

March 2017

CENTRE NEWS

Commission meets on wealth inequalities

The Centre will update the European Commission on March 30 under the aegis of ProEFP of which it is the UK member. ProEFP sees new perspectives emerging for financial participation through economic democracy. Centre chairman Malcolm Hurlston CBE will brief colleagues on the success of the Employee Ownership Trust.

CONFERENCES & EVENTS

Jersey share schemes and trustees conference: May 12 2017

The Centre's annual **Jersey share schemes and trustees conference** held in association with **STEP** will be on Friday **May 12** at the Pomme d'Or Hotel in St Helier.

The annual half-day conference is an industry-leading networking and learning opportunity for all those interested in share schemes and EBT trusteeship.

The programme will consist of presentations on the latest taxation, legal and regulatory issues in Jersey and the UK:

Malcolm Hurlston, Esop Centre
We love the British Isles

Paul Malin, Haines Watts
Approaching HMRC with a problem is not always for the faint hearted

Stephen Woodhouse, Pett Franklin
ESOTs and EOTs: share-based trusts for private businesses

Graham Muir, Nabarro

Tax treatment of EBTs: Rangers go into extra time...

David Craddock, David Craddock Consultancy Services

Takeovers and management buyouts: case studies

Chris Lowe, KPMG

Share schemes under the Common Reporting Standard

Helen Hatton, BDO Sator Regulatory Consulting

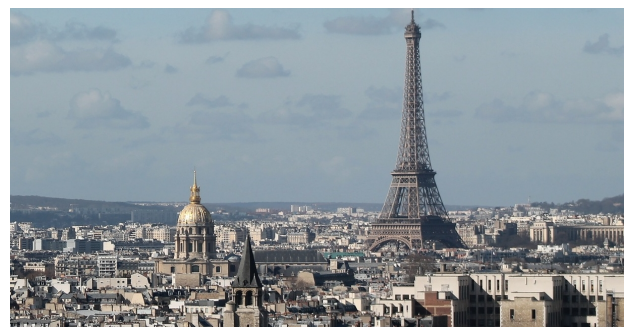
Challenges facing Jersey trustees in the post Trump, Brexit, CRS and GAA world

A no holds barred panel session will be followed by a networking lunch.

Tickets cost £350 for Centre / STEP members and £450 for non-members.

To book, email events@esopcentre.com with the names and contact details of all delegates or call 020 7239 4971.

Newspad Summit: Paris June 15 & 16 2017



The Centre's inaugural **Newspad Summit** will take place in the offices of global legal group **Clifford Chance** in Paris on Thursday/ Friday **June 15–16** 2017.

The new two-day summer event presents an ideal forum for leading players to consider long term trends and scenarios as well as keep au fait with the latest legal, regulatory, taxation, communication and market trends in international employee shares.

The speaker panel includes **Clifford Chance**, **Cytec Solutions**, the **Esop Centre**, **FONDACT**, the **International Association for Financial Participation**, **Macfarlanes**, **Pett Franklin**, the **RM2 Partnership**, **Solium**, **Tapestry Compliance**, and **Willis Towers Watson**.

View the event brochure – sponsored by Ocorian – for further details, including topic descriptions and suggested hotels.

Two speaker slots remain to be allocated. To deliver a speaker presentation at this event, you should register by email now – giving a brief outline of your intended topic. Speakers benefit from a significant fee reduction, subject to agreed content, and will be charged only £260.

Newspad offers the following registration rates:

Practitioner members: £395
Practitioners non-members: £695
Plan issuers: FREE – subject to £50 admin fee

These fees are not subject to VAT, as the event takes place outside the UK.

Registration entitles all delegates and speakers to:

- Take part in all conference sessions
- Buffet lunch and refreshments during coffee breaks
- Programme with access to speech summaries
- Cocktail party early evening, June 15

To register as a delegate, please email the Centre at global@esopcentre.com or call 020 7239 4971.

London share schemes for SMEs conference: September 12 2017

The next **employee share schemes for SMEs conference** organised by the Esop Centre and the **Institute of Directors** will be held in London on Tuesday **September 12 2017**.

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

The event will be chaired by Esop Centre chairman Malcolm Hurlston.

Robert Postlethwaite, Postlethwaite
Introduction to employee share schemes

Liam Liddy, Mazars
Enterprise Management Incentives (EMI)

David Craddock, David Craddock
Consultancy Services
EMI case studies

Catherine Gannon, Gannons
EMI alternatives

Beginner panel

Nigel Mason, RM2 Partnership
Employee Ownership Trusts

Colin Kendon, Bird & Bird
SME share scheme case studies

Stephen Woodhouse, Pett Franklin
Share schemes and succession planning

Garry Karch, RM2 Partnership
Financing employee ownership

Advanced panel

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

MEMBER NEWS

Modern farewell for Gillian Chapman

Friends and colleagues of Gillian Chapman celebrated her stellar career leading employee ownership at **Linklaters** with a balletic party at the Tate Modern. The David Hockney exhibition was supplemented by surprise ballet dancers who presented Gillian and her daughters with bouquets. Gillian hosted the Centre's meeting with the Coalition women's minister on behalf of women in employee ownership.

Deloitte overtakes PwC as world's largest accounting firm

Deloitte saw its global fee income grow by five percent to \$29.52bn in 2016, just enough to push its Big Four rival **PwC** off the top spot it had held for the previous two years. In 2016, PwC recorded only two percent growth in fee income to a total of £28.79bn. **KPMG** recorded slightly better growth than **EY**, but this was not enough to take third place. Outside the top 10, **Mazars** grew six percent to £1.51bn.

YBS publishes annual report

Yorkshire Building Society Group has announced a solid financial performance in its annual report for 2016. YBS Share Plans reported 17 new clients, with six for its new discretionary share plan service launched in September.

BT to separate from Openreach

BT has announced that it will legally separate Openreach, the organisation behind the UK's broadband infrastructure, following demands by the telecoms regulator Ofcom.

Solium announces June Davenport as head, EMEA Trusts & Nominee Services

Solium Capital Inc. has announced that June Davenport has returned to the EMEA region and will be assuming a new role. June

has also re-joined the EMA leadership team. Md Brian Craig said: "We are very pleased to welcome back June and her energy, industry and share plans thought leadership acquired from experience across the globe. June was one of the founders of Solium's EMEA franchise, and she should feel an immense sense of pride as she returns to a team of 85 professionals spanning Europe with operating centres in London and Barcelona. June is returning from a two-year assignment in Sydney, Australia, and we are delighted to have her back on the Team."

ButcherJoseph advises on employee buyout and sale of ESOP

ButcherJoseph & Co. has worked on two recent deals, one involving the sale of **Superior Fabrication Inc.'s Esop** to Tri-Point Oil & Gas Production Systems and the other on the employee buyout of **Helicopters Inc.**

UK & GLOBAL NEWS

UK: Spring budget 2017



There were no major policy changes concerning employee share ownership in the UK spring budget, but a number of announcements may have a long-term impact. The government will seek EU state aid approval to continue for the capital gains tax relief on Enterprise Management Incentive options beyond 2018. **Centre member Pett Franklin** welcomed this news as there had

been some speculation that the government would allow it to expire. The chancellor also announced that the annual tax-free dividend allowance will be cut from £5,000 to £2,000 from April 2018. [Nigel Mason](#) and [Robert Postlethwaite](#) of Centre members RM2 and Postlethwaite criticised the move which will directly affect employee shareholders.

UK: Worker representative to join Sports Direct board

Sports Direct is answering Theresa May's call for worker representatives on company boards. Wrong-footing its detractors, the controversial retailer has invited its store staff – many of whom are on zero-hours contracts – to apply to represent the company's 23,000 employees at board meetings for a one-year term. In a letter to all employees, chief executive Mike Ashley wrote: "It is important that your voice is heard at the highest level in order to continue to make a positive difference. I look forward with immense pride to sitting alongside the UK's first elected workers' representative at future board meetings."

UK: New Office of Tax Simplification director takes up post

Paul Morton took up the post as the Office of Tax Simplification's new tax director on March 1, replacing John Whiting who stepped down after more than six years in the role during which he achieved a great deal for share schemes.

UK: John Lewis Partnership staff bonus cut by 40 percent

Staff at John Lewis and Waitrose will see their annual bonus fall from 10 to six percent of their salary as the indirectly employee owned business anticipates a tough 2017. John Lewis Partnership chairman Sir Charlie Mayfield explained that the bonus would be lower "because the board has decided to retain more of our annual profits in order to

strengthen our balance sheet". It was also announced that John Lewis will cut back on new store openings and invest more in online shopping, employing fewer but more highly skilled staff.

UK: Definition of financial advice to be amended

The Treasury is set to amend the UK definition of financial advice for regulated firms so that advice is only given when providing a personal recommendation from January 3 2018. The change follows a recommendation from the [Financial Advice Market Review](#) and [the government's consultation last year](#).

UK: Capping executive pay has no beneficiaries, IEA fellow

Len Shackleton, professor at the University of Buckingham, told a panel discussion event organised by the Institute of Economic Affairs that government controls on top pay would have no tangible benefits. It would not lead to higher dividends for other shareholders, nor would it benefit the rest of the workforce, and HMRC would take in less tax. Prof. Shackleton said the focus should be on tackling inequality lower down the pay scale, endorsing the Centre's suggestion that this could be achieved in part through broad-based employee share schemes.

UK: Record high for zero-hours contracts

The number of people on zero-hours contracts reached a record high of 910,000 in 2016, according to the Office for National Statistics. The Centre's view is that the Company Share Option Plan should be used to boost the remuneration and motivation of the low-waged and under-employed.

Europe: 2016 EFES survey published

The EFES has published its [Annual Economic Survey of Employee Share Ownership in](#)

European Countries. It found that employee share ownership is growing across Europe, with the number of employee shareholders in large companies rising to 3.2 percent, the highest on record.

USA: Encouraging Employee Ownership Bill progresses through Congress

The Senate banking committee unanimously approved the *Encouraging Employee Ownership Bill* on March 9. The bill aims to make it easier for private companies to provide stock compensation to employees by increasing the cap on the amount of stock companies can award employees before certain reporting requirements apply. The bill was passed by the House of Representatives last year, but was not touched by the Senate and was *re-introduced* this year.

MEMBER PROFILE

Veronique Japp is the head of **Equatex UK**.



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

A lot is said about the purpose employee share ownership: retention, motivation, alignment of interests, employee engagement and so on.

The one that stands out to me is how overall it has been established through extensive and various research and indexes that businesses with employee equity ownership schemes are, put quite simply, doing better and are more productive than those that don't.

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

I have to say the answer is technology. We have talked for years about using better, more

engaging and stimulating communication to promote share ownership.

I feel that only now are we seeing HR and share plan administration catching up on their innovation and technology gap.

At last the effective communication and content that many of us have been so passionate about can speak to all generations of employees.

When you look at how DS Smith recently used Augmented Reality; how Diageo delivered their incredibly engaging content through the web or how our clients now use our mobile app to launch and promote plans and engage their workforce, I feel that we really took a big leap forward.

Technology has created exciting new opportunities for employee share ownership.

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

What I have found the most significant is the wide-ranging impact of capital requirement directives and subsequent guidelines on remuneration practices over the past few years.

We have not seen the end of it yet and I don't think we can yet appreciate the full impact.

But bonus caps, the balance between fixed vs variable remuneration, the identification of staff and endless debate about the definition of long term and whether we should defer for longer or not defer into equity at all will shape the future of employee share ownership.

The impact on remuneration practices and behaviours has already been considerable.

But I don't think regulators and investors are quite done with this yet and we will see more requests for moderation and sensible ratios in executive remuneration.

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

Having experienced different equity ownership cultures in Europe I can confidently say that the UK governments have achieved something that no other European government has quite achieved, which is to obtain not just cross party, but cross population groups, support for employee share ownership as a way to spread wealth.

This has been achieved by supporting schemes like SIP and SAYE and has proven to be popular and powerful way to show that equity ownership is not only for the wealthy. European countries have faced backlash against stock options and other forms of equity remunerations, fuelled by public perception that they only serve as a way to give even more to a wealthy elite.

They have been unable to respond on a European level by supporting, an all employee plan model that would work across the EU.

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

On an international scale, I'd like to see a Europe-wide all employee equity ownership model being introduced.

But given current political developments, this is probably something that won't have much impact on the UK any longer.

Nevertheless, it would be a real, significant signal if the EU was to prove able to back a European share plan for all employees with EU-wide tax advantages.

What is your idea of perfect happiness?

A dinner for four at a Michelin star restaurant, on holiday somewhere, knowing that I am not pressed for time.

What do you consider your greatest achievement?

My two daughters.

What historical figure do you most identify with?

I have great admiration for many powerful, determined and passionate women who supported several causes but all advocates of feminism: Simone de Beauvoir, Simone Weil, Elisabeth Badinter.

Which living person do you most admire?

I have a weird one: Charlie Brooker – the guy is an absolute genius! And I don't say that about many people.

What is your most treasured possession?

I don't value possessions very much – I think I value moments and experiences more. My house probably is our most treasured place at the moment, and the build was on Channel 4 I'll have you know!

ABOUT NEWSBRIEF

newsbrief is the Employee Share Ownership Centre's members only mid-month publication edited by Daniel Helen. Contact the editor to submit a story for the next issue.

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