

NEWSBRIEF

Conferences

Awards Dinner 2016: Tuesday November 22

The Esop Centre's [fifteenth annual black-tie champagne reception and awards dinner](#) will be held at the Reform Club in London on Tuesday November 22, the evening before the Centre's inaugural British Isles conference.

Hosted by former chairman of the Reform, sports journalist Mihir Bose, the evening will pay tribute to those who have excelled in spreading employee share ownership in the UK and globally.

Beginning at 18.30, the champagne reception and four-course dinner will be held in the grand Italianate surroundings of the Reform Club's library.

Tables and individual tickets are still available, but book soon to avoid disappointment.

Members can take a table of ten for £1,800 + VAT or individual tickets at £195 + VAT each.

To register, please email events@esopcentre.com or call 020 7239 4971.

Nominees

Competing for the following awards are Aviva, Barratt Development, Chess Ltd, Computershare, DAI Global, Henderson Global Investors, Intertrust, Just Eat, Nokia, Randgold Resources and Rio Tinto.

- ◇ Best all-employee share plan in a company with more than 1,500 employees
- ◇ Best all-employee share plan in a company with fewer than 1,500 employees
- ◇ Best international all-employee share plan
- ◇ Best all-employee share plan communications
- ◇ Best financial education of employees

Inaugural British Isles symposium: Wednesday /
Thursday November 23–24

The Esop Centre will hold its inaugural [British Isles employee equity symposium](#) at the offices of White & Case in the City of London on Wednesday November 23 and Thursday November 24.

The one-and-a-half-day conference, which follows this year's awards dinner on the evening of Tuesday November 22, will focus on employee equity from a British Isles perspective, while examining the burning issues of Brexit and shareholder democracy.

Speakers include Stephen Woodhouse of Pett Franklin, Graham Ward Thompson of Howells Associates, Sara Cohen of Lewis Silkin, Jeremy Mindell of Primondell, Nicholas Greenacre of hosts White & Case, Juliette Graham of Linklaters, Amanda Flint of Mercer, Liz Hunter of Mazars, Catherine Gannon of Gannons, Lynette Jacobs of Pinsent Masons, and Stuart Bailey of Equatex UK.

Keynote speakers include Deputy Lyndon Trott of Guernsey States and chairman of Guernsey Finance, Peter Parry of UK Shareholders Association and Sarah Wilson of proxy voting agency Manifest.

[More information is available in the event brochure](#), co-sponsored by Equatex, Estera and Bedell Trust.

We look forward to welcoming delegates from across the UK, Ireland and the Crown Dependencies. Book now to secure a place for you and your colleagues.

MEMBERS

Plan issuer: FREE

Practitioner: £420

NON-MEMBERS

Plan issuer: Free (subject to £50 admin charge)

Practitioner: £620

All prices are subject to UK standard rate VAT.

To register as a delegate, please email britishisles@esopcentre.com or call 020 7239 4971.

Members' news

Members among most innovative law firms 2016

Linklaters received the accolade of most innovative law firm in this year's Financial Times Innovative Lawyers report. Pinsent Masons, Bird & Bird, White & Case were among other Centre members to be recognised.

CMS, Nabarro and Olswang to merge

Centre member Olswang is set to combine with Nabarro and CMS to form one of the world's largest law firms. The merger is the biggest in UK legal services history and is due to be completed on May 1 2017. The new firm will trade as CMS.

ZEDRA to acquire Barclays UK Trust

Barclays has come to an agreement with ZEDRA Group to sell its UK Trust business. Once the transaction is completed, clients of Barclays UK Trust will become clients of ZEDRA. Barclays will maintain its minority stake in ZEDRA Group, to whom it sold its Offshore Trusts business at the start of the year.

Intertrust completes acquisition Elian

Regulatory approvals required for Intertrust's acquisition of Centre member Elian were received on September 23, completing the takeover announced earlier this year. The rebranding of Elian to Intertrust is expected to be completed by the end of 2016.

Equatex introduces new plan administration platform

Equatex has released a new version of EquatePlus, its global compensation plan administration platform. The design and functionality of the software has been overhauled to help companies increase participation and engagement from their employees.

GlobalShares launches new website amid UK office expansion

GlobalShares has launched a new version of its UK website— www.globalshares.com—and has moved to a larger office in the City of London: No. 1 Bengal Court, Birchin Lane, London EC3V 9DD.

RM2 webinar: Financing the EOT, October 19

Garry Karch of RM2 Corporate Finance will be leading a webinar on structuring and acquisition of finance for businesses adopting an Employee Ownership Trust at 11am on Wednesday October 19. [Places can be booked here.](#)

RM2 / Pett Franklin webinar: Employee Ownership Trusts, October 26

Garry Karch of RM2 Corporate Finance will be joined by William Franklin of Pett Franklin for a webinar on Employee Ownership Trusts at 11am on Wednesday October 26. It will focus on share valuation and funding issues. [Contact Pauline Atkins](#) to register your interest.

International news

Ireland: share-based incentive scheme announced in Budget 2017

Michael Noonan TD, Ireland's Minister of Finance, has announced plans to introduce a new share-based incentive scheme aimed at SMEs, following a public consultation earlier this year. "Employee participation in their company's ownership and profits has been shown to increase competitiveness and support employment and growth," said Mr Noonan. The scheme will need to be approved by the European Commission to ensure it complies with state aid rules and will be introduced in Budget 2018.

Nobel prize for research on pay and executive reward

Economists from Britain and Finland have been awarded the Nobel Prize for economics for their research into contract theory. [According to The Royal Swedish Academy of Sciences's announcement](#), Oliver Hart and Bengt Holmström had created "a comprehensive framework for analysing many diverse issues in contractual design, like performance-based pay for top executives, deductibles and co-pays in insurance, and the privatisation of public-sector activities".

USA: House passes stock ownership bill aimed at startups

The House of Representatives passed the [Empowering Employees through Stock Ownership Bill](#) in a 287–124 vote on September 22. The legislation would allow employees in start-up companies to defer taxes on their stock options for seven years. Only corporations that offer stock to at least 80 percent of employees on the same basis would be eligible. Deferrals would not apply to options held by top executives.

The Centre would like to hear your views, especially whether or not the idea has potential in the United Kingdom. Contact Daniel Helen at dhelen@esopcentre.com

Henderson acquires Janus Capital

Global investment management company and Esop Centre Award winner (best all-employee share plan in a company with fewer than 1,500 employees 2012 and best in financial education of employees 2015) Henderson Group has bought its American rival Janus Capital Group for £2.01bn. The transatlantic deal is designed to counter competition from lower-cost fund providers like BlackRock.

South Africa: plans to tax share-scheme benefits axed

The South African government has scrapped its proposal to tax

benefits from broad-based black economic empowerment (BBBEE) trusts as income rather than capital gains. It follows considerable criticism that the change would discourage employee share ownership and run counter to the aims of BBBEE.

National news

World class trustees Guernsey's USP, says economic development chief

Trust companies in Guernsey are among the best in the world, Deputy Peter Ferbrache told delegates of the annual Esop Centre / STEP employee share schemes and trustees conference on October 7. Guernsey's sophisticated and well-regulated trust services have to prosper if the island is to prosper, the Economic Development Committee president said. He commended the conference and said he would need to work with the Centre and its members to fulfil his committee's aim of achieving prosperity.

The packed half-day event featured talks on the Common Reporting Standard from Martin Popplewell of Deloitte, share valuation from David Craddock of David Craddock Consultancy Services, the fading boundary between tax avoidance and tax evasion from Stephen Woodhouse of Pett Franklin, the incoming 2019 charge on loans from EBTs from Juliet Halfhead of Deloitte and an update of recent trust cases from Alison MacKrill of Carey Olsen. There was strong participation in a panel session with Elaine Graham of Zedra and Alison MacKrill on why the Channel Islands remain the jurisdictions of choice for EBTs. Malcolm Hurlston CBE briefed trustees on the Employee Ownership Trust and told delegates the May regime could revitalise employee share ownership .

A full report will feature in November newspad.

Royal Mail employees' shares worth £3,000

Saturday October 15 was the first day postal workers could sell shares given to them when Royal Mail was floated on the stock exchange three years ago. The 613 free shares are worth almost £3,000 at today's share price, [according to The Guardian](#). However, under the terms of the Share Incentive Plan, run by Centre member Equiniti, employees will need to wait another two years before they can sell shares without incurring income tax and NICs charges.

Cabinet divided over May's plan for employees on company boards

Senior members of the cabinet have reportedly predicted that

Theresa May's plan to put workers on company boards is not going to happen. The prime minister announced the proposal at the launch of her short-lived campaign for Conservative party leadership in Birmingham on July 11. May remains committed to the idea, but several ministers have said they hope the idea will be scrapped or watered-down in the wake of opposition from business leaders.

Twenty-six FTSE 350 directors paid £86.9m

£86.9m was given to 26 executives from FTSE 350 companies in total last year, according to Labour Research Department's FACT Service (issue 39). All but six in the list saw their remuneration fall year on year. Three directors from builders Berkeley topped the list; co-founder and chair Tony Pidgley was paid £21.49m, which comes to £413,250 a week.

Trend in executive pay not uniform

There is a striking lack of uniformity in the trend of executive pay, according to an article by Paul Jackson published in the latest Investors Chronicle. While headline figures suggest that overall executive pay is increasing, each year some ceos see their pay rise while others see it fall substantially. This is not surprising, Mr Jackson argues, since three quarters or more of executive remuneration tends to come from share plans which depend on their future performance. This explains why ceos like Tony Pidgley of Berkeley saw monumental pay increases last year, while others saw pay cuts of around 80 percent.

Poverty and wealth inequality linked, says Oxfam and LSE

In research due to be published later this year, Oxfam and the London School of Economics argue that poverty rates tend to be higher when inequality is higher. They cite data from Credit Suisse which suggests the richest 10 percent of the population owns over half of the UK's total wealth, while the poorest 20 percent possess just 0.8 percent. Rachel Orr, head of Oxfam's UK programme, said: "Inequality is a massive barrier to tackling poverty and has created an economy that clearly isn't working for everyone." To address this, Oxfam has called for employees to be represented on company boards and for the introduction of pay ratios to curb excessive executive pay.

Select committee inquires into corporate governance

The Business, Innovation, and Skills Committee has launched [an inquiry into corporate governance](#). Its terms of reference include executive pay, directors' duties and the composition of boardrooms, including worker representation and gender balance in executive positions. The consultation closes on October 26.

Treasury launches consultation on definition of financial advice

HM Treasury has launched [a consultation to amend the definition of financial advice](#). The aim is to remove the uncertainty over what constitutes regulated advice and what constitutes guidance. The consultation closes on November 15.

Law firm introduces ShareSave scheme

AIM-listed law firm [Gateley](#) has introduced an all-employee share plan, offering staff the opportunity each month to purchase up to £500 of share options at a 20 percent discount. Since its launch in August, 44 percent of employees have signed up to the scheme, run by Centre member Capita. Ceo Michael Ward said: "Part of our rationale for becoming a plc was to give us a greater range of options to attract and incentivise talented people. In other firms, having an equity stake in the business is an opportunity open only to a small number of partners. At Gateley, it is open to all employees."

Manufacturer becomes Scotland's latest employee owned firm

An Employee Ownership Trust has acquired a controlling interest in [Tayplay](#), a manufacturer of playground rope and climbing equipment based in Perth. The decision was made to move to employee ownership to ensure the business retains its identity as the owners look to retire. Explaining the decision to sell the company to its 14 members of staff, md Peter Will said: "[it] is the ideal solution for retiring owners who want to preserve the ethos of the business and retain employment locally. It is also a reward for the staff as we wanted to recognise the contribution and commitment they've made to the company's success."

Member profile

Catherine Gannon

Managing partner, Gannons

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

Statistics show that the companies which introduce share schemes outperform companies that do not. That is growth right there. 99.3% of the British economy is driven by small private companies that need all the support they can get to succeed and thrive. Employee ownership helps to achieve their success. Employee

share ownership promotes a culture of employee commitment, loyalty and sharing which is something the British public seems to have forgotten over the past decade and which is needed to make it great again.

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

There are several ways to widen and deepen the adoption and use of employee share ownership. The major driving force will be the government. The government needs to take one large step which is to work with HMRC to simplify the legislation relating to shares provided to employees. So far, there has been hot air but no action. In fact the reverse, each year seems to bring even more complicated rules. Issues become unnecessarily complicated very quickly over amounts of tax which may be relatively small given the start-up nature of many companies awarding shares. A secondary driving force is to continue to beat the drum about why aligning employees with owners can work. Other forces are at work such as the willingness of employers to invest in good employee communications. Bodies such as the Esop Centre have a role to play through their members.

What would you tell someone on the fence about introducing employee share ownership to their company?

Much depends upon the type of business and the view of shareholders. Applicable to any business is test the water and start small. Most share plans are flexible and can be tailored to suit the needs of both different businesses and different employees. The commercial desires of the business should sit before tax considerations.

What do you think will change about employee share ownership over the next five years?

Trying to forecast trends in employee share ownership can be tricky given that the government likes to introduce surprising changes to the legislation at eleventh hour but let's try to do this. The legacy of the dot com boom when many employees felt duped when they realised that their equity package was over inflated in terms of wealth is still present with older employees. We haven't heard about "under water" options quite so much recently but it is still a risk. If the economy remains stable or grows, if expectations are managed appropriately, as the legacy of the dot com disaster stories fade we may see a new breed of more entrepreneurial employee more prepared to genuinely invest in the business in terms of time and commitment. Ultimately, employees want to see cash in their pockets so the market for the shares has to be seriously considered.

If HMRC introduce legislation which effectively outlaws the use of consultants, we may see an increase in share plans designed for former consultants who are now on the payroll due to changes in the PAYE legislation.

I expect that the use of Employee Shareholder Shares will go down as a result of the introduction of the £100k cap on tax free gains on the sale of the shares.

I also expect Investors' Relief to get more traction when it becomes available to claim around 2019 which will decrease the use of unapproved options which used to be used for consultants and non-executive directors.

Unfortunately, I cannot see the need for austerity lifting and doubt there will be surplus cash available for wage inflation. This means employers will need to continue to search for inventive uses of share schemes.

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

Abolishing Profit Related Pay schemes (which I loved) with the introduction of Enterprise Management Incentives (EMI) in 2000. It revolutionised the way start-ups offer equity to starter staff and gave a real boost to the SME economy. The successful HMRC clamp down on artificial uses of employee benefit trusts and other creative means of rewarding employees has been instrumental in the appetite for employers to engage in tax planning. At PLC level the insurgence of shareholder revolt at pay deals which are perceived as excessive or rewards for failure is making an impact.

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

Simplification of the employment related securities regime and disguised remuneration rules. They are a minefield.

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

Because it promotes economic growth and I think politicians see that. All politicians want the Exchequer to benefit through increased profits on which there is an increased tax take. The current government has made it clear it wants to clamp down on low taxes made on property. There is a push towards encouraging locking investment in the company until a capital event such as sale or listing and employee share schemes promote working towards that goal.

Which aspect of the Esop Centre do you most value?

Personally, I value Esop Centre conferences and newsletters as they keep me up to date and get an overview of where the industry is going.

Which aspect of the Esop Centre would you most like to change?

Share schemes need to reach small and medium private companies in the regions as they are invaluable contributors to GNP and I

think more could be done to reach them.

What is your idea of perfect happiness?

I can see myself being happy driving in a red Porsche on a French Riviera. But honesty, on a day to day level it makes me happy to look back at my life and see how far I have come and the law firm I have built up. I tend not to look back and live in the present but it makes me happy to think about the future possibilities. Knowing anything is possible and that your greatest success is round the corner motivates me.

What is your most marked characteristic?

Plain talking.

What do you consider your greatest achievement?

My family. Money comes and goes, businesses can develop and then nose dive, but family is forever.

What historical figure do you most identify with?

Margaret Thatcher.

Which living person do you most admire?

Alan Sugar. Highlights the mumbo jumbo of corporate life for what it is. Uncompromising, agile and very seasoned.

Who are your heroes in real life?

Entrepreneurs. They are the drivers of progress. Developing new concepts, pitching for investment in the times when bank loans are hard to come by, managing employees, bringing products into the market and not knowing whether there will be enough profit to pay yourself next month's salary. Yet we all depend on them.

Which word or phrases do you most overuse?

"Marvellous".

What is your most treasured possession?

Good health.

If you would like to suggest a profile for newsbrief please **contact Daniel Helen** dhelen@esopcentre.com; 020 7239 4971.

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