



January 2024

2023 *newspad* awards – deadline extended

Thank you to everyone who has already submitted nominations for the 2023 *newspad* all-employee share plan awards. If you have not yet sent in your entries, there is still time to do so. The deadline has been extended to **Friday January 26**.

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; been creative in using share plans to overcome significant changes or challenging situations, increasing participation or using technology; or maybe its chairman, ceo, or share plan team leader has upped the game with enthusiasm for employee share ownership. Then why not tell the world about it?

Companies can nominate themselves or advisers can make submissions on behalf of clients. Entrants can apply for awards in more than one category. **Submitting nominations** is free and simple. Required information kept to a minimum. Clarity matters more than length. The deadline for nominations **is 17:00 on Friday January 26**.

The awards present a great opportunity to celebrate your company 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](#).

Application process

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

- ◆ **Online application form** - complete all sections of the [online form](#), providing as much detail as possible. (Alternatively, entries can be made by one or two explanatory documents)
- ◆ **Supporting documentation** - where appropriate, please back up your application with supporting documentation. Either upload the files at the end of the form, or email them to esop@esopcentre.com.

Please read the rules and terms of entry.

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 the Centre at esop@esopcentre.com or call +44 (0)20 7562 0586. We look forward to receiving your nominations.

EVENTS

Lord Mayor's Coffee Colloquy – February 13

The Centre is organising the Rt. Hon. The Lord Mayor of London's Coffee Colloquy on SDG10, Productivity & Employee Share Ownership at Mansion House, Walbrook, London, EC4N 8BH on Tuesday, February 13 2024, 08:45 – 11:15.

Event details:

The 695th Lord Mayor of the City of London, Alderman Professor Michael Mainelli's mayoral theme "**Connect to Prosper**" celebrates our multiple knowledge miles, showing that the UK is a place where problems come to be solved. The Coffee Colloquies will demonstrate this, bringing together varied voices from in and around the city to talk about how their work supports the achievement of one of the UN Sustainable Development Goals. Through fast-paced transfer of knowledge, and with a focus on connections and networking, the Coffee Colloquies will invigorate our knowledge miles as the World's Coffee House.

At this Colloquy, nine experts will address Goal 10: Reduced inequality within and among countries. While markets and trade liberalisation have lifted billions out of poverty in recent decades, stark differences between and within nations persist. The speakers will highlight the forces, trends and techniques that will

help to reduce inequalities, not least the financial participation of employees in enterprise.

The event will consider how inequality might be addressed by raising productivity helped by the use of employee share ownership. Factors that contribute to this include ground-up volunteer led initiatives, and the practical steps individuals can take to contribute to closing the gap between the 'haves' and 'have-nots.'

Speakers

Employee Share Ownership Centre: Damian Carnell, David Craddock and Ifty Nasir

External: James Ashton, Quoted Companies Alliance (QCA); Jansev Jamal, Pro Bono Economics; Erik Johnson, Inclusion@Lloyd's; Sasha Molodtsov, Diversity Project; Dr Andy Sloan, International Sustainability Institute; Lorraine Young, The Worshipful Company of Chartered Secretaries and Administrators.

Moderating the Q & A will be Centre chairman Robert Pay.

Attendance is by invitation. Please contact **the Centre** if you are interested in taking part.

The role of direct employee share ownership in market economics—February 26

In this 45-minute webinar, David Craddock discusses the historical contribution from the USA and Europe on the development of direct employee share ownership in the context of market economics; the capacity of employee share schemes to respond to the creative instincts of human nature; the interaction between business competition and business cooperation; the mindset of entrepreneurship through employee shares participation. Have your questions ready for him at 15:00GMT on February 26. To take part, **register now**.

EVENTS

British Isles Share Plan Symposium – April 24

Under the ambitious heading: *Employee Share Plans – Beyond the 1%*, the 2024 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 were in the hands of employees, as is frequent in France, this should boost productivity and benefit all investors.

Delegates will hear from: Baker McKenzie; CMS; David Craddock Consultancy Services; Deloitte; EQ; Global Shares; Macfarlanes; MM&K; RM2; Tapestry Compliance; Wealth at Work; and host White & Case.

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, 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 webpage](#).

Host:

WHITE & CASE



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 international 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

CENTRE AND MEMBERS NEWS

Report: Roundtable on Canada's new EOT legislation

ESOP Association Canada (now known as Employee Ownership Canada) hosted a round table discussion on January 11 on Employee Ownership Trusts in Canada. Participants heard a presentation by Tiara Letourneau, of Rewrite Capital Advisors. EOTs in Canada, though limited compared with US Esops, are less hamstrung than the UK EOT.

She said that, according to research, in the next decade \$2 trillion worth of Canadian businesses are set to change hands, with 76 percent of all Canadian business owners planning to sell their business, and 75 percent of those leaving planning to retire. But only one in ten have a business succession plan in place.

She said that the Canadian "EOT" is about business succession, keeping businesses local, full participation, as no one has to pay in to take part, and economic inclusion.

Canada has been through three rounds of legislation to get where it is now – meeting all the criteria, if not everything on the Canadian Employee Ownership Coalition's wish list.

CEOC asks were:

1. Create an employee ownership trust under the Income Tax Act in Budget 2023.
2. Introduce clear and simple rules for an employee ownership trust that protect taxpayers and employees while encouraging understanding and adoption by the business community.
3. Increase eligibility by making an EOT structure available to all Canadian private corporations.
4. Adopt a proven governance structure that promotes a smooth and gradual transition of privately-owned businesses to an EOT.
5. Require benefits to be provided to all employees at no cost.

6. Encourage adoption by providing a Capital Gains Tax exemption to owners who sell a majority of their company to an employee ownership trust

With the Canadian EOT you can include former employees and deceased employees are able to retain benefits through their estates. Retirees can benefit from the future sale of the company (depending on the trust agreement).

Exclusions to participation are probatory employees (probation can be up to 12 months); former owners who owned 50 percent or more of the company; and anyone owning 10 percent or more of full market value.

In the distribution of equity and profit, the formula for distribution of profit can be different from the formula for the distribution of equity. Though different, both are restricted to the criteria for equitable application. Where an EOT is set up for the benefit of both current and former employees, it could administer four different distribution formulas:

- ♦ one for current employees in respect of distributions of income;
- ♦ one for current employees in respect of distributions of capital;
- ♦ one for former employees in respect of distributions of income; and
- ♦ one for former employees in respect of distributions of capital

The main incentive is that there is no Capital Gains Tax on the first \$1million on the sale of the business. The catch is that the seller cannot retain more than 49 percent of the shares. The seller is no longer main owner, but still has a voice and therefore a hand on the wheel of governance.

Tiara reminded the audience that the Canadian EOT was not right for every business and feasibility studies are essential.

CENTRE AND MEMBERS NEWS

Legal outlook 2024

In its *Employment & Incentives Legal Outlook 2024*, **Linklaters** looks ahead to the key issues in the coming year. These include reforms to working time rules, TUPE and family-related rights, the implementation of the Retained EU Law (Revocation and Reform) Act 2023, the evolution of workplace culture driven by AI and regulatory standards, expectations and trends for executive remuneration, the implications for banks of the bonus cap removal, the relaxations of pay and disclosure rules for 'small firms', climate change and ESG factors.

Change is afoot in 2024

Not only is a general election looming, but there will be significant reform as a result of developments in UK employment laws. In a *Law-Now* piece, **CMS** provides details of these reforms, when they are expected to come into force and **how employers should prepare for them**.

Key dates for employee share plans

The **RM2** Partnership has published a reminder of **key dates that should be in your diary every year** to be sure your plan is compliant with HMRC rules. In addition, this year there are changes to capital gains tax (CGT) and dividend allowances that may impact on share plan participants.

- ♦ Trust and estate tax returns – file by *January 31*
- ♦ Changes to schemes for non-employees – changes to rules effective from *January 31*

- ♦ Enterprise Management Incentives notifications – after *April 6 2024* the notification deadline will be extended to July 6 following the end of the tax year in which the option was granted (however, if you grant EMI options before April 6 2024, you must still follow the current EMI notification process within the 92 day deadline)
- ♦ CGT changes - annual exemption for CGT reduced to £3,000 from *April 6*
- ♦ Share plan annual returns - file an annual return for each employee share plan for the 2022/2023 tax year on or before *July 6*

Employment tax update January 2024

HMRC has released its December Agent Update (Issue 115). In an article for *Lexology*, **Macfarlanes** notes the content most relevant to employment taxes and reward activities including:

Digital or electronic signatures

- ⇒ HMRC now accepts digital or electronic signatures on forms 64-8, P87 and R40.

National Insurance contributions (NICs) rate changes 2024.

- ⇒ The rates of Class 1 Primary, 2 and 4 NICs are changing.

Off-payroll working rules (IR35) – opportunity to pause settlement.

- ⇒ HMRC has outlined how any tax liability arising as a result of HMRC deeming a worker to be an employee will be able to be "set off" against taxes.

Guidelines for compliance – help to comply with the reformed off-payroll working rules (IR35).

- ⇒ New guidelines set out **practical steps for agents and clients to follow**.

CENTRE AND MEMBERS NEWS

2024: Back to normal?

Hopes for big central bank rate cuts in 2024 underpinned the sharp rally of nearly all asset classes at the end of 2023, making good much of the decline seen in 2022.

Investors believe the worst period of inflation is now behind us and price pressures and monetary policy are moving back toward some kind of normal. Economies continue to show signs of resilience with job markets remaining buoyant while resorbing excess savings.

Nonetheless, the process of returning to normal may not be as quick as we would like.

What does this mean for investors and how does it impact our asset allocation?

January's *House Views from Kleinwort Hambros* assesses what it means for investors and their asset allocation.

France – changes to rules for tax qualified free share plans

Tapestry hosted its final quarterly Worldwide Wrap-Up for 2023 at a January 17 webinar, which covered rule changes to French share plans:

This time, the changes are to: (i) increase the plan limit that applies to the maximum number of shares that can be used; (ii) extend the ability of non-quoted companies to award free shares to corporate officers; and (iii) allow the individual 10 percent limit to reset to zero every seven years (allowing more shares to be acquired by the individual).

Change (i) is the most likely to impact listed companies operating French tax qualified free share plans. From December 1 2023, the plan limit increased from 10 percent to 15 percent of share capital for most listed companies (with higher limits applying in certain circumstances).

Tapestry commented: The plan limit has always been difficult for non-French issuers to apply due to complex rules and there has historically been a lack of clarity about which shares are caught. Tapestry's experience is that most non-French companies only count shares under French tax qualified awards towards the limit, and so this limit is not normally a problem in practice. That being said, many French tax qualified free share plans will have the 'old' 10 percent limit hardwired into them. Companies should take advice on whether amendments are needed. Counsel advises that further clarification will be published by the French government in due course, which will help companies to decide whether changes are required for existing plans.

Oxfam report recommends support for employee ownership

Oxfam has issued a report *Inequality Inc* that recommends “providing financial support to employee-owned businesses, including worker cooperatives. This includes the implementation of ILO [International Labour Organization] Recommendation no.193 on promoting cooperatives and relevant regional instruments.” That recommendation, which is specific to cooperatives, “provides non-binding guidelines in drafting and/or revising national policy and legislation.”

The report received a lot of media attention, especially the finding that “The combined fortunes of the world's five richest men have more than doubled to \$869 billion since 2020, while five billion people have been made poorer.”

Oxfam's recommendation is reported by Corey Rosen, founder of NCEO, in *Employee Ownership and Economic Well-Being*, according to which employee-owners have 92 percent greater net household wealth than non-employee-owners. Corey finds that **employee ownership improves economic well-being across demographic groups.**

UK NEWS

M&S workers to get bumper £10,000 share payouts - with tax warning

More than 9,200 Marks & Spencer employees are set to receive bumper share payouts as the high street giant revealed a jump in festive sales.

As M&S's recovery continues, more than 9,200 staff members will reap the rewards from a share save scheme launched in January 2021. Employees – mostly customer service assistants – who put a typical £150 a month into its 2020 share save scheme will gain more than £10,000. Those who saved £50 a month stands to make more than £4,500. The money will be paid out on February 1.

It comes as M&S said it starts 2024 with a 'spring in [its] step' after sales jumped over Christmas and its food halls saw a record number of shoppers. Like-for-like sales rose by a record 9.9 percent in food, and comparable store sales were 4.8 percent higher in its clothing and home division in the quarter to December 30. M&S rejoined the **FTSE 100 Index last August after a four-year hiatus thanks to big share gains.**

M&S warned employees they may have to pay Capital Gains Tax. The government reduced the annual exemption from £12,300 to £6,000 from April 6 2023 and announced it will fall further to £3,000 from April 6 2024.

AI likely to worsen inequality

Artificial intelligence is set to affect nearly 40 percent of all jobs, according to the International Monetary Fund (IMF). IMF's managing director Kristalina Georgieva says "in most scenarios, AI will likely worsen overall inequality".

Ms Georgieva adds that policymakers should address the "troubling trend" to "prevent the technology from further stoking social tensions".

The proliferation of **AI has put its benefits and risks under the spotlight.**

UK publishes international standard on AI safety

A first-of-its-kind international standard on how to manage artificial intelligence (AI) has been published by the UK's national standards body. The guidance sets out how to establish, implement, maintain and continually improve an AI management system, with a focus on safeguards.

It comes amid ongoing debate about the need to regulate the fast-moving technology, which has become increasingly prominent over the last year **thanks to the public release of generative AI tools such as ChatGPT.**



UK NEWS

Small growth in UK economy for November

The UK economy grew 0.3 percent in November but the UK remains on a recession knife edge, [reported City A.M.](#) The strong showing in November was not enough to turn around the more closely-watched three-month measure of GDP, which fell 0.2 percent. Economists had expected November GDP growth to be 0.2 percent, but downward revisions of previous data took the shine off. Services were flat while production figures fell – 1.5 percent – but overall November saw GDP grow 0.3 percent on a monthly basis.

London listings crisis

The Treasury is facing calls to convene an emergency meeting to solve London's listings crisis, [City A.M.](#) reported. In a letter to City minister Bim Afolami, the Chartered Governance Institute, which represents some 10,000 governance professionals in the UK, said the London Stock Exchange was in danger of losing "critical mass" in key sectors in the next 12 months without fast action. A total of 40 firms were taken over by private equity outfits and corporates last year in deals individually worth more than £100m, while a slew of firms including chipmaker Arm snubbed London in favour of New York.

Post Office could face insolvency

The Post Office could face a £100m bill and insolvency after claiming tax relief for its compensation payments to post office operators. Tax Policy Associates boss Dan Neidle, who is also now following *newspad* and taking an interest in the Roadchef saga, said the Post Office had claimed £934m tax relief for the payments which could be unlawful. He is the latest in a string of experts commenting on the organisation's actions, [the Guardian reported](#).

WORLD NEWS

USA: Employee-owned Bridges Health 'proud' of national top 100 listing

Oklahoma-based Bridges Health, a long-term healthcare company, has been named as one of the top 100 employee-owned companies by the National Center for Employee Ownership. Bridges Health launched an employee stock ownership plan in 2020, giving its over 2,500 employees ownership interest through company shares. The company was pleased to earn recognition after just three years, since healthcare companies with esops are rare.

The firm credits its Esop for recruitment and retention success in a tight labour market, as employees take pride and are rewarded in ownership. The Esop positions Bridges Health's worker-owners and company for [continued success amid economic uncertainty](#).

USA: Blazing trails - Esops role in the cannabis industry

The cannabis industry faces a major tax burden under Internal Revenue Code Section 280E, which prohibits federal tax deductions for businesses trafficking controlled substances like marijuana. However, employee stock ownership plans offer a strategic solution.

For S corporations fully owned by an Esop, income passes through to the tax-exempt Esop shareholder, eliminating federal and most state income taxes. This enables cannabis companies to reinvest earnings rather than pay taxes, enhancing cash flow for expenses like growth, debt repayment, and employee ownership. Selling shareholders also obtain liquidity through the Esop. While Section 280E restricts deductions for cannabis businesses, Esop-owned S corps entirely avoid this disadvantage. The Esop structure [mitigates tax liability and creates an employee ownership culture through a tax-qualified retirement plan](#).

WORLD NEWS

India:

mCaffeine introduces Esop to create 100 'crorepatis' within company

Personal care brand mCaffeine has introduced an Employee Stock Ownership Programme to reward and incentivise its employees. The company will allocate 10 percent of its shares to the programme, allowing 600 current employees and planned hires to benefit as the company grows. mCaffeine aims to reach 1000 employees by 2024 and 2000 by 2026, with over 50 percent eligible for the Esop. The programme intends to create 100 'crorepatis' - a person whose assets are worth at least one crore or 10 million rupees - within the company by allowing employees across all levels to share in the brand's success.

mCaffeine, known for caffeine-infused products, has seen impressive growth with 95+ offerings. The Esop opens **growth opportunities for both employees and the brand as it continues expanding its portfolio and launches.**

Why a Chennai-based company has given a 33% stake to its employees

Ideas2IT, a product engineering company, unveiled an Employee Ownership Programme giving employees a 33 percent stake to ensure their continuous journey and provide genuine ownership. Five percent will go to 40 select long-term employees, with the rest distributed across over 750 employees. Under the programme, founder Murali Vivekanandan and his wife will each hold a 33 percent stake, with employees holding the remaining 33 percent through restricted stock units (RSUs). RSUs are equity shares with a vesting period granted as an incentive. Vivekanandan said this turns employees into stakeholders aligned with long-term success. He expects a ripple effect across the industry. Ideas2IT works with Fortune 500 firms leveraging emerging tech. This initiative ensures employees become partners **turning them into stakeholders invested in the company's future**



LIBRARY OF WEBINAR BROADCASTS:

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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