

newsbrief

June 2021



EVENTS

Pro Bono Economics ceo addresses Centre members

Matt Whittaker, ceo of Pro Bono Economics made a keynote address at our third members' webclave "Achieving what we value", on Wednesday June 9.

His talk: "Measuring what we value: looking beyond GDP to build back better", examined the true value of the charity sector and was followed by two discussions on "How can share plans support a company's ESG strategy?" (led by Andrew Patterson, partner at Clifford Chance), and "Climate change and the future of share plans" (led by Damian Carnell, founder director & Jane Allen, associate at CORPGRO).

Follow the links to view the [slide set](#) and [report of the event](#) including summaries of keynote address and discussion topics.

Matt was a former star of Hurlstons corporate consultancy where in his 20s he joined a visit to Singapore to start credit counselling there. 'Webclaves' are online conclaves: private, invitation-only meetings to bring Centre members together to discuss areas of common interest. We are currently planning one for the autumn – [topic suggestions](#) welcome.

Webinar - Esop Sofa: *newspad* review – Tuesday July 13 at 11:00am.

We hope you will join us for our [regular panel discussion](#) when guests, Mike Cheesley, senior share schemes manager at *newspad* award winner Reckitt Benckiser, Colin Kendon,

partner at Bird & Bird and a share schemes expert from Clifford Chance chew over the pick of issues raised in this and next month's editions of *newspad* - *it's our business*. The discussion highlights the Centre's [response to the Treasury's Call for Evidence](#), on whether and how more UK companies should be able to access EMI schemes. The Centre's evidence urged chancellor Rishi Sunak to reboot EMI by tearing up its archaic and increasingly irrelevant rule book.

Here is our library of broadcasts:

[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

Entrepreneurs' Relief?

Wrigley's Solicitors' **Chelsea Martin and Holly Marshall** explore a recent case covering when the disposal of shares by trustees qualifies for Entrepreneurs' Relief.

More on home working

Friend of the Centre, Prof Len Shackleton recorded a discussion – **Has Covid killed the office?** - with Sam Dimitriou of the Entrepreneurs Network, on homeworking.

One of the topics discussed is the proposed 'right to disconnect' - not to be available for emails/texting/phone outside working hours.

the BBC website article "**Can the 'right to disconnect' exist in a remote-work world?**", goes into this topic in some detail, including Prof Shackleton's comments.

White & Case insight: Global merger control: Navigating stormy seas

There have been a number of **developments in merger control** in 2020 and Q1 2021. Some are related to the repercussions of the Covid-19 pandemic, while others are borne out of the ambitions and changes sought by individual competition authorities or unexpected jurisprudence.

BVCA calls for changes to EMI independence rules

In its latest newsletter, **MM&K** reported that the **BVCA**, in its response to the government's call for evidence, points out that the EMI regime's benefits would be attractive to PE/VC backed companies as approximately 80 percent of companies invested in by BVCA members each year are SMEs. But the EMI regime is currently unavailable to companies that are backed by PE/VC because of the control aggregation rules.

Government to protect workers' rights and clamp down on workplace abuse with powerful new body

In 2018 the government published its 'Good Work' report, a response to the Taylor Review that outlined its commitment to maintaining workers' rights to fair and decent work. Taylor also recognised the need for a fairer system of enforcement of entitlements that workers currently have to pursue individually through the employment tribunal, such as holiday pay. Part of its stated commitment was the establishment of a single enforcement body (SEB), for which it opened a consultation in July 2019. The government has now published the **outcome** of and its response to that consultation.

According to Deloitte *it was anticipated that the government would follow through on its commitment to introduce the SEB. However, at this stage, the government has not committed to a timeline for this body to be fully*

established. In some respects, this affords the government time to carefully consider and consult widely on the legislation required to establish the body, considering workers' and employers' concerns. In the interim, we expect the separate current bodies to maintain focus on enforcement activity. We have already seen activity levels increase across areas such as National Minimum Wage, as businesses start to recover from the height of the pandemic and lockdown restrictions.

For employers, the SEB will introduce a single point of interaction where it concerns worker rights, which could be very supportive. However, the SEB will be an enforcement body that has a far wider remit than any current single body and could have more 'teeth', with a holistic and strategic approach to effective compliance enforcement. Businesses should continue to review and amend or establish robust internal policies and processes to govern all areas of fair pay compliance.

Deloitte has a dedicated webpage to help employers understand some of the rules and risks.

UK NEWS

OTS second report on capital gains tax

Bill Dodwell, tax director at the Office of Tax Simplification announced on May 21 that OTS has published its **second report on capital gains tax** with 16 recommendations to make the tax simpler. The recommendations to HMT include building CGT into the forthcoming Single Customer Account; property returns; separation and divorce; main residence relief admin; gains on extending leases. Business issues included rollover relief, definition of taxable bonds and foreign currency assets.

Rich list 'reveals pandemic profiteers'

The Equality Trust has criticised "pandemic profiteers" and noted that, in the middle of the global pandemic, the **Sunday Times Rich List has revealed** that the number of UK

billionaires has increased by 24 to 171.

Interestingly, the organisation says, this year the Sunday Times has decided to publish the richest 250, instead of the richest 1,000, as in previous years. Although the richest 1,000 saw their wealth drop from £771 billion (2019) to £742 billion (2020), the number of billionaires has grown. In the five years from 2014 to 2019, they increased their wealth by £253 billion.

Dr Wanda Wyporska, the trust's executive director, said: "Worshipping at the shrine of wealth at any time is bad, but celebrating excessive wealth during a pandemic is like holding a feast in a foodbank.

"We need to ask how these people are making their wealth and who is really paying the price? Do we really want to fawn over riches, when we live in such an unequal society where children go hungry, our health service is on its knees and many live week to week in precarious jobs?"

Fall in union membership among private sector employees

Trades union membership increased by nearly 120,000 to 6.56 million in 2020, the fourth year of growth in a row, according to the Department for Business, Energy & Industrial Strategy.

It found that the proportion of UK employees who were trade union members rose slightly to 23.7 percent last year, up from 23.5 percent in 2019, and from the low of 23.3 percent in 2017. The figure of 6.56 million compares with the peak figure for membership of 13.2 million in 1979.

The rise has been driven by female membership, at 27.2 percent in 2020, up from 27.0 percent in 2019 and the low of 25.6 percent in 2017. The proportion of male employees who were union members rose slightly on the year to 20.2 percent in 2020, from 20.1 percent in 2019, but remained lower than in 2017 (21.0 percent).

The growth was also explained by an increase in public sector members, up 228,000 on the year to four million in 2020. But, the department noted, there was a **fall in membership among private sector employees** of 110,000 to 2.56 million in 2020, one of the

lowest levels private sector trade union membership has been since the series began in 1995, and the lowest since those of 2010 and 2011.

Examining the characteristics of membership, the department found that around half of employees who were trades union members had been working for the same employer for 10 years or more, compared to 31 percent of employees overall. Around three quarters of union members were aged 35 or over, compared to 63 percent of employees overall. The TUC welcomed the rise but acknowledged the fall among private sector employees and the challenges ahead.

Union agrees deal with Uber

General union the **GMB has struck what it calls a historic deal with Uber**, under which the taxi company will formally recognise the union, allowing it to represent up to 70,000 Uber drivers across the UK. The GMB says that drivers will retain the freedom to choose if, when and where they drive, while also having the choice to be represented by the union.

It adds that this builds on changes made earlier this year which guarantee all drivers at least the National Living Wage, holiday pay and a pension plan. Uber will support drivers if they choose to sign up as a member of the GMB, and union representatives will have a presence in Uber's driver support hubs to help increase membership.

Under the landmark agreement, the GMB and Uber will work together on a number of key topics, including: national earnings principles, pensions, discretionary benefits, health, safety and wellbeing, account deactivations, representation and organising.

GMB national officer Mick Rix said: "This groundbreaking deal could be the first step to a fairer working life for millions of people. History has been made. This agreement shows gig economy companies don't have to be a wild west on the untamed frontier of employment rights.

"When tech private hire companies and unions work together like this, everyone benefits –

bringing dignified, secure employment back to the world of work. We now call on all other operators to follow suit."

Commenting on the deal, TUC general secretary Frances O'Grady added: "Gig economy workers deserve to be treated with dignity and respect. This landmark agreement is a huge breakthrough and will give Uber drivers a real voice at work.

"The GMB deserve massive credit for their tireless campaigning. But this deal is just the start. Unions won't rest until platform companies across the gig economy agree to work with their staff on improving pay and conditions.

"And we need the government to stop dithering and deliver on its promise to strengthen workers' rights. The failure to bring forward an employment bill in the Queen's speech was a big missed opportunity."

New shares scheme to increase employee ownership at Commsworld

Commsworld is taking further steps to increase employee ownership of the company.

The Edinburgh-headquartered firm will **establish an Enterprise Management Incentive (EMI) scheme**, through which the firm hopes that staff will "grasp the opportunity" to have their own share in the company they work for.

Ceo Steve Langmead, said: "When we were looking at our options for the future, we wanted our people to be able to benefit from our success. The EMI scheme was the ideal way forward for us, and we hope that all our staff will take advantage of it as the company goes from strength to strength."

The launch of the scheme follows Commsworld's biggest recruitment drive to date. Twelve new appointments have been made at the firm on the back of continued growth and success over the past year.

Mr Langmead added: "Our new recruits bring with them a wealth of experience and we are delighted to welcome them to Commsworld, especially during such an exciting phase of our growth and development.

“These appointments, across all areas of the business, underline our commitment to investing in our future as we expand to meet growing demand.”

Swap Bounce Back debt for employee equity, says FSB.

Small business leaders suggest giving struggling companies the option to convert bounce back loans into employee equity to aid businesses recovery.

The Federation of Small Business (FSB) and Ann Tyler’s Ownership at Work launched ‘A Shares for Debt Recovery Plan’ on May 31. This outlines routes through which Bounce Back Loans could be converted into Employee Ownership Trusts to ensure the survival of businesses and help close the UK’s productivity gap.

Companies are finally getting rid of dumb work perks

Work-from-anywhere policies spell **doom for in-house DJs, yoga teachers and corporate food providers.**

For fintech company Revolut, the pandemic had given birth to a revamped package of non-core perks. The company also began repurposing offices so they are more like collaborative spaces, replacing big kitchens, dining areas and a lot of desk space with its sofas and seating areas. It is a major shift from two years ago, when Revolut, like its peers in the tech sector, sought to attract staff by offering perks like free food made by in-house caterers and swanky offices.

But with physical office spaces still largely out of bounds and no plan for the entire workforce to return, everything from nap pods at Google, three meals a day at Facebook, lunchtime jam sessions at Spotify, or relaxation lounges at Zynga have become largely redundant. Joe Wiggins, a career trends analyst at employee review site Glassdoor, says that as most businesses are rethinking how their offices are going to operate in future, they are having to revamp their perks policies too.

“We’re seeing a lot of evidence that perks are

evolving quite dramatically,” he says. “Those that mattered most [to staff] were always core benefits like pensions and healthcare. Free food and fun break-out spaces are cool, but they’re not going to keep people in a job if the fundamentals aren’t there. Fast-forward to Covid and no one is in the office anymore; we saw new perks emerging like contributions towards home offices, mobile phones or broadband. That was the initial wave, but as everyone dug in for the long haul we’ve seen more companies introducing mental and physical wellbeing perks.”

For some, the shift in focus is a welcome development. Not so for the people involved in providing pre-pandemic perks, though. The people employed to make the free food, lead yoga and meditation lessons, or even to provide in-house DJing services, who have not worked during the pandemic, may not ever return. Richard Brook has built up a business providing in-office yoga, pilates and mindfulness classes to corporates, with clients including Facebook, law firm Cooley, online gambling company Kindred and the airline KLM. He says his work — for which he was paid £70 per hour-long class — dried up as soon as Covid-19 hit the UK and has fluctuated in the months since.

WORLD NEWS

Kindred launches all-employee share plan

Online gambling operator Kindred Group has **launched an all-employee share plan.**

The plan is to run for two years. A similar AESP was launched in 2017.

Kindred Group chief HR officer Gavin Hayward said: “Our people are our most valuable asset and we want to ensure that current and future team members share in the success of Kindred Group. We have committed to make a new share award every year for the next three years in line with our current strategic cycle for the business. We hope this will engage and

motivate our employees and demonstrate our long-term commitment to customers and shareholders.”

South Africa: Do Esop participants understand how valuable the free equity they're given really is?

Mentor and Coach Ted Black writes in *BizNews*: Today, share buybacks and employee option schemes are headline news. However, many view them as a means of value extraction, not value creation, and for good reason. If the prime purpose of stock options is to get management and employees to walk in an “Owner’s shoes” – to think like a long-term shareholder, an exemplar being Warren Buffett, and then to behave like a genuine entrepreneur who puts customers first, then they don’t seem to work too well.

Buffett says: “I like businesses I can understand ... that narrows it down by 90 percent ... anyone can understand this.” He holds up a Coke bottle. “It’s a simple business, but not an easy one. I don’t want an easy business for competitors. I want one with a moat around a valuable castle and the Duke in charge to be honest, able, and hard working. “People buy a share, and they look at the price next morning to decide if they’re doing well or not ... that’s crazy. You aren’t buying a share ... you’re buying part ownership in a business. That’s what it’s all about.”

How many members of **company share option schemes have that explained to them?** Do they understand how valuable the free equity they’re given really is, let alone what the critical numbers are that build the moat and castle?

South Africa: Practice note finally provides broad-based empowerment schemes with a clear way forward

In February, Department of Trade, Industry and Competition (dtic) Minister Ebrahim Patel commented that broad-based ownership schemes are seen as genuine broad-based black economic empowerment (B-BBEE) – a

position at odds with the B-BBEE Commission’s stance at the time.

Black ownership schemes reacted to the commission’s statement by calling on Patel to provide urgent written clarity on the matter. On May 18, Patel **provided that clarity by way of a gazetted practice note.**

Ownership schemes or trusts are a highly popular type of black empowerment vehicle, utilised by a third of all major B-BBEE transactions. However, B-BBEE Commissioner Zodwa Ntuli has remained sceptical of the model.

Her concern with trusts, broad-based ownership schemes and employee share ownership programmes has been that they lean towards ‘passive’ shareholding, meaning that there are no specific black individuals able to drive transformation in the company.

South-east Asian startups seize a lead in early stock option cash-out

Secondary sales, buybacks of employee stock option plans are expected to gain traction as liquidity options for those who joined startups in early stages. South-east Asian startups are exploring ways to allow employees to cash out stock options earlier, even before a listing or trade sale, **industry players told *The Business Times*.** *[Business Times subscription needed to read further]*

EU: Which European fintechs offer staff the most generous equity deals?

Sifted has **assessed the equity policies** at over a dozen fintechs in Europe to find out. One of the (many) perks of working at a startup is receiving equity — in other words, a slice of the pie. That’s all the more true at fintechs, where soaring valuations have the potential to make early employees a small fortune — at least on paper.

Still, startups vary in how much of the pie they offer, whether they hoard equity just for the c-suite and the clauses they impose as they get older. This not only impacts the compensation

awarded to employees, but also the future of the ecosystem, with many alumni going to finance new tech projects with their equity.

New Zealand: The case for staying private

With local equity markets trading at all-time highs and continuing strong demand from institutional and retail investors for IPOs, expectations have been high that a greater number of private companies would **make the transition onto the listed market**.

There is no lack of high-quality private companies that are of a size and status where listing would be welcomed by investors. And yet the list of "companies that could" continues to highlight the potential rather than the reality.

New Zealand's private equity industry is well-established and today, company owners have more flexible options for raising growth capital or managing ownership succession.

But the decision to list is more complex than capital planning or providing liquidity for shareholders. The decision is highly strategic but for many private company owners the question has morphed from "Why not list?" to "Why?".

Perhaps the greatest advantage private companies have in remaining privately owned, is the ability to closely align the interests of both shareholders and management.

Private company investors say that in the last 27 years, there have been few instances in which key managers were not also shareholders in the business or invited to participate in company ownership through an employee share scheme.

Indeed, these schemes are often extended to include a large number of employees and in some cases all staff. The mana of being an employee shareholder together with the opportunity for creating personal wealth beyond a salary remain powerful incentives for aligning management and staff with the long-term objectives of shareholders.

USA: Opposites attract: why financial services firms and Esops are made for each other

Mary Josephs writes in *Forbes*: While employee stock ownership plans are popular with manufacturers and professional services firms, **Esops and financial institutions** would seem to be strange bedfellows. Yet commercial and investment banks, insurance brokerages, wealth management and real estate organisations are the third most common users of these plans, accounting for nearly one-sixth of the nation's roughly 6,600 Esops.

What explains their popularity? Primarily, financial institutions like the ability of an Esop to provide liquidity in a tax-advantaged manner; to support an orderly succession to the next generation of leadership; and to broaden employee ownership that can improve employee engagement, long-term retention, morale and growth.

USA: The Esop revolution: fighting financial inequality and empowering the working class

Christopher Marquis too writes in *Forbes*: In my research on purpose-driven businesses and stakeholder capitalism, one of the most important themes I have encountered is the **transformative power of employee ownership**.

Kimberly Jones, president of 100 percent employee-owned marketing agency Butler/Till for instance describes the impact of employee ownership like this "employee ownership is perhaps the best-kept secret of our economy. It strengthens communities, fosters a financially savvy workforce, increases resiliency during recessions, and offers big benefits during economic booms. It's a sound choice economically, with several tax and financial incentives to its name. It also empowers employees to think and act like owners, which results in an engaged workforce, happy customers, and sustainable

financial success that in turn benefits the community.”

Furthermore, employee ownership is an important way to overcome economic inequality. While I was doing research for my recent book, sustainable business pioneer, Jeffrey Hollender, cofounder of Seventh Generation told me: “I don’t think you can be a responsible business without being committed to employee ownership, because otherwise your business acts as a way to concentrate wealth,” and that, “Responsible businesses have to take that head on, get over their fears about giving employees access to their financial statements, and understand they’re being agents of wealth concentration if they’re not committed to employee ownership.”

India: Online broker Zerodha set to launch ₹200cr Esop buyback

Online brokerage **Zerodha** aims to roll out a buyback plan for its employees worth ₹200 crore at a self-assessed valuation of \$2billion, a senior executive of the company told *Mint*.

Close to 850 employees, or 85 percent of Zerodha’s employee base, will be eligible to participate in the buyback, which is expected to be rolled out in July. It will allow employees to sell up to 33 percent of their vested employee stock ownership plans to the company at a valuation of \$2billion.

Oxford firm, **Hedges Law** embraces employee ownership in response to Covid.

Commercial interiors specialist, **Paramount Interiors** sold to employee-owned trust.

Interior design and delivery specialist, **ADT Workplace** has become fully employee-owned.

Workers taking over training firm **Ascento**, set for £10,000 windfall.

Technology R&D firm, **Consult Red** has announced it is becoming an employee-owned company.

Supplier of hydraulic, pneumatic and pipeline products, **Flotec Industrial** hands ownership to staff.

Waste management company **Coastal Recycling** is now 100 percent employee-owned .

EOT ROUND-UP

J&L Elevator Components becomes employee owned through trust.

Thurcroft Group, a Rotherham-based independent manufacturer of construction products, is now employee owned.

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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