
newsbrief

December 2020



AWARDS

Now is the time to enter the 2020 **newspad all-employee share plan awards**.

The **newspad awards** recognise the achievements of companies which offer employee share plans and hold up best practice models for others to follow.

This year has been particularly challenging and the awards reflect this with a new category focussing on share plans and the Covid crisis.

All-employee share plans can play a key part in rising to such challenges by contributing to employees' morale and engagement.

If your company or client has used ingenuity in adapting a share plan to fit the rapidly shifting landscape, or otherwise made a notable contribution to employee share ownership, issued an inspirational share plan, showed excellence in its communication and presentation, been creative in increasing participation, using technology and bringing Eso meaningfully into company culture, or if your company, project or team leader has upped the game with enthusiasm for employee share ownership....then why not tell the world about it.

The results will be announced at our first on-line Share Plan Symposium 23-25 March 2021 and in the widely read international newspaper *It's Our Business*.

Companies can nominate themselves or advisers can make submissions on behalf of clients. **Entrants can apply for awards in more than one category. Submitting nominations is free** and simple. Required information kept to a minimum. Your deadline for sending entries is **5pm on Friday 15 January 2021**.

EVENTS

Members' webclave – January 28 2021

The second Esop Centre members' webclave (online conclave, a private, invitation-only meeting) which will bring Centre members together to discuss areas of common interest, will take place via Zoom at 10:30am on Thursday January 28. Discussions will focus on Eso legal issues and executive remuneration, with discussion leaders including Claire Matthews of Linklaters. Registrations will be open shortly.

Symposium on-line – March 23-25 2021

The Centre is to deliver its **fourth annual share plans symposium in online** format over three days on March 23, 24 & 25, next year. This key event, scheduled to have been held in the London HQ of a senior Centre member firm, has been postponed twice, due to Covid restrictions. The online format will comprise three, hour-long, live webclaves with the speakers forming a panel discussing the topic of the day with delegates able to interact live. Supporting material for each webclave - the speakers' pre-recorded presentations - will be released the day before the relevant live panel session. The revised **outline programme** looks like this:

Day 1 - Webclave: All-employee share plans and share plan regulation. Speakers: Baker McKenzie, Pett Franklin, Travers Smith, Computershare & EQ

Day 2 - Webclave: Executive equity incentives. Speakers: Deloitte, Linklaters & Willis Towers Watson

Day 3 - Webclave: Eso opportunities for SME companies. Speakers: Bird & Bird, David Craddock, Doyle Clayton & Rm2 Partnership.

Programme segments will include the impact of the pandemic on employee share plans and on executive remuneration trends. Further details to be announced.

Our thanks to **Ocorian**, the independent Channel Islands based provider of corporate and fiduciary services, for co-sponsoring the symposium, which offers participants latest guidance on installing and operating employee equity schemes for companies of all sizes. Delegates from issuer companies, large or small, are welcome to attend free of charge, though each must register their planned attendance in advance. Prices for all other delegates have been altered to reflect the change in format: Practitioners: members £250, non-members £425. Trustees: members £225, non-members £395. An “**early bird***” rate is offered to delegates who have already booked or who **book and pay by December 31 2020**: Practitioners: members £200*, non-members £350*. Trustees: members £175*, non-members £295*.

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WEBINARS

Looking ahead to 2021: moving beyond Brexit in financial services regulation

December 16 2020 12:00 noon GMT

Baker McKenzie’s Jeremy Edwards and Mark Simpson will look at the **evolution of the post-Brexit financial services regulatory landscape**, with a key focus of what firms should expect in 2021 in terms of regulatory policy developments. They will also discuss issues relating to remuneration in the financial services sector. Jeremy Edwards, partner and head of the Employee Benefits Group at the firm, is an experienced share plan and corporate lawyer. Mark Simpson is a partner in the Financial Services & Regulatory Group at Baker McKenzie, where he practises in financial regulation, financial crime, and regulatory investigations.

The Share Valuation Worked Examples Group in the changing valuation landscape

January 11 2021 11:00am GMT

The aim of the **Share Valuation Worked Examples Group** (WEG), a joint initiative with HMRC, is to improve understanding and reduce uncertainty for share valuations for employee share schemes. It follows the withdrawal of the HMRC non-statutory ITEPA Best Estimate and Post Transaction Valuation Check (PTVC) procedures by creating more Share Valuation Worked Examples for general guidance.

An initiative by William Franklin of Pett Franklin with guidance from the Esop Centre, the Worked Examples Group (WEG) was formed with expert members nominated by the leading share scheme bodies: Esop Centre; ProShare; Employee Ownership Association; Share Plans Lawyers Group.

In this webinar, William explains the role of the WEG and its place in the changing tax valuation landscape.

Here is our library of broadcasts:

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 AND MEMBER NEWS

Macfarlanes blog: A little less conversation, a little more action

Once again, Covid-19 has demonstrated its ability to affect issues seemingly far from a health crisis. In early October, Macfarlanes delivered a talk to lawyers and industry representatives titled "ESG and share plans - it's not all about the money". The headline here refers to a trend in executive compensation that, while gaining traction over the past couple of years, has not yet attained the status of standard practice. The pandemic, with its track record of accelerating a range of global trends (such as developments in tech), may be about to change this.

Executive remuneration has traditionally been measured by reference to financial performance. Including ESG factors in remuneration arrangements allows for the assessment of performance against metrics beyond the purely financial. While the conversation around introducing such metrics into executive remuneration had moved comfortably out of the shadows in early 2020, the fallout of the pandemic sharpened the focus on excessive reliance on short-term financial metrics.

USA: Four in five companies plan to introduce ESG measures to incentive plans - survey

Four out of five firms (78 percent) are planning to [alter how they incorporate ESG](#) into their executive incentive plans, according to [a survey from Willis Towers Watson](#).

Speaking to executive and non-executive directors and non-board member management executives at 168 organisations globally, the survey found that 41 percent of companies plan to introduce ESG measures into their long-term incentive plans over the coming three years, while 37 percent plan to introduce them into annual incentive plans.

Insurer executive compensation: How green is your bonus?

Willis Towers Watson's Damian Carnell and Jessica Norton write: "Bringing a [strategic approach to managing climate risk and resilience](#) is, in one substantial way, no different from any other business issue facing insurers. If, as a business owner or investor, you really want to get things done, the overwhelming evidence is that executive level rewards need to be aligned with the strategic objectives you want the board to deliver."

Reporting season

In a reporting season like no other, [ICAEW's Financial Reporting Faculty](#) has published guidance on areas to which preparers should pay particular attention.

As part of trying to encourage a business culture where employee share ownership is seen as a normal expectation, the Centre has devised an easy-to-use [template of corporate disclosure](#) of employee share ownership in financial reports. We have posted the template on the Centre's website as a start to promoting more disclosure.

Business needs freedom: Shackleton

In response to the chancellor's announcement at the 2020 Spending Review of a partial freeze on public sector pay, Centre friend Professor Len Shackleton said that the decision "makes sense in the current climate". He questioned whether the government's "retro" job creation schemes would have more than a marginal impact on employment.

Government intervention, however justified by health concerns, has created the current economic situation, Len added. "The answer is not yet more intervention, but rather to allow businesses maximum freedom to reorient and rebuild".

UK NEWS

ESG disconnect in performance related pay for ceos

The High Pay Centre has published a new report in collaboration with the CIPD showing that despite an increasing interest in Environment, Social and Corporate Governance, performance-related **pay for FTSE 100 ceos is still overwhelmingly based on financial returns** to shareholders rather than the needs of a range of stakeholders. In fact, for every pound one of the ceos could earn for meeting an employee-related target, they could potentially receive £41 for meeting a financial one.

The research found that only 34 percent of FTSE 100 companies used employee-related metrics in their ceo performance-related pay package. Among the companies that did use these metrics, they account for just 5.9 percent on average of the maximum incentive pay available to ceos. Across the FTSE 100 as whole, employee-related metrics accounted for only two percent of maximum incentive pay.

Investment Association publishes its 2021 Principles of Remuneration

The Investment Association has published its annual guidelines 'Principles of Remuneration' together with a letter to remuneration committee chairs highlighting changes. **Key messages in the IA letter are:**

- ◆ The remuneration committee should not isolate executives from the impact of Covid-19 and should apply a consistent approach with that taken for the workforce
- ◆ Use of non-financial performance measures – the Principles have been made clearer on investor expectations on the range of non-financial performance metrics
- ◆ Post-employment shareholding policies – Shareholders want to see what enforcement mechanisms are in place to ensure these guidelines are enforced
- ◆ Deferral of bonuses – investors expect that a proportion of the bonus will be deferred if the bonus opportunity is greater than 100 percent of salary

Roadchef latest

Angry former Roadchef motorway services staff contacted the Centre recently, expressing their disbelief that their compensation over the scandal of their plundered Esop remains unpaid *almost seven years* after the High Court ruling in their favour. They are considering their options, which include legal action, in order, finally, to secure payment.

The trustee, Mr Christopher Winston Smith has told the beneficiaries that only HMRC is holding up payments because it wants to tax them, while the trustee says they should not be taxed.

Mike Ashley ups employee awards

In a shareholder announcement Mike Ashley, whose Sports Direct became Fraser's and is now a buy in the Investors Chronicle has written "I am very proud of two initiatives that are focused on elevating our people which were launched recently.

At our agm in October our shareholders gave approval for a bonus scheme we are calling the Fearless 1000, which could pay out £100m in shares if our share price reaches £10 any time over the next four years. The share price must stay above £10 for 30 consecutive trading days to trigger the vesting of shares at the end of the vesting period which could see 10 workers receiving shares worth £1m if the share price is at £10 at the vesting dates. One thousand of our Fearless workers, who live and breathe our values, thinking without limits, not hesitating and owning it, will be eligible to receive share bonuses ranging from £50k right up to £1m if the share price is at £10 at the vesting dates. There is also a cash bonus scheme which runs concurrently with the share scheme which will pay out bonuses for those eligible workers who do not qualify for the Fearless 1000.

We recently welcomed 27 new people to the Group through the Frasers Group Elevation Programme. This is a new programme open to exceptional individuals be they school leavers, graduates or anyone else, to fast track them to peak performance within two years, with the inherent responsibilities and rewards.

We launched the Elevation Programme via social media which resulted in over four million impressions. We received approximately 2,500 high quality applications and then we personally assessed 94

candidates. 27 Fearless people were offered positions. We are extremely enthusiastic about the calibre of the initial intake into this programme and this is a big step to elevating our people and to help us in developing the future leaders of the Group.”

UK faces Jammie Dodger shortage

Workers employed by DHL Supply Chain who undertake the Burton Biscuits and AB World Foods delivery contract, will start **industrial action for eight days** over the Christmas and New Year period.

They are responsible for delivering Wagon Wheels and Jammie Dodgers, but unions say they will walk out over allegations of staff victimisation and poor pay conditions.

Despite the company being extremely profitable and this contract being especially lucrative, the pay offer currently on the table will result in warehouse operatives being paid just two and half pence above the national minimum wage when the rate is increased to £8.91 in April 2021. Unite the Union is seeking agreement that all workers will be paid at least 50 pence above the minimum wage.

WORLD NEWS

New report claims more than 400bn lost to tax havens each year

Cayman Islands has slammed a new report which claims that globally **countries are losing \$427 billion each year to international corporate tax abuse** and private tax evasion.

According to the Tax Justice Network analysis of country-by-country earnings reported by multinationals, the Cayman Islands tops the list by being responsible for 16.5 percent of global tax losses or more than \$70 billion. The other jurisdictions in the top five are the UK (10 percent; \$42 billion), the Netherlands (8.5 percent; \$36 billion), Luxembourg (6.5 percent; \$27 billion) and the US (5.53 percent; \$23 billion).

The report is partially based on data that is self-reported by multinational corporations under the country-by-country reporting standards that are part of Action 13 of the OECD/G20

Action Plan on Base Erosion and Profit Shifting (BEPS) - the data was made publicly available by the OECD in July 2020.

The State of Tax Justice 2020 report says that \$245 billion worldwide is directly lost to corporate tax abuse by multinational corporations and \$182 billion to private tax evasion, though in Cayman, for example, the tax advocates estimate, private tax evasion of \$47.6 billion exceeds corporate tax abuse, which is allegedly responsible for \$22.8 billion of tax losses in other countries.

In response to the report, Cayman Finance said: “The Tax Justice Network’s distorted interpretations of the Cayman Islands’ statistics get more inaccurate, further from the facts and less believable as they continue to be undermined by the credible findings of recognised international bodies like the OECD and the EU”.

USA: San Francisco votes to rein in ceo pay

According to *Minerva Manifest*, San Francisco citizens have voted by a margin of 65-35, to approve a ballot measure **to increase taxes on corporations with extreme gaps** between ceo and worker pay.

Under the new law, any company whose top executive earns more than 100 times a typical San Francisco worker’s salary will have to pay a 0.1 percent surcharge on its annual business tax payment (if 200 times more, to pay 0.2 percent and so on).

The “Overpaid Executive Tax,” formally known as Proposition L, was the brainchild of Matt Haney, a member of the city’s board of supervisors.

He said the results “show that San Franciscans are concerned about growing economic inequality” and suggested the proceeds of the tax could be used to support health and public health systems.

The move will encourage corporations to narrow their pay gaps, with city officials estimating the tax will raise \$140m per year.

However, critics argue that the middle of a pandemic is the wrong time to raise business taxes. There are also fears around unintended consequences that could hit the city’s success as a business community.

USA: Addressing one root of wealth inequality through employee ownership

Christopher Marquis writes in *Forbes*:

Employee-owned firms may seem at odds with today's focus on **employees being "free agents" and taking advantage of the "gig economy,"** as evidenced by the recent passing of Prop 22 in California that exempted companies like Uber and Lyft from classifying drivers as employees. However, there are many reasons that employee ownership, where employees have an ownership stake and decision-making power, may be a much more sustainable and resilient business model over the long term. In addition, as the "K-curve" recovery from Covid-19 continues to increase the divide between rich and poor, sharing ownership has proven to be one way to more evenly distribute wealth across all income levels.

South Africa: MTN staff accuse former execs of swindling empowerment shares

Over **400 MTN employees have filed an application for condonation at the High Court,** pleading to have a matter in which senior executives stand accused of swindling millions of empowerment shares to be heard in an open court.

Current and former MTN staffers are demanding over 200 million shares allocated to them over a decade ago in an employee share ownership scheme, saying their portion of shares was misappropriated in a trust. The trust, Alpine, was setup by MTN as an investment vehicle for the employees. In October last year, the staffers threatened court action after failed attempts to get information from MTN and the trust regarding the shares. The group has now filed its court papers; the heads of arguments were filed last week. The dispute has pitted Africa's leading telecoms company against its own employees, who vowed to hold the company and Alpine Trust accountable.

At the core of the dispute is the allocation of more than 200 million shares from an initial 309 million share that had been set aside for the employees.

France: Capital increase reserved for employees of French companies' participants in the employee stock ownership plans

Reported on December 7, the purpose of this offer was to further involve the group's employees in its development by allowing them to **become shareholders of EssilorLuxottica.**

At the extraordinary general meeting of June 25 2020, shareholders of EssilorLuxottica authorised the board of directors, within a 26-month period, to issue shares reserved for employees participating in an employee stock ownership plan, with new shares representing up to 0.5 percent of the total capital stock (Resolution 12).

The board of directors decided the principle to issue up to 360,000 common shares reserved for participants in the EssilorLuxottica Group's employee stock ownership plans and delegated to the executive chairman and to the executive vice-chairman the powers to implement the transaction. The subscription price has been set up at Euro 90.524 per share, this being the average of the opening prices over the 20 trading days preceding November 24 2020, to which a 20 percent discount has been applied.

USA: Kitware becomes a 100 percent employee-owned company

Kitware Inc has announced the **transfer of all of its stock into an employee stock ownership plan,** making the company 100 percent employee-owned. The company's shareholders and board of directors, including the five original founders, approved the transaction on November 30 with the intent of further strengthening its commitment to its employees, customers, collaborators, and communities.

EOT NEWS ROUND-UP

Studio Egret West to be run as employee-owned trust

Architects' Journal reported that the London practice has announced that it will now be run as an employee ownership trust.

Another architects' practice becomes employee owned

Irena Bauman and Maurice Lyons are standing down from Bauman Lyons Architects, which they founded almost 30 years ago.

Financial advisory consultancy first in its sector in Scotland to enter employee ownership

All shares of Gill Financial have now been placed into an employee ownership trust (EOT), with all seven staff becoming direct beneficiaries of the partnership.

Fit-out business switches to Employee Ownership Trust

Interior design and fit-out business Claremont has transferred its ownership into the hands of employees as the limited company changes to an EOT.

Airtech controls acquired by EOT

Airtech Controls has been sold to an employee ownership trust, which has acquired 100 percent of the company shares.

Media agency sells to EOT

Quiet Storm, the media agency and production outfit founded by Trevor Robinson in 1995, has been sold to an EOT.

Employee ownership for The Nursey

Brand communications and experience research agency The Nursery has become

employee-owned, with rights transferred to a trust set up for the benefit of all staff.

Welsh research firm becomes employee owned

Social and economic research company, Wavehill has become employee-owned, cementing its team-orientated ethos and business approach.

Scottish product design firm becomes employee owned

Product design company Shore has announced its transition to employee ownership, with over 30 members of staff given a stake in the business.

Employees buy minority stake in safety consultant

Latest construction industry business to join the ranks of the employee owned – at least partially – is safety specialist Safer Sphere.

IT firm celebrates move to employee ownership

As ITWORX approached its 10th birthday, it marked the milestone by moving to employee ownership.

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:

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