
newsbrief

December 2017



CENTRE & MEMBER NEWS

Google set and match

Centre award winner Google was voted no 1 by its employees too, according to Glassdoor - the website where employees post their own frank and unmediated views. Centre chairman Malcolm Hurlston said: "You couldn't ask for clearer proof that innovative share schemes make employees appreciative. And if you doubt Glassdoor, look up your own company...."

The EOT experience: "we recommend it"

According to the 2017 evergreen survey of companies with an Employee Ownership Trust more than seven out of ten would definitely recommend it to another company. Fewer than five out of a hundred wouldn't recommend it.

The survey was carried out by RM2 on behalf of the Employee Ownership Association and funded by John Lewis. Two thirds of the respondents sold for fair value and the Centre will press the government for better tax treatment and lenders for more intelligent support.

Call for worked examples

The expert Employee Shares Worked Examples Group will meet HMRC Shares and Assets Valuation (SAV) in January, to review and agree worked examples of share plan valuations suitable for publication online as illustrative case studies, by either HMRC or the WEG and its member bodies.

Share plan practitioners are invited to submit worked examples for assessment, agreement with HMRC and online publication to weg@esopcentre.com.



Esop Centre reveals new logo

The Centre's new logo was revealed at last month's British Isles symposium. Simpler and more dynamic it maintains the Centre's familiar red and gold, standing for employees and wealth. It was crowd-sourced from Macedonian graphic designer Vasil Pujovski.

Pett Franklin webinars

Stephen Woodhouse will be hosting a [webinar](#) on the legal issues for trustees following the Rangers case. The event takes place on Thursday January 11 at 10am.

To register interest, email Pauline: pauline.atkins@pettfranklin.com

Computershare and eSignature Group align

Computershare Investor Services and eSignature Group LLC have entered into an agreement to offer a [medallion signature](#) guarantee to US investors for the transfer of shares up to £250,000.

Aon acquires two companies

Aon Hewitt is making two acquisitions: [Burchfield Group](#), a leading pharmacy benefit consulting, auditing and health plan compliance services provider; and, Swiss insurance broker, [Unidelta](#).

Intertrust charity quiz night

Teams of five are invited to join Intertrust's [annual charity quiz](#), which will take place in London on Thursday January 25 2018 from 1800-2130. All donations will go to LandAid which works to protect young people on the street, provide accommodation and training and to tackle the root causes of homelessness.

If you are interested in entering a team for the event, contact Alessia:

alessia.zammataro@intertrustgroup.com

RBC voted joint best place to work in US for LGBTQ equality

The Royal Bank of Canada Wealth Management, and RBC Capital Markets both received a 100 percent score on the 2018 [Corporate Equality Index](#), a survey and report on corporate policies related to LGBTQ workplace equality. The Index was administered by the Human Rights Campaign Foundation.

Sanne Dublin to expand

Sanne is [expanding in Dublin](#). The team will offer financial reporting, fund administration, company secretarial and management support services.

Zedra launches new US office

Zedra has launched a new US office in Miami. The [launch](#) was marked on November 30 by a rooftop celebration hosted by managing director Tomas Alonso.

UK & GLOBAL NEWS

Rise of ownership of UK shares by “rest of world” investors

The number of UK shares owned by investors outside the UK has continued to rise. An estimated 53.8 percent of the UK stock market (in terms of value) was owned by “rest of world” investors at the end of 2016, according to figures by the Office of National Statistics - compared with 43.1 percent in 2010.

Fall in Britain's life expectancy

The latest projections released by the Office for National Statistics estimate that by 2041 the average male will live 83.4 years and the average woman 86.2 years. For both sexes, this is almost a year less than what the ONS had previously estimated life expectancy by 2039 would be. This marks the first time in 110 years that life expectancy has not risen.

Read more at theconversation.com

Sharesave contribution holiday period extended to 12 months

The November 22 Budget includes provisions to extend the Sharesave holiday period from six to 12 months. Under Sharesave (Save As You Earn) employees may, direct from their net pay, save up to £500 a month over a three or five-year period. Following this, employees can use this money to buy companies shares at a fixed price, or claim their savings back.

Under the old legislation, employees were allowed up to a six month break from paying monthly Sharesave contributions – after this their share options would lapse. The new rules bring Sharesave's holiday period in line with the twelve months of maternity leave employees are entitled to.

Study highlights satisfied employees perform better than unsatisfied employees

A recent study has found that companies whose employees class themselves as 'satisfied' perform better financially than companies with 'unsatisfied' employees. To conduct this research, Panagiotis Stamolampros, Efthymia Symitsi and George Daskalakis (all UEA) examined the relationship between employee's reviews of their company and profitability. Read the full study [here](#).

Corporate tax budget announcements

Philip Hammond announced in the budget that large companies' research and development tax credits will increase from 11 percent to 12 percent from January 2018. For assets acquired from January 2018 onwards, indexation allowance on disposals of capital assets will be abolished. For assets already owned prior to January 2018, indexation allowance on disposals of capital assets will effectively be frozen at the amount that would be due based on the Retail Price Index for December 2017. Research from the US Federal Reserve Bank shows a link between high pay for ceos and spending on R&D.

Small investors lack democratic voting rights

Shareholders' democratic powers have been eroded, according to [Money Week](#). The outsourcing of share ownership, from being owned directly by individuals to being managed by funds, has led individuals to have a limited desire to engage with their shares other than to collect dividends. Most individuals now own shares through *nominee accounts* via brokers; this makes it difficult for companies to find out who their individual shareholders are, and distances shareholders from the companies they have a stake in.

The association of employee shareholders has

called for a push for greater individual democratic shareholder rights. ShareSoc is campaigning for small-shareholder committees to be set up, to act as a block and help individuals to be heard. John Hunter, of the UK Shareholder Association, notes "a very simple start would be to have nominee investors' names and addresses on the company's share register, to enable the company to know and communicate directly with all its beneficial owners".

Channel Islands chief ministers meet EU

Last month in Brussels the chief ministers from Jersey and Guernsey met ambassadors from Germany, Austria, Malta and Portugal; the European commissioner for economic and financial affairs; and British and German European Parliament members. The meetings focused on the commitment by the Channel Islands to meet EU tax transparency and economic substance standards.

Commenting on the meetings, Gavin St Pier (a former member of the Centre management committee), stated: "It is important for decision-makers in Brussels to understand two things. First, how Guernsey and Jersey work as well-regulated finance centres that make a significant contribution to the EU capital market, supporting investment in EU infrastructure and businesses. Second, how we play our part in developing and upholding international standards, through our active involvement in the OECD Global Forum and the OECD's BEPS Inclusive Framework."

[The EU Code of Conduct Group](#) on Business Taxation found the Channel Islands to be cooperative tax jurisdictions. The decision was approved on December 5 in Brussels by EU finance ministers at an Economic and Financial Affairs Council.

Read more [here](#).

New York State creates commission to study employee share ownership encouragement

The State of New York has enacted Bill 5349A, creating a commission to assess how [employee share ownership](#) can be promoted across the state.

To read the Bill, click [here](#).

Proxy Voting Guidelines 2018 issued by ISS

Institutional Shareholder Services has published updated guidelines to its [proxy voting guidelines for 2018](#), which are effective for shareholder meetings after January 31. The 2018 updates provide recommendations on the issues of: *poison pills*, excessive non-employee director compensation, problematic pledging of company stock by executives and directors, lack of say-on-pay ballot items, shareholder proposals on gender pay gap, board responsiveness to say-on-pay, and pay-for-performance evaluation.

Capgemini: fourth employee share plan success

Capgemini announced an oversubscription rate of 124 percent for its fourth employee share plan last month. In the 21 countries taking part, 28,800 subscribed to the plan, some 15 percent of those eligible.

Paul Hermelin, chairman and ceo said: "The number of employees subscribing to the employee share ownership plan has increased by more than 60 percent on the previous plan, which was already a great success... Capgemini remains one of the CAC40 companies with the largest employee ownership".

First Bankers Trust Services to pay \$15.75m to settle Esop disputes

Following charges that it approved improper stock valuations, causing million dollar losses for plan participants, First Bankers Trust

Services has been ordered by the US Department of Labor to pay \$15.75m to three employee share ownership plans.

As a trustee and fiduciary for the Esops of SJP Group, Rembar Incorporated and Maran Incorporated, FBTS was required to ensure that the Esops did not pay more than market value for the employer stock. The Department of Labor had alleged that the Esops overpaid millions of dollars for stock purchases, owing to a lack of due diligence by FBTS contracts.

MEMBER PROFILE



Stephen Woodhouse is a partner at **Pett Franklin**

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

Owning shares in your employer creates a sense of joint interest. It makes people owners and allows a form of partnership for all employee shareholders and the wider investor group.

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

There are a number of ways:

1. Banging the drum consistently about the

benefits of employee ownership. The work of Malcolm and the Esop Centre is an exemplar of this through constant campaigning and lobbying, but all people involved in share schemes can do their bit, particularly in the world of social media.

2. Co-operation between groups and individuals working in the share scheme industry. Sharing knowledge where appropriate and making the introduction of share plans as straightforward for companies as feasible.
3. Simplifying legislation and tax rules.

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

Look at the history of success with employee owned companies. Think about the correlation between employee ownership and share price growth. Think about the difference it would make to the way your employees think about the Company if they became owners.

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

I expect a continuing growth in indirect ownership through Employee Ownership Trusts benefitting from the tax reliefs in Finance Act 2014. John Lewis is a lasting testament to how indirect employee ownership can succeed. The tax reliefs in FA 2014 mean that any adviser talking to individual vendors should include an EOT on the menu of possible sale routes. Our experience with establishing EOTs shows that they can achieve the commercial objectives

of the vendors consistently with establishing permanent employee ownership and engagement.

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

The political commitment from across the spectrum towards developing and encouraging employee ownership. Without the combination of SIP, SAYE, CSOP, EMI and EOT tax reliefs, employee share schemes as we know them today would not exist.

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

The EMI plan is designed for smaller companies and offers the most attractive set of tax reliefs in UK legislation, but the rules are complex with many traps for the unwary. EMI schemes failing on a transaction happening is too familiar a story. The attraction of CSOPs has been emasculated by the erosion of the value of the reliefs first by reducing the value of shares subject to the awards and second by not indexing the £30k limit.

I would like to see the rules for discretionary plans simplified and extended so that they can be used to extend employee participation more widely on a flexible basis.

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

Employee ownership has many self-evident benefits. It appeals to the capitalist instincts of parties on the right and wealth sharing instincts of those on the left. Also, the reliefs which have been introduced have been successful with many good news stories.

Which aspect of the Esop Centre do you most value?

The willingness to campaign relentlessly and across a wide range of areas.

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

Increasing its UK profile outside London – I know that Malcolm has been considering running conferences in locations other than London which would support this.

What is your idea of perfect happiness?

Walking in the country with my wife, two children and two dogs.

What is your most marked characteristic?

I would say logical problem solving. Other people might refer to my colourful ties and socks. My colleagues in the office say that it is my comedy value.

What do you consider your greatest achievement?

I believe that the future matters more than the past so hope that my greatest achievement is yet to happen.

What historical figure do you most identify with?

John Maynard Keynes – his economic analysis is relevant today and could be applied with profit to counteract ten years of austerity.

Which living person do you most admire?

There are many people I respect and who I learn from, but all people are good and bad and become more complex as one knows them better, so I would have difficulty in finding one person to admire.

Who are your heroes in real life?

For the same reason, I would not easily identify a hero.

Which word or phrases do you most overuse?

“There are a number of points which are relevant...” followed by listing them.

ABOUT NEWSBRIEF

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

If you would like to sponsor an edition of newsbrief and place an extended announcement contact Laurence Cubbon: lcubbon@esopcentre.com

To submit a story for the next issue of newsbrief or to propose someone for a member profile, contact the editor:

T: +44 (0)20 7239 4971

E: rjarvis@esopcentre.com



The Employee Share Ownership Centre Ltd, 65 King's Cross Road, London WC1X 9LW

+44 (0)20 7239 4971 | esop@esopcentre.com | www.esopcentre.com