



NIGEL MASON



Malcolm Hurlston CBE writes: The untimely death of Nigel Mason will leave a huge gap in the world of employee ownership. He started **over 30 years ago** with Industrial Common Ownership Finance, the practical subsidiary of ICOM. Ever since he has pursued the aim, at times alongside a successful and demanding other career. His work combined clarity and charm with grasp of detail and an overarching vision which never changed. Personally and on behalf of the Employee Share Ownership Centre I offer heartfelt condolences to his family and to his colleagues at RM2.

EVENTS

October 11 webinar - 15:00 BST

Innovative Tax Techniques For Employee Share Schemes - Employee share schemes offer employees the opportunity to buy shares in the business they work for. Owning part of a business offers a great incentive for employees to contribute to the success of the business and remain loyal to the business. There are 'approved' and 'unapproved' employee share schemes, this references HRMC's view of an employee share scheme and whether or not it comes with tax advantages as a result.

In this webinar, share schemes expert David Craddock will explore innovative strategies based on tax-efficient solutions in employee share ownership programmes.

Registration is now open.

October 14 webclave on The Employee Voice—12:15 BST

At the Centre's next members' webclave we shall highlight the issue of the **employee voice**: how employees may vote their shares in communication with the company.

Join us for the on-line discussion from 12:15 BST on Thursday October 14. After hearing the corporate view, adviser view, and administrator view of why we should, and practicalities of how to incorporate the reporting of the employee shareholder vote as a measure of good practice, participants will break into discussion groups, taking the conversation forward. **Register now.**

Esop Centre members' webclaves are online conclaves, private, invitation-only meetings, which bring Centre members together to discuss areas of common interest.

December 1 share schemes and trustees virtual conference

This year's Esop Centre **Employee Share Schemes and Trustees Conference**, held in partnership with STEP Jersey, will be hosted on-line on Wednesday December 1 2021 from 10:30am.

The event comprises a 90 minute live virtual conference, at which Joe Moynihan, ceo of Jersey Finance will set the scene with his keynote address. Then members of the speaker panel will discuss their presentation topics, with delegates able to interact live, followed by breakout discussion groups. Supporting material, featuring the speakers' pre-recorded presentations, will be released a week before the live panel session.

With the international reach of trustees and the growth in the establishment of employee ownership trusts, it has never been more important for those interested in employee share schemes and trusteeship to stay informed with expert views and enjoy the continuing education which our conferences and seminars offer.

The programme is drafted to provide relevant technical information, which we trust will be acceptable as counting towards your Continuing Professional Development or Continuing Competence.

The programme will include talks on: Recent changes in UK tax laws: court and tribunal decisions and the Finance Bill 2022; the rise of Employee Ownership Trusts; as well as legal; tax; regulation; and employee share plans updates.

Share schemes experts will include: David Pett, Barrister, Temple Tax Chambers; Elaine Graham, Director, Zedra Guernsey; tax expert Paul Malin of PMC; and David Craddock, Founder and Director, David Craddock Consultancy Services. Further details to be announced.

Prices: Esop Centre/STEP members: £125.
Non-members: £195

Early-bird offer: Book and pay before 31 October 2021 to claim one of the following early-bird discounts:

- ♦ For one to three places: deduct 20 percent of total order.
- ♦ For bookings of four or more places: deduct 25 percent of total order.

Bookings: E: esop@esopcentre.com
T: 020 7562 0586

Here is our library of broadcasts:

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 - Newspaper Review; Beyond Brexit: EU-UK Social Security Contribution Rules; Esop Sofa: Hot Topics – newspaper 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 Limited 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

Health and Social Care Levy: increase in employment costs

As widely anticipated, the government has announced the introduction of a levy to help pay for the NHS backlog caused by the Covid-19 pandemic and the crisis in social care.

The Health and Social Care Levy (HSC levy) will be introduced UK wide from April 2022. It will initially be collected through a 1.25 percent increase in national insurance contributions (NICs) for working age employees, their employers and the self-employed. From April 2023 the HSC levy will be formally separated from NICs (at which point the NICs rates will return to their current levels) and will be extended to apply to individuals who are working above state pension age (such individuals are exempt from NICs). **Lewis Silkin commented:** *At a time when many businesses are already facing increased employment costs and individuals are facing increased living costs, the HSC levy adds to the economic pressure.*

There is too concern that move will hit younger workers hardest. In a **Telegraph article**, in which he described the hike as a "short-term fix," friend of the Centre, Professor Len Shackleton of the Institute of Economic Affairs wrote: *"It is absurd that those over state pension age with substantial incomes and assets should not pay part of this burden because they are not currently liable for NICs."*

RM2 Partnership noted that it is worth bearing in mind that ***the attractiveness of tax-advantaged employee share plans is only enhanced by this tax rise.***

RM2 Partnership urges the government to simplify EIS and EMI

The second Office of Tax Simplification Capital Gains Tax report suggested simplifications for the administration of the **Enterprise Investment Scheme (EIS)**. RM2 in its September 8 blog, implored the

government both to make EIS easier to administer and to adopt a similar strategy for EMI; adding: "There were good reasons why these two schemes were introduced by the government of the day in the early 2000s and good reasons now why both these schemes should be simplified and made easier to administer after emerging strongly from the pandemic."

RemCo reform the way to improved people and pay governance

In a joint report the Chartered Institute of Personnel and Development and the High Pay Centre offer practical guidance to HR Directors and board members on how to improve their people and pay governance through RemCo reform and by including the workforce in the pay-setting process. In an interview with **HRNews**, **Pinsent Masons' James Sullivan-Taylor** describes the report and its recommendations, particularly what it says about share plans.

The benefits of an international savings/pension plan

For UK expats, in particular, many will have one or more pension pots in Britain plus any they may have contributed to while working overseas.

Not all jurisdictions have comparable pensions on offer, but that's where international savings plans (ISPs) and international pension plans (IPPs) have started to fill the gap in the market.

Anton Seatter, director of employer solutions at **JTC**, told **International Adviser**: "ISPs and IPPs offer significant benefits – in particular for expats. Having a single centralised retirement pot, rather than fragmented retirement provision across a number of jurisdictions, can really help simplify their affairs from a personal administration standpoint."

"The fact that members can continue to pay into it regardless of their country of residence is also a benefit – subject to local tax advice."

How participation in private equity carried interest plans has changed over the last ten years

There has been an **extraordinary level of activity** in both the private equity and venture capital industry in the UK over recent months. The global value of deals carried out by private equity firms is set to surpass \$1trillion for the first time this year.

In most funds, the performance fee is shared out among the partners and the other senior investment professionals of the fund management entity and in this way, it is in effect their long term incentive to maximise the returns to their investors. In this guise it is typically referred to as a carried interest plan. While the way in which the carry is calculated has not really changed in forty years, the way in which it is shared out has changed, particularly over the last ten years, according to MM&K's Nigel Mills.

Link Group insight: Investment trust dividend snapshot 2021

Investment trust dividends fell in the first half of 2021, even as the wider dividend picture from companies in the UK and around the world improved, according to the Link Group half year **Investment Trust Dividend Snapshot**; adding that though it was the first fall since H2 2010, they have easily outperformed wider-market pay-outs since the pandemic began.

White & Case insight: SPACs are not investment companies

On August 17 2021, a purported shareholder of Pershing Square Tontine Holdings Ltd ("PSTH") filed a derivative lawsuit against PSTH, a **special purpose acquisition company ("SPAC")** sponsored by investment funds managed by Bill Ackman, as well as certain of PSTH's directors and certain other entities,

alleging, among other things, that PSTH is an unregistered "investment company," as defined in the Investment Company Act of 1940, as amended (the "ICA").

The lawsuit has garnered a significant amount of media attention, in part because the lawyers behind it include former SEC commissioner and current NYU Law professor Robert Jackson and Yale Law School professor John Morley, and the same purported shareholder, represented by the same lawyers, has subsequently filed lawsuits against other SPACs containing the same allegation. The claim that SPACs are investment companies is meritless, as it is based on a flawed portrayal of both the purpose of SPACs as well as the applicable provisions of the ICA. As the SEC has recognised for decades, a SPAC is a blank cheque company whose primary purpose, during its limited corporate lifespan, is to engage in a business combination with an operating company, and therefore is not an investment company governed by the ICA. The lawsuits, which contain no novel arguments or revelations that would affect that treatment, should fail.

JTC reported that on August 16 2021, The International Stock **Exchange amended its rules for listing SPACs**. Commenting on the changes, James Tracey said, "These revised rules follow hot on the heels of recent announcements from the European Securities and Markets Authority (ESMA) in the EU and the Financial Conduct Authority (FCA) in the UK in response to a sustained lively SPACs market over 2020 and into the first half of 2021 and designed to focus activity on quality listings."

Travers Smith legal update: ICO consults on its international data transfer agreement

The ICO has launched a **consultation on its international data transfer agreement**. This is the agreement that would be used as a safeguarding mechanism for restricted transfers of data covered by the UK GDPR. The consultation closes on October 7 2021, and changes will no doubt be made to the documents following the outcome and responses. Nevertheless, the consultation provides a useful heads up of the issues that will be faced by parties who wish to transfer personal data under UK GDPR.

Netherlands: Amsterdam - Vaccination obligation for employees returning to the office?

Following the example of companies in other countries, a number of companies in the Netherlands recently announced the **requirement for employees to be vaccinated** before they can return to the workplace. The announcement led to major discussion in the Netherlands, as a vaccination obligation would be a breach of fundamental rights. In this feature for *Lexology*, **Baker McKenzie** discusses the possibility of requiring employees to be vaccinated.

ESG

Keeping ESG in the family

Family businesses have been identified by the United Nations as being ideally placed to introduce measures quickly and with relative ease, future-proofing their operations. But while many appreciate the value of ESG, only a third appear to have a strategy in place to achieve it, according to a global survey of 2,801 family business owners.

More than half those who took part in **PwC's survey** saw the potential for their business to lead on sustainability, yet only 37 percent have a defined strategy in place.

Zedra's Wim Ritz looks at **becoming a sustainable business**.

The missing cornerstone in sustainable finance: investee company ESG reporting

The rush to regulate financial markets to produce **ESG outcomes has brought focus to a problem**: in the absence of good quality ESG data from investee companies, asset managers and investors are stumbling towards sustainability on a barely lit path. So far, reliable and comparable ESG data has been lacking. **Macfarlanes'** Lora Froud, Tiffany Cox, and Gavin Haran investigate a spate of recent announcements which look set to change this.

Sanne insight: Why responsible investing is more crucial than ever

Credit has been behind other asset classes on ESG, and the **US market has lagged behind** Europe and Asia, but now is the time to engage in the conversation, say Keith Miller, global head of private debt, and Karlien de Bruin, global head of ESG, at Sanne.

Congratulations!

Fieldfisher shortlisted for **M&A Team of the Year** at the British Legal Awards. The UK M&A team has been nominated for its role in high-profile cross-border deals involving specialist corporate advice and multi-practice expertise.

Cytec Solutions announced expected '**new team member**'. The Centre wishes client services director Shelly Goff all the best with her new arrival!

MEMBERS' WEBINARS

Deloitte – Operating global share plans – September 22 14:00 BST

Get back into the swing of things with a **post-summer refresh on some tax tricks and must-knows** to operating global employee share plans – one hour webinar.

UK NEWS

Employment Related Securities Bulletin 39 (August 2021)

ERS online service from HMRC covers annual returns, ceasing a scheme no longer operating or registered in error, net settlement reporting and the Non-Statutory Clearance process.

WORLD NEWS

Time to rethink pay norms, make equity ownership firm-wide

In a thought piece for the *Financial Times*, Andrew Edgecliffe-Johnson writes: *It was Charlie Munger, Warren Buffett's partner in quotable business aphorisms, who once quipped: "Show me the incentive and I will show you the outcome."*

So it is no surprise that, over the decades in which the consensus set in that a chief executive's main job was to create value for his shareholders, boards began adding ever more stock to ceos' compensation packages. This, the refrain went, was the way to match up the interests of managers and owners.

Yet a couple of strange things have happened in the two years since the US Business Roundtable made its symbolic

break with shareholder primacy.

First, the investors, whose interests executives were supposedly so well aligned, have begun voting against ceos' compensation packages in ever larger numbers.

Second, heedless of Mr Munger's mantra, executives' incentives have remained overwhelmingly focused on shareholder outcomes, even as they have been busy professing what fine stakeholder capitalists they are.

As accounting standard setters have yet to agree to common definitions for most ESG measures, there is equal concern that boards are picking pet metrics and setting targets that will be hard to miss, inflating packages further.

The conditions are ripe, then, for a rethink of compensation norms, but can incentives be redesigned to produce outcomes that satisfy both shareholders and other stakeholders?

A Harvard Business School study found that businesses with widespread employee ownership "are more productive, grow faster, and are less likely to go out of business than their counterparts".

If anything would align the interests of investors and the staff who the majority of ceos see as the most important of their stakeholders, it is making more employees shareholders.

Given that most ceos are already multimillionaires, boards might even reflect on what might happen if they took a chunk of the stock reserved for executives and distributed it around people for whom even a small stock payout would be a transformative incentive.

Nigeria: Demutualisation of the Nigerian Stock Exchange and its arising issues

The **Nigerian Exchange Group announced the development** in an update published on its website on Wednesday, March 10 2021, as reported by *Nairametrics*.

With this move, the Nigerian Stock Exchange (NSE) joins Johannesburg Stock Exchange and Nairobi Stock Exchange, which are already publicly listed companies, and has resulted in the creation of a new non-operating holding company, the Nigerian Exchange Group PLC (NGX Group) with Mr Oscar Onyema serving as its group chief executive officer. The NSE will now proceed with its transition plan.

In a notice of its annual general meeting (scheduled for September 9 2021) an important part of the agenda was included without regards to the Securities and Exchange Commission (SEC) Rules and Companies and Allied Matters Act, 2020 (CAMA). It included the following extract:

8. *To consider and if thought fit, pass the following sub-joined resolutions as an ordinary resolution.*

i) *“that further to members’ approval at the Extra-Ordinary General Meeting of March 3 2020 for the establishment of an Employee Share Ownership Plan for the benefit of qualifying employees of Nigerian Exchange Group plc and its subsidiaries, that the company be and is hereby authorised to issue and allot 200,419,900 ordinary shares of 50 kobo each out of the authorised share capital of Nigerian Exchange Group Plc for the operation of a Long Term Incentive Plan consisting of a Deferred Bonus Plan (DBP) and an Employee Share Purchase Plan (ESPP), with effect from January 1 2021, subject to obtaining requisite regulatory approvals.*

USA: Democrat senators propose two percent tax on stock buybacks

Senators Sherrod Brown (D-Ohio) and Ron Wyden (D-Ore) proposed a bill to levy a **new tax on the booming market for corporate stock buybacks**, targeting Wall Street amid a slew of proposed new tax measures to help shore up funds for a \$3.5trillion budget bill, which is facing tough opposition from lawmakers on both sides of the aisle.

USA: Project Equity launches new financing option to help local businesses build for the future

Small businesses have a **new resource that could help them rebuild** from the pandemic and secure their legacies while providing long-term careers for their employees.

Project Equity, a national leader in the movement to expand employee ownership has launched a new initiative to provide flexible capital to companies on the path to employee ownership. The Employee Ownership Catalyst Fund provides working capital and transaction financing to businesses with 25-100+ employees. Mission Driven Finance, a full-spectrum impact investment fund manager, co-manages the fund with Project Equity.

Living Cities, a collaborative of some of the world’s largest foundations and financial institutions addressing racial income and wealth gaps in American cities, has invested in the fund along with several other impact investors.

USA: Newegg opens limited trading window for restricted shares

To supplement the limited number of common shares available for issuance under its award plan and to further **incentivise, reward and retain its growing workforce**, the Newegg inc is currently considering adopting a new equity

incentive plan that could allow for grants of stock options, restricted stock, restricted stock units and other forms of equity awards. Awards could be granted over the life of the plan and could vest based on a combination of service time and performance metrics.

India: How start-ups are using Esops to attract and retain the best talent

India Inc over the recent years has propelled and nurtured a robust start-up eco-system. With innovation at the core, several start-ups have achieved notable success, thereby fuelling the overall economic growth.

However, according to Indian Express, it is incumbent on these start-ups to **attract and retain the best talent** in the marketplace, notwithstanding their limited resources. Employee Stock Option Plans can play a vital role here, as a part of the compensation strategy.

China's collateral damage

The Chinese government's attack on leading Chinese companies, including Tencent, has resulted in collateral damage to employee shareholders.

Tencent's chairman Pony Ma has strongly supported employee share ownership throughout the company and even on one occasion gave shares to all employees from his personal holding.

The damage China is inflicting on Tencent is now equally damaging all its employees who have benefited from Pony Ma's wisdom and generosity.

How are employee shareholders in Britain to show solidarity with their colleagues in China?

President Xi may not be aware of the damage his government has inflicted. Employee owners in Britain and elsewhere can give him a nudge by writing to the Chinese embassy, individually or collectively, and asking for his thoughts.

EOT ROUND-UP

Buckingham Group Contracting has become the biggest contractor to transfer equity to an employee ownership trust.

Belfast-based **White Ink Architects** has become the first Northern Irish architect to hand over ownership to its staff.

Microtech Group, a Kilmarnock-based IT service specialist that supports NHS Scotland and a raft of blue-chip clients has opted for employee ownership rather than accept a multi-million-pound takeover offer that would uproot the business from Scotland.

Build Lite UK, manufacturers of architectural mouldings and innovative building products, transitioned to employee ownership through an EOT.

Architects **Hawkins\Brown** has handed over ownership to its employees.

AUS, a manufacturer and distributor of operational and safety-critical products for the Rail and Electrical Supply markets, has become an employee owned company.

Global branding agency, **BrandOpus**, celebrates its move to employee-ownership through an identity redesign that champions the creativity of its team.

Independent design, environment and planning consultancy **LDA Design** has become a 100 percent employee-owned business.



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ABOUT NEWSBRIEF

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

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