

newsbrief

July 2019



EVENTS

Guernsey 2019

This year's Esop Institute/STEP Guernsey share schemes and trustees seminar will be at the Old Government House hotel, St Peter Port on Friday November 8.

The outline programme includes talks on: *EBTs as internal market makers for unquoted companies, managing trapped assets within EBTs and the latest on entrepreneurs' relief.* More to be announced.

Last year's event was an outstanding success, which we look to emulate this year, building on the achievements of this industry-leading networking and learning opportunity.



Prices:

Esop Centre/STEP members: £375 non-members: £480

Book and pay before **September 20 2019** to choose one of the following early-bird discounts for this unique half-day event: 50 percent off a third delegate or 10 percent off total

Reserve your place now by emailing events@hurlstons.com or calling us on 020 7239 4971.

Speaker opportunity

Event: Annual British Isles share plans symposium 2020

Venue: Linklaters, London EC2, on Thursday March 26

Centre conferences are known throughout the sector for their speaker expertise and equally for quality of networking. The 2019 symposium, hosted by Travers Smith drew compliments from participants.

“ *Extremely relevant and interesting.*

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

A great success. ”

Register as a speaker and we can surpass last year.

The programme will be divided into three sections:

Section one will be dedicated to topic presentations on key aspects of tax-approved all-employee plans, mainly beamed at UK quoted companies. Presentations in this segment might cover such issues as: what such plans can hope to achieve, high tech share plan administration; communications

between the company and its employees; the advantages of using an HMRC approved share plan and which one(s) might fit best; employee benefit trusts and the fiduciary duties of trustees and how to improve employee share plan take-up and stop interest flagging after the first year.

Section two will be two presentations before lunch examining the changed criteria for the vesting of executive equity incentives; how best to deliver them, hemmed in as they are by increasing regulation, a hostile public mood and changes to the UK Corporate Governance Code. For these sessions, the Centre is looking for equity plan case histories in which, ideally, the plan sponsor company offers an executive to deliver the case history alongside the company's advisers.

Section three will be devoted to employee equity arrangements for SMEs, whether privately owned or listed on AIM or similar. The key issues in this segment include: how the Enterprise Management Incentive can be used in your share plan to incentivise key players; which unapproved share option plan is the most tax effective and the role of Employee Ownership Trusts can be used as part of business succession.

Solo speaker slots last up to half an hour, while 'double header' slots are allocated between 40 and 45 minutes.

Prices:

Speakers from practitioner member: £275 + vat

Speakers from plan issuer companies will be admitted free of charge.

Member delegates: £395 + vat

A buffet lunch will be provided and participants will be invited to a drinks reception following the symposium. The Centre thanks Linklaters for hosting the 2020 British Isles symposium.

To register as a speaker and suggest a presentation topic, email Fred Hackworth at: fhackworth@hurlstons.com or phone the team at Centre HQ on +44(0) 207 239 4971

CENTRE AND MEMBER NEWS

Full steam ahead with UKSA

New UKSA chairman Colin Colvin briefed the Centre chairman this week on progress with its Sharesoc merger. Sharesoc talks leader is from MM&K, which is also a member of the Centre steering committee.

The discussions went on to look at closer collaboration between the two bodies at a time when the voice of shareholders is increasingly sought.

HMRC bulletin

HMRC has published its [Employment Related Securities \(ERS\) Bulletin 32](#) which contains updates and information relating to share schemes. *Pett Franklin* has [summarised](#) the key issues to note.

Entrepreneurs' Relief and preference shares

There has been a slew of [entrepreneurs' relief](#) (ER) cases lately as ER comes under increasing scrutiny in view of the tax lost to HM Treasury. In the most recent case, [Warshaw v HMRC \[2019\] UKFTT 268 \(TC\)](#), HM Revenue & Customs have lost their appeal at a First Tier Tribunal as the preference shares sold by Mr Warshaw were found to meet the requirements for ER. Read *RM2's* [report](#) on the case.

UK NEWS

Time for minister

Writing for *This is Money*, Maggie Pagano argues that, "if politicians mean what they say about wanting a fairer distribution of wealth and spreading capitalism to the many, then this is [the place to start](#). Appointing a minister

with responsibility would be a good sign.” The Centre agrees - the best progress was made under Gordon Brown when Shriti Vadera was a minister simultaneously at Business and the Treasury.

Asda employees receive £62 million through employee share scheme

Employees at supermarket retailer [Asda have received a £62m return from its sharesave scheme](#). This benefits approximately 25,000 members of staff.

With Asda’s 2016 sharesave plan employees could save between £5 and £300 a month over three years. After three years they could buy shares in Asda’s parent ,American retailer Walmart, at a 20 percent discount on the 2016 market value.

Hayley Tatum, senior vice president, people at Asda, said: Sharesave has proved a real way “to ensure that employees reap the rewards of their exceptional efforts.”

Financial planning firm sells company to staff

A South West financial planning firm has been [sold to an EOT](#) with the company eyeing up growth through acquisitions.

Paradigm Norton, which has 65 employees between offices in Bristol, London and Torquay, has transferred 80 percent of the ownership of the company to the trust.

Barry Horner, ceo said “We feel that we have built something special, like lots of entrepreneurs do, but we are trying to build something that stands out in the global profession of financial planning. I don’t quite see that in other firms. There are lots of good Chartered Institute for Securities and Investment accredited firms, but they’ve not done it on the size and scale we have.

“Five or six years ago, our non-executive director said we have really got to start focusing on succession. It seemed a long way off but he was right.”

The company will continue under the same leadership team led by Barry Horner, who founded the business in 2001.

Scottish garden centre blossomed into EOT

Dougal Philip and wife Lesley Watson have [transferred a controlling interest](#) in their garden centre business to an employee ownership trust.

The couple, who regularly judge the show gardens at the Royal Horticultural Society’s shows at Chelsea and Hampton Gardens, plan to support the 37 staff, while gradually taking more time off from the business over the next five years.

Cooperative Development Scotland, the arm of Scottish Enterprise which supports business growth by promoting collaborative models, said fellow director and co-owner of the garden centre Morag Macrae had worked closely with the couple to help ensure the future of the business under the move to employee ownership.

Employee owned businesses growing in popularity in Wales

Business owners in Wales are being urged to consider [employee ownership](#) as a progressive approach to succession planning after it was revealed that employee ownership is the fastest growing form of business ownership in the UK. David Sproxton, co-founder of Aardman, which last year transferred to Employee Ownership, said: “I wholeheartedly encourage Welsh businesses to see Employee Ownership as a real succession solution. Employee owned companies have been

shown to be more successful than other more conventionally structured companies, so we felt this was the right way to ensure the future success of the studio, and to futureproof the creativity of the company and its team for decades to come, and for team members to share in the benefits they create.”

Lords debates business and employment growth

On Thursday July 11, members of the House of Lords debated the case for [creating an environment which encourages business growth](#) and job creation, especially in relation to the tax system.

Members taking part included a former spokesperson for business, innovation and skills and an advisory board member of Silicon Valley Bank.

Lords debates Sustainable Development Goals ahead of UN meeting

On Wednesday July 10, members of the House of Lords debated the [United Nations Sustainable Development Goals](#), ahead of the UN meeting in September, which will review progress and implementation of the 2030 Agenda for Sustainable Development. The Centre is working with ETUC on a joint programme.

Gateley draws up new staff incentive plan as income surges

Annual income at pioneering listed law firm Gateley has surged beyond £100m, as the company makes plans for a new staff incentive scheme.

Results published on July 16 show that in the year ended April 30 revenue increased 20.2

percent, with the rise attributable almost equally to organic growth and acquisitions. Profit before tax increased 8.9 percent to £15.9m (2018: £14.6m).

The company now intends to [introduce a new long-term incentive plan](#) for staff members, to sit alongside existing bonus schemes. Details of what the plan will involve are not included in the results statement. The current employee shareholder scheme is due to end next June. Gateley says it wants to use its plc status to provide an ‘attractive alternative’ for new and existing staff compared to more traditional law firm models.

Vodafone Group ceo and cfo take share cuts

Vodafone Group has announced that ceo Nick Read and cfo Margherita Della Valle have voluntarily requested a [20 percent reduction to their 2020 Global Long Term Incentive \(GLTI\) conditional share awards](#).

These awards were granted on June 26 under the Global Incentive Plan. Vodafone said that this was done 'to reflect the low valuation of the share price'. After the reductions, Read received 3.89 million shares, with the cfo receiving 2.37 million.

WORLD NEWS

American eo Dreams

John Case, editor of *Employee Owned America*, imagines a democrat presidential candidate who leads the primaries by making employee ownership a central issue in his or her campaign and asks, [what would it look like?](#) Writing for the *New Republic*, Case explores the possibilities:

“There’d be that beguiling series of photo ops—organised around visits to employee-

owned companies, and to the state-level centers that support them. Nearly every economic-policy speech and white paper put forth by this hypothetical candidate would highlight the wealth-redistributing structure of Esop plans as well as their economic performance (far fewer layoffs, for example). The candidate would repeatedly point to the top-heavy and civically unsustainable ownership structure of the existing investment economy—noting, for example, the fact that the top tenth of Americans control 84 percent of all US-owned stock.”

Striking miners demand esop justice

A strike at Lanxess chrome mine, South Africa, could end after workers were offered a proposal from the National Union of Metalworkers of SA (Numsa).

The disgruntled employees staged an underground sit-in on June 19 to protest against [wide-ranging allegations](#) of corruption, financial irregularities, sexual harassment and the dismissal of Numsa members at the Rustenburg mine.

On Tuesday, Numsa held a media briefing in which it accused the mine’s management of unilaterally changing the rules of the employee share ownership scheme (Esop), which was valued at about R70m in 2017.

The controversial ownership scheme was established in 2007 and it was envisaged that after it matured in 10 years, workers would receive their pro rata share in line with their years of services at the mine.

Numsa general secretary Irvin Jim said at the time that workers were informed in 2017 that the mine’s board formed part of the 26 percent BEE partnership shareholding, which includes workers’ ownership. “They implemented these changes and, as such, workers were only paid out R10,000 ... [this] was hush money to silence our members so they do not revolt or ask questions.”

56 Numsa members were fired from May 2018 to May 2019, according to Mr Jim who described Lanxess as intent on destroying

Numsa through the “consistent dismissal of its members”. He said the open attack against Numsa members was due to their members’ “open dissatisfaction with the unilateral changes” to the scheme.

International Esop success for Pernod

Pernod Ricard has hailed its [first international employee shareholding plan](#) a success thanks to its high participation rate.

In [April, Pernod Ricard](#) launched “Accelerate”, is in line with the three-year strategic plan “Transform & Accelerate”. The focus is on investing for sustainable and profitable long-term growth for stakeholders, beginning with employees. This scheme was offered in 18 countries to 75 percent of employees, and the overall subscription rate was 41.5 percent. Many countries had a subscription rate of over 60 percent including India (76.45 percent) and Hong Kong (60.45 percent). Cédric Ramat, vice president of human resources, sustainability and responsibility, said, “*The huge response from our employees at the global level, and in particular in a number of countries where this kind of scheme is not customary, is a testament to their commitment and confidence.*”

Canada: Shareholders' agreements govern employee share rights on termination

The Ontario Court of Appeal confirmed in *Mikelsteins v. Morrison Hershfield Limited* that [the terms of a shareholders' agreement govern an employee's rights with respect to his or her shares on termination](#).

Contractual rights under a shareholders' agreement cannot be conflated with an employee's entitlement to damages for wrongful dismissal.

Employers can take comfort that employee rights with respect to shares purchased under a shareholders' agreement will be governed by the agreement, including on termination.

Unrest at ConsenSys over unfulfilled promises may soon be coming to an end

Ethereum co-founder Joseph Lubin, head of the Brooklyn based venture studio ConsenSys, is moving to appease employees who say they are fed up with unfulfilled promises about equity disbursements.

Out of seven current or former ConsenSys employees interviewed by [CoinDesk](#), four said they felt misled about the company's employee share options. Although most employees are verbally and contractually promised they will soon have an opportunity to obtain ConsenSys shares, few receive it or are able to use it, said the sources, all of whom spoke on the condition of anonymity.

Now, after a year of discontent, ConsenSys is imminently expected to announce an official policy regarding employee share options, according to one of the sources. ConsenSys declined to comment for this article.

Long-term incentive plans: More harm than good?

Prof Alexander Pepper of LSE is quoted in Global Finance, questioning the benefits of incentivising CEOs with long-term rewards. It has become a popular practice with remuneration committees, he says, but could be [doing more harm than good](#).

Vanguard: Employer shares now less popular in US

NCEO has highlighted this month the annual [How America Saves 2019](#) report from Vanguard on the retirement behaviour of American workers and employers that use its administration services. Vanguard has found that eight percent of its plans offered company stock as an option. Large plans were far more likely to offer company stock: 30 percent of employers with over 5,000 employees offer company stock. As a result, 24 percent of

participants in Vanguard-administered plans have the option to invest in employer stock, although only nine percent of participants currently have company stock in their accounts. The report found a long-term trend among employees at companies that offer stock away from continuing to hold company stock: among employees with the option to invest in company stock in their retirement plan, 55 percent chose to do in 2009, while 36 percent chose to in 2018.

Russia: Yandex and Uber join forces to buy Russian taxi firm's assets

Russian internet company Yandex's joint venture with Uber has agreed to [buy Russian taxi firm Vezet's core business](#), further cementing Yandex's role as a major online taxi operator in Russia and neighbouring countries.

Yandex, widely known as "Russia's Google" for its array of online services from internet search to email and taxi reservations, said on Monday (July 15) that the joint venture, MLU BV, has agreed to acquire the Vezet Group's IP and call centres in Russia.

Yandex will own 56.2 percent of MLU after the deal and Uber 35 percent, while about 5.3 percent will be held by employees under the MLU equity incentive plan.

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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