



Submissions are now open for the 2020 *newspad* all-employee share plan awards



***newspad* all-employee share plan awards 2020**

Submissions are now open for the 2020 *newspad* all-employee share plan awards. The *newspad* awards recognise the achievements of companies which offer employee share plans and hold up best practice models for other companies to follow. This year has been particularly challenging and the awards reflect this with a new category focussing on share plans and the Covid crisis. All-employee share plans can play a key part in rising to such challenges by contributing to employees' savings, morale and engagement. This award category is designed to recognise ingenuity in adapting a share plan to fit the rapidly shifting landscape.

Companies can nominate themselves or advisers can make submissions on behalf of clients. The deadline for all nominations is 17:00 on Friday January 15 2021. Results will be announced at the British Isles share plan symposium.

The award categories this year are:

- ♦ Best international all-employee share plan (more than 2,500 employees)
- ♦ Best UK all-employee share plan (fewer than 2,500 employees)
- ♦ Best executive/managerial equity reward plan (involving more than 100 employees)
- ♦ Best start-up equity incentive plan
- ♦ Best share plan communications

- ♦ Best use of technology in employee share plans
- ♦ Best share plan adaptation to the Covid crisis
- ♦ Best HR director/company secretary/share plan manager/head of reward
- ♦ Outstanding company leader (for chairman or ceo personally associated with company plans)
- ♦ Company whose employee share ownership is most impactful on company success

Entry rules and submission form are published on the Centre's website www.esopcentre.com

EVENTS

Second Centre webclave

January 2021.

We are arranging a second Esop Centre members' webclave (online conclave, a private, invitation-only meeting) which will bring Centre members together to discuss areas of common interest. Keep an eye on your in-box for further details.

British Isles share plan symposium on-line – March 23-25

The Centre is to deliver its **fourth annual share plans symposium in online** format on three successive days, namely March 23, 24 and 25 next year. This key event, originally scheduled to be held in the London HQ of a member firm, has been postponed owing to Covid.

The online format will comprise three, hour-long, live webclaves with the speakers for each day forming a panel discussing the topic of the day with delegates, who will be able to interact live. Supporting material for each webclave

will consist of the speakers' pre-recorded 20 minute video presentations, which will be released on the day before that speaker's live panel session.

The revised outline programme now looks like this:

Day 1 - Webclave: *All-employee share plans and share plan regulation*

Speakers: Baker McKenzie, Pett Franklin, Travers Smith, Computershare & EQ

Day 2 - Webclave: *Executive equity incentives*

Speakers: Deloitte, Linklaters & Willis Towers Watson

Day 3 - Webclave: *Eso opportunities for SME companies*

Speakers: Bird & Bird, David Craddock, Doyle Clayton & Rm2 Partnership

Programme segments will include the impact of the pandemic on employee share plans and on executive remuneration trends. Further details to be announced.

Our thanks to **Ocorian**, the independent Channel Islands based provider of corporate and fiduciary services, for its patience in co-sponsoring the symposium, which has been designed to offer participants interaction with experts offering their guidance on installing and operating employee equity schemes for companies of all sizes.

Delegates from share plan issuer companies, large or small, are welcome to attend free of charge, though you must register your planned attendance in advance.

Speakers needing to update their presentations should inform Fred Hackworth at: fred_hackworth@zyen.com. For all other enquiries about this event, including attendance logistics and reservations, please contact juliet_wigzell@zyen.com or call +44 (0) 20 7562 0586.

WEBINARS

Insights into share valuation for employee share schemes: revealed through dynamic case studies. November 17 15:00-15:45

Share valuation is a key step in the design and implementation of an employee share scheme for an unquoted company. Tax or fiscal valuations in the UK are subject to special rules

which have evolved over time out of a combination of case law and legislation. Whether a valuation is acceptable for tax purposes is ultimately a matter for HMRC.

Following up his "wisdom of price setting for your employee share schemes" webinar in July, David Craddock, who is technical secretary as well as the Centre representative on the Share Valuation Worked Examples Group, will guide us on share valuation for Esops through a series of case studies.

Focus on Brexit

December 16 12:00-12:45

As we near the end of the Brexit transition, International law firm Baker McKenzie looks at the implications for international share plans, financial services, and the wider business world. Details to follow.

Here is our library of broadcasts:

[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 AND MEMBER NEWS

Suzannah Crookes joins Centre steering committee

On November 5, chairman Malcolm Hurlston CBE welcomed equity plan tax law expert Suzannah Crookes to the steering committee of the Esop Centre following on from Isobel Evans.

The steering committee is the successor to the Centre's original board, created to simplify the participation of the more highly regulated professionals, accountants and lawyers in particular.

The Centre goes back to the days when, with David Reid of Clifford Turner and Lord Thomas of the trades union financial institution, Unity, Malcolm Hurlston introduced the US Esop to the United Kingdom.

KKR and all CHI employees participate in fourth dividend

KKR's Pete Stavros announced on October 31 that the fourth dividend at CHI Overhead Doors was paid out and, because all employees are owners in the business, everyone participated. For an average hourly employee these dividends have aggregated to over \$9,000 so far. Since employees haven't sold any stock yet (these are just dividends on their equity), there is much more to come as they continue to build value together.

KKR & ALL CHI EMPLOYEES PARTICIPATE IN FOURTH DIVIDEND



In total, 4 dividends under KKR ownership represent >\$9,000 per employee (on average*) paid out to CHI's hourly team members

*For those employees who have been at CHI since KKR acquisition

KKR



@KKR_Industrials

HMRC announces changes which benefit EMI and SAYE affected by the pandemic

In a video, Pinsent Masons' [Fleur Benns tells HRNews](#) why HMRC's latest Employment Related Securities Bulletin spells good news for reward teams:

"EMI - back in March and April concerns were raised that employees who were furloughed, or had their hours reduced, or were placed on sabbatical due to the Covid pandemic would cease to meet the working time requirement and therefore would lose the tax benefits relating to the plan. HMRC has now recognised those concerns and announced that the legislation would be amended to provide a sort of carve out, or an exemption, similar to the ones that are already in place for people on maternity or paternity leave, so that the time not worked, or reduced working, due to the pandemic would not count towards the working time commitment and participants would not therefore be penalised because they had been furloughed. The changes took place with effect retrospectively from March 19 2020, and are currently due to end in April 2021. Though the bulletin has confirmed that the Treasury can extend this exception for a further 12 months if it turns out that the pandemic has not ended by April 2021 and employees are still being furloughed or are on reduced hours.

"SAYE - HMRC confirmed earlier this year that participants in an SAYE plan could take holiday from making their monthly contributions if they had been furloughed etc. Under the legislation it is possible to have a 12 month holiday for making contributions. This has now been extended indefinitely and so if contributions were missed due to the participant being furloughed, or being on unpaid leave, during the pandemic, those missed months would be allowed under the terms of the legislation even if it was for more than 12 months.

"A last point on EMI. There is test for maintaining tax advantages and reliefs where the employee no longer meets the working time commitments due to the pandemic. The reason must be "connected to the coronavirus pandemic" - but what does that mean? To help employers with that, the Revenue set out some working examples, [given in bulletin 36](#). Employers and employees must keep evidence to show that there is a link to the pandemic."

Frasers Group plc Employee Benefit Trust purchase of employee shares – company announcement

On October 30 2020, a total of 1,088,429 ordinary shares of 10 pence each in the company were acquired by 12 participants following the exercise of an award under the company's share schemes. The 1,088,429 shares sold by the participants following exercise were acquired by *Estera Trust (Jersey) Limited* as Trustee of the **Frasers Group plc Employee Benefit Trust**, with the acquisition being funded by a loan advanced by the company. The shares were acquired at a price of 374.80 pence per share (being an amount equal to the mid-market closing price of a share on October 30 2020) in an off-market transaction effected in Jersey. The Trustee has purchased these shares in order to help meet future obligations arising under the company's share schemes.

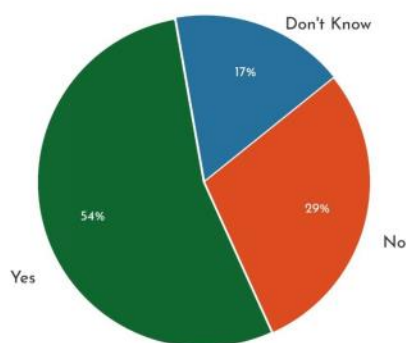
UK NEWS

Simmering pressures

Friend of the Centre, **Paul Jackson** writes in *Investors' Chronicle* "Given that the UK average salary is around £30,000 a year, if there was a pay cap for chief executives, what should it be? To answer that, most of us would probably come up with a rounded multiple of either the national average or our own income. So it should have been no surprise when *Survation*, a market research agency, asked

In order to create a fairer economy during the Covid recession, it has been argued that a maximum wage should be put in place so as to create new jobs and to spread money more evenly across companies and the wider economy. Other people argue that a limit on high earners' salaries would reduce incentives on productivity.

Would you support a maximum wage?



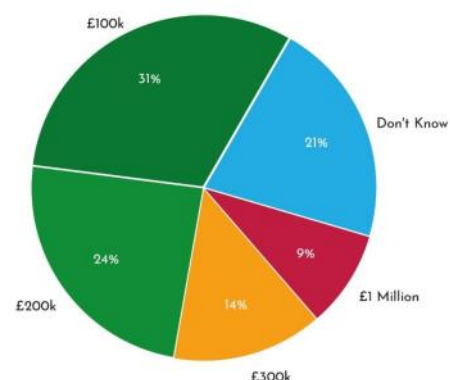
Survation.



this question of 1,005 UK adults and about a third suggested £100,000.

According to *Autonomy* and *High Pay Centre*, the polling found that **54 percent would support plans for a government-mandated maximum wage**. When asked in a follow up question what would be the fairest maximum wage, the most popular option was a cap of £100,000 which was supported by 31 percent. Nearly 70 percent would support wage cap limits at either £100,000, £200,000 or £300,000.

Supposing there was to be a maximum wage, what do you think would be a fair maximum wage for CEOs, given that the UK average salary is around 30,000 per year?



Survation.



Finding the 'S' in ESG: Boardroom and employee considerations

According to *Skadden Arps Slate Meagher & Flom LLP*, investors have historically **overlooked social factors** amid a focus on the environmental and governance counterparts as they assess the merit of an investment. This may have been due in part to the difficulty in quantifying social concerns as drivers of shareholder return as well as a lack of available data. However, recent trends demonstrate that the "S" in environmental, social and governance factors is now an equally important consideration for companies and their shareholders.

Weekly wages stable but young are hit hard

The Office for National Statistics (ONS) has released its [measures of employee earnings](#), using data from Ashe, the Annual Survey for Hours and Earnings.

The ONS notes the difficulties in gathering data under public-health restrictions and that the statistics relate to the pay period that includes 22 April 2020, when around 8.8 million employees were furloughed under the Coronavirus Job Retention Scheme (CJRS). Its pay estimates include furloughed workers.

The [low and high pay findings](#) focus primarily on hourly pay. For a complete picture, they are best read alongside the linked [Employee earnings bulletin](#), which focuses more on weekly pay.

This found that:

Median weekly pay for full-time employees was £586 in April 2020, up 0.1 percent on a year earlier; pay fell in the private sector (negative 0.6 percent) but not in the public sector (positive 2.4 percent), following four years of higher pay growth in the private sector; this fall reflects the different job types across each sector and the extent they have been impacted because of the coronavirus pandemic.

Across all jobs, median weekly earnings in April remained unchanged from a year earlier on a nominal basis; when adjusted for inflation, they fell 0.9 percent in real terms over the year.

The average number of hours paid across all jobs fell by 1.5 percent from 2019, a much smaller fall than the estimated change in hours actually worked (19 percent, based on the Labour Force Survey for Quarter 2 [Apr to June] 2020) where usual hours are not included.

While pay held up for most employees, there are groups of employees who fared less well, most notably younger employees, the lowest-paid part-time employees, and those working in accommodation and food services.

Employees aged 16 to 17 and 18 to 21 years were more impacted than other employees in terms of hours paid for, which fell 5.7 percent and 3.4 percent respectively compared with 2019.

In accommodation and food services, paid hours fell by 12 percent and weekly pay fell by 18.1 percent compared with 2019.

Younger workers and those working in accommodation and food services are more likely to be furloughed and were also less likely to have their pay topped up by their employer.

Median annual pay for full-time employees was £31,461 for the tax year ending April 5 2020, up 3.6 percent on the previous year; annual pay estimates are largely unaffected by the coronavirus pandemic.

WORLD NEWS

Global executives favour the home-boardroom to recalibrate work-life balance

Bupa Global launched its [Executive Wellbeing Index](#) on September 28 2020, the first report of its kind to look at the impact of the coronavirus pandemic on global business leaders and wealth creators who will shape the post-Covid world.

The new research, commissioned among almost 2,000 high net worth individuals (HNWIs) and senior executives based across Europe, North America, the Middle East and Asia, in seven regions, highlights the fallout of the pandemic.

Germany prepares rules to foster stock options for startups

Germany is to introduce [draft laws to encourage startups](#) to offer stock options, a practice common in the US that's seen as a way to create a virtuous circle of investments and talent.

The government also plans to offer incentives to venture capital investors who come to Germany, deputy finance minister Joerg Kukies said at the Not Optional conference on European innovation on October 29.

"The German coalition government has agreed that this will be implemented during this legislature, and we will stay true to our word," Kukies said. "We are working with our friends and colleagues in the economy ministry on

preparing a draft for legislation.” German tax laws have historically made this type of remuneration unattractive.

In April, Germany also pledged to help startups hit by the fallout of the spread of Covid-19 with short-term financial assistance worth around two billion euros. Kukies said about half of that has already been distributed. “We don’t pretend the government has the magic sauce and knows anything about valuation or decisions on investments,” he said. “But we do want to co-invest with investors who know what they’re doing.”

OECD publishes “Antitrust and the Trust Machine” paper

From the standpoint of **antitrust law** the OECD explores the platform nature of a blockchain, how pricing on a blockchain works and how the blockchain fits into the supply chain. It considers the risks of anticompetitive behaviour by the block chain. It sets out a range of possible opportunities that arise from the adoption of the technology. The Centre is represented at OECD.

Switzerland: Adjustment for employee share plans

The Swiss Federal Tax Administration (SFTA) has adjusted the rules for the **taxation of employee shares**. The changes will ease the related taxation of start-ups and their founders. Central to the changes are the so called founder shares. Shares acquired at the time of the founding of a company are not considered as employee shares in the sense of article 17a DBG. If an employee acquires participation rights at conditions similar to those granted to an independent third party, these securities are not regarded as employee participations within the meaning of article 17a DBG.

USA: Esop participants claim they were conned into selling shares at discount

As reported by *Plansponsor*, several employee stock ownership plan participants filed a lawsuit claiming they were **duped into selling their shares at a steeply discounted price**, and

US District Judge Nancy Torresen for the District of Maine certified the class in the lawsuit.

According to the second amended complaint filed in June, former Maine Oxy-Acetylene Supply Co owner Bruce Albiston set up an Esop in 2004 through which employees held 49 percent of the company’s stock. In 2012, Albiston decided to part from the company and entered negotiations to sell his family’s 51 percent share to the president of Maine Oxy at the time.

The lawsuit lists as defendants the Esop, the president of the company who bought out the Albiston family and a man who reportedly financed the purchase.

The lawsuit says the new owner assured Maine Oxy’s employees that “nothing would change” with the Esop and profit sharing plan. However, soon after acquiring ownership, he informed the Esop committee that the company could not afford the Esop and that it would have to be dissolved and its shares sold back to the company.

USA: Nearly half of insurance agency is now owned by staff via Esop Trust

Title Alliance Ltd, a full-service title insurance agency offering a complete range of title and escrow services, announced **44.2 percent of the company is owned by its team members** through the company’s Employee Stock Option Plan Trust. The announcement comes in tandem with National Employee Ownership month in October, and during the company’s virtual meeting that was held on Wednesday, October 21.

The Esop was first established in 2014, when ownership started at 20 percent. Since its inception, their Esop had a 651.9 percent increase in value per share, in fact from 2018 to 2019 alone, there was a 55.5 percent increase per share. The Esop includes important benefits such as a strong retirement plan with no out-of-pocket contributions, job stability and pride in ownership for the team members who dedicate themselves to achieving the company’s vision. To be eligible, employees must have been hired on or before December

31 of the year prior and work 1,000 hours during a calendar year, with a full vesting occurring after six years.

"I am thrilled to see how much our Employee Stock Ownership Plan has grown over the past six years," said Jim Campbell, CEO of Title Alliance. "We believe this offering is value added for our employees, as a way to gain long-term incentives and have a stake in Title Alliance's success, since our employees are truly the ones helping us achieve our financial goals."

EU releases assessment of Cayman's fund regime - Cayman Compass

The EU Council has released its **assessment that led to Cayman's removal from the EU list** of uncooperative jurisdictions in tax matters in early October.

The document was sent on November 9 to the Code of Conduct Group on Business Taxation, which assesses countries against the EU's tax criteria. The EU Council concluded that the Cayman Islands had revised its legislative framework for collective investment vehicles and as a result now complies with the requirements set out in technical guidance issued in May 2019.

In that guidance, the EU Code of Conduct Group advised that it would scrutinise Cayman's fund legislation against four pillars: the authorisation and registration of funds; supervision and enforcement; valuation, accounting and auditing of funds; and depositary rules.

In a September 2019 analysis, the EU found Cayman's framework for funds was inadequate in three of the four pillars and that there was not enough information to assess the remaining one relating to supervision and enforcement.

Cayman was reassessed in February 2020, taking into account that Cayman lawmakers were in the process of adopting new legislation for private funds and amending the Mutual Funds Law to bring more funds under the supervision of the Cayman Islands Monetary Authority.

India: Swiggy gifts staff Esop liquidation up to \$9 million

According to *Mint*, delivery platform Swiggy has started a **secondary liquidation programme for its employees**, worth \$7-\$9 million, which will let them exercise their stock options while family offices and high networth individuals are expected to buy shares of the foodtech unicorn.

"This programme will see participation from the family offices of leading industrial houses in India and a few individuals who are stalwarts in their respective fields. Their interest to join the Swiggy investor community is a testament to their trust in the brand, our vision and growth potential," said Girish Menon, vice president-HR, Swiggy in a statement.

According to Swiggy, over 40 percent of its workers who currently hold employee stock option plans are eligible to exercise their shares. Even employees who were laid off earlier this year can exercise their Esops during this round.

India: Esops make sense to employees as start-ups pay out in Esop buybacks

Esop buybacks have come as **succour in times of the pandemic**. They incentivise financially and induce employees to "have skin in the game." This also helps attract potential assets to startups.

Dinesh Ramamurthi, chief human resources officer at OYO told *Inc42*. "While Esops are a way for employees to become co-owners and shareholders of the company, Esop liquidity is a demonstration of the commitment of value creation for employees. It allows them to monetise their investment even though the company may not be trading publicly yet. For organisations, Esops may be a significant part of compensation especially at senior levels and liquidity events provide an avenue for people to monetise a small portion of their vested options to take care of certain cash flow requirements. A competitive pay package coupled with the opportunity to be part of the organisation's growth story is an exciting proposition for many. This, in turn, positively impacts employee retention rate."

EOT NEWS

Construction business moves to employee ownership

Triton Construction, which provides general contracting and construction services and directly employs more than 55 people across its offices in the North West is now **100 percent owned by an EOT**. The existing board of directors will continue their roles.

Founder, Mike Parkinson said: "In 2016 we carried out a partial MBO and since then have brought in a superb senior team. The business is in a strong and healthy position with no borrowing or debt and it would be easy for us to sell to a third party but we didn't want to do that."

Interior design firm moves to EO

Edinburgh-based contemporary furniture and interior design company Tangram Furnishers Limited has announced its **transition to employee ownership**.

Tangram was founded in the early 1990s. Julian Darwell-Stone joined the firm in 1998, becoming sole owner and managing director in 2003. He wanted to plan for his eventual exit by considering the succession options in good time, therefore allowing for a smooth transition. He wanted a solution that would ensure the job security of the long-serving team and reward them for their hard work and loyalty.

While other options were considered, employee ownership was suggested by Scottish Enterprise, who put Mr Darwell-Stone in touch with the Scottish government's Co-operatives Development Scotland. After review, it quickly became apparent that employee ownership was the route that ticked all the boxes.

Nursery group sells to EOT

Lilliput Montessori Day Nurseries in Leicestershire has become the **second nursery group in the UK to become an Employee Owned Company**.

Nursery founders Paul and Sam Graveling have sold 70 percent of their shares in the group to an Employee Ownership Trust through cash reserves and a loan.

The group was launched in 1994 when Mr and Mrs Graveling could not find a suitable nursery for their child. They decided to transition the business as part of their future retirement plans and to support their 100-strong workforce.

"Having so many long-serving employees, our company has a family feel to it and we were reluctant to sell to a third party in case it destroyed that," said Mr Graveling. The nursery group worked with Unity Trust Bank to gain the new loan.

Employer marketing agency now owned by staff trust

A trust run on behalf of **Blackbridge Communications' employees acquired 65 percent of shares** in the business on October 1 2020.

Founder and managing director Tony Andrews said: "It is an incredibly proud moment for Blackbridge to become the first employer marketing agency owned by its employees."

In case you didn't know...

The difference between efficacy and efficiency.

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



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