assure retirement plans work more effectively. Some of these will affect Esops.

Under Section 1042 of the Internal Revenue Code, an owner of stock in a non-publicly traded C corporation who sells to an Esop that owns 30 percent or more of the stock after the sale can defer capital gains tax by reinvesting in stocks and bonds of US

operating companies. For many years, advocates have urged Congress to extend this to owners of S corporations. The new bill would allow these sellers the same benefit but with a 10 percent limit on the deferral. So if an owner has \$3 million in gain, \$300,000 could be deferred. The change will not be effective until after December 31 2027.

While this is a very small win for Esops, having this in the law would make it easier for a future tax bill to expand this percentage.

Ownership Works launched

KKR is a founding partner of Ownership Works, a new non-profit that launched on April 6 on a mission to increase prosperity through shared ownership.

The coalition of 60 investors, corporations, foundations, pension funds and labour advocates is coming together to establish broad-based employee ownership as the cornerstone of a new way of doing business – one that creates meaningful wealth-building opportunities for workers and offers companies a competitive advantage as many Americans seek better pay, benefits and corporate cultures.

Learn more about Ownership Works and its mission to create more successful employees and, therefore, companies at <https://ownershipworks.org/>

MEMBERS' EVENTS

Webinar: The use of EMI options in an EOT owned business

Wednesday April 27 - 16:00 (BST)

In this half-hour webinar, RM2's John Dormer will explore the legislative framework, commercial, valuation and taxation issues associated with offering EMI options over shares in an EOT owned business. Register at [Registration \(gotowebinar.com\)](https://gotowebinar.com)

Webinar: Getting the best out of your employee benefit trust

Thursday May 12 - 10:00 (BST)

Pinsent Masons' Lynette Jacobs and James Sullivan-Tailyour will explain how companies can make the most out of their Employee Benefit Trust. Register at [Getting the best out of your employee benefit trust \(pinsentmasons.com\)](https://pinsentmasons.com)

- ◆ In the sole trader or partnership arrangement, the only difference is that the scheme user is a sole trader or a partner of the partnership and the funds are made available to the owners of that business.

WORLD NEWS

UK NEWS

Investment Association - Shareholder Priorities For 2022

The Investment Association (IA) along with Institutional Voting Information Service (IVIS) have published their [shareholder priorities for 2022](#).

For year ends starting on or after December 31 2021, IVIS will monitor companies against: Responding to climate change; Accounting for climate change; Audit quality; Diversity; and Stakeholder engagement.

New settlement opportunity for users of remuneration trusts

HMRC has opened a [new opportunity](#) for users of certain trust-type arrangements to settle their tax affairs with HMRC, where such arrangements are used to remunerate directors, individuals, or shareholders. The settlement opportunity is open for applications until July 31 2022.

The opportunity relates to two main types of arrangement – those relating to companies and those relating to sole traders and partnerships:

- ◆ The company arrangement involves a company setting up a trust (which is not an employee benefit trust or an employer funded retirement benefit scheme) and claiming a tax deduction for contributions to the trust.

Jersey court seizes \$7bn of Roman Abramovich's assets

On April 12, [Jersey Police searched premises](#) suspected to be connected to Roman Abramovich's business activities on the island, Jersey Law Officers' Department said.

The Russian billionaire is on the UK sanctions list over Russia's conflict in Ukraine.

Channel Island Jersey follows UK policy and imposes sanctions on the same people.

"The Royal Court also imposed a formal freezing order on April 12, known as a saisie judiciaire, over assets understood to be valued in excess of US\$7bn which are suspected to be connected to Mr Abramovich and which are either located in Jersey or owned by Jersey incorporated entities," the Jersey Law Officers' Department said.

7IM quietly exits Jersey with sale to Smith & Williamson International

Smith & Williamson International, part of wealth management and professional services group Tilney Smith & Williamson, has completed the [acquisition of the trust and private client book of 7IM Jersey](#) for an undisclosed sum.

A spokesperson confirmed to *Portfolio Adviser* that, following the sale of the Jersey branch, which only opened in 2018, 7IM will no longer have a presence on the island but will continue to provide services

to its local platform clients.

The Jersey branch provided investment management services to private clients and trusts, complementing Smith & Williamson International's business which creates investment management strategies for a range of clients. Within the broader Tilney Smith & Williamson group, the Jersey office also provides international tax and business advisory services. 7IM director Grant Hamilton, formerly of Rathbones, joins Smith & Williamson International's office in St Helier.

South Africa: PepsiCo sub-Saharan Africa launches employee share ownership plan
Engineering News reports that snack and beverage group PepsiCo Sub-Saharan Africa (PepsiCo SSA) has launched a **R1.6-billion broad-based black economic empowerment employee share ownership plan**, The Bašumi Trust.

The trust is the culmination of months of planning, financial modelling and engagement with many stakeholders, and marks the beginning of what PepsiCo SSA CEO Tertius Carstens describes as a "fruitful journey" for all qualifying employees.

China: Huawei pays out US\$9.65 billion in dividends to current and retired staff
Huawei Technologies paid out dividends totalling 61.4 billion yuan (US\$9.65 billion) to current and retired workers in **its employee shareholder scheme**, according to a filing with the Shanghai Clearing House, reported the *South China Morning Post*.

Some 131,507 current and former workers are involved in the scheme, according to the company's 2021 annual report. Huawei is 100 percent owned by employees, including its founder Ren Zhengfei, in a structure that turns eligible employees into stakeholders.

Canada: Federal Government Releases 2022 Budget

On April 7 2022, Finance Minister Chrystia Freeland tabled the federal government's the 2022 budget, entitled "**A Plan to Grow Our Economy and Make Life More Affordable**". It includes governance rules on Employee Ownership Trusts:

The 2022 Budget proposes to create the Employee Ownership Trust, a new type of trust under the Income Tax Act (the "Tax Act"). Employee Ownership Trusts are meant to "encourage ownership of a business, and facilitate the transition of privately-owned businesses, to employees." The government also commits to continue to engage with stakeholders to finalize the development of rules for such trusts, and to assess any remaining barriers to their creation. The 2022 Budget does not contain specific details about the features or implementation of Employee Ownership Trusts.

USA: How Arizonans are planning to keep their businesses locally owned

It's estimated baby boomers own about half of Arizona's privately held companies with at least five employees. It's one reason work is underway to ensure companies stay locally owned for the next generation.

As the Rural Development Council for Arizona, Local First Arizona has been federally designated and tasked with connecting rural businesses to resources. It is working with a national nonprofit called Project Equity, whose **goal is to increase employee ownership**. That could be indirectly through employee stock ownership plans or directly through worker cooperatives, where employees fully own the business and share profits.

Project Equity cites studies that show employee ownership increases productivity, and builds wealth, especially among younger workers and employees of colour.

EMPLOYEE OWNERSHIP NEWS

Power to the people: the rise of employee-owned contractors

In recent years, construction firms with a combined turnover approaching £1.5bn have been sold to employee ownership trusts. *Construction News* reports on a trend that experts predict is only just beginning.

Largest EOTs by turnover since January 2020

	Turnover (£m)	Staff
Buckingham Group	585	623
Briggs & Forrester	223	935
Readie	179	170
Ground Construction	96	75
Kilnbridge	91	352
McGee	76	362
Neilcott Construction	75	160
NGB Construction	57	208
Curtins	28	400
Triton Construction	28	61
Fitzgerald Contractors	17	120
Elland Steel	15	94
TOTAL	1,470	3,560

EOT Round-up

- ◆ Planning consultancy **Quod**.
- ◆ Global flexible packaging and lidding films supplier **KM Packaging**.
- ◆ **IFSE Group** (International Food Service Equipment and Romann Catering Equipment Engineers).
- ◆ **Melin Tregwynt** woollen mill.
- ◆ Integrated fire and security systems business, **Evolution**.
- ◆ Civil engineering contractor **Fitzgerald Contractors**.
- ◆ **Caley Timber and Building Supplies**.
- ◆ Renewable energy consultancy **TNEI**.
- ◆ Research company **Vox Pops International**.
- ◆ Outsourcing specialist, **the Broadriver Group** (Controlaccount plc, Datatrace Consumer Services (UK) Ltd and Sinclair Taylor Management Services Ltd)
- ◆ Recruitment agency **Robertson Bell**.



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ABOUT NEWSBRIEF

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

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