

June 2017

ASSESSING THE ELECTION

New UK government

Small business minister Margot James retained her post in the post election reshuffle, welcome news to fans of the EOT where her approach has been fresh and positive.

By contrast the changes at the Treasury bring some uncertainty. David Gauke has moved to assume his own command at the Department for Work and Pensions, which is a welcome promotion but his replacement Liz Truss has a major new brief to command after a torrid time as Lord Chancellor. Jane Ellison, who worked for John Lewis before entering politics and becoming a junior Treasury minister, was unfortunate to lose her seat. However her successor, Mel Stride, has shown a healthy interest in the lower paid which augurs well for our agenda.

Two LibDem re-entrants played a major part in creating the EOT: Sir Vince Cable and Jo Swinson. Vince worked for Shell where he experienced share schemes at first hand; Jo Swinson hosted a lunch for Women in Employee Ownership on behalf of the Centre. Both have been encouraged to give support from the opposition benches in private letters from the Chairman and Jo Swinson has immediately responded. The Chairman also wrote to David Gauke, to Mel Stride (at some length) and Margot James.

Centre awards guest of honour Mick McAteer of the Financial Inclusion Centre - a strong supporter of Corbyn - will be launching an impartial assessment of the value of the City on June 28, commissioned by the TUC and to be attended both by CityUK and the shadow Treasury team.

CONFERENCES & EVENTS

Esop Centre high table with Sarah Wilson: Monday July 10

Our next high table dinner guest will be Sarah Wilson, at the RAF Club on Monday July 10.

Sarah is chief executive of Manifest, the influential proxy voting and corporate governance research specialist. She was a marquee speaker at last year's British Isles symposium where she focused on executive pay reform, culture change and responsible corporate stewardship. Manifest is to include employee share schemes in its reporting and we are looking to work with Centre members to create model reporting of share schemes, while work on governance remains a May government priority.

High table participants enjoy lively discussion and an intimate atmosphere for a maximum of ten guests.

The event will start with a welcome glass at 18:30 followed by dinner in the Mezzanine Suite of the Club, 128 Piccadilly London W1J 7PY.

Tickets are £140 + VAT each.

If you would like to join us, please tell jwigzell@esopcentre.com soon as possible, as space is tight.

London share schemes for SMEs conference: Thursday September 14

The next [employee share schemes for SMEs conference](#), jointly organised by the **Employee Share Ownership Centre** and the **Institute of Directors**, will be held at the

offices of **Travers Smith** in London on Thursday **September 14** 2017.

This one-day event is designed for small businesses and their advisers who are considering introducing an employee share scheme, or who want to develop existing plans.

The event will be chaired by Centre chairman Malcolm Hurlston CBE and the programme will include:

Mahesh Varia, Travers Smith; **Robert Postlethwaite**, Postlethwaites; **Liz Hunter**, Mazars; **David Craddock**, David Craddock Consultancy Services; **Catherine Gannon**, Gannons; **Nigel Mason**, RM2 Partnership; **Colin Kendon**, Bird & Bird; **Stephen Woodhouse**, Pett Franklin; **Garry Karch**, RM2 Partnership.

Centre members interested in attending the conference should contact Daniel Helen at events@esopcentre.com or call 020 7239 4971.

World Centre Awards 2017: Tuesday October 31

The World Centre for Employee Ownership's sixteenth awards dinner will be held at the **Reform Club** on the evening of Tuesday **October 31** 2017.

The Awards Dinner brings together members and their influential guests – representing UK and international plan issuer companies and their expert advisers – to recognise the best in employee share ownership. This stylish enjoyable black-tie event is the perfect way to celebrate the year with clients, colleagues and peers.

Both individual and group tickets are available.

Table of ten: £1,800 + VAT *

Member: £195 + VAT

Non-member: £270 + VAT

* Tables of ten can only be purchased by **Centre members**.

To register your interest in purchasing tickets, please email events@esopcentre.com or call 020 7239 4971.

Nominations

Submissions are now open for the World Centre Awards 2017.

The awards recognise the achievements of companies which offer broad-based employee share plans and hold up best practice models for other companies to follow.

Applications will be reviewed by two impartial judges, experts in the use of employee equities, together with Centre chairman Malcolm Hurlston.

Categories:

Best all-employee international share plan *
Best all-employee share plan †
Best financial education of employees
Best share plan communications
Best use of video communication
Best use of technology
Most creative solution

Visit the World Centre Awards 2017 webpage for further details, including descriptions of each award category.

* In a company with more than 5,000 employees and participants in at least three countries.

† In a company with fewer than 5,001 employees and participants in no more than two countries.

Submissions should be made using our secure online application form. The deadline is Friday September 1.



British Isles employee equity symposium: Thursday/Friday November 16–17

The second British Isles employee equity symposium will be held in the offices of **White & Case** in the City of London on Thursday/Friday **November 16–17**. Save the date.

Newspad summit: Paris 2017 Thursday/Friday June 15-16

The *newspad* summit in Paris is on now. You can read ([here](#)) the chairman's message .

MEMBER NEWS

***Employee Share Schemes* book launch**

Members of the Centre are invited to attend the launch of *Employee Share Schemes for Private Companies*, written by Sarah Anderson of the RM2 Partnership, in London on Wednesday July 12 2017. [Click here to book your place.](#)

Alasdair Friend joins Abbiss Cadres

Multi-disciplinary HR specialist Abbiss Cadres [has announced](#) that Alasdair Friend has joined the practice as a new partner. Alasdair is a frequent speaker at World Centre events. He joins Abbiss Cadres from international law firm Baker McKenzie with 20 years' experience as an employee benefits lawyer. Alasdair commented: "I am delighted to join Abbiss Cadres as a new compensation and benefits partner. I look forward to working with my colleagues to grow and develop the firm's equity compensation practice as an integral part of its multi-disciplinary client service."

Elaine Graham named 'woman of the year'

Zedra Guernsey's head of employer solutions, Elaine Graham - who recently joined the Centre's influential steering committee - was named 'woman of the year' at the Citywealth Magic Circle Awards on May 10. Zedra took home the award for 'independent trust company of the year' during the ceremony. Mrs Graham said: "I was very surprised but

absolutely delighted to have won especially in a category with so many impressive women in the wealth industry. It really is a great honour to win and I am very grateful to the judges and Citywealth. My client base includes some large corporate clients as well as high net worth individuals and as a trustee you touch many parts of the wealth industry which may have contributed to my success in the awards."



Zedra's Elaine Graham accepting the woman of the year award

UK & GLOBAL NEWS

UK: Share scheme return deadline looming – July 6

The deadline for the online annual returns for share scheme events in the 2016–17 tax year is fast approaching. Returns for all EMI, CSOP, SIP, and SAYE/Sharesave schemes must be filed with HMRC well in advance of July 6. Centre member **Pett Franklin** has advised that a 'reportable event' includes the making of new awards, the exercise of share options, the sale of restricted securities, the lifting of restrictions, the release of a share option in exchange for cash, and other potentially taxable events. Even if there have been no events under a share plan during the tax year, a 'nil return' will still need to be filed for as long as the plan is active.

UK: Employee share schemes statistics due this month

HMRC is scheduled to release the employee share schemes statistics for the 2015–16 tax year on June 30. The Centre will be issuing commentary shortly thereafter.

UK: Right to request fixed hours, Taylor review

Matthew Taylor's review into modern employment practices is set to call for employees on zero-hours contracts to be given the right to request a move onto a fixed-hours contract. The independent Taylor review was launched by Theresa May's government in October 2016.

Europe: More European countries support employee ownership than ever before

Eighteen European countries now have policies for the promotion and development of employee ownership, the highest ever, [according to the European Federation of Employee Share Ownership](#). Except in France, all recent policy developments in Europe pave the way towards higher incentives for employee ownership. Recent developments include: Norway doubling fiscal incentives on in January this year; Poland preparing dedicated legislation; Ireland announcing a new share incentive scheme for SMEs to be introduced in 2018; and The Netherlands' announcement for favourable tax treatment of share options for employees of innovative start-ups.

USA: NCEO research links ESOPs with better economic prospects

According to research from the NCEO employee owners are economically better off than non-employee-owners, with employee ownership particularly benefiting those without university education, parents of young children, people from an ethnic background and single mothers. The in-house study – using data from workers aged 28 to 34 and based on information from the Bureau of Labour Statistics – found that employee-owners had a 92 percent greater median household net wealth than non-employee-owners. [The full report can be found here](#). The Centre welcomes the new research for its provenance and statistical base.

USA: Colorado pro-employee ownership legislation enacted

On May 18, Colorado's governor signed into law [H.B. 1214](#), a bill that creates a revolving-loan programme to be operated by the Colorado Office of Economic Development and International Trade, to be funded by gifts and donations. The legislation requires that the Office train its employees to be sufficiently knowledgeable about employee ownership to be able to recommend it when appropriate and to promote it in their materials.

USA: employee ownership tabled in NY City

New York City's public advocate, Letitia James, has proposed that the city both provide education for business owners about employee ownership and facilitate financing for employee ownership transactions. [In the policy brief](#), Ms James cites the high number of businesses that close down each year simply due to the owner's retirement. Thousands of businesses and jobs could be saved annually if these businesses were sold to their employees. The Centre has shared the policy brief with the new mayor of Birmingham, Andy Street.

Regulating high pay penalises poorer workers, new book

Artificial restrictions on top pay may lead to knock-on effects that end up penalising poorer workers, according to Professor J. R. (Len) Shackleton's new book. The main contention of *Working to Rule* is that labour market regulation often has hidden costs which have a negative effect. Professor Shackleton argues that, despite popular assertions to the contrary, the evidence suggests high pay is linked to performance and so placing restrictions on top pay may have knock-on effects that penalise poorer workers and consumers. Len, a supporter of the Centre, is Professor of Economics at the University of Buckingham and Editorial and Research Fellow at the Institute of Economic Affairs.

MEMBER PROFILE

Robert Head is the director of **Neo Reward**.



Robert has worked in human resources, compensation and reward in one way or another for most of his professional career. Robert works with organisations of all types as reward consultant or interim reward professional providing reward solutions, interim management and consultancy through his company, Neo Reward Limited. Until July 2015, Robert was director for executive reward and global share plans at Pearson plc, the world's leading learning company, where he was responsible for the design and execution of total reward for the executive population and the delivery of globally competitive share plans. Before joining Pearson, Robert held human resource and reward roles in a satellite broadcast television company and a national utility corporation. Robert has been a member of the steering committee of the Employee Share Ownership Centre since 2015. He can be contacted at robert.head@neoreward.co.uk

In what ways does employee share ownership serve a useful purpose?

Oftentimes as advisers or practitioners we get drawn into the detail and the operation of share plans. But it's also useful to step back and be ready when asked to articulate the case for employee share plans and employee share ownership. We all need our own narrative and for me it's fourfold.

First, for companies, employee share ownership helps to attract talent. Employee equity plans are a well-regarded and highly valued employee benefit and in the best companies are a key component of the employer value proposition.

Secondly, employee share ownership helps to motivate and incentivise and to focus employees on company growth, performance,

and success.

Thirdly, employee share ownership aids retention, helps build wealth, and supports individual financial well-being.

And, fourthly, employee share ownership meets a very important wider social purpose through supporting pluralist, broad-based, social capitalism.

How can we widen and deepen the adoption and use of employee share ownership?

If by "we", you mean equity plan practitioners and members of the Esop Centre, then I think we can do a number of things.

First, we can continue to make the business case for employee share ownership in our own companies and organisations.

Secondly, we can encourage leaders in our own companies and organisations personally to support and drive employee participation and ownership.

And thirdly, we can press governments and other authorities for supportive tax, legal, and regulatory regimes.

What would you tell someone on the fence about introducing employee share ownership to their company?

I would try to give them my four-point elevator pitch on the business case for employee share ownership.

And, if they were a member of the C-suite and had time to listen, I would focus on the link between employee share plans and company growth, performance, and success.

As practitioners, we often hear about the strong correlation between higher performing companies and incidence of employee share plans.

Members may be aware that the chair of management and control at the University of Göttingen worked with Siemens to conduct the first ever multi-dimensional empirical study on the effects of a globally implemented employee share ownership scheme. This

produced statistically valid results which showed that increasing the proportion of participants in the employee share ownership plan increased employee motivation, individual employee performance, and organisational performance.

The UK Employee Ownership Index outperformed the market consistently and significantly.

Even if business leaders are sceptical about causality, I would argue that it is best for companies not to be on the wrong side of this equation. Would a CEO rather be known as the leader of a high-performing organisation that shares its success with the employees that helped to create it, or one that didn't?

What do you think will change about employee share ownership over the next five years?

On the one hand, I worry about the seemingly constant pressures and struggles that advocates for employee ownership and employee share plans face.

Companies are always looking hard at the business case for all-employee share plans and the “bang they get for their buck”, not least because of the onerous compliance issues and costs.

In addition, increased regulation, shareholder involvement, and media scrutiny has laid a lot of the blame for the ills of executive pay on complex long-term equity-based incentive plans and I worry about all-employee plans being tarred with the same brush.

On the upside, I think the debate is shifting away from share plans – which, for executives, may or may not become less geared and less complex – towards share ownership and actual shareholding.

For executives, some commentators are returning to the concept of simpler pay arrangements with a portion of executives' total remuneration paid – and held – in shares.

And for employees generally, we periodically hear about John Lewis-style gain sharing and there is growing interest in Employee

Ownership Trusts and other vehicles for private companies which give cause for some degree of optimism.

What has been the most important development in employee share ownership during your career?

My career in reward and equity compensation covers a long period! I guess I would highlight four things.

First has been the explosion of executive fair market value share options and then their demise in favour of performance-related restricted stock plans.

Second has been the increased regulation, shareholder involvement, and insatiable media scrutiny around executive pay and the impact that this has had on plan design, dare I say fashion.

Third was the enlightened introduction of US-style stock plans in the UK in the form of the Share Incentive Plan, albeit that one of two features of the SIP have mitigated against its greater success.

And fourth has been the introduction of various approved arrangements to encourage share participation and ownership in private companies where I think the UK leads the world.

Which change to employee share plans legislation, in the UK or elsewhere, would you most like to see?

On UK tax-favoured plans, I would like to see some liberalisation of the rules around the Share Incentive Plan, such as the reduction in the holding period and a relaxation on the penalties for early exit.

And I would also like to see shareholders taking a more active interest in all-employee plans. On the principle of ‘comply or explain’, I would like to see a requirement that shareholders would normally only give approval to a long-term incentive plan where companies can demonstrate that they have,

and operate, some form of all-employee plan.

Why do you think employee share ownership has enjoyed cross-party support in the UK?

Because governments have understood the business case for employee share ownership and - with all the pressures there are on the funding of pensions, social care, and welfare generally - the importance of employee ownership for wealth creation and individual financial well-being.

Which aspect of the Esop Centre do you most value?

First, I value the involvement of, and access to, acknowledged industry experts and thought leaders.

Secondly, I appreciate the work that the ESOP Centre does to influence the debate among governments, regulators and other interested bodies in the cause of employee share ownership.

And, thirdly, I like the way that through *newspad* we get to hear the real news of what is going on with issuers, service providers and individual practitioners.

Which aspect of the Esop Centre would you most like to change?

This sounds a bit like the perennial plea from certain shareholders at company AGMs, but I'm getting to the point where I can't read *newspad* on the phone anymore and have to look at it on my computer or print it out to read it!

What is your idea of perfect happiness?

Paraphrasing Proust at the age of 20, I'm not sure that I have the courage to say what perfect happiness really is.

But for now, and in a rather nostalgic frame of

mind, it would be relaxing in the sunshine, with a view (preferably of water), grooving to some 80s R&B club classics.

What is your most marked characteristic?

My modesty, tinged with prevarication.

What do you consider your greatest achievement?

Professionally, it is working with Marjorie Scardino, the then new ceo of Pearson to plan, design and implement a new programme of incentives and rewards including new annual bonus, profit share and share option plans for all employees worldwide consistent with her objective of "something for everyone".

Personally, it is getting to this point of being able to reflect, meeting some great people and going to some great places, and not regretting the choices I've made.

What historical figure do you most identify with?

Julius Caesar. From "veni, vidi, vici" to "et tu, Brute".

Which living person do you most admire?

Barack Obama. He did it.

Who are your heroes in real life?

There are so many, such as people who graciously and selflessly work for the benefit of the terminally ill and the frail.

Which word or phrases do you most overuse?

Really?

What is your most treasured possession?

My Marvin Gaye LPs.

EMPLOYEE SHARE OWNERSHIP CENTRE

Esop Centre Ltd, 65 King's Cross Road, London WC1X 9LW
+44 (0)20 7239 4971 | esop@esopcentre.com | www.esopcentre.com