



EVENTS: CENTRE RETURNS TO IN-PERSON CONFERENCES

Esop Centre share plans symposium 2022 – Programme Update

There is still time to register for the **Centre's fifth share plans symposium**. This year's event will be in two parts; the speakers' **presentations will be broadcast as 20-minute webinars** during March, the recordings of which will be available to delegates along with relevant papers; and a live face-to-face debate and networking session in the London offices of Baker McKenzie at 100 New Bridge Street EC4, on the afternoon of Wednesday April 6 2022

The live session, starting at 13:45, will feature four interactive panel discussions. Speakers will summarise the main points arising from their presentations before throwing the debate open to delegates. The event will finish with a celebratory reception from 17:20.

- ◆ Panel one will be dedicated to the new executive remuneration landscape.
- ◆ Panel two will be devoted to employee equity arrangements for SMEs.
- ◆ Panel three will offer tips for successful share plan launches in 2022 and explore the use of employee benefit trusts internationally.
- ◆ Panel four will examine the impact of regulation and governance on all-employee share plans.

Please review the **event brochure for programme details** and booking form.

Speakers include: Jeremy Edwards, partner and head of **Baker McKenzie's** employee benefits group; Stuart Bailey, associate director, **Computershare**; David Craddock, director founder, **David Craddock Consultancy Services**; Arran Simpson, partner-tax, & Hannah Tipper, associate director-tax valuations, **Deloitte**; Jennifer Rudman, industry director-employee share plans & Kevin Taylor, client relationship manager-premier services, **EQ**; Catherine Ramsay, partner-equity incentives, **Gannons**; Rasmus Berglund, senior counsel, & Saba Palizi, senior solicitor, **Macfarlanes**; Andrew Nealey, senior manager-reward & employment & Elizabeth Bowdler, senior manager, **PwC**; Shervin Binesh, director corporate services, **Sanne**; and Elaine Graham, director & Matt Longson, assistant trust manager, **Zedra**.

Prices:

Delegates from plan issuer companies will be admitted free of charge.

Practitioners: Members: £395

Non-members: £595

Trustees: Members: £330

Non-members: £530

There is an option to attend the live session remotely. Prices to attend virtually are: Members: £300 and Non-members: £475 (please indicate if you would like to take this option when booking).

All prices given attract standard UK VAT.

To join the 35+ plan issuers, share plan practitioners and trustees who have already registered, please send delegate name and contact details to juliet_wigzell@zyen.com.

Employee share plans and trustees conference 2022 – May 13

For this year's Esop Centre Employee Share Schemes and Trustees Conference, held in partnership with STEP Jersey, scheduled for the morning of Friday May 13 2022, we'll return to the Pomme d'Or hotel in St Helier.

With the international reach of trustees and the growth in the establishment of employee ownership trusts, it has never been more important for those interested in employee share schemes and trusteeship to stay informed with expert views and enjoy the continuing education which our conferences and seminars offer.

Don't miss this great opportunity to update your knowledge. Talks will cover *Catching up with HMRC and unravelling the mess left behind after Covid; Recent developments in employee share schemes*, including any relevant Spring Statement announcements in the tax sphere; as well as legal; tax; and regulation updates.

The programme is drafted to provide relevant technical information, which we trust will be acceptable as counting towards your Continuing Professional Development or Continuing Competence.

The presentations will run from 9:00am to 1:00pm (approx.) followed by a lunch for delegates and speakers.

Tickets: In light of the postponement of the Centre's 2020 Conference, we are **holding our prices at 2020 levels**: Esop Centre/STEP members: £375 Non-members: £480.

You can reserve your place by emailing events@esopcentre.com or call the Centre on +44 (0)20 7562 0586.

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 - 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

Centre follow-up webclave on EOT development & reform – March 21

The next members' online webclave is scheduled for Monday March 21 2022, 15:30 to 16:30 (GMT).

The Centre's January webclave on Employee Ownership Trusts focussed on the Chartered Institute of Taxation's proposed modifications to the EOT tax regime, for which there was general support; and how best to make the EOT more effective from both the engagement and direct ownership perspectives. Feedback from participants suggested that there was much more to talk about on the subject.

In this follow-up debate, David Pett, barrister, Temple Tax Chambers will ask: How can EOT company employees benefit from growth in capital value when in the current regime they can only receive value when the company is sold? Are the companies for which employee ownership is most successful the ones where employees have some direct ownership? And is this, therefore, a good case for changing the regime? He will also pick up on how the current regime can be subject to abuse.

You can read the latest research from the US on the success of direct ownership during covid in the next story: "A new study..."

After a brief introduction, our speakers will set out the issue. You will then be invited to join the two discussion groups to chat with fellow members on the agenda topic, before reconvening to sum up. The event will be run under the Chatham House rule.

If you would like to join the conversation, please register at: <https://us06web.zoom.us/j/84451200000>

New study: employee ownership provided resiliency & financial security during crisis

A new study by the National Center for Employee Ownership (NCEO) finds that employee ownership of private businesses through employee stock ownership plans provided exceptional resiliency and financial security in the face of pandemic-driven economic challenges.

The study – which NCEO conducted on behalf of the Employee-Owned S

Corporations of America (ESCA) – finds strong, measurable evidence that having an Esop in place prior to the worst of the crisis helped employee-owned businesses not only to survive but also take better advantage of growth opportunities than their conventional, non-Esop counterparts.

Drawing on objective data from 310,857 plan filings, NCEO analysed retirement plan data from 2019 and 2020 from S corporation Esops and a comparison group of companies offering a 401(k) plan. Their analysis found that **employee ownership provided critical financial and retirement security for employees and resiliency for these S Esop businesses when compared to non-Esop companies.**

Centre founder Malcolm Hurlston CBE commented: “This NCEO research with the S Corporations of America hasn't been publicised outside the USA. But the findings are compelling.”

NCEO's key findings include:

- ◆ Businesses with an Esop in place **provided greater financial security for employees heading into and during the pandemic, and job retention at the firm level compared to comparable conventional firms.**
- ◆ The average Esop account balance going into the pandemic was dramatically higher - more than double - than the average 401(k) account balance (\$132,000 vs. \$64,000) at a non-Esop company.
- ◆ Controlling for size, industry, and location simultaneously, the S Esop advantage is **an estimated \$67,000 more in retirement security** – especially remarkable, given that **just over half (50.5 percent) of American families have a retirement account at all.** Among those that do, the median account value was \$65,000.
- ◆ The average **employer** contribution to the S Esop was **more than 2.5 times** that of companies offering only a 401(k), and **94 percent** of total contributions to Esops came from the employer, **compared to 31 percent** for 401(k) plans.
- ◆ Notably, most Esop companies also offer traditional retirement benefits such as a 401(k), in addition to providing employees with an ownership stake in the business as a benefit of employment.
- ◆ Using active participants as a proxy for employment, and controlling for company size, industry, and region, being an Esop is associated with retaining or adding an additional **six employees** from 2019 to 2020, compared to non-Esop employers.

JP Morgan confirms \$730m takeover of Global Shares

The Irish Times reports that banking giant JP Morgan has confirmed a deal to acquire Centre member **Global Shares in a multimillion-euro deal.**

The deal is worth \$730 million (€665 million), making it one of the largest exits by an Irish fintech.

The transaction, which is subject to regulatory approvals, is expected to close in the second half of 2022.

The acquisition has been described as “great news for west Cork” with the scope for more jobs to be created locally.

Informed sources said the acquisition would allow the fintech to accelerate its ambitious plans, with Global Shares to retain its headquarters in Clonakilty.

The company, founded in 2005, originally operated as a low-margin service business. However, under the stewardship of Tim Houstoun it has transitioned to becoming a leading global provider of employee share management products.

“We are tremendously excited to partner with JP Morgan and to continue on our journey of being a leading player in equity incentive services,” Mr Houstoun said. “Together we will accelerate the expansion of our business globally as well as the range of services we offer to our clients and their employees.”

IEA: Yes, let's be “tough on Russia” – but not by overriding the rule of law

Institute of Economic Affairs research fellow and friend of the Centre, Professor [Len Shackleton](#) writes in the IEA's blog:

“Our relative powerlessness in relation to the dreadful conflict in Ukraine is leading politicians and activists – online and offline – to engage in gestures which achieve very little even if they make some people feel a bit better. The danger is that some of those may have longer-term consequences which these people are not thinking about.

“Some gestures are simply pointless, and can have no effect whatsoever except in the mind of those who carry them out. One such is the Cardiff Philharmonic's action in removing long-dead Russian composer Tchaikovsky from its playlist, only one step up from the man who removed every bottle of vodka from a Basildon supermarket the other day.

“Others do have a real impact, but not necessarily on those whom we might wish to sanction. For example, social media pressure has led McDonald's to close its operations in Russia. This will hit Russia's junk food devotees, the 62,000 staff employed in its 850 Russian outlets, and McDonald's' shareholders. Russian generals and Vladimir Putin? Not very likely. I doubt a Big Mac has ever passed the Russian dictator's lips, assuming it would get past his team of food tasters.

“The economics literature is clear that sanctions of this kind have little impact and usually end up disproportionately hurting poorer people. If this led them to rise up against their oppressive rulers, it could make sense. But such a result has rarely, if ever, happened. The probability of removing Western goods and services from Russia's consumers leading to Putin's removal is surely vanishingly small. It could well backfire if the state's propaganda uses it to convince citizens that the West is permanently hostile to the Russian people. In the long run, this may not be a good thing.

“So what of sanctions against individual ‘oligarchs’ (a very vague term)? These are clearly popular, and the only opposition to the government's actions against individuals, reinforced by this week's Economic Crime bill, has been from opposition politicians, and some Tories, demanding still tougher rules.

“But we ought to be careful with this. I may be in a small minority, but I'm not that happy with the British government being able to impose freezes on individuals' assets without having to make a case before a court.

“Property rights are an essential part of living in a free society, and for the government to override them without clear evidence of wrongdoing sets a baleful precedent.”

UK NEWS

PAYE: HMRC should prioritise improvements

The Office of Tax Simplification (OTS) **has published 'OTS Evaluation Note'**, which evaluates whether its past recommendations to HMRC on the operation of the PAYE system have been acted upon. It notes that there is a lack of evidence of HMRC planning or prioritisation to address the issues previously raised.

The OTS produced two reports in 2019, which made a number PAYE related recommendations. These reports included Simplifying everyday tax for smaller businesses.

Key issues highlighted in 2019 included:

- ◆ The lack of strategic direction for the PAYE regime.
 - ◆ The need for a fresh review of the PAYE Real-Time Information (RTI) system to identify areas of improvement.
 - ◆ The need for improved external engagement with payroll professionals and agents.
 - ◆ The practical issues faced by taxpayers arising from interactions with the PAYE system when starting work, changing jobs or taking on additional jobs.
 - ◆ Various issues with PAYE codes and coding notices, for example, when people first receive the State pension.
 - ◆ Issues faced by employees when claiming expenses.
- The OTS now suggests the key priority for HMRC and government is to ensure commitment and funding is in place to continually improve and develop the PAYE system and ensure the effective operation of the Single Customer Account.
- ◆ The establishment of HMRC's Income Tax Oversight Group (ITOG), as an internal governance group, is welcomed.
 - ◆ HMRC is encouraged to provide direction and transparency around future plans, priorities and work programmes in this area.
 - ◆ Wider and further engagement with the payroll industry and other tax professionals and agents is encouraged to obtain information and support positive changes.
 - ◆ In respect of particular recommendations previously made, the OTS would like to see:
 - ◆ Improvements to the quality and detail of PAYE data collected, and its processing, to deliver better outputs and outcomes for employers and taxpayers, particularly in connection with changes in work status such as changing jobs.
 - ◆ Improvements to the Tax coding system, explanatory notes around tax coding notices, and ways in which taxpayers can make changes to tax codes through their Single Customer Account.
 - ◆ The design of the Single Customer Account being aligned to RTI data to provide clear, accurate and timely information to taxpayers.
- Centre founder Malcolm Hurlston commented: "HMRC takes no notice. Maybe the same again."

Freetrade asks users for securities lending consent 'to keep fees low' – a direct attack on employee shareholders

AltFi reports that leading share trading app Freetrade is asking all users to agree to new terms and conditions including agreeing **to let the fintech lend out customers' securities**.

Securities lending is a fairly commonplace practise in financial markets. Holders of securities such as pension funds, ETFs or brokers enter into an agreement with a borrower. These tend to be banks or hedge funds that agree to repay the security by a given date and pay a small fee. This could be to 'short' a security or for a number of other risk management or investment strategy reasons.

Freetrade says the process will mean that it can continue to offer a low-cost product and build a sustainable business model through a new revenue channel.

Users have to agree to their securities be lent or have the ability to buy new stocks taken away by June 1 2022, a Freetrade spokesperson told *AltFi*.

WORLD NEWS

Singapore: Funding Societies announces US\$16m Esop buyback

Funding Societies (also known as Modalku in Indonesia), Southeast Asia's largest SME digital financing platform, has announced its **Employee Stock Option Plan buyback** for existing and former employees worth US\$16 million. The Esop buyback marks the fourth time this activity has been conducted by the FinTech platform. Prior, employees and company alumni have cashed out US\$3.5 million worth of Esop shares.

India: Urban Company announces stock ownership plan

According to *the Indian Express*, home service marketplace **Urban Company has announced a stock ownership plan** worth Rs 150 crore for 20,000 to 30,000 of its service professionals over the next five to seven years.

With Urban Company's latest move, a part of its gig force would be able to become shareholders in the company which offers them a chance of some wealth creation. However, it is worth noting that the company has not yet announced how it will conduct a buyback of the shares that it allots to its service professionals.

India: Buybacks bring back Esop lustre, but all that glitters isn't gold

Once a rarity, **Esop buybacks are now all the rage** in India's start-up ecosystem. In the first two months of 2022, more than a dozen start-ups committed to or completed buybacks. With India's top 30 start-ups likely generating more than US\$1 billion in value for employees through buybacks, Esops are now top-priority for employees looking to change jobs, reports *The Ken*.

Over the past few years, start-ups have increasingly dangled the carrot of employee stock ownership plans to both hire and retain employees. Today, however, Esops are no longer the differentiator they once were. What employees want now is an employer that's willing to actually buy Esops back.

Australia: i2C introduces revolutionary ownership plan

Architecture & Design magazine reported that **i2C Architects has launched its employee share ownership plan**, an innovative ownership model in Australia, that will nurture company culture and help to retain studio talent.

Through the implementation of the Esop, i2C employees will earn ownership through their performance. Eight senior associates are expected to earn shares of i2C by the end of the year, providing the practice achieves its profit targets.

i2C co-founder, Anthony Merlin, says the plan has been created in order to enhance the culture of the practice and to ensure strong design talent is recruited and retained.

“The plan aims to retain our strong existing talent while offering unprecedented opportunities; we look forward to providing our senior associates with a pathway to business ownership that they may not otherwise get in other companies,” he says.

Jamaica: Esop responses

As the *Jamaica Observer* continues exploring the concepts of employee share option plans and other compensation schemes, it asked two leaders of companies listed on the Jamaica Stock Exchange, John Mahfood and William Mahfood, about how they ensure their **company's shares can be used to benefit their staff in the later years**.

South Africa: Net1 gets competition law approval for Connect Group transaction

Net1 has received approval from the South African, Botswanan and Namibian competition authorities in respect of its acquisition of 100 percent of the shares and claims in the Connect Group.

The South African Competition Tribunal approved the transaction subject to certain public interest conditions relating to employment, increasing the spread of ownership by historically disadvantaged people (HDPs) and workers, and investing in supplier and enterprise development.

Further to increasing the spread of ownership by HDPs: Net1 is **required to establish an employee share ownership scheme** that complies with certain design principles for the benefit of the workers of the merged entity to receive a shareholding in Net1 equal in value to at least three percent of the issued shares in Net1.

EMPLOYEE OWNERSHIP NEWS

Fieldfisher has advised leading legal recruiter Shilton Sharpe Quarry (SSQ), on its move to employee ownership

The Fieldfisher team was led by partners Mark Gearing and Neil Palmer, with Tamsin Nicholds, director, and Hannah Bignell, associate providing support.

The transaction represents an exciting new chapter for SSQ. Gareth Quarry and Jill Whitehouse move to new non-executive roles, while the strong management team has championed the new structure. It is designed to support the next phase of growth worldwide with all team members enthused and rewarded.

Jill Whitehouse, SSQ's general counsel and coo, said:

"Working with Fieldfisher has been a delight. They are expert in this field and brought us up the learning curve very effectively. Neil Palmer, Tamsin Nicholds and their colleagues all made me feel as though I was part of the team, something that as SSQ's general counsel I value very highly. We are also benefiting enormously from Graeme Nuttall agreeing to be our independent trustee as he brings with him the expertise and experience to ensure that we adopt and maintain best practice as we transition to this new and exciting form of ownership."

EOT trustee board composition

Newsbrief is interested to hear of your EOT. Can you let us know if employees have a majority on the trustee board? We applaud that. (Please do pass this copy of newsbrief on to your clients – we would like to know their views on this).

Employee ownership trusts have advantages if structured right

Legal director **Fleur Benns**, writing for **Pinsent Mason's *Out-Law*** said: "Employee ownership trusts are increasingly popular ownership models that can deliver benefits to an organisation's shareholders and its employees."

"However, while EOTs offer a 'third way' alternative for shareholders to exit beyond the more common trade sale or an IPO, careful thought is needed over how EOTs are structured and how the sale of shares will be provided for and funded."

EOT Round-up

- ◆ Investment advisory firm **ASAM**.
- ◆ Manufacturing and engineering business **British Rema**.
- ◆ Fuel supplier **Craggs Energy and its sister company, Moorland Fuels**.
- ◆ **Fitzgerald Contractors**.
- ◆ Garage door manufacturer **Gliderol**.
- ◆ Civil engineering contracting business **Kilmac**.
- ◆ Corporate finance firm **Orbis Partners**.
- ◆ IT support services specialist, **Pro-Networks**.
- ◆ Digital agency **Spider Online**.



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ABOUT NEWSBRIEF

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