

newsbrief

October 2019



EVENTS

Paul Mark to make keynote speech at Guernsey seminar

Paul Mark, the Democrat lead on employee ownership in the Massachusetts House of Representatives, is set to join us for this year's Esop Institute/STEP Guernsey share schemes and trustees' seminar on Friday November 8 at the Old Government House hotel, St Peter Port. He is also to meet Guernsey's prime minister, former Centre director Gavin St Pier and see the Guernsey legislature in action.



Representative Paul Mark

If employee share schemes and trusteeship matter to you, it is now more important than ever to stay informed, especially given recent developments. Even if the world turns upside down in the meantime, you may be sure our speakers will adapt to the challenge. Our seminars offer expert views and the pleasure of continuing education, along with opportunities to discuss and network.

Our speakers - from CMS, David Craddock Consultancy Services, Haines Watts, Pett Franklin and Zedra - will shed light on the key issues currently facing trustees and employee share scheme professionals.

Topics as of now are:

- ♦ Can HMRC ask for that?: Under CRS, Schedule 36 FA 2008 specific information and documentation from advisers is being sought. How did we get to this position?, What is reasonably required? and Does HMRC have jurisdictional rights over the Jersey/Guernsey? with actual

examples showing how poorly drafted some Notices are leaving the recipient having to guess what is being asked for!

- ♦ EBTs as internal market makers for unquoted companies; managing trapped assets within EBTs
- ♦ The Investment Association principles – changes to vesting and post employment shareholding requirements
- ♦ UN Sustainable Development Goals 2030 and the role of employee share schemes
- ♦ Entrepreneurs' relief - an update on developments

The seminar will conclude with a networking lunch.

Last year's event was an outstanding success, which we look to emulate this year, building on the popularity of this industry-leading networking and learning opportunity.

Prices: Esop Centre/STEP members: £375, Non-members: £480

Reserve your place by emailing events@hurlstons.com or calling 020 7239 4971

Centre high table with Ann Pettifor

Only two places remain at the next high table dinner discussion, where our guest will be close Corbyn/McDonnell adviser Ann Pettifor, director of Policy Research in Macroeconomics (PRIME) and council member, Progressive Economy Forum (PEF).

Ann Pettifor is best known for having predicted the 2008 crash. She was a member of the first Corbyn/McDonnell think tank and has remained central to their thinking (see the FT analysis of Jeremy Corbyn's inner circles published on Sept 3.) Diners enjoy the lively discussion and intimate atmosphere for a dozen or so people.

The October 28 event will start with a welcome glass at 6:30pm followed by dinner in the Hodges Room at the RAF Club, 128 Piccadilly London W1J 7PY.

Tickets are £140 + VAT each.

If you would like to reserve a place, please respond to jwigzell@esopcentre.com soon as possible, as there are only two places left. A further high table is being planned for Rep Paul Mark from Massachusetts in early November.

Last few speaker opportunities at BI symposium 2020

The changing landscape of investor and corporate governance expectations in relation to executive equity reward will be the theme of speaker **Harry Meek** of **Linklaters**, when he addresses delegates during a presentation at the Centre's fourth **British Isles share plans symposium** on March 26 next year.

Harry will focus his talk on three key aspects: Regulatory developments impacting remuneration in the financial services (FS) sector, resulting in challenges to the way banks and financial services firms have been operating their incentive arrangements; Listed company investors and corporate governance expectations are catching up, as concepts that the FS sector has been dealing with for some time come to the fore, such as: *Operating malus and claw-back in practice, *Use of discretion in determining vesting outcomes and *Measuring non-financial risk and culture as part of incentive plans; Finally, what listed companies can learn from the challenges and developments faced by the FS sector in share plan design and their operation.

Only three speaker slots remain to be allocated for the symposium, hosted by Linklaters at its London headquarters. Practitioner members and share plan issuer companies are advised to apply **now** for speaker roles before they are all reserved. Plan issuer company representatives who choose to deliver an all-employee or executive equity incentive plan case study (*with or without an adviser*) will be admitted free of charge. Members who wish to participate in this key event – either by co-sponsoring our e-brochure and/or by delivering a presentation – should contact Fred Hackworth at: fhackworth@hurlstons.com or call the team on +44 (0)20 7239 4971.

The symposium will be introduced and chaired by Centre founder, **Malcolm Hurlston**. He will ask his audience: *How could all-employee share*

plan schemes be re-set to make them more popular with companies and employees?

Jennifer Rudman of **Equiniti** will address a key question: *How do you ensure that all employee plans (Sharesave and SIP) stay relevant and provide benefits for today's workforce?*

Colin Kendon, partner (employee incentives) at **Bird & Bird**, will deliver a frank assessment of the popular Executive Management Incentive (EMI) share options based approved scheme used most often for selected employees.

David Craddock, who heads his eponymously named worldwide share schemes consultancy, will explain how SME companies are valued, so that employee shares can be issued. David is technical secretary to the ground-breaking *Worked Examples Group* which the Centre administers.

Jane Jevon of **Pett Franklin** takes the dust covers off the *Company Share Option Plan (CSOP)*, the forgotten share scheme; *unlocking its potential and avoiding its hidden pitfalls*.

Garry Karch, the leading Esop banker in the UK, will explain *How Employee Ownership Trusts (EOTs) are structured and financed*.

Martin MacLeod of **Deloitte** will ask whether recent changes in the UK corporate governance code go far enough on the executive reward front.

Robin Hartley, a senior consultant at **RM2**, will discuss how best to structure and install *growth shares*.

The practitioner member speaker rate is **£275** and member delegates will pay **£395**. Non-member practitioners will pay **£595** (all ticket prices are VAT-able).

To reserve your place at the symposium please contact the team at events@esopcentre.com or call +44 (0)207 239 4971

“Extremely relevant and interesting.

A good opportunity to catch up with contacts; old and new!

A great success. ”

Can employee-owned businesses save our economy?

The **employee-owned business sector in the UK is growing**, particularly in the South West – most recently Aardman Animations where the founders gave their company to their employee colleagues. Harvey Fremlin from The National Self Build and Renovation Centre, David Sproston from Aardman Animation and Annie Tubadji, senior lecturer in economics at UWE discuss the model with chair, Arend Welmers. The event will be 12:30-13:30 on Wednesday November 20 2019 at **We The Curious, At-Bristol** (as part of 'Bristol Festival of Ideas').

WEBINARS

Five ways to make your share plan a success

Wednesday October 23 2019 11:30am

Join Sarah Anderson, director of RM2, a British Isles symposium speaker, to find out what five key elements you need in place to ensure that your share scheme succeeds.

Reputation management: mitigating the impact of fake news (Linklaters)

Tuesday November 19 2019 – seminar/webinar
09:00am – 10:00am (*registration and refreshments from 08:30am*)

Fake news and disinformation are, of course, not new. Politicians and governments have been using them for centuries. But the technical tools that exist today, coupled with increasing distrust of mainstream media outlets have ensured that the phenomenon is different and more dangerous than ever before. And the problem of false information is no longer confined to the political arena: it is becoming a vulnerability for businesses too. Given the sophistication of falsifying information, and the speed and methods by which that false information is disseminated, how can companies manage their reputational risk? **Full details/Register**

CENTRE AND MEMBER NEWS

Brian Basham joins judging panel for 2019 newspad awards

Brian Basham, chairman of corporate research company Equity Development and famed City campaigner, has agreed to join the judging panel for the *newspad* awards. Former Times journalist and "still a journalist at heart" Brian was one of the leading players in the great era of contested takeovers and is now also a leading campaigner for corporate and other good causes.

New recognition of the best HR director in the planning and operation of employee equity plans is reflected in the *newspad share plan awards* this year.

A separate category has been created to attract entries from HR directors who have demonstrated recently their commitment to the maintenance and spread of employee share

ownership within their companies. HR directors and their staff are often the unsung heroes of successful all-employee share plans. Entries are invited for the awards, which recognise the achievements of companies which offer employee share plans and hold up best practice models for other companies to follow. Companies can nominate themselves, or advisers can make submissions on behalf of clients. The deadline for all nominations is 1700 hrs on Friday November 29.

The award categories this year are:

- ♦ **Best all-employee international share plan** (more than 2,500 employees)
- ♦ **Best all-employee share plan** (fewer than 2,500 employees)



- ◆ **Best share plan communications**
- ◆ **Best share plan presentation:** e.g. new features or new plan
- ◆ **Best use of technology in employee share plans**
- ◆ **Best creative solutions** (taking account of employee feedback, equality work, cultural and jurisdictional issues)
- ◆ **Most improved step change participation** (best push on comms and/or more generous offer terms)
- ◆ **Best executive/managerial equity reward plan** (involving more than 100 senior employees)
- ◆ **Best employee share plan practitioner** (with examples of client work)
- ◆ **Best start-up equity incentive plan**
- ◆ **Best HR director** (for provision of employee equity)
- ◆ **Company with highest percentage of employee agm shareholder votes**

Application process: please complete both the following stages: a) 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); b) 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 conditions of entry](#).

If you have any queries, please contact us at esop@esopcentre.com or call +44 (0)20 7239 4971. The winners will be decided by three impartial judges, experts in the use of employee equities, plus Malcolm Hurlston, founder of the Esop Centre. The finalists will be announced in *newspad* early in the New Year.

Deloitte takes on equity

More and more companies, according to a Deloitte report, are receptive to offering a nonqualified plan that operates under a [matching design instead of a discount](#). The concept of a matching design is

straightforward: Employees buy shares under the ESPP and the company offers a matching number of shares at no cost to the employee.

UK NEWS

FIC publishes report on workforce saving

The Financial Inclusion Centre has published its interim report on [Getting workforces saving](#). The research is funded by the new national Money and Pensions Service. It tests the effectiveness of payroll deduction in encouraging greater levels of savings and positive financial behaviour, compared with other approaches.

Key findings include that payroll deduction schemes with credit unions are almost universally popular amongst existing users. However the findings also highlighted the need for comprehensive promotion of the schemes amongst workforces. The interim findings are positive enough for FIC to seek employer partners in practical testing. If you are interested in early testing of the MPS-funded report contact:

mick.mcateer@inclusioncentre.org.uk.

Innovators want to review “restrictive” EMI scheme

The UK’s top FinTech companies have called on prime minister Boris Johnson and chancellor Sajid Javid to review the government’s EMI employee share ownership scheme policy over concerns it is ‘outdated and restrictive’.

An [open letter](#) from Innovate Finance, signed by more than 100 companies’ founders and ceos, says the policy is crucial to allowing fast-growing tech companies to access talent, particularly amid the uncertainty over Brexit.

The letter is calling for an increase in the current limits of EMI from its current £30 million asset cap to £100m, and from 250 to 500 employees.

The letter claims the maturing UK ecosystem now has over 50 tech start-ups which have surpassed the company size criteria for EMI.

The Centre notes that the entrepreneurs have not addressed the need to involve all employees.

EOT NEWS

Edinburgh gallery becomes EOT owned

Scotland's oldest commercial art gallery is to be **put into the ownership** of its 12 full and part-time staff thanks to a recent EOT transition.

Gallery director Guy Peploe, who has served 35 years with the company, agreed to sell his 50 percent stake to the trust in a move steered by chairman Will Whitehorn, also chair of SEC and deputy chairman of Stagecoach, and managing director Christina Jansen. Will Whitehorn is former head of Virgin pr where he worked closely with Richard Branson. There are more than 30 other shareholders. It is intended to ensure the business remains in Scottish hands with continuity of ownership.



The Scottish Gallery has championed the work of successful artists including Samuel J Peploe, Joan Eardley and Eduardo Paolozzi.

Legal services were provided by Douglas Roberts of Lindsays, who commented “It was a pleasure to assist with legal aspects of the transition of the Scottish Gallery to employee ownership.

I was first contacted by Innes Chalmers, the finance director at the gallery, and it was apparent from the outset that this deal was unique given the history and prestige of the gallery, together with the number of shareholders. We worked closely with Innes, Guy Peploe, gallery director, and chairman, Will Whitehorn, to bring the deal to a

successful conclusion. It is also great to work on another employee ownership deal in Scotland as this sector continues to grow.”

Bank of Scotland provided a funding package to support the Employee Ownership Trust's acquisition.

Equipment suppliers get EOT

Intelligent Finishing Systems is in the hands of its 30 employees after the post-press equipment supplier's owners **sold the business to an EOT**.



The deal completed on October 1 and 55-year old managing director Bryan Godwyn has retired. He said that EOTs were an ideal exit strategy for financially strong businesses that didn't have a natural succession plan.

IFS was advised by Avondale Corporate.

Paras and Associates adopts EOT on ceo's departure

Language technology company **Paras and Associates** was sold by its owners to the company's employees through an EOT on October 1 2019. The sale comes ahead of founder and ceo Melinda Paras' planned retirement on December 31 2019.

The California-based company, which was founded in 2006, specialises in developing video technologies to connect healthcare providers with trained interpreters. Paras first saw a need for qualified interpreters in hospitals in the 1980s, when she worked as a health commissioner in San Francisco. “We had children interpreting for family members, clerical and housekeeping staff with no training pressed into duty as interpreters,” she said.



WORLD NEWS

American does the math(s) on McDonnell's IOF

"We cannot solve economic inequality through wages increases; the gaps in wealth are too large," says Lenore Palladino, Kelso fellow and senior economist for [the Roosevelt Institute](#). Instead, she advocates wealth sharing through a McDonnell style ownership fund.

To understand the impact on workers, Palladino models what US employees participating in IOFs would have received from corporations in the 2018 fiscal year had the fund been established.

Leaving out companies that pay either zero dividends or over \$1 million per employee, she finds that the transportation and warehousing sectors would pay \$7,214 per employee and that retail would pay an average of \$836 per employee, while food service would pay \$956.

To ensure that IOFs would not further entrench existing inequities, this snapshot shows that policymakers would need to account for sharp sectoral differences in terms of employment and dividends.

The rise, fall and rise again of businesses serving more than just shareholders

What's the purpose of a business? In recent times the textbook answer to that question has been purely "to make as much money as possible for its shareholders", but business leaders – who often themselves get huge payouts from this model – are beginning to [challenge the current orthodoxy](#).

The influential Business Roundtable association of top US business leaders, which includes ceos of Apple, Boeing, Walmart and JP Morgan, made a landmark statement in August. They [committed](#) "to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders". Maximising profits, they said, would no longer be their primary goal.

Bouygues Confiance n°11 employee share ownership plan

Bouygues has decided to launch a new leveraged employee share ownership plan, "[Bouygues Confiance n°11](#)". The plan involves a capital increase of a maximum of €150 million (inclusive of share premium) reserved for employees of French companies belonging to the Group, to be effected via a dedicated mutual fund ("FCPE"), the units in which are subject to a lock-up period of five years except where early release is allowed under the law. The effect will be the issuance of a maximum of 6,031,363 new Bouygues shares at a subscription price of €24.87. The FCPE will exercise the voting rights attached to the newly issued shares. The Centre notes that the chronically inefficient and poorly staffed telecoms provider might have done better to follow the Capgemini plan below.

Capgemini announces the launch of a sixth Esop

Announced on September 19, the new [employee share ownership plan](#) from Capgemini is being offered to approximately 98 percent of employees as part of the group policy to associate all employees with its development and performance. The employee shareholding resulting from previous Esops represents 5.9 percent of Capgemini SE's share capital. This sixth Esop will be implemented through a capital increase reserved for the Capgemini employees for a maximum of 2,750,000 shares (i.e. 1.64 percent of outstanding shares), with settlement-delivery no later than December 18 2019.

Bernie Sanders announces a sweeping plan to promote employee ownership

On October 14, senator Bernie Sanders released a position paper, [Corporate Accountability and Democracy](#), that begins with the words "We will give workers an ownership stake in the companies they work for."

Sanders wrote: “The time has come to substantially **expand employee ownership in America**. Study after study has shown that employee ownership increases employment, increases productivity, increases sales, and increases wages in the United States. This is in large part because employee-owned businesses boost employee morale, dedication, creativity and productivity, because workers share in profits and have more control over their own work lives.”

Some of the proposals apply only to large firms and include:

- ♦ Ownership funds: Large corporations would be “required to provide at least two percent of stock to their workers every year until the company is at least 20 percent owned by employees.”
- ♦ Board seats: Boards of these large companies would reserve 45 percent of their seats for directors elected by the workforce.
- ♦ Charters: Large companies would be required to obtain a federal corporate charter that “will require corporate boards to consider the interests of all of the stakeholders in a company – including workers, customers, shareholders, and the communities in which the corporation operates.”

Some of the other proposals would be actions to be undertaken by the federal government, including some that Sanders has previously proposed, e.g. an employee ownership bank; employees’ right of first refusal when a company goes on the market; worker ownership centres to educate workers and business owners.

Danone’s new SEA initiatives to include staff co-ownership

Global good company, Danone, has announced an enhanced focus on **employee well-being and engagement**, as part of its ‘One Planet. One Health.’ vision in Southeast Asia (SEA).

Known collectively as ‘One Person, One Voice, One Share’, the initiative is an innovative employee engagement programme put in place to further foster company-wide engagement, and increase the sense of ownership amongst employees (also known as Danoners) in SEA.

As part of this overarching programme, ‘One Voice’ is driven by the belief that all employees should co-own the company’s agenda. For instance, by helping to define the roadmaps to implement Danone’s 2030 Goals, which are aligned with the UN’s Sustainable Development Goals.

Under ‘One Voice’, an internal platform has been developed with learning resources related to the firm’s vision and goals, in efforts to equip them to participate in these conversations.

In line with this, a second programme – ‘One Share’, allows every Danoner to have a share in the company, together with a global annual dividend-based incentive scheme to deepen the “symbolic ownership mindset”.

Speaking about the reasons behind this decision, Normalis Mohd Sharif, director of human resources, Danone Southeast Asia, said “the ‘One Person, One Voice, One Share’ programme is the firm’s way of inviting its employees to actively participate in co-creating and co-owning the firm’s collective future.”

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 7239 4971

E: jwigzell@esopcentre.com



Esop Centre Ltd, 65 King’s Cross Road, London WC1X 9LW

+44 (0)20 7239 4971 | esop@esopcentre.com www.esopcentre.com