

newsbrief

January 2021



EVENTS

Members' webclave January 28

We hope you will be able to join us at 10:30am Thursday January 28 for an on-line networking event which is for *members only*. After a brief introduction you will be invited to join the discussion groups to chat with fellow members on the two agenda topics, before reconvening to sum up. The event will be run under the Chatham House rule.

10:30am: Introduction – Professor Michael Mainelli

10:35am: Introduction to *“The role of share plans in supporting a good workplace culture”* - Claire Matthews, Linklaters. Followed by breakout discussion groups

11:05am: Introduction to *“Displaced Workers and Share Plans – what do we need to think about in 2021?”* - Paula Lancaster, Deloitte. Followed by breakout discussion groups

11:35am: regroup and close

Please **register in advance** for this meeting. We look forward to seeing you there.

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. 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 where delegates will be able to interact live with the speakers. 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, 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 January 22 2021**: Practitioners: members £200*, non-members £350*. Trustees: members £175*, non-members £295*.

For enquiries, please contact juliet_wigzell@zyen.com or call +44 (0)20 7562 0586.

WEBINARS

Esop sofa-hot topics: newspaper review - February 3 2021 11:00am GMT

In this [webinar](#), YBS Share Plans' Darren Smith and an employee share plan expert panel discuss articles of interest featured in recent editions of *newspad*.

Beyond Brexit: Social Security Contribution Rules – February 24 2021 11:00am GMT

The [EU-UK Trade and Cooperation Agreement](#) contains a framework agreement for the future treatment of workers through a Protocol on Social Security. The Protocol puts in place measures so that social security benefits are coordinated and protects individuals (and their employers) against double social security contributions. That being said, employers sending employees from the UK to the EU and the EU to the UK still face more difficulties than existed under the EU regulatory framework (which ceased to apply from 31 December 2020). Jeremy Edwards and Don-Tobias Jol of Baker McKenzie explore the implications from both a UK and Dutch perspective.

Here is our library of broadcasts:

[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>



AWARDS

Thank you to everyone who has submitted entries for the [newspad all-employee share plan awards](#). We have been able to extend the submissions deadline, so there is **still time to enter!**

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

The past year has been particularly challenging and we reflect this with a new category focusing on share plans and the Covid crisis. All-employee share plans can play a key part in rising to the challenge by underpinning 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 Centre's 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 has been extended to 5pm on Friday February 5 2021.

CENTRE AND MEMBER NEWS

Mike Pewton's ShareReporter to collaborate with CMS

Centre friend Mike Pewton, ceo of ShareReporter has announced a partnership with Centre member CMS Law. The collaboration will allow his clients to use applications such as 'Global Filings' which is supported by CMS, secure in the knowledge that the ShareReporter legal and tax information is underpinned by high quality lawyers.

Global Shares voted company of the year in Japan

Congratulations to Global Shares for being crowned 'Company of the Year' at the 2020 Ireland Japan Business Awards. These awards are presented each year to companies 'making outstanding contributions to Ireland-Japan business relations' and are the highlight of the Ireland Japan Chamber of Commerce (IJCC) annual calendar.

John Meehan, ceo for Japan, accepted the award on behalf of Global Shares during a virtual award ceremony on December 23 2020. He said: "It is a proud day for me personally, having held close connections with the Japanese market

since early in my career, and a proud day for our company to accept this award.

"Global Shares' journey from Clonakilty to Japan has been a remarkable one. We began supporting Japanese clients in 2016 and have now developed a unique solution for global Japanese companies to overcome complex technical equity trading barriers, as well as help them easily extend the international reach of their employee share plans."

Farah Ballands steps down as Ocorian ceo

After successfully guiding Ocorian and Estera through a major merger in 2020, Farah Ballands has decided to step down as ceo of Ocorian. Current Chairman, Frederik van Tuyl will take over the responsibilities of the ceo role from March 31 2021.

JTC Group to acquire RBC cees Ltd

Global fund administrator JTC Group has announced the acquisition of RBC cees Limited ("CEES"), a market leading employee benefits platform with an internationally diverse blue-chip corporate client base.

CEES is being acquired from RBC Holdings (Channel Islands) Limited, part of RBC Wealth Management. Around 180 employees, including the CEES senior management team, will join JTC, which is headquartered in the UK, at completion, becoming part of the Institutional Client Services (ICS) Division. The transaction is subject to relevant regulatory approvals and is expected to complete in early Q2 2021.

With over 430 corporate relationships and more than 890 plans, as well as \$14.5 billion in assets under administration, CEES will complement JTC's existing corporate and trustee services. The acquisition also significantly enhances the JTC's employee benefits offering, expanding a service line that has good organic growth potential owing to market trends that support the increasing adoption of employee benefit programmes.

"We are extremely proud of the CEES business that RBC Wealth Management has built in the British Isles over the previous 15 years and are therefore pleased to see it transfer to the JTC Group, which has employee shared ownership at the heart of its culture," said Dave Thomas, the ceo of RBC Europe.

What does the EU-UK Trade and Cooperation Agreement mean for financial services?

Following the end of the Brexit Transition Period, **CMS assesses the impact** of the EU-UK Trade and Cooperation Agreement on the UK financial services sector and sets out its analysis of the key points, looking ahead to the forthcoming EU-UK Memorandum of Understanding and its potential impact on equivalence decisions.

NHS staff shortages show need to liberalise “occupational licensing”

The twin problems of NHS staff shortages and slow vaccine rollout show the urgent **need to reform occupational licensing**, argues the Institute of Economic Affairs’ editorial and research fellow, and friend of the Centre, Professor Len Shackleton.

Writing for *CapX*, Len flags that medicine is not the only area where these rules presents problems – the “profusion of licensing” makes it much more difficult and expensive to enter many occupations.

The need to liberalise these rules, Len adds, is all the more urgent in the current economic climate as both the young and old face bleak career prospects.

Centre chairman Malcolm Hurlston ran a campaign in the 1990s to permit pharmacies and nurses to complement the work of general practices where they were qualified and offered better public value. It has taken 30 years to come to fruition. Before Margaret Thatcher became embroiled with the miners, her target was the lawyers whose licensing remains protected to this day.

UK private equity comparative guide

Travers Smith’s article for *Mondaq* explains the **legal and regulatory frameworks** of the UK’s private equity market.

Biden nominees have favoured employee ownership

Corey Rosen writes in NCEO’s blog that President Biden’s nominees to key cabinet posts have **favoured employee ownership in the past**. In 2019, the proposed new SBA administrator,

Isabelle Guzman said that employee ownership was a good way to respond to the “silver tsunami.”

In 2017 Gena Raimondo, the governor of Rhode Island and proposed new Secretary of Labor, signed a Rhode Island bill making it easier to form worker cooperatives, while Marty Walsh, the mayor of Boston and proposed Secretary of Commerce, created a programme to encourage worker cooperatives and other forms of employee ownership in Boston (and coauthored an article encouraging employee ownership with Corey and Harpoon Brewing ceo Dan Kenary in the Boston Business Journal).

Previously, President Biden named Jared Bernstein, who has written very favourably on employee ownership, to his Council of Economic Advisers.

UK NEWS

Glass Lewis publishes voting guidelines

Glass Lewis has published its **UK Voting Guidelines for 2021**. Changes include clarification of the guidelines on environmental, governance and social initiatives, and guidance on virtual shareholder meetings, remuneration, human capital and diversity.

Government urged to turn emergency Covid debt into shared ownership

The government should consider converting “unmanageable” levels of Covid debt **into shared company ownership**, the **Federation of Small Businesses** has urged.

Four out of 10 small businesses called their level of debt “unmanageable” in an FSB report published at the end of December 2020. Nearly half of those surveyed used personal finance products such as personal credit cards, overdrafts and loans to keep their businesses going.

The FSB told **The Times** that emergency Covid debt could be assigned to an employee ownership trust in return for the trust getting preference shares in the business of the same

value, plus an option to acquire 10 percent of the business when there is a future change of control. Turning Covid debt into shared ownership would move the debt off the company's balance sheet, the FSB said.

Currently, 370 UK companies are categorised as employee-ownership SME businesses, 61 per cent have changed ownership in just the past five years.

Five European countries with better stock options than the US

In an effort to rank **Europe's most start-up friendly countries**, *Index Ventures* has compared the treatment of stock options across 20 European countries to policies in Israel, Canada, the US and Australia.

The results reveal five European countries with more favourable stock option rules than those in the US: Latvia, Estonia, Lithuania, France and the UK. Canada and Israel also ranked higher than the US, while Portugal scored the same.

Stock options allow early employees of start-ups to acquire a slice of the company they work for. It is a tactic that has proven successful in helping early-stage Silicon Valley start-ups to compete for in-demand talent.

WORLD NEWS

Cayman Finance Submission OECD Consultation: Pillar One and Pillar Two Blueprints

Cayman Finance has published its **response to the OECD consultation**, covering:

- ◆ Contribution of the Cayman Islands to global economic growth and welfare - Tax neutral jurisdictions such as the Cayman Islands play a key enabling role in the efficient allocation of capital providing unparalleled access to global finance and liquidity leading to more trade, innovation, economic growth, employment, and government revenue in both developed and developing nations.
- ◆ Cayman Islands economic and tax policy - The Cayman Islands exercises a legitimate economic policy choice to apply a zero rate of tax on all corporations and meets its revenue needs through customs duties and fees.

- ◆ International acceptance of zero tax rates - A zero tax rate on corporations is recognised at both OECD and EU levels as not being harmful unless combined with harmful elements such as ring fencing, lack of transparency and the absence of adequate substantive activities.
- ◆ The Cayman Islands transparent and neutral tax policy - The Cayman Islands is fully transparent and recognised as compliant with internationally accepted standards of tax good governance, including economic substance regulations.
- ◆ Relevance of tax treaties - As a tax neutral jurisdiction, the Cayman Islands is not party to any double tax treaties that would result in the reduction of withholding taxes and does not therefore pose a risk to other countries in terms of eroding their tax base or preventing another country from asserting its taxing rights. - The Cayman Islands has entered into a range of bilateral and multilateral information exchange arrangements that fulfil the "prevention of fiscal evasion" aspect of tax treaties.

France: Oncodesign announces a special "anniversary" share ownership plan for all employees

At its meeting on December 10 2020, the Oncodesign board of directors decided the main characteristics of the employee share ownership plan **to mark the Group's 25th anniversary**: every Oncodesign employee will be allotted bonus shares.

The conditions of attribution are: One year's continuous service and presence on the payroll at the date of allotment and one-year holding requirement.

These shares will be placed in the corporate mutual fund created within the framework of the PEE Oncodesign.

The company will also implement a special programme for 20 key Oncodesign employees with a bonus share allocation and stock option plan.

USA: Taylor Guitars becomes employee owned

Guitar manufacturer **Taylor Guitars is now 100 percent employee-owned** following the introduction of its employee stock ownership plan (Esop).

More than 750 employees will be able to control shares within the business. Its new ownership structure will support the continued established leadership, enabling the organisation to remain independent and preserve culture.

The news was communicated to staff in a pre-recorded video from co-founders Bob Taylor and Kurt Listug on January 11 2021.

Taylor said: "It is a huge day in the history of Taylor Guitars. A day that Kurt and I have been thinking about and planning for a long time."

Listug explained that the company's growth had been because of its workforce and said it now needed to look beyond its founders.

He added: "Who will be the best people to guide it forward into the future? Who will keep our organisation true to our values and maintain the culture we love? While Bob and I still have many good years left to dedicate, we wanted to make sure we put the organisation in the best possible position for future success, to give it the best chance to be around for the next 100 or maybe even 200 years."

"We are thrilled that we get to share this with employees, and that we get to continue to work together just like we have been doing."

USA: Advancing the expansion of the middle class, Rutgers University appoints research fellows to study the impact of shares

The **Rutgers Institute for the Study of Employee Ownership and Profit Sharing** announced at the end of 2020, the appointment of 16 research fellows to investigate economic policies that can save jobs, boost middle class wages, close the wealth gap for Black and Latinx workers, and sustain small businesses through the Covid recession.

"Profit sharing and employee share ownership stakes at work can be an important part of middle-class incomes," said Joseph Blasi, the J. Robert Beyster Distinguished Professor and Director of the Rutgers Institute for the Study of

Employee Ownership and Profit Sharing. "With real wages growing slowly, the best middle-class jobs will also provide a share of profits or ownership based on the performance of the company."

Germany: Taxation of employee shares to be changed

A **new draft bill is about to solve the dry income issue** on Esop, Vsop and management incentive schemes. The planned new regulation aims to solve the issue of so-called dry income. The typical scenario is that the employee receives shares which is a benefit in kind for income tax purposes triggering income/wage taxes – but the employee does not get money to pay the taxes. If, for example, the employee is to receive shares in a GmbH (German limited liability corporation) whose value is 100,000 Euros, then wage tax is triggered, regardless of whether the corresponding liquidity is available or not. It is obvious that this tax consequence dissuades many from choosing such a form of employee participation.

MEMBERS' WEBINARS

Employee share schemes for private companies – Thursday January 21 11:30am

Using real-life scenarios, **RM2's Sarah Anderson** will guide you through some of the share plans available to Private Companies, covering: the reasons behind introducing a share plan; how to decide if a share plan will help meet your objectives; what share plan might work for your business.

The EQuivalence Forum - Wednesday January 27 9:00am

You are invited to join EQ and other like-minded professionals at the Forum **to gain knowledge and share experiences**.

On January 27, Simon Maynard, assistant director at Prism Cossec, will lead a discussion on the latest corporate governance updates impacting company secretaries in 2021.

EOT NEWS

Wave Refrigeration moves to employee ownership

Wave Refrigeration (more formally known as Wheatland's Aire Valley Engineering) has become one of the latest UK companies **to form an employee ownership trust (EOT)** and transition to an employee owned business model.

Kitchen business has designs on employee ownership

All shares in **Cameron Interiors have been put in an Employee Ownership Trust**. Having initially considered a trade sale, the owners rejected the idea and instead they chose to entrust the business to its employees.

Leading architects firm designs its future with employee ownership

Allan Murray Architects has entered an employee ownership trust (EOT) with its staff as the beneficiaries. Directors Conor Pittman and Kenny McNally will continue to lead the practice with the support of an experienced team, **enabling the eponymous Allan Murray to retire**.

Mr Pittman said of the move: "Employee ownership will help us grow and develop – and take on new tests with increased ingenuity and accountability. It will ensure our team is fully rewarded for its brilliant work too."

With 100 percent of the firm's shares transferred to the EOT, the business will annually split an agreed share of any profits among employees, regardless of their position.

Restructuring specialist Dunedin Advisory moves to EOT

Considering the future of Dunedin Advisory, founder Christine Convy weighed up offers to amalgamate with larger firms, but this may have meant going into other locations and current sites not being included.

Wanting **to keep the business independent**, she said that moving the firm to an Employee Ownership Trust helped secure its long-term future as well as rewarding staff.

Interface NRM: A tale of how employee ownership can power ethical and profitable business

Interface NRM is an ethically powered operation, focused on increasing wood sustainability in the UK, and on upgrading the environmental, social responsibility and safety performance of companies in the service, design, forestry, manufacturing and construction sectors. When the company's growth attracted the attention of potential buyers, the founders chose to transfer most of the **company's shares into an Employee Ownership Trust**. They decided that this approach offered an exciting method of delivering their sustainability goals while operating ethically. Through the EOT, their staff would gain security and benefit directly from the company's profit.

IT outsourcer 2e-volve opts for employee ownership

Craig Lemmon, founder of **2e-volve first explored employee ownership** three years ago amid a spate of approaches from similar sized firms. He did not want to sell the firm instead opted for an EOT so his staff would hold the reins and, with his input for the years ahead, take the business forward as they wished.

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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