
newsbrief

December 2023



EVENTS

British Isles Share Plans Symposium – April 25 2024

Under the heading: *Employee Share Plans – Beyond the 1%*, next year's Symposium will focus on increasing productivity through an uplift in the percentage of total equity in employee ownership. If at least 10 percent of equity is in the hands of employees, as is frequent in France, this should boost productivity and benefit all investors. The programme will include interactive panel sessions based on content accessible in advance online. The in-person session will be on the afternoon of Thursday April 25 2024, at the offices of White & Case in central London. The *newspad* awards presentation will close the symposium, followed by a drinks reception.

A preliminary programme [can be viewed on the event's webpage](#).

Admission rates:

Delegates from **plan issuer companies** will be admitted **free** of charge.

Practitioners:

Members: £450; Non-members: £800

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 limited opportunities to attend remotely for members not able to travel to London.

To register a delegate

email events@esopcentre.com or phone the team on +44 (0)207 562 0586

Esop Sofa webinar - Jan 16

The Centre's next Esop Sofa-*newspad* Review will be at 11:00am on Tuesday January 16 2024. Join our panel of share schemes issuers and experts for in depth discussion of their pick of key topics featured in recent editions of *newspad*. [Registration is open](#).





Newspad awards 2023

There is still time to make your submissions for the 2023 *newspad* all-employee share plan awards.

The *newspad* awards recognise the achievements of companies which offer employee share plans and hold up best practice models for other companies to follow.

If your company or client made a notable contribution to employee share ownership, issued an inspirational share plan or showed excellence in its communication and presentation; has been creative in using share plans to overcome significant changes or challenging situations, increasing participation or using technology; or maybe upped its game through the enthusiasm of the chairman or ceo; then why not tell the world about it?

Companies can nominate themselves or advisers can make submissions on clients' behalf. Entrants can apply for awards in more than one category.

Submitting nominations is free and simple. Required information is kept to a minimum. Clarity matters more than length. The deadline for nominations is 17:00 on **Friday January 12 2024**.

The awards present a great opportunity to celebrate your company's or clients' achievements.

The award categories this year are:

1. **Best all-employee share plan**
2. **Best share plan communications**
3. **Best use of technology, AI or behavioural science**
4. **Best share plan response to significant changes or challenging situations**

Category descriptions and rules of entry can be viewed on the Awards 2023 webpage:

esopcentre.com/awards

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 2024.**

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 AND MEMBERS NEWS

In the pipeline

Looking at the year ahead, Travers Smith has issued an exhaustive list of forthcoming employment regulations. The note includes details on holiday and leave; National Minimum Wage and National Living Wage; flexible working; redundancy; TUPE; right to request a predictable work pattern; harassment; employment status; non-compete covenants; sex discrimination and menopause; diversity and pay reporting; industrial action; and enforcement of employment rights. There are sections on EU employment law developments - including zero and irregular hours workers; gig economy 'platform workers'; and AI – and immigration which [conclude the preview](#).

In the boardroom

On December 6 MM&K published the 2023-2024 edition of *Life in the Boardroom Report*, which sets out its findings from the 2023 survey of UK board chairs and non-executive directors (NEDs). The Report covers directors' fees and time commitments, as well as [their views on a range of topical board issues](#).

The firm recently published its latest *PE/VC Compensation Report* too, which sets out the findings from the 2023 survey of the [UK and European private equity, venture capital, infrastructure and real estate fund management industries](#).

The future of work

In his recent report, '*The future of work in 2050 – too few jobs or too few workers?*' Lewis Silkin partner James Davies considers the possibility that, by 2050, economies such as the UK will face a labour market with too few jobs for the available workers.

He said, "Profound and extensive disruption to jobs over the next quarter of a century is inevitable and this disruption will not at times be predictable. The impact of this transformation on the world of work will depend on decisions made, and actions taken, over the next few years."

The report concludes with a "Manifesto for tomorrow's work" - outlining a set of actions for policymakers, employers and individuals in order to [prepare now for the future world of work](#).

Acquisition of Solium completed

Earlier this month, Computershare celebrated its newest team members joining the business; welcoming the Solium Capital UK team based in Croydon UK and Barcelona Spain. In a social media post the firm told them "We're thrilled to have you on board and look forward to achieving great things together."



UK NEWS

UK benchmark policy guidelines published

Glass Lewis has published its 2024 UK Benchmark Policy Guidelines which will inform its proxy voting policies on matters which will have effect from general meetings held on and after January 1 2024.

In a **CORPGRO** bulletin, Damian Carnell commented on the main points, including LTIP shareholding: director share ownership guidelines for in post and post-employment are already a feature of the Glass Lewis guidelines landscape. The new expectation is that the shareholding should be achieved within a limited number of years. He comments:

In practice most company SOGs permit a five-year “ramp-up” acquisition period to achieve compliance. The absolute shareholding requirement should mirror equity availability within the package. This incremental extra requirement seems minor.

And on LTIP design: The guidelines say that a well framed LTIP should reflect: no retesting or lowering of performance conditions, post grant; two or more performance metrics; with one relative performance metric, against a peer group or index, such as TSR; apply stretching targets to drive outstanding performance; LTIP personal limits should be set as a percentage of base pay. Comment: *The desire to see more than one LTIP metric and a mix of absolute and relative performance stems from a wish to reward rounded management performance, but also to deter potential management manipulation of results.*

UK scales back remuneration disclosure rules for small firms

The UK’s Prudential Regulation Authority (PRA) has published a policy statement (PS15/23), which, amongst other things, simplifies the remuneration disclosure requirements for certain small firms. PS15/23 covers a variety of points but this note concentrates on those relating to remuneration disclosures.

There has been a general overhaul of the small firms regime. On December 5, the PRA and Financial Conduct Authority (FCA) jointly published a policy statement (PS16/23) which set out the final criteria to identify when a firm will be considered to be a small firm that can benefit from a more proportionate application of the remuneration rules, and which also enhanced that proportionate application. PS15/23 forms another part of this overhaul.

The changes in PS15/23 will be relevant to PRA-authorised banks and building societies and will take effect from January 1 2024.

Tapestry comment: *“These changes signal another step by the UK regulators to create a regime that they see as more proportionate and with less red tape than was in place pre-Brexit. Of course, the main focus for firms will be the analysis of the new criteria for the small firms regime and assessing where a particular firm falls. However, once this has been done, those that do fall within the new criteria for ‘small firms’ will surely welcome the reduction in disclosures required and number of templates that they are required to complete. Whilst the changes are around disclosure, firms should always keep in mind the general principles around remuneration and ensure that structure and quantum is aligned with those principles, regardless of disclosure obligations.”*

UK NEWS

FCA publishes SDR investment labels and anti-greenwashing policy statement

On November 28 2023, the FCA published a **Policy Statement** with its final rules and guidance on its Sustainability Disclosure Requirements (SDR) and investment labels regime. The Policy Statement was accompanied by a **consultation on Anti-Greenwashing Guidelines** that will accompany the new anti-greenwashing rule introduced by the FCA under the SDR (which, unlike the other SDR rules, will apply to all FCA regulated firms). The final rules are largely similar to the proposals the FCA had previously consulted on – and the FCA has made some helpful improvements based on industry feedback.

In particular, a fourth label of “Sustainability Mixed Goals” has been introduced for multi-strategy products that did not fit neatly any of the other three labels, and the previously broad naming and marketing rule has been relaxed (so that retail funds which do not qualify for a label are still able to use ESG terms in their names or marketing documents if certain conditions are met – which are akin to EU SFDR pre-contractual and reporting requirements).

The final rules do not apply to overseas funds or separate account managers as yet – both of which we expect will be brought into scope at a later date (in the case of overseas funds, we expect this will be done as part of the UK’s overseas funds regime (OFR)). However, firms offering overseas funds will be caught by the FCA’s anti-greenwashing rule and certain distributor related obligations. The anti-greenwashing rule and guidelines will become effective from May 31 2024 (rather than as of November 28 as was initially expected).

Meanwhile the implementation date for the SDR labelling and disclosure requirements will be staggered with in-scope firms able to use the labels from July 31 2024. For more information on the FCA Policy Statement and Anti-Greenwashing Guidelines consultation, see **Linklaters’** briefings [here](#) and [here](#).

Don’t stress about stress: navigating the Acas guidance on managing workplace stress

An estimated 36.8 million work days were lost due to work-related ill health and non-fatal injuries in 2021/22, of which 17 million were due to stress, depression or anxiety. On average, each of the **914,000 people in 2021/2022 reported to be suffering from stress, anxiety or depression took 18.6 days off due to their ill health**. Despite mental health becoming an increasing area of focus for employers, a survey commissioned by Acas found that one in three British workers believe their organisation is not effective at managing work-related stress. Mental health was specifically mentioned in the last King’s Speech, which demonstrates the importance and potentially funding which the government attaches to it. Centre president Malcolm Hurlston is working with WHO expert Prof Rachel Jenkins OBE to develop a new online initiative to be delivered through leading debt charities.

In response, earlier this year Acas published advice for employers on managing work-related stress covering **causes of stress, the law, supporting employees, and preventative measures**.

UK NEWS

Just 8% of SMEs reporting on sustainability issues

Amid growing demand for sustainability data from companies of all sizes, small and medium-sized firms are hitting cost and complexity barriers, new research has found.

SMEs are struggling to build effective systems and processes for reporting on sustainability issues – despite facing greater demand for that information.

In a global study of more than 16,000 enterprises, *Path for Growth: Bridging the SME Sustainability Reporting Gap* found that requests to SMEs for sustainability-related data are rising in frequency and complexity.

Unsurprisingly, lack of time, expertise and budget mean that many SMEs are not able to measure and track their sustainability performance appropriately. Only 7.7 percent currently run formal reporting programmes – and just **0.7 percent report on their social and governance impact**.

BoE signals early rate cuts unlikely

The Bank of England has held interest rates and signalled there are unlikely to be cuts anytime soon. It is the third time in a row that the UK cost of borrowing remained unchanged at 5.25 percent - a 15-year high. The Bank said interest rates would have to stay higher to slow the pace of price rises or inflation. That contrasts with the US Federal Reserve, which suggested interest rates could fall significantly next year, **the BBC reported**.

How do we get Sid — and his grandchildren — buying UK shares again?

In an opinion piece for the *London Evening Standard*, QCA ceo James Ashton asks how we can get the UK public interested in share ownership again.

He wrote “This topic might seem like an irrelevance as the cost of living crisis lingers. After all, investing in shares is no get-rich-quick scheme. And that’s precisely the point.

“I’m not about to dole out financial advice but share ownership can claim to benefit financial wellbeing in the long term because shares tend to outperform property, cash or government debt. The recent rise in interest rates has increased the appeal of cash to some, even though savings accounts haven’t offered deals that kept pace with inflation.

“Many savers are simply not tempted to dabble, however. On average, more than double the amount is paid into Cash ISAs every year compared to Stocks and shares ISAs.

“Where there is financial benefit in share ownership, there can be social benefit also. It is not too much to claim that shares enable people to feel connected to the world around them. That’s useful in an era where mistrust of many institutions persists.

“The two million people in the UK who own a sliver of their company through a workplace share saving scheme are thought to have higher morale and generate better output. Handy for employers as the war for talent rages, **but more needs to be done to simplify these schemes so they are more widely adopted**.”

UK NEWS

UK economy shrinks in October

The UK economy unexpectedly contracted in October, according to the Office for National Statistics (ONS). The ONS estimated that monthly real gross domestic product (GDP) showed no growth in the three months to October 2023 when compared with the three months to July 2023. All three main

sectors (services, production and construction) fell over the quarter following growth of 0.2 percent in September 2023. Output in the dominant services sector fell by 0.2 percent, while production and construction output fell by 0.8 percent and 0.5 percent respectively, **the ONS reported.**

UK pay inequalities remain constant, despite cost of living crisis

New research by the High Pay Centre think tank, funded by the abrdn Financial Fairness Trust, shows that ceo to employee pay ratios at Britain's biggest companies remained stable in 2022 after narrowing during the Covid pandemic and then widening again in 2021.

Over a fifth of FTSE 350 companies (21 recent) had a ceo to median employee pay ratio of over 100:1 and three percent had a ratio of over 200:1. In addition, 35 percent had a ceo to lower quarter employee ratio of over 100:1 and seven percent over 200:1. The ratio reporting requirements exclude lowest-paid workers but the High Pay Centre estimates (based on living wage accreditation) that **the median ceo to lowest paid worker (as opposed to employee) across the FTSE 350 would be around 165:1**

Historic median pay ratios



UK NEWS

Update on beneficial ownership transparency in the Crown Dependencies

In a parliamentary statement released on December 19, the minister of state for security, Tom Tugendhat said: “Illicit finance is an active and growing threat to the national security of the UK family. As set out earlier this year in the UK’s second Economic Crime Plan, illicit finance fuels serious and organised crime, threatens our institutions, and enables kleptocrats to establish a financial foothold. That is why in 2016 the UK set up our own publicly accessible register of beneficial ownership, the People with Significant Control (PSCs) register, which was the first of its kind in the world. Seven years later many other countries and jurisdictions around the world have joined us.

“We are still working with others to achieve this aim. The UK and Crown Dependencies (CDs) have a history of working together as partners to strengthen our economic defences against illicit finance. Publicly accessible registers of beneficial ownership are an essential tool in this fight.

“The Home Office has made our expectations clear that the CDs should implement registers with legitimate interest access in the coming year. On December 13, the CDs published their commitments on beneficial ownership transparency.

“I welcome the CDs’ press release, stating their commitment to developing and delivering legitimate interest access to their beneficial ownership registers, confirming that access to the information on their registers ‘will be extended to include those media and civil society organisations who can demonstrate a legitimate interest in accessing relevant information in order to combat financial crime’. I look forward to seeing this commitment being adopted by the appropriate CD parliaments.

WORLD NEWS

“The CDs state they will present proposals to their parliaments for agreement on the definition and implementation of legitimate interest by Q4 2024 at the latest. Given the original commitments were made in 2019 and the increasing use of finance to coordinate action against the interests of the British people and the wider British family, this is not the pace that I expect, and I urge the CDs to work as quickly as possible next year to implement these commitments. **Parliament will wish to consider these commitments and closely monitor the situation.**”

France: Successful completion of Vallourec Invest 2023

On December 13 Vallourec, a world leader in premium steel tubular solutions, announced the successful completion of the Vallourec Invest 2023 employee share ownership plan.

A total of 5,115 employees of the group in France, Brazil and the United States chose to participate in Vallourec Invest 2023 and subscribe to Vallourec shares with a 20 percent discount and a matching contribution, **representing nearly half of all eligible employees.**

Romania: Why equity matters

The state of the European equity market is well behind the United States, with only 10 percent employee ownership in late-stage companies, compared to double that in the US.

There are multiple reasons why Europeans own less of the startups they work for compared with their American counterparts. While cultural differences play a role, the need for more transparent infrastructure to help narrow this gap is still a fundamental area to address.

WORLD NEWS

In an attempt to narrow this gap a European investment & equity management platform, SeedBlink, has created a solution designed to help founders, investors and employees manage their equity ownership with ease.

The higher adoption of Esops is not just about the infrastructure though, but also about the public understanding of the benefits of employee equity ownership. To that end, SeedBlink joined forces with *The Recursive* - an independent community-born online media outlet for the emerging tech and startup ecosystems in Central and Eastern Europe - to spread awareness about the advantages of equity ownership. **The ultimate goal – grow equity ownership in Europe.**

EO NEWS

US software-as-a-service Text-Em-All adopts EOT

On December 13, *Newswire.com* reported that fewer than 100 companies nationwide have adopted the perpetual purpose trust model. Text-Em-All is breaking new ground as the first software-as-a-service (SaaS) company to adopt this innovative approach. The trust model of employee ownership is growing quickly in the US, following the United Kingdom, where their numbers are fast approaching 2,000. This unique option is particularly relevant in addressing the looming "Silver Tsunami," in which thousands of **Baby Boomer-led businesses grapple with succession complexities.**

EOT Round-up

- ◆ Independent insurance, risk and wealth management group **Thomas Carroll Group**
- ◆ Tech company brand creator **Design by Structure**
- ◆ Post design and build specialist, **East On Media Solutions**
- ◆ Contact centre outsourcer **Interact**
- ◆ Law firm **Hudgell Solicitors**
- ◆ Sustainable furniture manufacturer **Crystal Doors**
- ◆ Property audit firm **Goodman Nash**

Seasons Greetings:

All at the Centre, president Malcolm Hurlston CBE; chairman Robert Pay and Juliet Wigzell wish members and friends the best of health and happiness in 2024.

A very joyful New Year to you all!



LIBRARY OF WEBINAR BROADCASTS:

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Employee Share Ownership – *newspad*
Review VI; Employee Share Plans & The
Benefits For SMEs; Employee Share
Schemes, Levelling-Up & Social Mobility;
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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
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