



CENTRE EVENTS

Webinar: global share schemes - exporting the vision-Tues. October 25 at 16:00 (BST)

Many businesses now operate on an international scale, but how can they keep corporate identity and cohesion in the midst of a great variety of cultural, financial and legal complexities? In this 45 minute webinar, share schemes expert David Craddock will examine the challenges to international share schemes, including language, legislation, currency and technology; how employee share schemes can promote inclusivity and act as 'corporate glue', holding together the various subsidiaries into a global whole; and the role of an international employee share trust. **Registration is open.**

Webinar : Why employee share ownership matters. November 16 at 15:00(GMT)

This webinar accompanies the launch of the Centre's report: "*Why Employee Share Ownership Matters*". Authors, Professor Michael Mainelli and Simon Mills will share their findings.

Hold the day for Guernsey 2023 – Friday January 27

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 the morning of January 27 2023 at the Old Government House Hotel, St Peter Port, and will conclude with a networking lunch.

We are putting together a programme of talks from expert speakers, who will address the key issues currently 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.

Hold the day for the Centre's British Isles Share Plans Symposium 2023 – March 30

Our annual 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 for the presentation of the 2022 newspad awards.

Please contact esop@esopcentre.com should you be interested in being a reserve presenter or wish to reserve a delegate place.

LIBRARY OF BROADCASTS:

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>



Newspad Awards 2022

Submissions are open for the 2022 *newspad* all-employee share plan awards. 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; Then why not tell the world about it?

The *newspad* awards recognise the achievements of companies which offer employee share plans and hold up best practice models for other companies to follow and the awards present a great opportunity to celebrate your company or clients' achievements.

Companies can nominate themselves or advisers can make submissions on behalf of clients. Entrants can apply for awards in more than one category. **Submitting nominations** is free and simple. Required information kept to a minimum. The deadline for all nominations is **17:00 on 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 reward 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/>

Application process: To submit an application for the *newspad* all-employee share plan awards, please complete both of the following 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.

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. If you have any questions, please contact us at esop@esopcentre.com or call +44 (0) 20 7562 0586. We look forward to receiving your nominations.

CENTRE & MEMBERS' NEWS

Suzannah Crookes joins Steering Committee

Suzannah Crookes, legal director at Tapestry Compliance, will make a welcome return to the Centre's steering committee next month. Suzannah's appointment has the full support of the committee and we look forward to working with her.

Baker McKenzie - ESG whistleblowing on the rise.

More than half of the respondents surveyed in a new report from Baker McKenzie say their whistleblower reporting programme now covers breaches of ESG and sustainability policies. *Asia Pacific Whistleblowing Landscape: Benchmarking and Best Practices*. Read the report at <https://bmcknz.ie/3SYSnJa>.

CORPGRO – ESG in incentives: What comes next?

CORPGRO's founder director Damian Carnell writes: "ESG in company incentives is now widespread. Some use several metrics, deployed in STI or LTI or sometimes both. But ESG has often been "bolted on" to existing incentive and compensation structures. Now the first adopter rush is over, what might come next?

"Well, soon we might see more, or better, or new ESG approaches to incentive pay. Or more likely still, a combination:

- ◆ "More" will include more companies adopting ESG, more metrics used, more incentive weight, more employees included or more incentives covered, or several of these.

- ◆ "Better" ESG incentives might mean a stronger link to strategy and purpose, more logical and accurate targets with better definitions. Stronger management information systems and feedback loops, with clearer communication to employees, shareholders and others.
- ◆ "New" approaches to ESG in incentives will also emerge. For example, fixed pay swaps for ESG incentives, the use of kickers and modifiers and discretion, the adoption of "Climate Clawback", and the use of "Look Through Values".

"More likely is a combination of all three at once, with several variations.

"What does seem clear is that ESG in incentives are not staying still. A tokenistic or lip service approach to ESG will be challenged increasingly by shareholders. That is certain where direct competitors are taking the management of the risk factor and value driver aspects of ESG more seriously.

"ESG in incentives is not "paying for doing good". Rather it is an important protection of the business and a strong driver of shareholder values.

"In a recent award the ceo of Accenture said "*Diversity and inclusion - it is essential to the growth of our business, our continued innovation and our ability to create 360° Value for our clients, our communities and all our stakeholders*"

"Early adopter companies will still stay ahead of the game, provided they continue their first mover advantage with a deeper and more business centric approach."

Linklaters advises on ‘largest European IPO in history’

Linklaters has comprehensively advised Volkswagen AG and Porsche AG on **Porsche AG’s IPO** and the share purchase agreement with Porsche Automobil Holding SE. The transaction is one of the largest European IPOs in history.

In the context of the IPO, a total of 113,875,000 preferred shares (Vorzugsaktien) (including over-allotments (Mehrzuteilungen)) from the portfolio of Volkswagen AG were placed with investors. Volkswagen AG had set the placement price of the preferred shares of Porsche AG to be €82.50 per preferred share. The shares have been traded on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange since September 29 2022.

MM&K – Four actions companies might take to tackle inflation

Goldman Sachs economists are predicting a recession later this year and a rise in UK inflation to more than 22 percent next year. With a pound weak against both the US dollar and the euro, questions are being asked about how businesses, communities and individuals can survive this latest economic crisis.

MM&K offers some thoughts about **actions companies might take**. Many may already have taken all or some of them:

1. Review the business strategy and forward plan
2. Revisit workforce and shareholder communications
3. Take a new look at people strategy
4. Rethink how you measure performance

MM&K – Companies who don’t recognise and reward talent do so at their peril

We don’t live in a perfect world nor a perfect meritocracy, but – generally – aren’t people who miss a promotion simply not up to scratch? Thanks to ruthless market forces, a company has a strong incentive to select only the best (barring any nepotism) since empowering low-performers should promptly acquaint a company with its end.

Well, maybe not. If you spend much time on forums discussing the workplace, you may have **come across complaints or advice requests** from those for whom – despite their performance – the luscious isles of career-advancement rest ever beyond the horizon.

New study on employee shareholder behaviour

Professor Andrew Pendleton has commended the latest paper published in the journal Human Resources Management, which examines employee behaviour at maturity of SAYE share option plans. Its key finding is that the level of gain on options has very little effect on whether employees exercise and sell immediately or exercise and retain the shares. The paper is open access and available from onlinelibrary.wiley.com

Congratulations!

Computershare Channel Islands Heidi Wilson and team ran the Ravenscroft Relay Race in the Standard Chartered Jersey Marathon 2022 on Sunday October 2.

Howells is a finalist in Lloyds’ Gateley Business Transformation of the Year in **the British Business Excellence** awards.

Kleinwort Hambros won Private Banker International Award for Excellence in **Employee Engagement**.

Macfarlanes has been elevated to tier 1 for corporate tax in the Legal 500

Travers Smith Incentives & Remuneration team ranked top tier for Employee Share Schemes - Partner and head of department Mahesh Varia continues to be ranked in the Hall of Fame and senior counsel Elissavet Grout is recognised as Rising Star. Mahesh commented "I'm really proud to lead a devoted and hardworking team which has led to our continued recognition as a Tier 1 practice in the Employee Share Schemes category in **The Legal 500 (Legalease)**. Our ranking wouldn't be possible without the wonderful clients we get to work with and to whom we owe a huge "thank you" for their feedback."

VG is Tier 1 **independent 2022 eprivateclient Top Trust Company** for second year running.

Zedra – Congratulations to Centre steering committee member **Elaine Kennedy** (previously Graham) who has been appointed managing director of Zedra's Guernsey office. Nick Shinn has been promoted to deputy managing director and Nicola Brown will assume overall responsibility for its share incentive business.

MEMBERS' EVENTS

Private company share plans in Europe – October 19

CMS's Andrew Quayle is lined up to speak at Astrella's October Chalk Talk at 17:00 (BST) on October 19. He will discuss what employers need to know about equity compensation in Europe along with what it takes to properly navigate legal and tax complexities and how to avoid common mistakes made by companies. **Registration is free.**

UK NEWS

Government announcement on the Company Share Option Plan scheme

Following publication of the Growth Plan, HMRC issued its latest **Employment Related Securities Bulletin 45** (September 2022), which gives details of the announced changes to the Company Share Option Plan (CSOP) scheme and an update on the Save As You Earn (SAYE) bonus rate mechanism review.

WORLD NEWS

How to maintain cohesion in hybrid workplaces

Two years on from the remote work boom, startups are still figuring out **how to do the whole hybrid** thing, according to *Sifted*.

Questions still remain among managers about how best to maintain communication across remote and office-based employees; ensure people feel connected and part of the pack; what tools to use; and what to do with that office space that maybe only a few people want to now use.

Key tips:

- ◆ Have a framework
- ◆ Get your tools sorted
- ◆ Keep remote employees in the loop
- ◆ Invest in the employee experience

Don't stress about the so-called "complexities" of hybrid too much. "Anchor on the purpose and goals of the organisation. That is more important than if employees are physically there or not." To put it simply, the two main factors identified by the Centre have long been quantum (is it big enough to matter) and spin (are you telling it clearly).

Ireland lags behind rivals for employee share schemes

More **support is needed for SMEs and large companies to encourage employee share schemes**, with Ireland lagging behind rival countries in terms of share scheme offerings, according to the Irish ProShare Association (IPSA).

Ireland: Tech sector sees tax credit and employee share scheme extensions

The government is to extend the State's so-called "knowledge development box" tax credits for a further four years. Mostly applicable to tech companies and those filing patents, qualifying firms can get a deduction worth up to 50 percent of profits. However, the effective rate is to rise from 6.25 to 10 percent due to OECD single tax rate rules being introduced internationally.

Small and medium-sized firms will see some **employee share option schemes extended**. The Key Employee Engagement Programme (Keep) scheme will be extended till the end of 2025. The lifetime company limit for Keep shares is being raised from €3m to €6m.

USA: Employee ownership could be the future of capitalism—but it doesn't work unless workers earn it

Employees who understand, drive, and share in the wealth they create think like owners—and participate in the American dream.

A recent op-ed published by Fortune suggests that "**shared company ownership may be the missing path to the American dream**." From today's vantage point, it's a tall order. Authors Darren Walker and Pete Stavros go on to say that "investors, financial institutions, and labour advocates are among a growing movement that believes that employee ownership would resolve the structural challenges faced by the economy." A tall order, indeed.

China: Ju Teng International Employee share scheme bets pay off as stock gains 11 percent

A look at the shareholders of Ju Teng International Holdings Limited (HKG:3336) can tell us which group is most powerful. We can see that the **employee share scheme owns the lion's share** in the company with 42 percent ownership. In other words, the group stands to gain the most (or lose the most) from its investment in the company.

South Africa: Amplats launches new employee share ownership plan

Anglo American Platinum **has launched a new multibillion-rand employee share ownership scheme**, targeting permanent employees, excluding executives and other management.

Eligible employees in SA and Zimbabwe will be allocated shares to the value of R8,000 per year, with each tranche vesting three years after the allocation.

This is the third employee share ownership plan for Amplats and replaces the second one, which expired at the end of September, when the final 2020 allocation vested.

USA: How employee ownership can address the racial wealth gap

Non-Profit Quarterly reports that, in the United States, worker-owned models of commercial enterprise have been practiced for centuries—and have been codified into law over the last several decades. From the many worker cooperatives documented by Jessica Gordon Nembhard in *Collective Courage*, such as the Freedom Quilting Bee of Alberta, to the large majority employee-owned enterprises that employ tens of thousands, such as Publix Supermarkets and WL Gore, employee ownership has long been a factor.

However, for those who have tirelessly fought to bring employee ownership into the mainstream, **it seems as if we have come into a "moment."** Once relegated to

the niche, if not novel, corners of social movement strategies and wealth management tax schemes, employee ownership as a concept and practice has begun to challenge long-standing dogmas about what business ownership is and who can—and should—have access to it.

The signs of this shift are many. They include the increasing prevalence of bipartisan federal legislation such as the 2018 Main Street Employee Ownership Act and the RISE & SHINE Act (Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg), which is currently moving through Congress. In the private sector, these signs include the rise of for-profit investment funds such as the Fund for Jobs Worth Owning in Massachusetts. In short, the idea that employees should own a stake of the businesses where they work has become increasingly popular, says *Non-profit Quarterly*.

EMPLOYEE OWNERSHIP NEWS

Should vendors be trustees?

Carole Leslie writes in the *Ownership Matters* newsletter: “The **role of the Trustee in the EOT-owned company** is one of the most important, yet the most neglected and misunderstood. It is the responsibility of the Trustees to ensure that the interests of the beneficiaries are protected and enhanced. Of course, the primary focus is to ensure that the employees’ value in the company is secure.

“*Value* can have a wider interpretation beyond the purely financial. Indeed, many companies articulate that value in their legal documentation, stipulating that the company should always have a focus on innovation, or corporate citizenship or quality engineering. The purpose clause will have a requirement that the company

should be a great place to work where employees are valued and respected.

“Obviously then, the composition of the Trustees is paramount to stewarding the company effectively. So who should the Trustees be?

“It’s almost always the case that the selling shareholder has the right to be a Trustee until they are totally paid out. This recognises the risk that they are taking when the employee buyout is funded by significant deferred consideration. This does raise questions from the new employee owners – is this not a conflict of interests? Is this really a shift in ownership if the former owner is still at the top table? Indeed, Chris Budd, former owner of Ovation Finance who transferred his business to an EOT in 2018 doesn’t think the vendor should be a Trustee for a prolonged length of time. In an EOA blog he said, “Giving up a little bit of control is like being a little bit pregnant. It’s kind of an all or nothing situation. A former owner who keeps a position of influence is inadvertently sending a message to the employees that is in danger of undermining the concept of employee ownership. It can only dampen the all-important employee voice.” Chris stood down as a Trustee after six months.

“What about the other Trustees? Graeme Nuttall OBE, who is respected globally as the leading expert on all things employee ownership, recommends a ‘paritarian’ composition: the Trust should have equal numbers of management and non-management employees with the addition of one or two independents.

“It’s a good starting point and does lead to the question – should these management employees be directors? Currently there are no rules on this, however I’d refer back to the purpose of the EOT. As the majority

shareholder, it exists to hold the board of directors to account in delivering value to the employees as indirect shareholders. “Can an individual really be objectively critical of their own performance and decision-making? The Chartered Institute of Taxation believes there should be more regulations around who can be a trustee in an EOT controlled company. They have made a recommendation that former owners, and those connected with them, should not form a majority of the Trustees. They believe this hampers employee engagement and may lead to an unhealthy prioritising of repaying consideration to the detriment of employee interests and the long term health of the company. The CIOT does recognise that some owners will have valid reasons to insist on a Trustee role and therefore do not propose that selling shareholders are ‘barred’.

“It is an interesting point for discussion and there is no one right answer. Each company is different and part of the discussion during the transaction should centre around what is the most appropriate composition for the company, ensuring that employee owners’ interests are paramount. This does sometimes mean difficult and challenging conversations. The role of the Trust in the employee-owned company is too important to compromise.”

“Please note, that for the purpose of this article I’m using the term “Trustee” to refer to both the appointed Trustees and the directors of the Corporate Trustee.”

EOT ROUND-UP

- ◆ Architecture practice **JDDK Architects**.
- ◆ **Lyneal Group**, which operates employee benefits firms mystaffshop.com and myhealthxtras.co.uk.
- ◆ Research company **Belbin**.
- ◆ IT consultancy **Intech Systems**.
- ◆ Hospital bed manufacturer **Medstrom**.
- ◆ Urban design and landscape architecture practice **Planit-IE**.
- ◆ Recruitment firm **Linear Recruitment**.
- ◆ CloudStack technologies integrator **ShapeBlue**.
- ◆ Manufacturing group, the **Challenger Group**, which comprises Challenger Hydraulics Ltd, Challenger Manufacturing Ltd (trading as Comet Fluid Power), Challenger Handling Ltd and CFP Hydraulic Systems Ltd.
- ◆ architectural practice **DAY**.



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ABOUT NEWSBRIEF

newsbrief is the Employee Share Ownership Centre’s members-only mid-month publication.

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