



BT Group boss adopts new employee share ownership model for 100,000 staff

Telecommunications organisation [BT has launched an employee ownership scheme](#) for its 100,000 worldwide employees, aiming to boost employee engagement and improve customer service.



The 'yourshare' scheme will amount to approximately £50 million a year for BT's global employees; this includes an initial award value of £500 per staff member. Employees will need to hold their shares for a minimum of three years; this has been designed to encourage long-term thinking.

Philip Jansen, the new broom chief executive officer at BT, said: "I want to make BT an organisation that exceeds our customers' expectations and does a brilliant job for the country. To achieve that, I'm going to start with our employees.

"I'm asking our staff for their commitment to making BT a national champion, and I want to give them ownership in our organisation and a share in our success."

BT's scheme may well be interpreted as a [practical alternative](#) to John McDonnell's 2018 employee ownership proposals - ("knocking them into a cocked hat" according to share radio boss Gavin Oldham.) Philip Jansen, ceo since February, says: "Is this a move to a more inclusive form of capitalism from BT? It absolutely is, and it is just the first part". BT's move suggests that government mandated or not, the scales of capital ownership are shifting away from 20th century schemes and towards the new paradigm.

EVENTS

High table with Sir Michael Fallon MP:

August 29

Centre members are invited to join chairman Malcolm Hurlston CBE at the next high table dinner discussion, where our guest will be the Rt Hon Sir Michael Fallon MP. The former cabinet minister is enthusiastic about employee share ownership and last year was tasked by the government to identify new mechanisms, to which the Centre contributed. Diners enjoy the lively discussion and intimate atmosphere for up to a dozen people.

The August 29 event will start with a welcome glass at 6:30pm followed by dinner in the Hurricane Room at the RAF Club, 128 Piccadilly London W1J 7PY.

Tickets are £140 + VAT each.

If you would like to take part, write to jwigzell@esopcentre.com soon as possible, as we are limited to 11 places at the table.



Portrait by Chris McAndrew

Save the day for Guernsey

The next Esop Institute/STEP Guernsey seminar is set for November 8 2019 at the Old Government House hotel, St Peter Port.

Last year's seminar was an outstanding success and we aim to continue the success of this industry-leading networking and learning opportunity for all those interested in employee share schemes and trusteeship.

Details will be announced soon. To register your interest, write to events@esopcentre.com

publication of the EOT worked example is a significant moment in working with HMRC. The number of EOT transactions is on the rise and the Trust will more often than not have a majority stake.

"Other worked examples are in the pipeline and practitioners are encouraged to submit suggestions to: weg@esopcentre.com

"I would like to thank Tony Spindler for helping William Franklin to establish the group and Barry Roland for taking it forward with William and the Centre."

CENTRE AND MEMBER NEWS

Employee Ownership Trust: worked example agreed with HMRC

A new phase in collaboration between HMRC and the employee share scheme sector was marked this week with the publication of the second jointly agreed worked example on the website of the Esop Centre.

The Centre hosts WEG - the share valuation Worked Examples Group - whose members include representatives from leading share scheme bodies meeting with HMRC. Agreed examples are published first as

[Understandings](#) on the Centre website and later by HMRC, with the aim of making the work of share scheme valuation simpler.

The new worked example 'Pamela' covers the valuation of a minority interest in a company which is majority owned by an Employee Ownership Trust.

The number of EOT transactions is on the rise and the Trust, if it is to comply with EOT rules, will always have to have a majority stake. A Trust which is not an EOT can still facilitate employee minority stakes and itself be a minority shareholder.

WEG is chaired by William Franklin, partner in Pett Franklin, who developed the idea with Tony Spindler and Barry Roland of HMRC.

Making the announcement, Malcolm Hurlston CBE, the founder and chairman of the Esop Centre who framed WEG, said: "Today's

Trends in executive remuneration, proxy agencies, agm voting and governance

Willis Towers Watson reports that although only a fifth of companies have tabled or are tabling a new policy for approval, we have seen changes implemented by a number of early adopters in response to the UK Corporate Governance Code and new disclosure regulations which apply from 2019. These changes include reductions to directors' pensions and the introduction of post-employment shareholding guidelines, observed alongside a continuing theme of restraint.

While agms are on-going, the firm has provided a summary of proxy agency recommendations, agm voting out-turns and [governance developments in this FTSE100 trends update](#).

Linklaters publishes Trustee Agenda spring 2019

[Linklaters looks at changes](#) to the way in which trustees obtain investment services from consultants and fiduciary managers; these changes result from investigation by the Competition and Markets Authority and are due to take effect later this year. Investment is equally on the agenda for trustees of defined contribution schemes, following the government's latest proposals on investment and consolidation.

China's new individual income tax law is employee friendly

The new individual income tax law in China ensures no change to the preferential tax treatment of stock incentive plan income, according to Bill Cohen of Deloitte. Following the lead of Pony Ma of Tencent, mainland competitors are increasingly interested in giving employees a share of the action.

However, as the taxing methods for residents and non-residents differ, it is important to correctly assess the resident status of each employee, especially foreign employees working in China.

"Both tax and foreign exchange authorities have enhanced their review of compliance issues with stock incentive plans, so companies need to review their procedures" warned Bill Cohen.

Shareholder Rights Directive II: new rules in force on June 10 2019

Macfarlanes [reported that the Financial Conduct Authority](#) (FCA) has published a [policy statement \(PS19/13\)](#) on implementing the Shareholder Rights Directive II (SRD II). The requirements came into force on June 10 2019. Amongst other things, SRD II requires asset managers (MiFID firms, AIFMs (not small AIFMs) and UCITS ManCos) to either:

- ♦ develop and publicly disclose an engagement policy meeting the requirements in new COBS 2.2B.6R and disclose annually how its engagement policy has been implemented to meet COBS 2.2B.7R; or
- ♦ publicly disclose a clear and reasoned explanation of why it has chosen not to comply with these requirements.

These rules will only apply in relation to asset managers who invest in shares traded on regulated markets. A "regulated market" for these purposes has an extended meaning and will include any European Economic Area regulated market and certain other markets.

Employee share plan reporting 2018/19: Are you ready for the deadline?

The 2018/19 Employment Related Securities (ERS) annual returns should be filed on or before July 6 2019. As the filing deadline approaches, [KPMG explores](#) the issues for employers to consider.

Employer entitled to rely on "bad leaver" provisions in the event of resignation

[Baker McKenzie](#) reports that the Employment Appeal Tribunal has upheld "bad leaver" provisions in a share sale agreement which required an employee to transfer her shares to the employer (for the lower of the acquisition cost or fair value) in the event that she voluntarily resigned.

The EAT agreed that the Employment Tribunal had jurisdiction to hear the employee's breach of contract claim on the basis that the share sale agreement was a "contract connected with employment". The EAT agreed that the bad leaver provisions were neither unconscionable nor constituted an unenforceable penalty. They did not give rise to an unlawful deduction from wages on the basis that consideration for the shares was not a payment made to the employee in her capacity as a "worker".

WEBINARS

Transatlantic employee ownership lessons

At 11:00 am on June 28 2019, Paul Mark, a Democrat in the Massachusetts House of Representatives and advocate for employee ownership will join William Franklin, of Pett Franklin to host a webinar on how employee ownership is developing in the US and potential lessons for UK companies.

To register for this webinar or for general enquiries regarding the seminar, contact Pauline Atkins on 0121 348 7878 or at pauline.atkins@pettfranklin.com.

Growth Shares for Newbies

Wednesday June 19 2019 11:30am (BST)

Duration: 30 minutes.

Growth shares can be a minefield of complexity. RM2's Stuart Hale will break down the important concepts and provide an introduction to Growth Shares. [Register here](#)

UK NEWS

FCA boosts shareholder engagement

The FCA has introduced [new requirements](#) to improve shareholder engagement and increase transparency around stewardship. The requirements came into effect on June 10.

Asset managers and life insurers need to disclose publicly their policies on how they engage with each other and the companies they invest in, and how their strategies create long-term value. Issuers need to disclose related party transactions.

In January, the FCA published a discussion paper on stewardship jointly with the Financial Reporting Council. The two bodies are currently considering the responses.

A quarter provide shares or share options to staff, Employee Benefits exclusively reveals

Since 2018, there has been little change when it comes to the proportion of respondents that offer shares or share options to staff, according to [research by Employee Benefits](#).

The [Benefits research 2019](#), which canvassed the views of 290 HR professionals and was published in May 2019, found that 25 percent provide shares or share options for all staff, compared with 22 percent that did so last year, while 12 percent offer them only to senior or executive staff, decreasing slightly from 15 percent in 2018.

The majority of employers (60 percent) still do not offer shares or share options to their employees, and only three percent plan to in

the future. This is only a small decrease from the 64 percent that did not offer shares to employees in 2018, and is an increase overall since 2017, when this number stood at 54 percent.

Among those that do provide shares for their employees, the largest proportion (43 percent) provide long-term incentive plans (L-tips), in which the employee is required to fulfil various conditions or requirements, contributing to increasing shareholder value.

Highland EO initiative

On May 28 the benefits of an employee-ownership model were extolled at an advice event targeted at Highland businesses.

The Law Society of Scotland, Institute of Chartered Accountants Scotland (ICAS) and Co-operative Development Scotland joined forces to organise an event at Highlands and Islands Enterprise's Inverness premises.

It is one of a [series taking place to promote employee ownership](#) and raise awareness of the role of professional advisers in informing clients on the business succession model.

Architectural practice Anderson Bell +Christie has become the [latest Scottish business](#) to announce its transition to employee ownership. It opted for employee ownership after attending a presentation by Co-operative Development Scotland.

Sarah Deas, director at Co-operative Development Scotland, said: "The Architects Journal featured an article on the reasons for 15 of the country's top practices adopting the employee ownership model and why more are expected to follow. It's great to see this practice joining the pioneers in the sector."

There are about 110 employee-owned companies operating in Scotland, with approximately 7,500 employee-owners generating a combined turnover of around £950 million.

Creative agency transfers ownership to EOT

Shareholders at a Manchester and Glasgow based creative agency have [transferred ownership of the business](#) to its 30 employees.

Clear Marketing Communications was founded in 2001 by Jim Smith, former chairman of the Manchester office of advertising giant J. Walter Thompson. It provides brand strategy and creativity to a range of businesses in the retail, leisure and consumer durables markets.

The deal sees a majority stake in the business placed into an Employee Ownership Trust (EOT), with staff becoming partners and receiving a proportion of the company's operating profits.

Smith – who will become executive chairman – said: "The success we've enjoyed over the past 18 years is down to the passion, commitment and hard work of our employees, many of whom have been with us since the start.

"Transferring ownership was a natural step in the evolution of the business. It further reinforces our close client relationships, as the teams servicing them now have a tangible stake in the business."

Bank backs chemical company EO

West and Senior, the Radcliffe-based chemical manufacturer, has formed [an employee ownership trust](#), with a £1.25m term loan from Barclays.

Established in 1952, West and Senior is a privately-owned company with a workforce of more than 60. The £13m-turnover business currently produces and supplies over 3,200 tonnes per annum, mostly pigment dispersions. It exports upwards of 50 percent to markets outside the UK.

Coatings firm becomes employee owned

A Greater Manchester-based coatings company founded in 1976 has [become employee-owned](#).

Northpoint is a £6.25m-turnover business which specialises in protective coatings for steel fabrications, including galvanised steel fencing, industrial pipework for water treatment plants and oil and gas transmission

systems, and street furniture. It employs a workforce of 85.

A seven-figure funding package was arranged by HSBC UK's Sam Roden and Tim Hodson to support the establishment of the employee ownership trust.

Ben Bradley of Hurst Corporate Finance and Liz Gallagher of Hurst's tax team advised the shareholders on the creation of the employee ownership trust. Paul Johnson and Rachel Clarkson of Ward Hadaway provided legal advice.

WORLD NEWS

Ireland to review tax treatment of employee share plans

Ireland's [Financial Services Minister](#), Michael D'Arcy, has given a commitment that the Government will review the tax treatment of employee share plans in 2020.

Mr D'Arcy said that the aim of the review would be to improve tax incentives in order to encourage greater uptake of state-approved plans and give employees more money in their pocket.

The event was organised by the Irish ProShare Association. IPSA CEO Gill Brennan welcomed the move. She said: "The government recognises the value that employees have for the productivity and profitability of their companies."

Hearing Aid Maker Faces Lawsuit Over Employee Stock Plan

Three former employees of America's largest hearing aid manufacturer, Starkey Hearing Technologies, are [suing the company](#) and a group of its current and former executives for failing to uphold their fiduciary duties tied to an Esop.

The suit, filed in Minnesota district court last week, alleges that the program lost nearly \$37 million, and had a net loss of almost \$4 million between 2008 and 2017 when the Esop was closed.

This suit comes a year after former Starkey

president Jerry Ruzicka and a business associate were found guilty of fraud and charges tied to stealing over \$15 million from the hearing aid giant.

The Esop “suffered,” this lawsuit’s complaint alleges, from getting lower contributions as a result of the fraudulent theft.

Referring to the possibility of a lawsuit tied to the company’s Esop, Corey Rosen, founder of the National Center for Employee Ownership, told Forbes, “If I were an attorney trolling for clients, this would be an attractive one.”

Sanders shares ownership

Leftwing presidential candidate Bernie Sanders has announced a plan that would mandate corporations to contribute a portion of their stocks to a fund controlled by employees, which would pay out a regular dividend to the workers.

Following the announcement of UK Labour’s Inclusive Ownership Fund policy in 2018, Sanders’ designs mark a [decisive shift](#) in policies to democratise ownership at scale.

“No longer content with regulating capitalism, progressives are instead directly confronting capital ownership” says Matthew Lawrence, director of the pro Labour think tank [Common Wealth](#).

While Sanders’ plan is as yet unspecified, The Next System Project, a policy research group in DC, conducted polling on the idea. It asked Americans if they would “support or oppose a policy requiring companies with over 250 employees to put two percent of their shares into a workers fund each year, up to a maximum of 50 percent, which would pay dividends out to the company’s employees.” Fifty-five percent of respondents supported the idea and only 20 percent opposed it.

A plan to gradually build up 50 percent worker ownership of all large firms would go beyond the “Inclusive Ownership Funds” plan of McDonnell, which [maxes out employee ownership at 10 percent](#). But both policies share a focus on firm-level reform.

EO for neighbourhood regeneration

Governments seeking to support deprived neighbourhoods [should invest specifically in employee owned businesses](#), argues Amadi Anene. He points to Evergreen Cooperatives as a prime example of the strategy: Cuyahoga County, where Evergreen is based, is home to 64 low-income “opportunity zones” (distressed areas where the Trump administration offers tax breaks to investors).

“Evergreen’s enterprises show the power of employee ownership to turn communities around and create economic opportunity. Employees who own parts of their place-based business have a long-term source of wealth and an incentive to stay and improve their neighbourhoods, because doing so improves their businesses.”

Facebook to launch new cryptocurrency

Facebook is gearing up to unveil its bitcoin-beating new cryptocurrency GlobalCoin later this month.

Ahead of the announcement, it's been reported Facebook will cede control of the bitcoin rival to "an independent foundation" in an effort to both deflect accusations of centralisation and soothe financial regulators.

The bitcoin-esque cryptocurrency, which has been linked to a Facebook project codenamed Libra, is expected to be aimed at developing countries where traditional currencies are less stable and will function as a "borderless currency," according to [The Information's report](#).

Facebook's bitcoin rival will likely be a so-called stablecoin, pegged to the US dollar, and is expected to be integrated as a payment tool on Facebook's popular messaging apps WhatsApp and Messenger, and photo-sharing app Instagram.

Man’s Best Friend

Best Friends Pet Hotel, a national operator of pet hotels with 30 locations throughout the United States offering boarding, grooming, doggy day camp, training and retail services at each of its locations, [announced on June 4](#) its

Employee Stock Ownership Plan acquisition led by Mosaic Capital Partners.

With this Esop transaction, Best Friends has become the largest employee-owned company in pet care.

Signify starts share repurchase programme

Signify of the Netherlands, the world leader in lighting, today announced the start of a [programme to repurchase up to 240,000 of its shares](#). Signify will use the shares to cover obligations arising from its long-term incentive performance share plan and other employee share plans.

EFG International launches share buyback programme

EFG International, a global private banking group based in Zurich, is set to [repurchase up to eight million of its own registered shares](#) under a share buyback programme.

The share buyback programme refers to a maximum of 8,000,000 registered shares, equivalent to a maximum of 2.7 percent of the current share capital and voting rights. said a statement from Swiss company.

The repurchased shares will be used to fund restricted stock units relating to the long-term incentive plan announced in March. The shares will be purchased in the open market between June 3 and June 30 2020.

Australia to increase national minimum wage by three percent

Australia's Fair Work Commission has determined that the country's national minimum wage should be [increased by three percent](#), effective from the first full pay period on July 1 2019.

The Fair Work Act 2009 requires the Expert Panel for annual wage reviews, part of the Fair Work Commission, to undertake a review of the national minimum wage and the minimum wages that apply within modern awards each financial year.

This review takes into account relative living standards, social inclusion through increased workforce participation and the principle of equal remuneration for work of equal value. When analysing modern awards, the Panel is also required to explore the need to encourage collective bargaining.

These pay increases are proportionally lower for 2018-2019 compared to last year. This is due to changes in the economic environment, such as the recent fall in gross domestic product (GDP) growth and the drop in inflation, and tax-transfer changes that have become effective in the current review period.

US: Interest in employee ownership models growing

Vermont ranks third in the US for the number of people working in companies with some form of [worker ownership](#), including Employee Stock Ownership Plans, or Esops, and worker cooperatives.

This year, the Vermont Employee Ownership Center introduced lesser-known forms of employee ownership at its 17th [annual conference](#), on June 12 in Burlington.

VEOC plans to introduce a workshop this year on structures such as the employee ownership trust, a practice now seen more in the United Kingdom than in the United States. And conference-goers learned about other forms of equity compensation for employees that are neither Esop nor cooperative, said Don Jamison, a founding executive director of VEOC.

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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