



ESOP CENTRE EVENTS

Webinar: Share schemes and the impact of inflation - Thursday June 23 15:00.

In this 45-minute webinar, share schemes expert David Craddock will examine the effect of the current cost of living crisis on everyday lives together with the impact of inflation on the operation of employee share schemes; the role that employee share schemes can play in alleviating the problem through the companies that embrace them; and the wider employee share schemes policy initiatives that governments can introduce to influence, for the betterment of their citizens, the range of macro economic indicators. He will explain how, at the micro-economic level of individual companies, cash profit-sharing schemes can work alongside employee share schemes to add to the positive effect in combating inflation and how, at the macro economic level, the process of reversing globalisation can be harnessed to an increase in employee share scheme activity.

There will be plenty of opportunities to put your questions to him and we look forward to seeing you there. **Registration is open**

Members' webclave: Broad-based employee share plans: are they still fit for purpose?

July 12 2022 at 11:00am.

You are invited to join the Centre's next webclave on Tuesday July 12 when EQ's Jennifer Rudman and Computershare's Stuart Bailey will lead discussions exploring whether broad-based plans in general, and SAYE/Sharesave in particular, are fit for purpose for today's workforce. To join the conversation, please register at

Members' Webclave.

Here is our library of broadcasts: **The Future of Gig Working As A Dynamic Economic Alternative; The Employee Voice: Share Plan Votes ; Esop Sofa: Hot Topics In Employee Share Ownership – Newspad Review IV; Innovative Tax Techniques For Employee Share Schemes; Share Schemes For Non-Employees & The Gig Economy; Esop Sofa: Hot Topics In Employee Share Ownership; Building Back Better With Your Employees Through Shared Ownership ; EOTs: The Credible Alternative To Succession; The Role of Employee Share Schemes In Achieving The UN Sustainable**

Development Goals ; Esop Sofa: Hot Topics In Employee Share Ownership - Newspaper Review ; Beyond Brexit: EU-UK Social Security Contribution Rules; Esop Sofa: Hot Topics – newspaper 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

Share valuations: can later transactions impact a valuation?

Deloitte's incentives team takes the view "It is generally accepted that a tax valuation should not be affected by hindsight, especially where that 'hindsight' is operational or financial information. However, established practice and HMRC's expectation, is that transactions that take place around the date of a tax valuation may well have an impact on such valuation.

"Understanding this issue is critical for **private companies who offer shares to employees**, as we are seeing increasing numbers of HMRC enquiries into share valuations where a later transaction suggests the original share valuation should have been different. This is especially where there is no historic valuation, or where the valuation obtained was not prepared in line with the latest market practice and HMRC approach. This issue is also raised regularly on due diligence reviews and in some cases, we have seen this result in transaction proceeds being withheld or even a change in the purchase price.

"These risks underline the importance of obtaining a comprehensive valuation in

advance of offering shares to employees. A properly formulated valuation that reflects all available evidence, will likely be accepted both in the context of due diligence and an HMRC enquiry. The alternative – explaining to employees why some of their proceeds are being withheld – is definitely unpalatable...!”

Ensuring director remuneration policies align with your company’s share plan rules

Pinsent’s Fleur Benns and Lynette Jacobs offer tips for UK quoted companies looking to refresh their directors’ remuneration policy, suggesting they can use [the opportunity to take stock of their remuneration arrangements](#) more generally.

Companies should consider whether their arrangements continue to meet their strategic requirements and objectives while allowing the company to attract and retain talent as well as meet investors’ expectations.

The requirement to put a policy to shareholders recurs at least every three years. Because the requirement was first introduced in 2013, a significant proportion of UK quoted companies will be required to renew their DRP and put it to a binding shareholder vote at their next agm to be held either in late 2022 or 2023, depending on the company's financial year end.

Companies that are renewing their policy will often take the opportunity to renew or replace remuneration arrangements, or to introduce changes to the way in which their annual bonus plans and share plans operate.

Gender pay gap reporting in Ireland – regulations finally published

On June 3 2022, the Irish government published its gender pay gap reporting regulations, which set out the detail of the reporting obligations under the Gender Pay Gap Information Act 2021.

In an article for Lexology, [Lewis Silkin provides an overview of the Employment Equality Act 1998](#) (section 20A) (Gender Pay Gap Information) Regulations 2022 and what employers need to know when doing their gender pay gap reporting.

Ireland: government announces series of new initiatives to support remote working

Fieldfisher reports that the Irish government has announced a number of new initiatives designed to make [remote working more accessible and attractive](#) for thousands of workers.

The Connected Hubs Voucher Scheme will provide at least 10,000 "hot desk" spaces nationwide. It is aimed at existing hub users as well as those using the hub facilities for the first time.

Users will have to register as remote workers and can then attend their local hub to redeem their free days. It will initially provide three days of hub use per person between now and the end of August

Navigating the World - an update on key global employment laws and trends for US multinational employers 2022 webinar series: Europe

In this session of Baker McKenzie’s four-part [Navigating the World webinar series](#), US-based multinational employers with business operations in Europe hear directly

from Susan Eandi and local practitioners on the major developments they need to know, and come away with practical tips and takeaways to implement.

Employment Rights – Is 2022 the year of enforcement? (Video Chat): Baker McKenzie's London Employment team discusses **the National Minimum Wage**, a topic that has the potential to be quite tricky to navigate for employers and one where we have already seen significant enforcement activity by HMRC over the past few years.

CMS adds partner to London employee incentives team

Andrew Quayle and Jaspal Pachu from the **CMS Employee Incentives team** were interviewed by **Law360** in relation to Jaspal's recent arrival and their future aspirations for the team.

Best practices in employee share plans

Computershare brought together four senior leaders from across the industry to discuss **key issues around employee share plans**, from top trends, best practices and how to measure success.

Returning to work after maternity leave

Cytec Solutions' client services director Shelley Goff, talks about what it's like being a working mum now that she has returned to work full time, in the latest edition of **Cytec's Ontrack newsletter**.

WORLD NEWS

Australia: Changes to tax-deferred employee share schemes from July 1 2022

The **Australian Taxation Office (ATO)** has **reminded employers** that provide their employees or their associates with employee share scheme (ESS) interests that such employees will no longer have a taxing point when they cease their employment, if that occurred on or after July 1 2022.

Due to this change, employers won't need to report to the ATO when an employee with ESS interests ceases employment with their company on or after this date.

If an employee with ESS interests ceases employment with an employer company before July 1 2022, it will still need to be reported to the ATO.

Employees will still need to pay tax at other taxing points under a tax-deferred scheme, and this will need to be reported using existing labels.

L'Oréal launches its third Employee Share Ownership Plan

The plan will be **rolled out in 63 countries** and will give L'Oréal employees, in France and internationally, the possibility to be even more closely linked to the group's development.

For this third plan, Nicolas Hieronimus, ceo of L'Oréal, announced: "After the success of the first two operations in 2018 and 2020, which enabled some 30,000 employees to demonstrate their commitment and confidence in the future growth and values of our group, we are again pleased to offer them this year another opportunity to strengthen their link with L'Oréal's future financial and extra-financial success. This

third Employee Share Ownership Plan is a new opportunity to allow those who wish to do so to join a great collective adventure and participate in a common project, our sense of purpose: Create the beauty that moves the world.”

France: Société Générale launches a Global Employee Share Ownership Programme

Société Générale announced the **launch of a new global employee share ownership programme** allowing eligible current employees and retired former employees of the group to subscribe for a capital increase reserved for them on preferential terms. The subscription period for the share offer was between May 25 and June 8. The settlement-delivery of the shares should take place on July 20 2022.

Petroplan launches employee share scheme to drive productivity

Recruiter reported that specialist global energy talent acquisition group **Petroplan has launched** an employee share scheme.

“The scheme means that all Petroplan employees across the globe can build an ownership stake in the business. Options are granted to all employees at the time of joining the company and are exercisable on sale,” a Petroplan company statement said.

Kenya: Why businesses require staff share option plans

According to *Business Daily Africa*, Bob Moore, the owner of a successful natural foods company, celebrated his 81st birthday in a lavish celebration. He had a huge surprise for the staff. During the

event, he launched an employee stock ownership plan that **benefited almost 200 workers**.

Some major challenges that businesses have when it comes to human resources are staff retention, motivation and reward.

Businesses can use employee stock ownership plans to achieve these and other goals. Though not commonly used in Kenya, businesses can consider setting up simple structures that mirror this concept.

Ghana: MTN to increase employee shareholding to five percent

Scancom Ltd, operator of MTN, is set to increase the total number of **shares allocated under its employee share scheme**, from 4.4 to five percent of its issued share capital.

The move, approved as a special resolution at the firm’s fourth agm in Accra, and serves as a key component as MTN seeks to further deepen the localisation process of its ownership, will see the employee allocation jump to approximately 615 million shares of the telco’s outstanding 12.3bn shares.

MTN introduced the scheme at an extraordinary general meeting in December 2020, in line with regulatory requirements, with an initial 12.5 percent of shares floated on the Ghana Stock Exchange at its IPO and a subsequent agreement with the government to sell another 12.5 percent to Ghanaians, bringing the minimum local shareholding to 25 percent.

South Africa: Are trusts still safe to use for BEE purposes?

Black economic empowerment (BEE) has been a feature of the South African business environment for a while. A number of businesses have been battling with the B-BBEE ownership requirement. Without black ownership, it is almost impossible to achieve a Level 4 B-BBEE status or better, which may negatively impact businesses in South Africa.

It is true **that some businesses do abuse trusts** as an allowed vehicle to circumvent the Broad-based Black Economic Empowerment Act (B-BBEE Act).

In some of these schemes no real black beneficiaries are identifiable and are often referred to as “faceless” beneficiaries. This is clearly abusing the law. The government will continue to attack such structures with the result that businesses may suffer.

Shareholding can either be held directly by black people, or through a variety of entities as an indirect form of B-BBEE ownership such as Broad-Based Ownership Schemes (B-BOS) and Employee Share Ownership Programmes (Esops) in terms of the existing B-BBEE Codes (paragraph 3.1 of Code Series 001). A B-BOS or Esop structure can operate as an association of members, a non-profit company, a private company or a trust.

India: Esop buy-backs

Employee stock options have been around for some time now. However, the recent **uptick in startups going for Esop buybacks** has brought them under the spotlight.

Enterprises buy back shares from public

shareholders to raise stock prices and boost investor sentiment. Publicly traded stocks are also brought back by companies to thwart hostile takeover bids.

However, Esop buybacks by listed companies are rare. “Buyback of Esop is not common among listed companies in India. It is mostly seen in startups and listed companies abroad,” said Rahul Sharma, research head, Equity 99.

Providing liquidity to employees is one reason why companies buy back Esops. Controlling the dilution in the company is another reason, Sharma noted.

USA: GTC converts to employee ownership

Golden Triangle Construction LLC, a commercial general contractor that does business as GTC Inc, has converted to a 100 percent employee-owned company through **a new employee stock ownership plan**.

“The company’s founders started with the idea that providing clients with our commitment to exceptional quality and personal service is the key to success and that philosophy still drives our work ethic to this day,” the company said in a statement.

“Employee ownership complements our core values and focuses on providing the best contracting services to our customers. Now that they are owners, GTC employees will share in our company’s financial and operational successes,” said Todd Schroeder, president of GTC.

EMPLOYEE OWNERSHIP NEWS

Scottish Employee-owned Business Census March 2022

New research commissioned by Co-operative Development Scotland, part of Scottish Enterprise, has given the clearest picture yet of **Scotland's employee-owned businesses (EOBs)** and their economic contributions.

The census shows that there are currently 195 employee-owned businesses (EOBs)

operating in Scotland, comprising 146 Scottish registered EOBs and worker co-operatives and 49 non-Scottish-registered EOBs. The census reveals that the Scottish-registered EOBs and

worker co-operatives have a combined turnover of £691m and employ 5,350 people.



Employee-owned Business Census 31 March 2022
www.cdsblog.co.uk/eob-census-2022

 

Employee ownership in Wales

According to *Business Live*, **employee ownership is now on the rise across** the UK.

Figures from the **White Rose Centre for Employee Ownership** show there 250 new employee-owned businesses created between January 2020 and June 2021. An

estimated 100 more transitioned in 2021 and growth has continued in early 2022. It is estimated that there are a total of around 730 businesses in the UK currently employee owned.

In Wales, employee ownership has seen a new wave of conversions in recent years, particularly among the SME social business

sector. Food brand Tregroes Waffles, North Wales TV production company Cwmni Da, and Educ8 Training Group have all become employee-owned.

Most recently, Pembrokeshire-based **Melin Tregwynt** made headlines when the owners of the 110-year-old wool mill decided to hand over the reins to their 42 employees.

Paul Cantrill, specialist adviser for employee ownership at Cwmpas (formerly Wales Co-operative Centre), said the turning point came in the Finance Act 2014 and the formation of the EOT.

Cwmpas estimate that there are around 40 businesses in Wales that are employee owned.

But this figure is both growing and accelerating with five Welsh businesses transitioning in March this year alone and more owners coming forward who are interested in the model.

However, this is mainly growing among businesses in the SME sector who have up to 250 employees.

Mr Cantrill said: “In the scale of UK commerce, they are quite small but of course within Wales a company that has 200 employees, for example, would be considered quite a large company because the units of employment in Wales are generally much smaller.”

The Welsh government has made it one of its strategies to double the number of employee-owned businesses which it is working with Cwmpas to achieve.

EOT Round-up

- ◆ Accountancy firm **TaxAssist Accountants**.
- ◆ Construction consultancy firm **Potter Raper Ltd**.
- ◆ Window, door, stairs, and manufactured doorset suppliers **International Doors and Windows Ltd**.
- ◆ Creative industries digital product studio **Ustwo**.
- ◆ Contractor **CDY Ceilings and Partitions**.
- ◆ Oven manufacturer and supplier **Tom Chandley Ltd**.
- ◆ **Hubaco** which includes Camping equipment supplier Terra Nova Equipment and clothing supplier YourSchoolUniform.com.
- ◆ GP surgery **Minehead Medical Centre**.
- ◆ Scottish bingo chain **Carlton Bingo**.



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ABOUT NEWSBRIEF

newsbrief is the Employee Share Ownership Centre's members-only mid-month publication.

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