



New management for Esop Centre

New year - new times: From the start of 2020 the management of the Employee Share Ownership Centre is transferring from MHCC (chairman Malcolm Hurlston CBE's consultancy) to Z/Yen Group Limited.

Malcolm is continuing as non-executive chairman of the Centre; Juliet Wigzell is now working for Z/Yen Group. Fred Hackworth continues as editor of *It's our business (newspad)* and plans the annual symposium.

Z/Yen Group, like MHCC, is a long-term force for good. Its executive chairman is Professor Michael Mainelli, Alderman and Sheriff of the City of London. Prof Mainelli chairs Long Finance and the Financial Services Club.

The broader perspective of Z/Yen Group and greater resources will give the Centre an opportunity to flourish while still relying on its trusted team.

EVENTS

Plan issuers line up for British Isles symposium, March 26

Share plan sponsor companies are contacting the Centre in numbers to stake their claim to the **free seats** offered to them at the fourth [British Isles share plans symposium](#) on **Thursday March 26**. These include **Burberry, Reckitt Benckiser, SGI Industries** and **Thales UK**. So Centre member advisers should get their skates on and register for this event asap, especially to learn their way through the various Brexit scenarios.

The symposium is being hosted by member **Linklaters** at **One Silk Street London EC2**. Its speaker **Harry Meek** has taken as his theme: *The changing landscape of investor and corporate governance expectations* regarding executive equity reward. Harry will focus on three key issues: Regulatory developments impacting reward in the financial services (FS) sector - challenges to the way banks and FS firms have been operating their incentive arrangements; Listed company investors and

“ *Extremely relevant and interesting.*

*A good opportunity to catch up with **contacts**; old and new!*

A great success. ”

corporate governance expectations are catching up, as concepts the FS sector has been dealing with come to the fore, such as: #Operating malus and claw-back in practice, #Use of discretion in determining vesting outcomes and #Measuring non-financial risk and culture as part of incentive plans; Finally, what listed companies can learn from the challenges and developments faced by the FS sector in share plan design and operation.

The event will be chaired and introduced by Centre founder, **Malcolm Hurlston CBE**. He will ask delegates: *How could all-employee share plan schemes be re-set to make them*

more popular with companies and employees? before introducing as keynote speaker, City of London Alderman & Sheriff, professor **Michael Mainelli** who will speak on ***Inequality - thoughts from the frontline of Long Finance.***

Symposium line-up includes:

Stuart Bailey: a major employee share plan case study promoted by Centre member plan administrator **Computershare.**

Colin Kendon, partner (employee incentives) at **Bird & Bird:** the government's review into the future of the **Entrepreneurs Relief** scheme which helps SME owners reduce their Capital Gains Tax bills when selling their businesses. Colin will deliver a frank assessment too of the popular **Executive Management Incentive (EMI)** share options based approved scheme, which is being operated by more than 10,000 UK SMEs. During his tour of the 'ins and outs' of the HMRC tax-approved scheme, Colin will talk anecdotally about 'Exit Only' EMIs.

David Craddock, who heads his eponymously named worldwide share schemes consultancy: How SME companies are valued, so that employee shares can be issued. David is technical secretary to the ground-breaking *Worked Examples Group* which the Centre co-founded and has administered *pro bono* from its inception.

Martin MacLeod of **Deloitte:** *Do recent changes in the UK corporate governance code go far enough on executive reward.*

Willis Towers Watson director **Damian Carnell**, executive compensation expert and adviser to the **International Accounting Standards Board**, will speak on *top pay, incentives and the pressing environmental, social and corporate governance (ESG) agenda.*

Jennifer Rudman of **Equiniti:** *How do you ensure that all employee plans (Sharesave and SIP) continue to be relevant and provide benefits for today's itinerant workforce?*

Garry Karch, the leading Esop banker in the UK: *How Employee Ownership Trusts are structured and financed.*

Jane Jevon of **Pett Franklin:** *the Company Share Option Plan, the forgotten share scheme; unlocking its potential and avoiding its hidden pitfalls.*

Claire Prentice of **Travers Smith's** incentives

& remuneration team: *Which elements contribute most to effective global equity plans?*

Robin Hartley, a senior associate at **RM2:** How best to structure and install *growth shares* in companies.

Practitioner Centre member delegates will pay **£395**, trustee members will pay **£330** for their seats. Non-member practitioner delegates will pay **£595** (all ticket prices are VAT-able). Plan issuers (non adviser) attend **free of charge.**

Contact Juliet Wigzell at juliet_wigzell@zyen.com, if you have any questions about attending the symposium. Registrations can be made using the [last page of the programme.](#)

What will pay ratio reporting mean? Will it change anything?

High Pay Centre event on Wednesday, February 19 2020 from 14:30 to 17:00 (GMT), at **Standard Life Foundation**, The Gherkin, 30 Saint Mary Axe, London EC3A 8BF.

Speakers include: Luke Hildyard, director, High Pay Centre (Chair); Charles Cotton, performance and reward adviser, CIPD; Janet Williamson, senior policy officer, TUC; and Tom Gosling, partner, PwC.

This event will cover the value of pay ratio disclosures and how they can be most usefully applied, ahead of a major piece of research undertaken by the High Pay Centre and supported by the Standard Life Foundation, analysing the first tranche of disclosures in 2020.

Registration for this event is mandatory to gain entry to the building. A limited number of tickets are available.

WEBINAR

An introduction to the EOT

January 29 11:30am - RM2

Director, Richard Cowley on the use of the [Employee Ownership Trust \(EOT\)](#) as a succession planning tool. In this introductory webinar, he will cover the EOT structure, its general provisions and touch on financing the EOT.

MEMBERS' NEWS

PwC opens office in Paradise

PwC has opened its largest UK regional office in its new Birmingham home, One Chamberlain Square.

The firm's 2,000-strong team in Birmingham has moved across the city from Cornwall Court, where it has been based for 27 years, to its new home at [One Chamberlain Square in Birmingham's Paradise](#) development project.

One Chamberlain Square is designed by architect Eric Parry, and is the first building to be completed in the Paradise regeneration scheme in the heart of Chamberlain and Centenary Squares.

BT's new Brum home

BT Group has announced Birmingham's landmark Three Snowhill development will be its [primary new home](#) in the city and provide a future-fit workplace for thousands of its employees.

The building, in the heart of the city's business district, will become a key hub with between 3,000 and 4,000 colleagues set to be based there eventually – more than five times the number of people currently based in Birmingham.

KPMG to create 800 jobs in Ireland this year

KPMG [currently employs 3,300 people in Ireland](#) and has hired more than 2,000 extra staff in the country since 2014. It says increased client demand, including access to technology and digital related expertise, were the main drivers. Some 400 of the positions will be filled by experienced professionals with a wide range of skills, while a further 400 will be graduate opportunities across all areas including audit and assurance, tax consulting, deal advisory and consulting.

READER'S CORNER

Leading economist friend of the Centre, Doug McWilliams of CEBR, found time to write a travel book while taking part successfully in the Peking to Paris vintage rally last year. But [Driving the Silk Road](#) is a travel book plus. Doug offers unmatched insights into the key countries along the road - Russia, Central Asia, China, which are becoming increasingly important. Read about the gateway to Europe... It's Magnitogorsk!

Centre economist friend Len Shackleton of IEA is also cowriting a new book about the role of share plans in combating inequality. Watch for further details.

UK NEWS

Budget 2020: Wednesday 11 March

The chancellor has announced that the next Budget will be on [Wednesday March 11](#) 2020. The Treasury has issued updated guidance on [submitting representations](#) in advance of the Budget. Representations will be accepted until February 7 2020.

Centre chairman, Malcolm Hurlston CBE will be writing to Sajid Javid shortly with the Centre's main wish-list contributed by members of the Centre's steering committee.

Cfos optimistic as Brexit worries recede

Business [confidence is at an all-time high among the UK's top cfos](#), according to the latest Deloitte cfo survey. And for the first time since the EU referendum, Brexit is no longer the top risk for finance leaders.

Financial Services sector pays record taxes

The UK financial services sector paid a record £75.5bn in taxes last year, according to [a report](#) by PwC for the City of London Corporation. The total – comprising of £33.4bn in direct taxes and £42.1bn of taxes collected – represents 10.5 percent of all UK tax receipts. The report highlights that financial services firms, which include banks and insurers, employ 1.1 million people across the country, accounting for around three percent of all UK employment.

Ban pay secrecy — TUC

Nearly a fifth (18 percent) of workers have been told they're not allowed to discuss their pay with co-workers, [according to a new survey](#) carried out for TUC by woman-led lobbyists GQR Research.

The TUC is calling for a ban on pay secrecy or “gagging” clauses, which prevent workers from challenging unfair pay, discrimination and excessive top-to-bottom pay ratios.

Over 20 new jobs at Newcastle tech firm Hive HR

In 2019, Hive won the UK Conscious Employer Award and was included in the annual ‘50 Best Places to Work in the North East’ list. The company’s benefits include flexible working, a competitive 26 days annual leave and [a share option scheme](#).

Cancellation scheme did not fall foul of tax anti-avoidance principle

The High Court has held that a scheme of arrangement involving the [cancellation and re-issue of a company’s shares](#) was not prohibited by tax avoidance legislation.

FRC calls for improved governance practices

The Financial Reporting Council (FRC) has called on FTSE companies to improve their governance practices and reporting if they are to demonstrate their positive impact on the economy and wider society. In [its annual review of the UK Corporate Governance Code](#), the FRC said early adopters of the revised code had struggled to define their company’s purpose, and many were too reliant on marketing slogans to explain their corporate culture, turning to tick-box compliance standards.

Why every company needs a chief fun officer

According to an academic report in *The Conversation*, there is strong evidence that [fun in the workplace](#) packs a powerful punch in terms of organisational benefits. Research in

the restaurant industry, an environment with more than 60 percent employee turnover annually, found that workers who socialised more in the workplace and who saw their co-workers and the workplace as more fun were less likely to leave.

Fun in the workplace can foster more positive attitudes, help teams become more cohesive, and help people deal with or recover from stressful work experiences, while also developing stronger relationships.

WORLD NEWS

Finland: Aktia Bank plc’s share based incentive scheme for 2020–2021

The board of directors of Aktia Bank plc has decided on a continuation [of AktiaUna, a long-term share savings plan](#) for employees launched in 2018.

The objective of the share savings plan is to motivate employees to invest in the company’s shares and to own the shares, to align the interests and commitment of the employees and management. The programme consists of two parts, a share savings plan AktiaUna for all employees, and a performance-based plan for key personnel, based on the share savings scheme.

Australia: Employee share trusts: the clock is ticking away rapidly

The commissioner of taxation has finalised his views on the meaning of [“employee share trust”](#) (EST) in the recently released taxation determination TD 2019/13.

USA: Andesa Services becomes 100 percent employee owned

After 36 years in business in Allentown, Pennsylvania, [employees at Andesa Services became co-owners](#) to start the new year. All 165 employees now own 100 percent of the company.

"They will have a portion of the ultimate account and stock value of the organisation," said cfo Mark Wilkin. "If they have skin in the game and have a sense of ownership it will allow them to serve our clients better," he added.

USA: IRS rules that Esop floor price protection plans are taxable

The [NCEO's Corey Rosen](#) tells us that in [General Legal Advice Memo 2019-03](#), the IRS ruled that payments from a company to a former employee under an Esop price protection plan are immediately taxable if made directly to the employee, but not if the employer makes a special "qualified non-elective contribution" to the plan that is allocated to the former employee's account and then distributed as part of the ultimate account distribution. Once those funds are distributed, they would be taxed under normal distribution rules.

USA: Wawa founding family accused of cheating former workers out of millions in company stock

Engineer Brad Wall oversaw the modernisation of Wawa industrial dairies and went on to lead the convenience chain's rapid store expansion from 1999 until 2013 as director of construction and design.

He was one of many proud [Wawa employees who hoped one day to retire on Wawa stock grants](#). But today, as the company expands along the East Coast he says, "Wawa is pretty much dead to me. I am one of the ones who lost at least a couple million" after the company reversed a promise to let employees who left the company hold on to their shares until retirement age, as their value rose.

More than 1,200 former workers shared a \$25 million settlement in 2018 — a fraction of their actual losses, according to Wall and some others — to settle accusations that the company cheated them out of company stock they were saving for retirement.

USA: Bremer Bank employees take legal action against trustees

Sixteen [employees of Bremer Bank have filed a class action lawsuit](#) against the three trustees of the Otto Bremer Trust, the parent company of the financial institution.

The lawsuit accuses the trustees of trying to seize control of the bank through illegal means and unlawfully transferring voting rights to outside shareholders intent on replacing the bank's board of directors.

The trust owns 92 percent of the bank, which is otherwise employee-owned.

The 16 plaintiffs include a mix of longstanding employee-shareholders, some of whom have worked at Bremer for 35 years or more, and a few newer hires. They include a business analyst, a customer support supervisor and several senior directors.

Europe: Esops can combat economic inequality

Economic [inequality has burgeoned](#) in Europe as income from capital has risen faster than growth, according to a report from Swedish Prof Bo Rothstein for left-leaning *Social Europe*.

He suggests European countries learn from the US Esop, which provides tax relief and functioning legislation to allow the employees of a company to buy it with the company's assets as collateral—which means they do not have to take personal financial risks. This form of economic democracy is most prevalent in the US: a recent study shows that just over a tenth of employees there work in the nearly 7,000 companies which have this model; in more than 4,000 the employees are majority owners.

Decades of studies have shown that these companies are as financially viable as conventional capital-owned companies, while employees have higher wages, are more satisfied with their working conditions and— not least in this context—receive a substantial share of the profits. On average, such employees have assets, often in the form of pension capital, which far exceed those of workers in capital-owned companies.

EOT NEWS

UK government services group becomes employee owned.

Seetec, a provider of probation and state training services has become one of the [UK's largest employee-owned companies](#). Company founder Peter Cooper announced on January 3 that he had sold a 51 percent share of Seetec to an EOT, which will run for the sole benefit of the company's 2,500 workers.



Napo, the probation officers' union, said Seetec had "chosen a progressive future" and showed "real investment" in staff with the switch, adding "We hope that other providers will follow suit as it now raises the bar for future contracts."

Vectric bought out by workers

Software firm [Vectric has announced](#) that it is now officially majority owned by its employees following a move by company owner Brian Moran.



The West Midlands firm will continue to be headed up by managing director Edward Powell, as Moran steps back from day to day control, the firm said.

As part of an initiative to help the company grow, it has implemented an employee ownership trust. Its employees will initially have shares of 51 percent.

Mr Powell said: "We believe employee ownership is the right model for a forward-thinking company like ours, where so much is dependent on our people as individuals and the way they work together as a team. This is an opportunity to increase engagement by giving staff more potential to collaborate and lead within the business. The team has fully embraced the concept of employee ownership and are delighted that Vectric's legacy will be protected."

Tricore joins throng of Scottish firms becoming employee owned

Tricore, which provides a refurbishment service for new and used roller cone drill bits for use within the oil and gas, construction and mining industries, was founded in 1987 by Greg Henderson and Bill Bowie. Following the death of Mr Henderson, the company reviewed its ownership structure.



An [employee ownership trust was formed that holds 100 percent of the shares](#) on behalf of all six staff. Operations manager Wallace Hay said: "We had to come up with an ownership solution that allowed equity to be released to Greg's estate and Bill to retire, but also ensured the future security of the company and safeguarded jobs." Tricore was supported by Co-operative Development Scotland on behalf of the Scottish government.

LUC creates EOT

London-headquartered environmental consultancy [LUC has become a fully employee-owned business](#) following the creation of an employee ownership trust (EOT).



The move was motivated by a desire to secure its long-term independence by transferring ownership from a small number of shareholding employees to its 190 group employees.

Managing director of LUC, Jon Grantham, said: "I'm so pleased to be able to give all our staff an equal stake in LUC's ownership, and the opportunity to participate in running the company. LUC is growing but remains proudly independent, so we felt an EOT was the logical next step in our evolution.

BritainThinks moves to EOT

Insight and strategy consultancy [BritainThinks has announced it will be passing the majority ownership](#) of the business to a trust set up on behalf of its staff.

It currently employs about 50 people based in its Somerset House, London office.

Co-founder Ben Shimshon said: "We believe that doing our bit to help build a more inclusive economy also makes sound business sense – our people are the core of the fantastic business we've built over the past decade. By giving everyone at BritainThinks a share in our future success,

we want to encourage and reward their entrepreneurialism, professionalism and dedication. We are more optimistic about BritainThinks' future than ever and look forward to an even more successful 2020."



'First' Scottish EO start-up set for overseas expansion after record year

An employee-owned oil and gas consultancy is expanding its team at home and overseas as it heads for annual record turnover.



Aberdeen-headquartered [Accord Energy Solutions](#), a specialist in services to measure oil and gas production, plans to expand its 33-strong team in the UK and launch operations in Australia in the coming 12 months. Accord combines an EOT with a SIP.

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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