

newsbrief

Junly2022



ESOP CENTRE EVENT

Webinar reschedule – 11:00am August 17 2022

Esop sofa – newspad review

In our next *newspad* review webinar, Global Shares' Darren Smith will chair a panel of share schemes experts, including Cathy Wears, of counsel in the CMS employee incentives team, for in depth discussion of their pick of articles featured in recent editions of "It's Our Business", newspad of the Esop Centre. The 45 minute webinar has been rescheduled from Thursday July 28 to Wednesday August 17 at 11:00am. Further guest panellists to be announced. [Registration is open.](#)

Here is our library of broadcasts: [Share Schemes And The Impact Of Inflation](#); [The Future of Gig Working As A Dynamic Economic Alternative](#); [The Employee Voice: Share Plan Votes](#) ; [Esop Sofa: Hot Topics In Employee Share Ownership – Newspad Review IV](#); [Innovative Tax Techniques For Employee Share Schemes](#); [Share Schemes For Non-Employees & The Gig Economy](#); [Esop Sofa: Hot Topics In Employee Share Ownership](#); [Building Back Better With Your Employees Through Shared Ownership](#) ; [EOTs: The Credible Alternative To Succession](#); [The Role of Employee Share Schemes In Achieving The UN Sustainable Development Goals](#) ; [Esop Sofa: Hot Topics In Employee Share Ownership - Newspad Review](#) ; [Beyond Brexit: EU-UK Social Security Contribution Rules](#); [Esop Sofa: Hot Topics – newspad Review](#); [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>

CENTRE & MEMBERS' NEWS

CHI Overhead Doors' employees drive dramatic improvements in almost every part of the business

KKR's Pete Stavros recently posted an update on the final owner's meeting at CHI Overhead Doors (where the payouts were announced) after receiving requests for the longer/uncut version of the video. It's 30 minutes long so maybe beyond what most will care to see but it certainly does a better job of **capturing the full story**.

Pete added the following comments:

- ◆ We took 5-10 minutes up-front to recount the journey of the past seven years. We did this to remind people of all the value they created. Everything they received was earned. As one employee said, "To be given something is fine, but to have earned it the way we did is something we will never forget."
- ◆ The employees drove dramatic improvements in almost every part of the business (safety, lead times for customers, quality, scrap, etc.)
- ◆ We shared the news of the sale several days before it was made public (although we were prohibited from identifying the name of the buyer). This was a small example of the trust/respect we try to show all employees.

- ◆ As noted, wages increased at a rapid clip – the equity participation was not a trade for wage increases or benefits.
- ◆ The video also highlights one of the company's unique approaches to increasing worker voice – the allocation of \$1mm of capex annually for employees to direct towards workplace improvements. It's interesting to note that all of the selected investments were wellness-related.
- ◆ You'll also see reference to the financial literacy training that was done during the investment, and then a significant commitment we made to ongoing financial coaching (and tax assistance) for one year following the sale. Thank you Goldman Sachs Ayco Personal Financial Management and EY
- ◆ We have started inviting employees from other companies to come and see payouts like this. Employees from Charter Next Generation, owned by Leonard Green and KKR & Co Inc, were in attendance
- ◆ We have used various structures and forms of equity across our companies. The payouts here reflected each employee's share of a pool of options that was established back in 2015 for their benefit. There are other ways to do this, and we continue to experiment with what is most effective.

Cytec Solutions welcomes Fiona Parry to the team

As head of client services, Fiona will be managing Cytec's client support team.

Bird & Bird: Public takeovers- a jurisdictional guide

Bird and Bird has published a downloadable [guide to regulation of public takeovers](#) in Australia, Belgium, China, Denmark, Finland, France, Germany, Hungary, Italy, Netherlands, Poland, Singapore, Slovakia, Spain, Sweden and the United Kingdom.

CMS overview of the current status of the implementation of EU Directive 2019/1152

The EU Directive 2019/1152 on transparent and predictable working conditions in the European Union substantially extends the obligations of employers to provide information on the essential aspects of their relationship with employees. Implementation of the relevant requirements into [national law is due by July 31 2022](#). As a result, changes in employment law practices are expected in the near future.

Travers Smith employment update

In its latest [employment update](#), Travers Smith highlights: Four-day working week – the future?; Covering employees on strike; New high potential individual visa; and case watch: Harassment – is calling a man bald harassment?

Travers Smith: Tribunal publishes first detailed decision on salaried members rules

The salaried members rules were introduced in 2014 to counter situations where UK limited liability partnerships (LLPs) were avoiding employment taxes by making junior workers members (rather than employees) without bearing the risks, rewards and responsibilities typically associated with partnership. Under the

rules, members of an LLP are treated as employees for tax purposes, unless one of three exclusions apply. However, until now, we have not had a court decision considering their application in detail. This is important as, in the absence of judicial consideration, businesses have had only HMRC's guidance to go on when considering the rules and, unsurprisingly, this takes the view that the exclusions should be interpreted narrowly.

The First-tier tribunal (FTT) has published its decision in [Bluecrest Capital Management \(UK\) LLP v HMRC, the first case to look in detail at the salaried member rules](#).

Abbiss Cadres (Celia Alliance): New Italian entry visa and work permit for digital nomads and remote workers

The Italian Law no.25 of March 28 2022 has introduced a [new entry visa and work permit](#) which allows extra-EU citizens to enter and stay in Italy in order to carry out their working activity. (“Digital Nomads Work Permit”).

Both self-employed individuals and employees of foreign companies, which are not established in Italy, can apply for the Digital Nomads Work Permit, provided that the self-employed worker or the employee:

- ◆ Is a highly qualified worker or employee.
- ◆ Is enabled to carry out the working activity remotely by using IT tools.
- ◆ Holds comprehensive, valid health insurance.
- ◆ Complies with all tax and social security provisions set forth by Italian applicable laws.

The procedure and formalities to be carried out by the foreign individual to

request and obtain the Digital Nomads Work Permit are more streamlined than the ones to obtain the other types of Italian entry visa and work permits.

Intertrust - Share schemes: boosting employee engagement while delivering success

Share plans that reward all employees - not just executives - can be the perfect solution to recruiting and retaining talent. Wider share ownership can also enhance financial returns for all stakeholders, despite economic and societal challenges. In an article for *Market Screener*, Shane Hugill, head of executive compensation services, and Jon Cartmell, director, executive compensation services, [assess the benefits and explain how to measure success](#).

Congratulations!

Mahesh Varia tops Kilimanjaro

Mahesh recently reported that he had set off on a quest to tick off one of the things on his bucket list: [trekking to the top of Mount Kilimanjaro](#) - the highest freestanding mountain in the world, whose summit (Uhuru Peak) stands at 5,895m above sea level.

After a gruelling six days of trekking to Kibo Hut (4,720m above sea level and the camp from which he would make his bid for the summit) he set off to reach the peak of Mount Kilimanjaro at midnight on Monday (July 11). At 8:45 am on Tuesday morning (having ascended 1,175m in the freezing cold and thinning air), he reached Uhuru Peak - "experiencing a combination of elation and absolute exhaustion!" he said, adding "[It was] an unbelievable experience and one I am glad to have shared with my good friend Matthew Blaker.

"Our trip was made possible with the invaluable support from the guides and staff of Summit Africa. We owe a huge thanks to the whole team for everything they did for us.

"Now, what next..."

UK NEWS

Share scheme stats released

HMRC has released the [employee share scheme statistics for the year 2020/2021](#). Commentary in [July's newspad](#).

Employee share schemes on the rise as firms look to attract and retain staff

Bdaily reported that [data from HM Revenue & Customs revealed](#) that employees received an estimated £480m in income tax relief and £280m in National Insurance contributions relief in the tax year ending 2021 from tax-advantaged Employee Share Schemes. Enterprise Management Incentives was the largest contributor to the total cost of relief.

Share-based remuneration arrangements can help align the interests of shareholders with employees as well as help to conserve cash during an economic downturn where a share scheme is used in place of employee bonuses or pay rises. This is particularly salient at a time of increasing strike threats over pay being outstripped by inflation.

The total number of companies operating ESS in tax year ending 2021 was 16,330. This is an increase of six percent from the previous year.

Petroplan's incentive

In April 2022, global talent acquisition specialist Petroplan Group launched an enterprise management incentive scheme in the UK, with an equivalent share option scheme for its non-UK offices, giving its 80-strong workforce an opportunity to build an ownership stake in the business.

Claire Salter, global head of HR, said: "Attracting and retaining our own talent is very important to us, and was a critical element in the decision to introduce our employee share scheme.

"A key factor of Petroplan's scheme is that everyone gets a personal **stake in the organisation from the day they join us**. We are updating the scheme every four months, so that new employees can join the scheme without delay. There are some rules around eligibility, but these will not impact existing employees."

All new permanent employee at Petroplan will be invited to join the share option scheme when they join the organisation. There is a 12-month period before options are eligible to be exercised, but by joining from day one, employees benefit from the share price at that point in time, rather than 12 months down the line. The number of options an employee is offered is based on the level of seniority within the organisation, with each employee falling into one of three tranches.

The effects have already been positive, with the share scheme helping employees see a direct link between their actions and the success of the business, said Salter.

"We have seen tangible excitement around the financial benefits of the scheme, with people taking a real interest in how what they do day-to-day plays a part in

delivering our overall long-term business strategy and the increasing underlying value of our business," she added.

"All our current employees have signed up to the scheme, demonstrating real enthusiasm for the benefits."

WORLD NEWS

European Commission: tackling tax evasion and aggressive tax planning

The European Commission has issued a stakeholder consultation on options for addressing **the role of enablers that contribute to tax evasion and aggressive tax planning**.

The consultation launched on July 6 to collect views from the public and stakeholders on this issue includes a request for feedback on a document calling for evidence impact assessment and a broader stakeholder questionnaire.

Three policy options are being considered. Regardless of the option chosen, the consultation documents indicate that a new measure to boost transparency and combat possible tax evasion and aggressive tax planning related to EU investments abroad could be developed. This would require EU taxpayers (both individuals and legal persons) to declare in their annual tax returns any participation above 25 percent of shares, voting rights, ownership interest, bearer shareholdings or control via other means in a non-listed company located outside the EU.

Voltalia's second employee shareholding plan a great success

International player in renewable energies Voltalia announced the **results of its second employee share ownership plan** launched on June 7 2022.

Building on the success of its first employee shareholding operation in 2019, Voltalia wanted to include its employees in the group's growth. For this second edition seven countries, with 88 percent of the firm's employees, were eligible: France, Portugal, Brazil, Greece, Italy, Spain and the United Kingdom. In total, 72 percent of eligible employees decided to participate.

France: Success for KORUS 2022, Korian's first employee share ownership plan

Healthcare services provider Korian has **successfully implemented its first employee share ownership plan**, open to employees in the group's seven countries (France, Germany, Italy, Belgium, Spain, the Netherlands and the United Kingdom).

The plan gave employees the opportunity to become shareholders on preferential terms and with full protection of their investment, with the aim of giving them a greater stake in Korian's ambitious transformation and innovation plans and enabling them to benefit from its long-term growth.

More than 9,250 people, representing 15 percent of eligible employees, took part in the offer, buying shares at a price of €14.25 each. In France, take-up was strong, with more than 5,600 employees buying shares through the plan, almost 24 percent of those eligible.

Germany wants to make shares, start-ups, IPOs and SPACs more attractive

Germany's finance and justice ministers presented a plan on June 29 to make the country's **financial markets more attractive to investors** and improve access to capital for start-ups and growth companies.

The plan included provisions to lower the minimum capital requirement for an IPO to one million euros (\$1.05 million) from 1.25 million now, and to increase the tax-free allowance for employee share ownership to 5,000 euros from 1,440 euros.

"Securities are not something for millionaires. Securities are something for millions (of people)," finance minister Christian Lindner told a news conference.

Australia's new employee stock ownership plan disclosure exemptions present a stark choice

New reforms designed to expand access to employee equity and reduce red tape by removing disclosure and other regulatory requirements **will come into force in October** – but the reality is they will present companies with a stark choice when offering equity in Australia to employees.

The final weeks of Australia's 46th Parliament saw the passing of much heralded reforms to the rules impeding the ability of private companies to offer equity to employees to start on October 1 2022.

Employee equity can be critical for high growth start-up and scale-up companies. Being able to offer equity to employees enables a company to close the gap with

cash salary packages offered by mature corporations, align interests and motivate employees as part-owners of the company and encourage employee retention through vesting.

But regulatory limits on offering equity in Australia without a disclosure document, like a prospectus, can make employee equity a scarce resource.

New Zealand: My Food Bag - employee share schemes - issue of rights

As noted in My Food Bag's recent annual report, as part of the employee remuneration review undertaken in 2021, the Board has **recently established two new incentive schemes**, which will form an important part of its employment proposition. They are aligned to the company's strategy to attract, reward and retain high calibre employees committed to its long term success.

Canada: Smith + Andersen launches employee share ownership plan

According to *Canadian Consulting Engineer*, consulting engineering firm the Smith + Andersen Group, which includes Footprint - a dedicated sustainability consulting practice, has **invited its staff to participate in its first-ever** employee share ownership plan.

The firm currently employs more than 600 people. The Esop provides an opportunity for eligible staff members to invest directly in the firm's collective national operations, allowing them to become owners in the business, including nine Smith + Andersen offices and seven Footprint offices.

USA: Carver Edison and Morgan Stanley at Work launch API integration to boost equity ownership among stock plan participants

Financial technology company Carver Edison, and Morgan Stanley at Work, announced earlier this month the successful implementation of an application programming interface ("API"). The **integration optimises the administration and management of Employee Stock Purchase Plans**.

Amid historic global inflation and increased market volatility, it is critical that employees have access to their equity compensation, including ESPP shares. The new API provides a streamlined equity administration process that includes automatic transfers of account and purchase data for same-day share settlement so participants receive their shares even faster and at greater scale than before. Backed by Carver Edison's technology, clients will be able to use the cashless ESPP tool to offer financially inclusive stock ownership choices through employees' brokerage accounts.

USA: Employee ownership in the spotlight: Should companies buy into it?

In an opinion piece for *Techwire20*, Paige Ouimet, professor of finance, UNC Kenan-Flagler Business School **shares her thoughts on employee ownership**: "Ownership Works is a new initiative backed by 19 private equity firms, with the objective of reducing income inequality by increasing employee share ownership. The group has prominent backers and a lofty goal of creating \$20billion in wealth in 10

years. As a researcher who has worked on employee share ownership and the benefits it can create, I was encouraged by the news. But while I broadly support employee ownership, such initiatives also can raise red flags because of the risk they impose on employees. As such, it is worthwhile to think carefully through what we know and don't know about such programmes.

"Giving ceos stock or stock options aligns the incentives of the ceo with those of shareholders. In other words, it provides the ceo with further incentives to increase the stock price, shareholders' top priority. Empirical results are consistent with this assertion.

"But this same intuition does not necessarily apply to non-executives. Executives, given their role in setting company policy, can presumably directly affect share values. Any individual rank-and-file worker is unlikely to be able to increase the share price by herself no matter how hard she works. This is often referred to as the 'free-rider problem.' So why give workers equity stakes if they can't individually impact share prices?

"Research has identified three justifications. First, employee owners feel more positive about their employer, potentially leading to greater effort, and employee owners also have higher job satisfaction and lower turnover, which can translate into cost savings by the firm. Secondly, by providing equity compensation, a firm can recruit workers who are more optimistic about the company's prospects, which can positively

affect culture and lower compensation costs. Finally, broad-based employee ownership could impact stock prices through collective collaboration and co-monitoring. If employees can observe one another's work and influence behaviour through peer pressure, employee ownership can create a cultural shift that leads to higher productivity and share values."

EOT Round-up

- ◆ Trident Building Consultancy
- ◆ Minehead Medical Centre
- ◆ Denby Campervans
- ◆ Evolve Family Law
- ◆ B8 Real Estate
- ◆ Technology marketing and PR firm Napier
- ◆ Crookes Walker Consulting
- ◆ Giles Wilson Law Ltd
- ◆ Best of British Beer
- ◆ Alarm installation company Tecserv UK
- ◆ Built environment practice Woods Hardwick
- ◆ Civil and structural engineering consultants Austin Partnership



Z/Yen Group Limited t/a The Esop Centre. Registered office:
1 King William Street, London EC4N 7AF. Company number
2965552 England

+44 (0)20 7562 0586 | esop@esopcentre.com |
www.esopcentre.com

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:

T: +44 (0)20 7562 0586

E: juliet_wigzell@zyen.com