
newsbrief

June 2020



WEBINARS

Esop Centre Webinars

We have a flurry of Centre webinars coming up this month. Mark June 24 and 29 and July 9 and 16 in your diary for:

How to ensure all-employee share plans remain relevant

June 24 at 12:00 noon

Equiniti's Graham Bull and Jennifer Rudman on **all-employee plans (Sharesave and SIP)** how popular they are now, the current challenges are and how to engage employees. [Register now.](#)

The employee share trust: establishing a dynamic market for your employee share schemes

June 29 at 12 noon

Share schemes expert David Craddock will follow on from his informative and well attended talks on EMI with a detailed look at **the employee share trust** and how it can be used to create a market for an employee share scheme.

Awarding shares to employees in a Covid-19 world; how to make good use of the government's Share Incentive Plan (SIP)

July 9 at 10:00am

The Share Incentive Plan (SIP) was introduced in the Finance Act 2000, alongside the Enterprise Management Incentive. It consists of four modules: free shares, partnership shares, matching shares and dividend shares.

William Franklin, partner at Pett Franklin, reveals how to make good use of the **SIP in a post-covid-19 world.**

Tools of engagement – the power of all-employee plans

July 16 at 11:00am

The webinar will focus on the ways in which all-employee share plans can be used to engage the wider workforce in terms of both reward and retention and in particular, to convey how businesses value employees' commitment and contribution. Sarah Keith, director of tax at Deloitte will look at the opportunities and the challenges of using UK tax approved plans for this purpose from a technical and administrative angle, and touch briefly on the ways in which these plans can be flexed for overseas roll-out.

Recordings of our earlier broadcasts can be accessed at: [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 - fsclub.zyen.com/events/webinars/ - or sign up for mailings - fsclub.zyen.com/#Subscribe.

Our weekly Employee Share Ownership Bulletin tracks research institute and other thinking round the world - fsclubcrm.zyen.com/newsletter/1966.

EVENTS

Jersey 2020 –re-scheduled to September 25 2020

Our **Jersey share schemes and trustees seminar**, held in partnership with the Society of Trust & Estate Practitioners (STEP-Jersey branch), has been re-scheduled for Friday September 25 with the proviso that travel and social distancing restrictions are eased by the autumn. Given the hiatus in Brexit negotiations, corporate governance, the international reach of trustees and the growth in employee ownership trusts, it has never been more important for those interested in Eso schemes and trusteeship to be updated this annual seminar.

The programme includes sessions on the loan charge, case law, and Esops along with “A day in the life of a tax inspector” - looking at the knock-on effect of the pandemic for those working at HMRC. The seminar will conclude with a lunch for delegates and speakers.

Rt Hon. Mark Field, who was Foreign Office minister concerned with the Overseas Territories, will be a guest of honour.

Experts include: Katherine Neal, Ogier; Graham Muir, CMS; David Pett, Temple Tax Chambers; David Craddock, David Craddock Consultancy Services and Paul Malin, Haines Watt. The seminar will be chaired by Malcolm Hurlston CBE, who first visited the seminar venue, the Pomme d’Or Hotel, during his national service in 1957. “Those were uncertain times and I wondered whether I would be able to travel so far again” he reveals. “Not unlike now.”

Prices: Esop Centre/STEP members: £375, Non-members: £480. To reserve your place, email juliet_wigzell@zyen.com or call the Centre on +44 (0)20 7562 0586.

Fourth British Isles share plan symposium – October 15 2020

The Centre’s fourth annual **share plans symposium** and *newspad* awards presentation will take place on the revised date of Thursday October 15 2020 at an impressive Central London location. The programme will be as advertised on the Centre website for the original event, postponed from March 26 owing to coronavirus, with topic slots updated. The Centre thanks Ocorian for sponsoring the event. For all enquiries, contact Juliet at juliet_wigzell@zyen.com or call +44 (0)20 7562 0586.

CENTRE AND MEMBERS NEWS

Covid-19 and Employee Share Plans- HMRC’s response

The Covid-19 pandemic has impacted tax-favoured employee share plans in the UK. The eagerly awaited HMRC bulletin, which has now been published, addresses some issues but leaves many questions unanswered (particularly in relation to EMI options). CMS’s team led by Graham Muir and Andrew Quayle summarises the key points in a **report for CMS Law-Now**. Graham will be addressing delegates at our annual seminar with STEP Jersey at the Pomme d’Or hotel on Friday September 25 (Covid-19 travel restrictions allowing).

The IEA’s Professor Len Shackleton and the TUC’s Frances O’Grady discuss wages

"The general idea of boosting pay across the board is not the most sensible thing to do in the current situation. Within two or three months, we could have 10 percent unemployment. The way to get them back into work is not to make them far more expensive to employ." - Len Shackleton. Listen to the clip from Radio 4’s Today programme of June 3: <https://twitter.com/i/status/1268088512521351169>

Cash flow crisis in light of Covid-19: paying employees in shares, rather than cash

In an article for *Lexology*, Baker McKenzie looks at how companies could preserve cash by **using shares to pay employees**. As the enormous adverse economic impact of the Covid-19 crisis becomes ever clearer, there is a pressing need for most companies to preserve cash, both to retain the ability to remain resilient in the face of adversity and to enable companies to take advantage of the recovery, as restrictions are lifted.

So far, most companies have concentrated on using job retention schemes put in place by governments on an emergency basis. However, job retention schemes come under pressure, companies will be forced to look at other routes to reduce cash commitments. One tool that companies have at their disposal to preserve cash, while retaining employees, is to pay executives in particular, a bigger proportion of their remuneration.

Do you need an employee benefit trust?

There has been plenty of publicity about HMRC scrutiny of employee benefit trusts and headline grabbing attention paid to the tax bills some taxpayers have been presented with. In this article for *Lexology*, Gannons looks at how companies and their employees **benefit from employee benefit trusts** in the modern world.

Why don't regular workers get paid in equity like CEOs?

The **NCEO's Corey Rosen helps answer the question** for *Gizmodo*: "A lot of companies do pay employees at least partly in equity—about 25 percent of the workforce owns stock in their company through some kind of employee ownership plan. But the amount of stock a lot of those people own is fairly small.

I think there are a number of reasons why more companies don't provide equity to their employees. One major problem is that a lot of compensation consultants and boards of directors—and even, I think, the corporate press—assume that the people who matter are the people who are leading the company, and that everybody else is just a replaceable drone.

There is a lot of research that disproves the notion that only the people who can directly influence the stock price should be paid in any form of equity. The research is very clear that companies that share ownership widely with employees perform substantially better than companies that don't. Especially coming out of this crisis, companies need to think about what they can do to engage employees more fully, to help them think up the ideas and processes that might keep the company going, or even growing, into potential new markets. The notion that the only people that are capable of doing any of that are the handful of people at the top is just offensively and empirically wrong."

Trustbridge Global Media acquires Walker Books

According to *Global Legal News* Macfarlanes **advised the trustees of the Walker Books Employee Trust** and the trustees of the Walker Books Limited Employee Share Ownership Plan 2001 on

Walker Books' acquisition by Trustbridge Global Media.

Walker Books is a 40-year-old independent publisher of children's books, headquartered in London. It has operations in the US, where it operates as Candlewick Press, and Australia. The Macfarlanes team was led by corporate and M&A partner Justin Hope with assistance from solicitors Olivia Wild and Henry Cooksey. Litigation advice came from partner Jonathan Arr, senior solicitor Emma Cohen and solicitor Alexandra Thorne. Tax advice was provided by partners Jeremy Moncrieff and Rob Collard, senior solicitor Saba Palizi and solicitor Eugene Atkinson.

UK NEWS

Debt-to-equity swaps: towards a fairer post-pandemic world?

Firms are likely to emerge from this crisis with large debts, and it will be workers that pay the price. But, according to left-leaning *Open Democracy*, **there is another way to protect businesses and jobs**.

Progressive change requires political engagement and collective action to shape the policies that will underpin the post-pandemic world. *Open Democracy* proposes a radical solution to increase employee ownership and control, while encouraging a fairer distribution of wealth.

After subtracting a pre-agreed fixed component of pay, the firm's value-added would be split into a number of 'slices'. Each worker gets a pre-agreed number of slices, effectively their variable pay, and each share gets one slice as its dividend. Workers would have an incentive to increase profit and increase their variable pay. In doing this, they would be maximising earnings per share, and work in the interests of investors as well.

War on offshore financial centres

The Institute of Economic Affairs has published a research paper on the "misguided war on offshore financial centres."

The paper, *All At Sea*, describes the politics surrounding corporate tax, tax competition and the electoral costs of the economic effects of capital flight.

The publication claims that principles that UK and EU politicians would normally claim to support have been abandoned in the war on *tax havens* such as UK Overseas Territories of the Cayman Islands and British Virgin Islands, including the rule of law, the sovereignty of third countries in tax policy and the right of law-abiding citizens to keep their financial affairs private.

WORLD NEWS

HR directors expect 75 percent of staff to become gig workers

According to *Reward Strategy*, new research has found that 18 percent of UK HR directors (HRDs) believe **three quarters of their workforce will be made up of contractors** by 2025.

The research, from Aon, was created to examine the gig economy. The company interviewed a total of 500 HRDs and gig workers from across Europe. Of European HRDs, 26 percent believe their workforces

will have between 51 and 75 percent of gig workers in five years' time.

However, 54 percent of gig workers interviewed said they are worried about their financial future. They also said they would feel more positive towards their organisation if benefits were in place - only 31 percent are currently offered benefits within their contract. This was reflected in the interviews with nearly all HRDs. They believed that providing health and benefits packages would improve gig worker recruitment (94 percent), engagement (93 percent), productivity (88 percent) and retention (95 percent).

USA: Walmart repeats cash bonuses for associates

In mid-May, **Walmart announced plans to provide another special cash bonus** for all US hourly associates. This includes hourly associates in stores, clubs, supply chain and offices, drivers, and assistant managers in stores and clubs. The bonus will be \$300 for full-time hourly associates and \$150 for part-time hourly and temporary associates and will add up to more than \$390 million.

"We are so grateful to our associates for being there for customers and members during this difficult time, serving communities across the country," said Kathryn McLay, president and ceo of *Sam's Club*. "Our associates' efforts have been exactly what the country needed during this historic and uncertain time. They've made a real difference."

South Africa: Coca-Cola lets 8000 employees 'taste the feeling' of its shares

Coca-Cola Beverages South Africa (CCBSA) has turned **8000 employees into shareholders** through the Ikageng Employee Share Trust according to *Independent Online*.

Ikageng, which means "let us build ourselves" in Tswana, was launched last month and owns a five percent stake in Coca-Cola Fortune, the CCBSA's parent company.

Its primary focus is to ensure that every employee receives an equal allocation of shares regardless of staff level, race or years of service, the beverage maker said.

Of the total participation units, 25 percent

would be held in reserve for future employees and the remaining 75 percent of the participation units were allocated equally among the eligible employees, irrespective of grade or salary as at May 26. Coca Cola director Velaphi Ratshefola said this investment was driven by the recognition that employees were the company's biggest asset.

New Zealand: Countdown offers most of its staff shares in the company

On June 2, Countdown supermarket chain gave 14,000 staff shares in the company as recognition for their work during the coronavirus crisis. (Australian-based Woolworths Group owns Countdown in New Zealand).

The employee share scheme would give all those workers A\$750 (NZ\$800) of shares in Woolworths Group. Managing director Natalie Davis said the business wanted to recognise the role staff played to keep the stores open during the lockdown.

Woolworths shares were trading at just under A\$38 on Monday June 1, so a \$750 parcel would give investors about 20 shares at current market rates. The Group has 1.26 billion shares in issue and 445,000 shareholders.

Australia: Enquiry into lacklustre employee share schemes

Financial Standard reported in May that Australia's reluctance to adopt employee share schemes is to be the subject of a public enquiry, with the aim of breathing new life into such schemes. The Standing Committee on Tax and Revenue will inquire into and report on the tax treatment of employee share schemes, to understand whether a more favourable tax treatment might make such schemes more attractive.

Chair of the committee, Member of Parliament Jason Falinski, said the committee is interested to hear from a broad cross section of witnesses from government and the private sector.

It will be scrutinising the operation of employee share schemes and the

effectiveness of the tax laws surrounding them.

"In 2015 the government made a number of changes to improve the taxation treatment and regulation of employee share schemes. This inquiry gives us the opportunity to understand why the use of employee share schemes is still so incredibly low in Australia," Falinski said. "It makes little sense. Giving employees, in both start-ups and established businesses, the opportunity to share in the growth of companies that they are helping build is a cornerstone of innovative economies around the world, like the US and Israel. This is a unique opportunity for the parliament to potentially transform the lives of a lot of good people."

The committee will consider whether those changes in 2015, which were intended to bolster the start-up sector, were effective in boosting entrepreneurship in Australia.

The costs and benefits of concessional taxation treatments, and deferred taxing points for options, to the broader community will also be considered. As will whether the current tax treatment of employee share schemes remains relevant to start-up companies and whether any changes are appropriate.

Australia has blown hot and cold about share schemes for decades, as attested at regular presentations at the Centre's international conferences.

India: Do stock options make sense for employees during Covid times?

Deloitte India writes on *Money Control* that the Covid-19 pandemic has created unprecedented disruption and uncertainty for businesses. One of the key priorities for many companies is to conserve cash and ensure continuity. Many employers have introduced non-cash compensation components such as Employee Stock Option Plans to tide over the immediate funds crunch and to also be fair to employees who may benefit when businesses return to normalcy in the future. Esops are an effective compensation tool. A prudently drafted plan can help an employer conserve cash during

these challenging times, while at the same time letting employees share in the profits and growth of the company, when the good times arrive.

India: ESOPs were once the rage in start-ups. Not anymore

Money Control reports that as companies look to conserve cash, **Esops should come into play** but they find few takers among employees as well as founders.

Employee stock ownership plans are offered by start-ups in India and across the world as part of compensation, a means to reduce attrition and offer staff a stake in the company and its success. In their glory days, Esops made millionaires. There are stories of employees holding on to these shares and using them to buy plush apartments and posh cars.

Flipkart's sale to Walmart and Citrus Pay's sale to PayU are some instances of employees striking it rich. More recently, social commerce firm Meesho, online car portal CarDekho and payments platform Razorpay, all gave early Esop holders some liquidity.

By these accounts, Esops should dominate the conversation at a time when start-ups, like the larger economy, have taken a beating due to the coronavirus outbreak and the lockdown.

In India Esops have confounded employees and are a cause of frustration for founders who have found only limited use for them.

India: OYO founder Ritesh Agarwal announces Esops worth ₹130 crore for furloughed employees

Indian hospitality unicorn **OYO has allotted Esops worth ₹130 crore** (\$18 million) for its furloughed employees, reported *Business Insider*. Founder and ceo Ritesh Agarwal announced the move in an email to employees:

"We understand that some of you may already have stock options. For those employees, we are dropping the one-year cliff on the vesting of stock options for everyone we have hired in the past year. This

will ensure that everyone departing, regardless of how long they have been with OYO, can become a shareholder. We will also be providing stocks to OYOpreneurs not impacted, thereby making 100 percent of the team members co-owners.

"This is the first time in the history of the company that such a large part of the organisation is being inducted as a stakeholder. That too, at a time when some of you may decide not to be part of our future."

Israel: Cellcom announces options and RSUs grant to employees

Cellcom Israel is to grant **employees approximately 2.416 million options** at an exercise price of NIS 12.35 and approximately 631 thousand restricted share units under its 2015 Share Incentive Plan.

France: Legrand starts share buyback programme

According to Business Wire, Legrand is to set up a **share buyback programme**. It is quoted on Euronext.

Zimbabwe: Dairibord seeks to retain workers by increasing employee shareholding

Dairibord Holdings is seeking shareholder approval to **increase shares for its employee share ownership trust** to 17.9 million from 10 million as part of an initiative to retain the "appropriate" calibre of workers.

Zimbabwe: Ariston seeks to empower workers

Listed agro-industrial firm, Ariston Holdings, is seeking permission from shareholders to provide **loans to its Employee Share Ownership Trust (ESOT)** as part of the group's initiative to empower the workers.

In a notice to shareholders ahead of the upcoming annual general meeting scheduled for July 7 2020, the group said it wants as a special resolution the company: "be and is hereby authorised to make any loans to the ESOT or to enter into any guarantee or provide security in connection

with any loans to the ESOT, at a market related interest rate to be determined by the directors from time to time, for the purpose of enabling the ESOT to exercise the options granted to it by the shareholders of the company in terms of the special resolution of 30th March 2017, subject to the provisions of the Companies and Other Business Entities Act (Chapter 24:31) Section 123 (1) (a) and (b)."

EOT NEWS

McGee becomes employee owned

British specialist engineering contractor **McGee passed ownership of the £100m firm to staff** through an Employee Ownership Trust (EOT), according to trade paper D&RI. The London-based company has been in business since 1959, most recently under the second generation of McGee brothers. It has worked on flagship infrastructure projects in the British capital including Wembley Stadium, Heathrow Airport T2B, Battersea Power Station, the Londoner Hotel and the iceberg basement for Claridges Hotel. McGee said it viewed employee ownership as the next logical step for the business.

"For us, it's a move designed to secure the future of the business, continue the legacy that our father started and reward the people who have made the business the success it is today," said chairman Brian McGee.

Managing director Seb Fossey added: "The decision by the McGee brothers to transition ownership of the business to the group's employees via an EOT underscores the respect for the contribution our people have made to the McGee business."



Z/Yen Group Limited t/a The Esop Centre. Registered office: 41 Lothbury, London EC2R 7HG. Company number 2965552 England

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

MEMBER WEBINARS

RM2 webinar: An overview of the Share Incentive Plan

Wednesday June 17 2020, 11:00am

Share Incentive Plan ("SIP") is probably the most tax efficient share plan in the UK, enabling zero tax rates for employee shareholders.

Join **Sarah Anderson, RM2 director** to find out more about the all-employee SIP, its key benefits, how to establish the share scheme, and how it worked in real life for one of her clients.

Computershare webinar: Employee share plans - managing costs and cash flow

Wednesday June 17 at 14:00

If you're considering modifying your plan design, performance measures or even looking to add free shares or matching awards, you'll want to **join this session**.

GDPR from the two years' perspective – a justified concern or exaggerated fear?

Linklaters will be hosting a webinar on Wednesday 17 June at 12:00 noon, where its data privacy experts from across Europe will be discussing GDPR highlights from the previous 12 months from their national perspective. The topics discussed will include: fines imposed by the local DPAs, number of complaints and data breach notifications, new national legislation implementing the GDPR, a range of case studies, the processing of employees' personal data and tracing of data subjects in times of the Covid-19 pandemic, challenges of clients with complying with the GDPR requirements in the clients' day-to-day business. The webinar will be recorded and made available online afterwards.

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