



April 2024

Last chance to reserve your place at the share plans symposium

We hope we shall see you and your colleagues at the **Centre's seventh Share Plans Symposium** at White & Case's London offices on the afternoon of Thursday 25 April.

The event is in two parts: pre-recorded online presentations providing the background material for an afternoon of in-person interactive panel discussions. Under the heading: *Employee Share Plans – Beyond The 1%*, the in-person session will start with a keynote speech from chartered governance professional, NED and accredited mediator, Lorraine Young, which will examine the symposium theme— if at least 10 percent of equity is in the hands of employees, this should give productivity a boost and benefit all investors. The symposium will conclude with the announcement and presentation of the annual *newspad* all-employee share plan awards and a celebratory reception. Please do let us know if you would like to **reserve any delegate places**.

Delegates will hear from share plan experts, who will be discussing international share plans: looking at long term incentives for a mobile workforce; recent changes in restrictive covenants in the UK and other key countries; and asking whether US style ESPPs could offer a simpler multi-jurisdiction solution. On share plans in SMEs, you can learn about managing direct share ownership in an EOT-controlled company; how to navigate valuation issues in unquoted UK companies; and about the risks and rewards of growth shares.

Looking to the future, our speakers will examine executive remuneration in the light of the looming election; the impact on share plans of recent updates to institutional investor guidance; and how communication and networking skills can be used in share plan uptake. There will be an explanation of the impact of tax in an all-employee tax advantaged scheme illustrated by a case study on the recent M&S Sharesave maturity; a look at share plans as part of personal financial planning; and how direct share ownership can enhance productivity and social mobility.

To register email: events@esopcentre.com, listing the name, role, organisation and email addresses of your delegates, or call the team on 020 7562 0586.

Admission rates:

Delegates from **share plan issuer companies** may attend **free of charge**.

Share plan practitioners:

Members: £450; Non-members: £800

Share plan trustees:

Members: £400; Non-members: £650

Multi-booking discount: **50% off** cost of ticket for your third delegate.

*All prices are subject to UK standard rate VAT

There will be opportunities to attend remotely for international delegates not able to travel to London.

Sponsors



WHITE & CASE

EVENTS

Report: IAFP roundtable on Esops in Eastern Europe

On April 4 the International Association for Financial Participation hosted an online roundtable on Esops in Eastern Europe. Participants discussed presentations from companies, lawyers and academics from **Slovenia, Bulgaria, Poland and Czechia**.

In his welcome speech, Centre president Malcolm Hurlston said:

It is a pleasure to introduce an IAFP roundtable with such an interesting programme. As you know, IAFP is Paris-based. I divide my time between London and the south of France, though remote working allows me to remain fully involved with the Esop Centre in London. I remember well receiving the Remy Schlumberger Award in Paris in 2012. You will all know that it was General de Gaulle who introduced financial participation in France in 1967.

Today's programme brings together speakers from Slovenia, Czechia and Poland, as well as my French colleague, Gregory Miroux, to close the event. The previous roundtable last November focused on Germany, Austria and Switzerland and demonstrated that these countries had some way to go to catch up with the market leaders, France and Britain in terms of financial participation. However pressure from start-ups and tech companies is persuading the governments of these three countries to introduce more attractive legislation, so that employee share ownership plans will not be largely limited to multinationals, as in the past. These countries wish to promote tech start-ups of their own, as France is already doing, to compete with Silicon Valley.

The countries of Central & Eastern Europe are some way behind their Western neighbours in employee share-ownership. Perhaps this is due

to their experiences both before and after the Wall came down. Before 1989 cooperatives were owned by the workers except insofar as the management tried to dominate them. I was invited by the then UK ambassador to Yugoslavia to give a talk in Zagreb about Esops. The worker audience laughed heartily, as under Marshall Tito they had owned 100 percent already. After 1989 privatisation with vouchers was attempted but general scepticism and the lure of a quick gain meant that most workers sold their shares immediately. As an astute investor I allocated £50k to buying up Czech shares, many of which I still hold. More recently multinationals have led the way at one end of the employee share ownership scale and new cooperatives at the other, but the pattern varies from country to country, as we will hear. A 2013 survey suggested that there were share plans in two to eight percent of the sample companies in Central & Eastern Europe and 19-55 percent of the sample had profit-sharing, in both cases led by Slovenia.

The Institute for Economic Democracy in Slovenia is developing a Euro-Esop, taking inspiration from the American Esop structure. The European Federation of Employee Share Ownership in Brussels is developing a Euro-EOT, based on the Employment Ownership Trust structure, launched in UK with legislation in late 2014. Between then and late 2023 around 1400 company transfers have taken place, the majority of them in professional firms which was not the object of the exercise – but the optics are good.

They all address the question of what a company owner is to do about succession planning. One way is to make a trade sale, if other family members do not wish to take over the business. However, if owners wish to protect

EVENTS

jobs or reward employees for their loyalty and hard work and/or make them co-owners, they can develop an Esop or EOT, so that ownership passes to the employees with or without finance, with or without any discount. In practice a major point in its favour is localism, because the EOT keeps the head office in the locality. Employee share ownership varies from country to country across Europe, with a much lower profile in southern countries such as Spain, Italy, Greece and Turkey. I note that we have no speakers from Hungary or Slovakia today: this

may be indicative of the level of interest in those countries. Interestingly the oldest example of employee share ownership in the region is Gasolina in Poland: I am sure Kris Ludwiniak will tell us more today.

The common theme in all this is sharing in the fruits of corporate success through profit-sharing, dividends and capital appreciation, by encouraging an ownership mentality, which in turn increases staff loyalty and reduces staff turnover. If well done, it increases efficiency, to the benefit of all parties.

CENTRE AND MEMBERS NEWS

Swedish law firm Wistrand successfully integrated into CMS

Swedish law firm Wistrand has formally become **CMS Wistrand**. Maria Kostaska Fägerquist, chair of the board at Wistrand in Gothenburg stated “After more than 100 years as a Swedish law firm, we are pleased to announce that, following the successful integration with CMS, we have formally become CMS Wistrand and are now colleagues with over 5,800 lawyers in 47 countries worldwide.”

Bulletin

The **EQ** monthly bulletin provides an overview on industry changes and news impacting the world of share registration and employee share plans.

The March edition covers:

- ◆ Economic Crime and Corporate Transparency Act 2023
- ◆ Investment Association letter to remuneration committee chairs
- ◆ Pension and Lifetime Savings Association stewardship and voting guidelines 2024
- ◆ FTSE Women Leaders Review- achieving gender balance
- ◆ Parker Review- ethnic diversity on boards
- ◆ Pre-Emption Group- annual monitoring report
- ◆ Listing rules- draft UK listing rule changes



CENTRE AND MEMBERS NEWS

What's ESG got to do with it?

Episode nine of the employment law bitesize podcast series by **Travers Smith** discusses **ESG in the context of remuneration and benefits**.

KKR invests in Avantus to support renewable energy deployment in the US

In a first US investment transaction from KKR's **Global Climate Strategy**, KKR agreed to acquire a majority stake in Avantus, a developer of solar and energy storage projects, joining existing investor EIG. Once the transaction closes KKR will support Avantus to establish an equity ownership programme for its employees.

Matrix HG works with the Menke Group to adopt the employee ownership

The Menke Group has helped Matrix HG, a leading HVAC and building solutions provider operating throughout the Greater San Francisco Bay Area, **to become 100 percent employee owned through an Esop**. Group founder John Menke, who is a friend of the Centre, helped Kelso at the dawn of the Esop era.

Employee ownership in the USA

Co-operative Development Scotland's latest has episodes of the **Employee Ownership Podcast**, features case studies and an interview with **NCEO** executive director Loren Rogers, on *Employee ownership in the USA*.

Turning the tide: Global IPOs look for a rebound in 2024

White & Case has provided insight into **global IPO activity in 2024**, perceiving improvement on 2023 results owing to stabilising interest rates and rallying stock market valuations.

Topics include:

- ♦ Market overview: The global IPO landscape
- ♦ Ready to launch: US stock markets are poised for a strong 2024
- ♦ Changes ahead: London market is ready for reform
- ♦ Coming of age: A strong year for India's capital markets
- ♦ Resilience and reform: Hong Kong adapts to change
- ♦ Building a pipeline: Will Brazil emerge from its dry season?
- ♦ Bright spots: Sweden and the Russo-centred Commonwealth of Independent States present opportunities after a challenging 2023
- ♦ Challenges remain but IPO outlook brightens



CENTRE AND MEMBERS NEWS

UKSA takes a new approach to financial learning to the regulator (Financial Conduct Authority)

UK Shareholders Association, in reply to FCA consultation DP 23-5: 'Advice Guidance Boundary Review: proposals for closing the advice gap', has provided recommendations on a potential transformation of the consumer protection landscape. **The submission aims to move responsibility to the consumer while ensuring consumers have access to transparent information in order to exercise that responsibility.**

Recommendations include:

- ◆ *That government should explicitly adopt a target of enabling the whole population to be able to manage their money (putting consumers' interests first).*
- ◆ *That this target should not be qualified by requirements to protect the interests of providers.*
- ◆ *A better financially educated and enabled population should mean that people are able to seek out less expensive solutions to their financial issues.*
- ◆ *That the main vehicle for meeting this target should be online learning mechanisms, initially an expansion and redirection of the government's MoneyHelper franchise to align with the principles exemplified by HonestMoneyNow.*
- ◆ *That this initiative be integrated with the initiatives currently being undertaken by government under the 'education' umbrella, so that what emerges is a genuine 'cradle to grave' learning process, independent of commercial interests.*
- ◆ *That the subject should be described as 'money management'.*
- ◆ *That the initiative be overseen by a cross departmental committee covering an understanding of finance, learning, systems, and human psychology.*
- ◆ *That the focus of regulation be switched from control of advice to strengthening of understanding, executed as consumer tools become available."*



Policy Paper DP23/5

Advice Guidance Boundary Review – proposals for closing the advice gap

Congratulations!

Baker McKenzie has gained a 10 percent increase on 2023 rankings in the **Legal 500 2024 EMEA Guide**, in 277 practice areas and 292 lawyer categories, including 24 young Rising Stars lawyers, 20 Hall of Fame / Leading Individuals, and nine Next Generation Partners.

"The Legal 500 rankings are based on a series of criteria, including work conducted by law firms over the past 12 months, experience and depth of teams, areas of specialization and ancillary services, and client feedback."

Fieldfisher has been included in the highly respected **Global Arbitration Review's 2024 guide** on the 100 leading international arbitration firms for a third year in a row.

"The GAR 100 ranking highlighted some of the firm's recent credentials, including the US\$660 million ICSID case for company Gilward Investments, which relates to the bankruptcy of what was once Ukraine's largest commercial airline, the firm's role in defending South Sudan against a US\$ multi-billion ICC claim and also the firm's role in a gas price review case for a national distributor, under a long-term supply agreement."

Travers Smith received the **Litigation of the Year – Cartel Defence** award at the **Global Competition Review Awards 2024** on April 9. *"The award, for creative, strategic and innovative litigation on behalf of a defendant in a private action for cartel damages, recognises Travers Smith's work in acting for the successful appellants in the UK Supreme Court's PACCAR ruling."*

UK NEWS

FW Thorpe plc GM to vote on Esop

FW Thorpe plc, designer, manufacturer and supplier of professional lighting systems, is convening a **general meeting** on April 18 2024 to seek shareholder approval for the establishment of an **Executive Share Ownership Plan**.

FTSE 100 firms braced for battle on executive pay

According to *CityA.M.*, FTSE 100 firms are braced for a bruising few weeks as the battle with proxy advisers over executive pay in the City heats up.

The London Stock Exchange Group is planning to double chief executive David Schwimmer's pay to £13.2m from £6.3m, but proxy adviser Glass Lewis has **urged shareholders to vote against the move** at its upcoming annual general meeting on April 25.

UK firms to invest £338bn on re-industrialisation

UK firms are planning to invest hundreds of billions in an attempt to bubble-wrap supply chains and bring manufacturing closer to home, new research suggests.

Investment in re-industrialisation among UK firms is expected to hit \$423.5bn over the course next three years, according to research from professional services firm Capgemini, up from \$351.4bn over the last three years.

The research, based on a survey of 200 supply chain and manufacturing executives at UK firms with more than \$1bn in revenue, **suggests that the trend towards re-shoring is picking up**.

UK NEWS

Real earnings growth at highest rate since 2021

A weaker than expected easing in the pace of pay rises means real earnings growth, when inflation is taken into account, is at its highest rate in almost two and a half years, according to the latest official figures. The Office for National Statistics said average regular pay, excluding bonuses, stood at six percent in the three months to February compared with a year earlier. In real terms, when the rate of inflation is reflected, pay growth by the same measure was 2.4 percent - its **highest level since July 2021**.

Crumpets fall as inflation hits lowest level for two-and-a-half years

Inflation has fallen to its lowest level in two-and-a-half years, driven largely by slowing food price rises. Prices rose by 3.2 percent in the year to March, down from 3.4 percent the month before. The cost of some items including meat, crumpets, chocolate biscuits, furniture and household items fell. However, petrol and diesel prices rose. While the overall rate of inflation has dropped, goods in the shops are still much more expensive than they were two years ago, **the BBC reported**.



WORLD NEWS



Australia: Employee share schemes - sharing knowledge from the last 18 months

The new Employee Share Scheme regime took effect in Australia on October 1 2022. **In an article for Lexology King & Wood Mallesons** observe that there has been little significant change in listed entities. Unlisted entities have moved towards “offers not requiring monetary consideration” as the new regime has simplified the conditions required. “Offers which require monetary consideration (eg, loan funded plans or share acquisition plans requiring payment) are still quite complicated.”

Canada: Clearer requirements for EOT tax exemption on capital gains

For business-owner clients interested in selling their companies to an employee ownership trust, Budget 2024 provided details about qualifying for a previously proposed capital gains exemption on the sale, including owning shares and being actively engaged in the business. It also clarified that the exemption amount is per business, not per business owner.

Last year’s federal budget introduced rules to facilitate the creation of EOTs.

The longer buyout period allows business owners a longer capital-gains deferral period (up to 10 years). **The measure is for the 2024 to 2026 tax years.**

WORLD NEWS - USA

Employee share ownership in Europe in 2023

The European Federation of Employee Share ownership (EFES) has released the *Annual Economic Survey of Employee Share Ownership in Europe in 2023*. The UK has established itself as Europe's number one country for employee ownership in small and medium-sized companies, according to the report. While employee share ownership in large European companies has trended downwards over the last ten years, with employee shareholder numbers now lower than 2011, there has been a recent positive increase. "In 2023, 95 percent of large companies had employee share ownership and 58 percent had democratic plans for all their employees, while 32 percent had launched new plans".

Norway: Aker Solutions ASA -Sale of shares for employee share purchase programme

Aker Solutions ASA implemented a quarterly programme (March, June, September and December 2024) *entitling employees of the company in Norway to buy shares* up to a value of NOK 60,000. "Shares are offered at a maximum discount of NOK 7,500 (discount not to exceed 25 percent of the subscription amount) per participant for the entire 2024 programme".

Participants who remain employed by the company and do not sell any shares "as at December 31 2027, will receive one matching share for every two shares acquired under the programme."

Aker Solutions sold 387,920 shares under the March 2024 programme allocation.

India: The Sleep Company rolls out second tranche of Esop buyback

The Sleep Company introduced its Esop programme three years ago with the goal of providing employees with consistent wealth creation opportunities. This *second round of offers is set to benefit 105 employees, 50 percent of them women*. Co-founder Priyanka Salot states that the programme is unique as The Sleep Company is "the only company to offer two rounds of Esops within the first four years of business". The company aims to grow to over 500 employees by the end of 2024.

US: Can employee ownership improve capitalism?

An opinion piece on news site *Fast Company* claims "*Employee share ownership could play a role in addressing the conflict between American capitalism and the American dream.*"

With just 10 percent of Americans owning 93 percent of shares, US wealth inequality ranks worse than all other OECD countries, and scores poorly in economic and social mobility. Despite half of business owners planning to retire in the near future, few small businesses have plans post-retirement. Significant tax benefits for business owners to use Esops in succession planning exist, but the need to self-finance part of the sale, risks of incorrect company valuations, and lack of informed advice and misconceptions, make the process challenging.

The authors suggest public policy could address these issues "*by promoting awareness of employee ownership and connecting interested firms to sources of technical and financial support*".

WORLD NEWS

Progress has been made through the 2019 Main Street Employee Ownership Act, “which instructed the Small Business Administration to support more employee-owned firms” and WORK Act 2022, “which instructs the Department of Labor to establish employee ownership centres in the states and to clarify legal safe harbours for the valuation of Esop buyouts”. State employee ownership centres have doubled since 2018 to 21.

US: Former radiology group employees settle lawsuit over retirement benefits for \$19M

A class action lawsuit in Tampa, Florida brought by 180 employees of radiology company, Advanced Diagnostic Group, against its executives and Esop retirement benefit manager GreatBanc Trust Co, has resulted in the establishment of a qualified settlement fund of \$19 million. The employees allege the Esop’s value was diverted to managers, directors and their shell companies. The settlement will go towards recouping some of the value of the Esop and to pay attorney fees. Full class action settlement agreement. Full lawsuit filed in 2022.

EO NEWS

Winding-up order issued against Readie’s employee ownership trust

The High Court has issued instructions to close down Readie Construction’s employee ownership trust.

Logistics and warehouse contractor Readie Construction appointed administrators from insolvency manager Begbies Traynor in February. On April 17, Insolvency and Companies Court judge Catherine Burton issued a winding-up order against Readie Management Ltd, the parent company of Readie Construction. She also granted an order against Readie Trustee Ltd, which was set up as the EOT in 2022, buying 100 per cent of the ordinary shares in RML.

Nobody from the companies appeared in court to oppose the order.

Earlier this month, Readie Construction’s administrators reported that RML owed the contractor £4.78m from a historic loan with no fixed repayment date.

The demise of Readie Construction follows the collapse of fellow EOTs Buckingham Group in August 2023 and Michael J Lonsdale in October 2023.

New EOTs

- ◆ Architect firm **7N Architects**
- ◆ Architect firm **Associated Architects**
- ◆ Catering equipment distributor **Bluestone Catering Solutions**
- ◆ Motor and air compressor supplier and service provider **EDC Group**
- ◆ Marketing and media sector’s recruitment and training partner, **The Industry Club**,
- ◆ Ophthalmic lens and coatings manufacturer and supplier **Optimum Coatings**
- ◆ IT solutions provider **Port-P**

LIBRARY OF WEBINAR BROADCASTS:

The Role Of Direct Employee Share Ownership In Market Economics; Esop Sofa: Hot Topics In Employee Share Ownership – Newspad Review VIII ; Esop Centre *newspad* Online Round-table; Esop Sofa: Esop Round-Table *newspad* Review VII; Esop Sofa: Hot Topics In Employee Share Ownership – *newspad* Review VI; Employee Share Plans & The Benefits For SMEs; Employee Share Schemes, Levelling-Up & Social Mobility; Why Employee Share Ownership Matters; International Share Schemes: Exporting the Vision; 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>



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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:

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