

NEWSBRIEF

Members' national and international news

BT's Anna Watch joins judges panel for the Esop Centre Awards 2016

Anna Watch of Centre member BT is set to join Willis Towers Watson's Damian Carnell on the panel of judges for this year's Esop Centre Awards.

William Franklin considers the implications of the PTVC withdrawal

[In an article published in the September edition of Tax Adviser](#), William Franklin of Centre member Pett Franklin reflects on the implications of HMRC Shares and Assets Valuation's withdrawal of post transaction valuation checks (PTVC) and ITEPA and Best Estimates for PAYE earlier this year. He argues that this will particularly affect larger unquoted companies too big to qualify for EMI options who often used growth shares – which are more difficult and time consuming to value – instead. With the loss of the PTVC, he argues, there is a loss of certainty of the value of employee share awards and this may discourage their use. Franklin also warns that any changes to the current system for agreeing EMI valuations would only heighten these concerns. The warning comes as a Centre sub group works on a new modus.

Employee owned law firms on the rise

The number of law firms adopting employee ownership is increasing, [according to an article by Ann Tyler of Centre member Lewis Silkin](#). Although in theory law firms have been able to become employee owned since 2007, when the

alternative business structure was introduced, in practice few have made the transition due to the perceived incompatibility with the traditional partnership model. This has recently started to change, however, with an increasing number of law firms – large and small – adopting shared-ownership models.

Give top shareholders control over executive pay, urges Conservative MP

UK companies should introduce shareholder committees to curb excessive executive remuneration packages, [according to a report by Chris Philp MP published by the usually left leaning High Pay Centre](#). The mandatory committee would consist of the five largest shareholders, together with the company chairman and an employee representative, which would approve executive pay arrangements before submitting it to a binding agm vote. The report also called for the automatic publication of companies' median salaries, having concluded that FTSE 100 ceos are paid 150 times more than their company's average worker. The standing room only launch event at the House of Commons on September 5 was chaired by Lord Myners with many Centre friends in attendance, including Daniel Godfrey, Patrick Neave, Paul Jackson and Nigel Mason. Esop Centre chairman Malcolm Hurlston CBE emphasised the importance of shareholder democracy and suggested employees should be free to choose their own representative.

Employee ownership improves company performance, international study

There is a small but statistically significant link between employee ownership and company performance, [according to research published in the Human Resource Management Journal](#). The meta analysis of 102 samples – representing 56,984 companies across the globe – found that employee ownership can boost corporate profits by as much as four percent.

Business Advisory Group meeting

The Business Advisory Group to the OECD conference met on Wednesday September 14.

Gannons business valuation seminar: September 20

Centre member Gannons will host a seminar on the topic of 'valuing shares in a private company' on Tuesday September 20. Starting at 9.00 at the Royal College of Paediatrics, confirmed speakers include Catherine Gannon, managing

partner of Gannons, and Steve Lygo, who was trained by HMRC's Shares and Asset Valuation office. RSVP jg@gannons.co.uk.

Deloitte webinar on FTSE 350 directors' remuneration: September 22 & 27

Centre member Deloitte will be launching their 2016 report on directors' remuneration with two webinars. [The first](#) will be held on Thursday September 22 at 10.30, focusing on FTSE 100 companies. [The second](#) will be held on Tuesday September 27 at 10.30, focusing on FTSE 250 companies.

Pett Franklin webinar with SAV: September 27

Centre member Pett Franklin will be hosting a webinar at 10am on Tuesday September 27 with Tony Spindler, assistant director of HMRC's Shares and Assets Valuation.

Classic Motor Cars sold to EOT

Co-founder of Shropshire-based Classic Car Motors, Peter Neumark, has sold the 23-year-old business to an Employee Ownership Trust. More than 60 employees will now enjoy an annual bonus with the first £3,600 income tax free. Explaining why he sold his business to his employee, Neumark said that with retirement approaching for him and co-founder Nick Goldthorp he wanted to "to oversee a passing of responsibility, and who better than the workforce themselves". In a sign of the adaptability of the new model, the new trust will be chaired by Neumark and there will be a staff-elected trustee.

RM2 / Ownership Alliance survey

The RM2 Partnership, in conjunction with the US-based Ownership Alliance, has released the preliminary findings of a survey which suggests that employee ownership boosts the sales, profits and brand perception of a business. In the UK 41 percent of respondents were willing to pay more for a product from an employee owned company, compared with 49 percent in the US. Detailed results of the full survey will be published soon.

Wide gap between US and non-US ceo pay

There is a substantial difference between ceo pay in US and non-US companies, [according to a report by Equatex and Equilar](#). It found that the median pay of US ceos - whose remuneration is heavily equity based - was \$14.9m, almost

three times larger than the \$5.5m at non-US companies. One factor may be the favourable attitude of the Federal Reserve, which told the Centre in New York that higher ceo rewards are justified by its research. The modern ceo typically runs a bigger company and enjoys shorter tenure while investing more heavily in r and d.

Wedlake Bell on the move

Centre member Wedlake Bell has moved from Bedford Row to new offices at 71 Queen Victoria Street, London EC4V 4AY.

Worker representative to join Sports Direct board

Retailer Sports Direct has announced plans to introduce a workers' representative to its board as it attempts to address widely publicised concerns over how it treats its rank and file. It will start offering shop staff guaranteed hours instead of its controversial zero-hours contracts.

Conferences and events

Employee share schemes for SMEs conference

Around 100 delegates representing small and medium sized companies will head to the Institute of Directors' Pall Mall headquarters tomorrow (Sept 16) for the Centre's share schemes for SMEs conference. Expert speakers from Centre member firms will help delegates decide which employee share scheme is right for them. Chairman Malcolm Hurlston will highlight in particular the Employee Ownership Trust as an excellent option for those looking to sell their company while retaining its corporate identity and culture.

Employee share schemes for SMEs

A one day conference by the Esop Centre and the IoD



Guernsey share schemes and trustees conference: Friday October 7

The annual [Guernsey share schemes and trustees conference](#), organised by the Esop Centre and STEP Guernsey, will be held at the St Pierre Park Hotel in St Peter Port on the morning of Friday October 7 2016.

Deputy Peter Ferbrache, Guernsey States president of the economic development committee, will deliver the keynote speech.

Delegates will also hear from Martin Popplewell of Deloitte, Stephen Woodhouse of Pett Franklin, Juliet Halfhead of Deloitte, Alison MacKrill of Carey Olsen / STEP Guernsey, David Craddock of David Craddock Consultancy Services, and Elaine Graham of Zedra.

Malcolm Hurlston will introduce the conference with an examination of the new UK government and the new opportunities with the EOT.

The other presentations will cover the Common Reporting Standard, tax planning, the new rules for outstanding EBT loans and the traditional legal update for trustees.

A panel discussion with Alison MacKrill and Elaine Graham will ask why the Channel Islands are still the jurisdictions of choice to run EBTs.

Tickets cost £350 for Centre and STEP members, £450 for non-members.

To register your interest in attending, please email events@esopcentre.com or call 020 7239 4971.

Esop Awards Dinner 2016: Tuesday November 22

The Esop Centre's [fifteenth annual black-tie 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.

We are now taking bookings. 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.

British Isles symposium: employee equity, Brexit & shareholder democracy, Wed/Thur November 23–24

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

The one-and-a-half-day conference will follow this year's Awards Dinner on the evening of Tuesday November 22. It will focus on the May government, post Brexit broad-based cross-border employee equity plans, executive and management reward strategies, and British Isles trustee involvement in employee equity.

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

Peter Parry of the UK Shareholders Association and Sarah Wilson of proxy voting agency Manifest will headline the guest speakers. Watch for new names you cannot afford to miss.

There is still time to register interest in speaking at this event, particularly if you can organise and present a double-header client case history, update delegates on the administration marketplace or explain the corporate governance issues of cross-border all-employee equity plans. Trustee speakers are sought too, as we will devote a segment of the programme to the future of EBTs and Eso in the Crown Dependencies.

Book by the end of Friday September 16 to take advantage of the following early bird prices.

MEMBERS

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

Practitioner: £395

NON-MEMBERS

Plan issuer: £175

Practitioner: £595

All prices are subject to UK standard rate VAT.

The Centre thanks Equatex, Estera and Bedell Trust for co-sponsoring the [event brochure](#).

If you're interested in speaking or would like to register as a delegate, please email britishisles@esopcentre.com or call 020 7239 4971.

Prices after September 16

MEMBERS

Plan issuers: FREE (subject to £50 admin charge)

Practitioners: £490

NON-MEMBERS
Plan issuers: £270
Practitioners: £690

Member profile

Fred Hackworth

International director, Esop Centre

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

Eso helps create a more inclusive society and encourages employees to think more about why they are there and less about clock-watching. Involvement in Eso gives participants an on-going seminar about what shares are, how their value can oscillate and the advantages of long-term ownership.

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

Reform the secondary education system to make lessons in basic household economics obligatory – what a bank account is and how a mortgage operates etc., as well as what companies are and what their priorities are and their responsibilities to employees and other stakeholders.

Companies should reward their long-term employee shareholders with occasional supplementary awards of free shares – and other additional benefits.

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

Start-up entrepreneurs should ask themselves whether they can afford to incentivise high performers beyond the appropriate salary or wage band through cash bonuses alone. If not, a share or share option scheme may well be the right answer. Exiting entrepreneurs should consider how they would feel if their business were broken up by an acquirer after a trade sale. A staged sale to the employees through an EOT, for example, would stand a better chance of keeping the jobs and plant in the local community.

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

Most governments will be reluctant to improve tax and NICs

exemptions, where they already exist, except as part of a strategy to rescue their economies from the doldrums. The financial and regulatory costs of setting up and operating all-employee share schemes will deter increasing numbers of smaller quoted companies from adopting Eso, but the multinational companies will continue building up their own Eso schemes. Ditto the gazelle-like high-tech start-ups, where the use of EMI and other schemes will proliferate.

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

The introduction of the Share Incentive Plan (SIP) – in which shares are purchased out of pre-tax income and often matched by employers – and the very popular EMI, which is a share options based incentive beamed at key employees (not necessarily directors). Both are tax approved and both were introduced by the socialist chancellor Gordon Brown!

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

Employees of all European based companies with more than 100 employees should have the right to demand the introduction (if not already installed) of Eso by their employer who, equally, should have the right to refuse, provided good reasons are given to the employees for not doing so.

Plan rules should be made more flexible so that the trustees, if so minded, can introduce mechanisms to allow the spread of employee shareholdings across a range of outside companies and funds. The guiding principle would be *don't have all your eggs in one basket*. Some French Eso schemes have permitted employee shareholding portfolio spreads – as long term savings plans – for decades already.

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

Eso has long been seen as a 'good thing' to do, but the sudden rapid increases in national minimum wage and the like have somewhat mitigated the moral imperative of helping the low-paid. Eso fits in almost perfectly with the mood music of the Lib Dems. Many Tories like the trickle-down element in Eso (how to get employees to love capitalism), and even unions like the CWU have accepted Eso as a last resort when failing to stop privatisation – as in the case of the Royal Mail. Nevertheless, many UK unions remain hostile to Eso, much more so than their counterparts, notably in Germany and Italy.

What is your idea of perfect UK happiness?

Sun-lounger reading, under a parasol with a glass of Louis Latour

Meursault to hand, in my garden, poolside...

What is your most marked characteristic?

Resilience.

What do you consider your greatest achievement?

To have taught (if that is the right verb) a class of London dockers' children for my gap year before university. Their parents were from so many different countries that the teaching staff nick-named my class: 'The Commonwealth Conference'. I stood before them daily, at the ripe old age of 19, in my first-ever suit (a Burton off-the-peg number) and lived to tell the tale...

What historical figure do you most identify with?

Napoleon's nemesis Talleyrand, almost the only one left standing at the end of 25 years of revolution, regicide, war and mass executions. He even had a district in east Manchester named after him.

Which living person do you most admire?

The Japanese novelist Haruki Marakami, who wrote *1Q84*, *Norwegian Wood* and *Kafka on the Shore*, among others.

Who are your heroes in real life?

Night staff at hospital A & E departments.

Which word or phrases do you most overuse?

'Just a minute'.

What is your most treasured possession?

A Staunton pattern chess set.

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

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