



WHY EMPLOYEE SHARE OWNERSHIP MATTERS

PUBLICATION LAUNCH

On November 16 the Centre launched its booklet *Why Employee Share Ownership Matters* with an on-line discussion featuring the authors Professor Michael Mainelli and Simon Mills.

In his foreword Centre founder and life president Malcolm Hurlston CBE said “Explaining the benefits of employee share ownership these many years has made me realise how easily a big concept can be pigeonholed in a small box. The concept of employee share ownership ought to start from a moral perspective, not least sharing risks and benefits with fellow economic agents. The benefits attach to a number of levels, from the micro to the macro.

“At a micro level, employee share ownership seems fair, encourages cohesion, promotes productivity, and provides financial security. At a macro level, employee share ownership encourages longer-term thinking, promotes national productivity, and aids moves to ‘sustainability’. At an international level, anyone promoting various forms of ‘caring’, ‘compassionate’, or ‘stakeholder’ capitalism or ‘third ways’ should take a long, hard look at providing more fervent support for employee share ownership.

“Yet, too often the pigeonhole becomes ‘tax’. Employee share ownership is a good thing to promote even if you don’t believe that tax is a necessary promotional tool. If you do believe that employee share ownership is deserving of tax advantages, then don’t lose sight of the wider goals.

That’s why I welcome this booklet. It attempts to restate the widest case for employee share ownership regardless of national boundaries. It attempts to re-connect the employee share ownership movement with its deeper benefits, connecting open market economies with environmental, social, and governance standards, in turn linked to long-term sustainability goals.

“I hope this booklet promotes discussion that reminds people deep in some thicket of government policies, accounting rules, tax advice, or human relations issues, that their work is part of a big and noble attempt to use that innovative feature of joint-stock companies, the ability to share ownership, for social good.”

The booklet is available to download from the [Centre’s library](#).

EVENTS

Employee Share Schemes & Trustees Conference Guernsey – January 27 2023

The Centre is set to resume its programme of annual conferences on **Esops and trustees in Guernsey** in the New Year.

Held in conjunction with STEP Guernsey, it will mark our first return to the Crown Dependency since 2019, the success of which we look to emulate, building on the achievements of this industry-leading networking and learning opportunity.

The seminar will be on Friday, **January 27 2023** at the Old Government House Hotel, St Peter Port, and concludes with a networking lunch.

Guest of honour will be Hon. Tasha Ebanks-Garcia, Representative of the Cayman Islands in the UK. Many firms will be present in both jurisdictions. She will make a wide-ranging speech.

Our experts will concentrate on the key issues and new opportunities now facing trustees and employee share scheme professionals.

Book early to secure discounted ticket prices:

Esop Centre/STEP members: **£380/each** (if booked before December 23 2022. £420 thereafter)

Non-members: **£485/each** (if booked before December 23 2022. £538 thereafter)

Multi-booking discount: **50% off** cost of ticket for your **third delegate**.

To reserve your place(s) email esop@esopcentre.com or call the team on 020 7562 0586.

Symposium 2023

The Centre's annual British Isles Share Plans Symposium is set for Thursday March 30 2023 at Macfarlanes' central London offices.

It will be a hybrid event with speakers' presentations available to view before an afternoon of interactive panel debates, followed by a networking reception at which the 2022 newspad awards will be presented.

Please contact esop@esopcentre.com to reserve a delegate place, or wish to make or suggest a presentation.



Newspad 2022 Awards: celebrate your achievements

Send your nominations for the *2022* newspad all-employee share plan awards – *the submission deadline is fast approaching.*

The awards recognise the achievements of companies which offer employee share plans and create best practice models for other companies to follow.

If your company or client has made a notable contribution to employee share ownership, issued an inspirational share plan, or showed excellence in its communication and presentation; been creative in using share plans to overcome significant changes or challenging situations, increasing participation or using technology; or maybe its chairman, ceo, or share plan team leader has upped the game with enthusiasm for employee share ownership; why not tell the world about it?

Companies can nominate themselves and advisers can make submissions on their behalf. Entrants can apply for awards in more than one category. **Submitting nominations** is free and simple.

Nominations should be proposed by Centre practitioner members though their clients need not be members. If you are a plan issuer, you may enter your own plan for an award whether or not you are a member of the Centre.

Required information is kept to a minimum. The deadline for nominations is 17:00 **Friday, December 16 2022**.

The award categories this year are:

- ★ **Best all-employee share plan in a large company** (more than 2,500 employees)
- ★ **Best all-employee share plan in a mid range company** (500-2500 employees)
- ★ **Best all-employee share plan in an SME** (fewer than 500 employees)
- ★ **Best executive/managerial equity plan** (involving more than 100 employees)
- ★ **Best share plan communications**
- ★ **Best use of technology, AI, or behavioural science**
- ★ **Best share plan response to significant changes or challenging situations**
- ★ **Best employee share plan team leader**
- ★ **Outstanding company leader**

Category descriptions and rules of entry can be viewed on the Awards 2022 webpage: <https://esopcentre.com/about/awards>. To submit an application, please complete both stages:

***Online application form** - complete all sections of the **online form**, providing as much detail as possible. (Alternatively, entries can be made by one or two explanatory documents)

***Supporting documentation** - where appropriate, please back up your application with supporting documentation. Either upload the files at the end of the form, or email them to esop@esopcentre.com.

Please read the rules and terms of entry.

The winners will be decided by two impartial judges, experts in the use of employee equities, plus Malcolm Hurlston CBE, founder of the Esop Centre. The finalists will be announced in newspad and award certificates will be presented during the Centre's **British Isles Symposium 2023**.

For queries, please contact esop@esopcentre.com or call +44 (0)20 7562 0586.

We look forward to receiving your nominations.



Webinar: Employee Share Schemes, Levelling-Up & Social Mobility

- December 8 at 16:00 (GMT)

Our next in the series of talks from employee share schemes expert David Craddock will focus Eso's role in improving **levelling-up and social mobility**.

Registration is open.

LIBRARY OF BROADCASTS:

Why Employee Share Ownership Matters; International Share Schemes: Exporting the Vision; Esop Sofa: Hot Topics In Employee Share Ownership – Newspad Review V; Share Schemes And The Impact Of Inflation; 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 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

Global Shares opens Leeds office

Global Shares' officially opened its new Leeds office with a celebratory event. Martin Osborne-Shaw, head of business development for Europe said "It was great that so many local clients, dignitaries, advisers and friends came along to make it a real party."

Speakers were Councillor James Lewis from Leeds City Council, Henri Murison from The Northern Powerhouse Partnership and Global Shares' Mike Baker.

Tapestry's Certificate in Employee Share Plans 2023 registration now open

Following positive feedback received on the 2021 and 2022 virtual courses Tapestry has confirmed that the 2023 Certificate will be delivered virtually too. The course will run with interactive teaching sessions and combine virtual learning with in-person networking events.

2023 course dates:

Part 1: Course dates: May 15-19 2023;
Exam: Monday 3 July 2023

Part 2: Course dates: September 18-22 2023; Exam: Monday 6 November 2023

Further information on the [Tapestry course website](#).

CORPGRO: Principles of Remuneration and Shareholder Expectations for 2023 comments

On November 9 the Investment Association issued *Principles of Remuneration and Shareholder Expectations for 2023* - an annual update to capture institutional shareholder good governance views on executive compensation and related matters.

CORPGRO has summarised the main changes:

Cost of Living, Inflation and Stakeholder Experience:

- ◇ Executive compensation must be sensitive to the wider scene, and salary rises BELOW those for the general workforce might be appropriate.

2020 LTIP Grants and “Windfall Gains”:

- ◇ LTIPs vesting in 2023 might contain “Windfall Gains” from grants at a low 2020 share price.
- ◇ Adjustment downward of vesting is appropriate if so.
- ◇ But what is a Windfall Gain and what is not is less clear, so care is needed.

ESG Metrics Executive Remuneration:

- ◇ ESG metrics are now common; some investors expect it to be universal, others have more specific views.
- ◇ Good disclosure is required, but also the story of your “journey” and the expected future direction, which might be tricky.

IA Principles of Remuneration 2023 (including NED Fees):

- ◇ Are NED fees too low? Some investors are saying they are too low
- ◇ But beware, the principles also require disclosure of the rationale for any proposed rise
- ◇ This is odd, most fees are market benchmarked. The reasoning behind a step change will need care and shareholder consultation

Approach to pensions In 2023:

- ◇ As long expected, the HARD STOP Dec 31 2022 date for director pensions alignment with the general workforce has arrived.

- ◇ RED TOP vote against IVIS recommendation will apply to all non-compliant remuneration policies or reports.

Linklaters: FRC 2022 review of corporate governance reporting: executive pay

The FRC reports an improvement in quality in its third review of companies’ reporting against the 2018 Corporate Governance Code. More companies are disclosing the Code areas that they have chosen to explain rather than comply, but there are too few meaningful explanations.

A common theme throughout the review is the lack of disclosure in relation to the outcomes and impacts of governance policies and practices. The FRC states that companies need to demonstrate how their governance has been improved.

As with previous reviews, the FRC assessed a random sample of 100 FTSE 350 and Small Cap companies’ reports.

Linklaters’ employment & incentives team **considers, and comments on, the FRC’s findings** on compliance with and reporting on the Code’s remuneration provisions, covering:

- ◆ Compliance with the Corporate Governance Code
- ◆ Malus and clawback
- ◆ Discretion
- ◆ Shareholder engagement on remuneration
- ◆ Workforce engagement on remuneration
- ◆ Strategy and performance measures
- ◆ Alignment with a company’s purpose and values

US Treasury programme to support EO transactions

The US Department of the Treasury announced the 31 states that have **received credit funds totalling \$10billion under the State Small Business Credit Initiative (SSBCI)**.

This programme is distinct from SBA loan programmes, and the credit can be used to purchase the interest of a business owner through an Esop, coop, or employee ownership trust (EOT). To qualify for participation in the programme, at the end of the transaction the employee-owned company must be at least majority employee-owned. The funds are available to companies with 500 or fewer employees, and loan sizes under \$5million.

MEMBERS' EVENTS

Webinar: CSOPs reborn?

– November 30 at 16:00

On-line discussion about how the generosity of the company share option plan (CSOP) is being expanded and how it measures up against other discretionary share incentives.

As part of the “Growth Plan” set out in the 2022 autumn statement, the Chancellor announced that the availability and generosity of CSOPs will be extended from April 6 2023 by increasing the limit on the value of CSOP options; and removing the troublesome “worth having” requirement for CSOP shares.

RM2's Share Schemes team will consider what these changes are likely to mean in practice and discuss how the CSOP will then compare with other popular forms of discretionary share plans. Follow [this link](#) to register.

UK NEWS

EMI employee share options and acceptable discretion

HMRC has published guidance on the use of acceptable and unacceptable discretion in determining when shares can be received under Enterprise Management Incentive (EMI) options.

Once an EMI share option - the most tax-favoured and common employee share incentive arrangement in private companies – has been granted, employers regularly exercise some level of discretion to enable shares to be received by employees.

HMRC has now published detailed guidance in Employment-Related Securities Bulletin 46 and relevant pages in the Tax-Advantaged Share Scheme Manual. Follow the link to read the guidance.

<https://www.gov.uk/guidance/employment-related-securities-bulletin-46-october-2022>

Worker voice in corporate governance report

Research **published by the High Pay Centre**, supported by arbdn Financial Fairness Trust, highlights significant gaps between the public's priorities for businesses and their perception of company priorities. Around six in ten (58 percent) felt the top priority for businesses should be delivering better pay and conditions for their workers, but only 18 percent felt this was actually a top priority for business. Instead, the public believes the top priority for companies is generating higher profits for shareholders (54 percent) but only ten percent believe this should be the top priority.

The representative poll of 1,104 people found that 60 percent believe that lower and middle level employees have too little say in the running of the companies they work for. Workers should have a greater say according to around eight in ten (79 percent), including 77 percent of people who voted Conservative at the last general election in 2019.

Legitimate use of trusts and foundations (when reason beats headlines).

In the words of the English High Court:



IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
ADMINISTRATIVE COURT

Date: 8 April 2020

MRS JUSTICE LANG DBE

97. In my judgment, these principles apply equally in the context of UWOs. The use of complex offshore corporate structures or trusts is not, without more, a ground for believing that they have been set up, or are being used, for wrongful purposes, such as money laundering. There are lawful reasons – privacy, security, tax mitigation - why very wealthy people invest their capital in complex offshore corporate structures or trusts. Of course, such structures may also be used to disguise money laundering, but there must be some additional evidential basis for such a belief, going beyond the complex structures used.

Boohoo gives shares to more than 1,100 employees

Online fashion retailer Boohoo has given shares to more than 1,100 of its employees, including several members of its senior leadership. The move was part of its Save As You Earn (SAYE) share scheme for 2022.

A total of 1,166 eligible employees were elected to participate in the scheme and invited to subscribe for options over ordinary shares of one penny each in the group with an exercise price of 30p, representing a 17.16 percent discount to the closing middle market price of the ordinary shares on October 7.

They were issued a total of 32.2 million options over ordinary shares, which

equates to 2.54 percent of the current issued share capital in Boohoo. The options have a contract start date of December 1 2022 and are exercisable between December 1 2025 and May 31 2026.

Chief executive John Lyttle, chief financial officer Shaun McCabe and director Neil Catto have participated in the SAYE scheme this year and are included in the total figures above.

Their individual option grants as part of the scheme are 60,000 shares each, resulting in Lyttle holding 68,297 shares, or 0.25 percent of the issued share capital, McCabe holding 60,000 shares, or 0.26 percent and Catto holding 68,297 shares, or 0.17 percent. Lyttle and Catto also own shares outside the scheme.

Boohoo said in its statement: “The scheme is open to all employees, giving them the opportunity to participate in the future growth of the company via share option arrangements.”

Call to simplify the tax system to unlock growth

The Institute of Chartered Accountants in England and Wales (ICAEW) has called on the new Financial Secretary to the Treasury to **review the decision to disband the Office of Tax Simplification (OTS)**.

ICAEW’s Tax Faculty wrote to Victoria Atkins MP ahead of the autumn statement focusing on the theme of simplification.

The faculty strongly encourages ministers to review the decision to disband the OTS. Instead, ICAEW suggests exploring the expansion of the OTS’s role to focus on reviewing what progress is being made on the implementation of its proposals, not just on making recommendations to ministers. Furthermore, the OTS’s mandate could be expanded to pursue change.

The letter highlights the need for a cultural change within HMRC to prevent the administration of the tax system from hindering growth. Examples include delays issuing VAT registration numbers and the wait in transferring VAT registration numbers when a business incorporates.

Without fundamental reform, the first nurses strike in over a century is unlikely to be the last

Prof Len Shackleton’s review of monopsony in nurses’ reward shows they are not badly off compared with the private sector but would be far better off in a free market like US. Writing for *CapX*, he said **that it looks as though the Royal College of Nursing (RCN)** is about to break with its 106-year-old practice and call a strike of its 300,000 members. The ballot seems to be running strongly in favour of action, with the government’s recent pay award, averaging around 4.8 percent, seen as far too little. Pat Cullen, the RCN general secretary, wants an increase of inflation plus five percent, which could mean something of the order of 17 percent. It is difficult to see that the government could contemplate anything on that scale.

The RCN insists that disruption to patients will be minimised, with emergency services being protected. The impact will depend on how long the strike action continues, but this inevitably means that waiting lists for non-urgent treatment, already running at more than seven million, will lengthen. This is despite the **strange claim** by Cabinet minister Oliver Dowden that our hitherto accident-prone government has ‘well-oiled contingencies in place’ to deal with a strike.

EOT Round-up

- ◆ British casting specialist and fine jewellery manufacturer, **Hockley Mint**
- ◆ Law firm **Bennett Oakley**
- ◆ Engineering consultancy **Futureserv**
- ◆ Marketing agency **Leader Marketing Partnership**
- ◆ Franchised car retail business **Peter Ambrose Peugeot**
- ◆ Tax advice company **YesTax**
- ◆ Architecture practice **Franklin Ellis**
- ◆ Communications agency **Creed Communications**
- ◆ Manufacturer **Bisley Office Furniture**

WORLD NEWS

Rutgers fifth annual Private Equity and Employee Share Ownership symposium

The Institute for the Study of Employee Ownership and Profit Sharing will be hosting the **5th Annual Private Equity and Employee Share Ownership Symposium** on **Friday November 18** at 09:00-13:00 EST (14:00-18:00 GMT). Free registration for the virtual event is available from <https://smlr.rutgers.edu/privateequity>

Centre member Pete Stavros of KKR will be featured, along with representatives from Morgan Stanley, Stout, Patterson Thoma, Living Cities, Ownership Works, Stellus Capital Management, Mosaic Capital Partners, American Working Capital, Project Equity, Morgan Lewis, New State Capital Partners, Star Mountain Capital, The National Center for Employee Ownership (NCEO), and Daubusson Advisors.

Delegates will learn about ways to achieve investor returns and broaden access to wealth by using the following techniques at your portfolio companies: equity grants to the workforce, financing a sale to an employee stock ownership plan, broad-based profit sharing and gain sharing, partnering with an Esop, and SBICs and Esop lending.

New PA House Bill to create employee ownership advocate

An Employee Ownership Month press conference in Pennsylvania on October 26 included the **formal introduction of PA House Bill HB-2888**, establishing a Pennsylvania Office of Employee Ownership, and the introduction of the Pennsylvania Employee Ownership Assistance Act.

The bill, if passed, would create an Office of Employee Ownership within the Department of Community and Economic Development (DCED) whose charge is to actively raise awareness about the benefits of employee ownership, and provide informational, technical, and financial assistance to new and existing employee-owned companies. It would also create a “Pennsylvania Employee Ownership Advocate.” This is a gubernatorial appointment, reporting directly to the governor, who will be responsible for budgeting in a series of specific areas, including loans, loan guarantees, and grants (for smaller enterprises). Further, the Advocate will be responsible to ensure that the DCED is thoroughly completing the requirements of the Act and determining additional legislation necessary to enhance and advance employee ownership within Pennsylvania. Similar advocates could play an important role within the UK.



Z/Yen Group Limited t/a The Esop Centre. Registered office:
1 King William Street, London EC4N 7AF. Company number
2965552 England

+44 (0)20 7562 0586 | esop@esopcentre.com |
www.esopcentre.com

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