



January 2025

EVENTS

Esop Centre Jersey conference 2025 – March 28

We are set to return to the Pomme d'Or hotel, St Helier for our **employee share plans and trustees conference** on Friday March 28.

We are putting together a programme of talks from expert speakers, who will update trustees and employee share scheme professionals on current key issues. Presentations will run from 09:00 to 13:15, followed by a networking lunch. The seminar will be held in conjunction with STEP Jersey.

To reserve your place, email us at events@esopcentre.com



Sponsorship opportunities

We are pleased to be able to offer the following sponsorship opportunities to Centre members for the Jersey conference:

Headline sponsor

The benefits will include: 1 x delegate place; mention in all the pre and post event publicity and promotion including mention of the sponsorship in Centre monthly publications newspaper and newsbrief; company logo displayed on the event web page; mentioned in all communications regarding the conference; a brief welcoming address to the participants; and inclusion of materials with the delegate pack. The sponsor will also be named on any event signage produced.

Lunch sponsor

The lunch sponsor will be invited to address the delegates at the end of the morning's session and, if desired, to make a comment on the morning's proceedings and developments in the market. The lunch sponsor will also be named on any event signage produced; mentioned in all communications regarding the conference and may include materials in the delegate pack.

Please contact the esop@esopcentre.com for further information.

AWARDS

Annual all-employee share plan awards Last chance to enter

Now is the time to send submissions for the 2024 *newspad* all-employee share plan awards.

The 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 and 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 all nominations **is Friday January 24 2025**.

The awards present an opportunity to celebrate your company or your 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 2024 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, back up your application with supporting documents. Either upload the files at the end of the form, or email them to: esop@esopcentre.com.

Photo by Myriam Zilles on Unsplash

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 Employee Share Plans Symposium 2025.

If you have any questions, please contact us at: esop@esopcentre.com or call +44 (0)20 7562 0586.

CENTRE AND MEMBERS NEWS

France: Year-end tax reporting obligations for employee share plans

Baker McKenzie has provided an insight on [reporting obligations relating to French-qualified awards for both employers and employees](#). “Data relating to exercise of qualified stock options/ BSPCE in 2024 and data relating to qualified RSU vested in 2024 must be reported in an Individual Statement provided to each beneficiary of such awards by March 1 2025. In addition, a special report for French-qualified stock options and RSU may have to be prepared by the French employer. For their part, the Employees having 2024 taxable gains derived from equity awards will have to report them in their French income tax return for the 2024 French fiscal year due in May/June 2025.”

UK: Beyond salary freezes: can equity awards beat the cashflow crisis?

Bird & Bird has published a [global incentives insight series](#) with topics including incentives in the Autumn Budget. Salary freezes are predicted as increases to employer social security contributions and the minimum wage come into effect. Bird & Bird suggests equity incentive plans will become an attractive remuneration choice “to help ease payroll cashflow and attract key talent”. Executive share remuneration, Enterprise Management Incentive options, Business Asset Disposal Relief (BADR) and other tax-advantaged share plans receive detailed attention.

UK tax disputes winter 24/25

CMS has published a high-level [summary of key developments in contentious tax](#) over the last few months. Interesting decisions from tribunals include:

- ⇒ FTT considers the application of SDLT anti-avoidance legislation to a real estate transaction
- ⇒ FTT confirms that foreign companies need to have a substantial presence in the UK, including adequate human and technical resources, for their branch to qualify as a “fixed establishment”, a necessary condition for being treated as a member of a VAT group in the UK
- ⇒ Upper Tribunal upholds FTT decision denying intangible asset amortisation on the basis that the corporate members which contributed assets to an LLP were its related parties

Employment law 2025 guide

Doyle Clayton’s [guide to the government’s Employment Rights Bill](#) focuses on significant changes such as:

- ⇒ the annual increase in National Minimum Wage rates (April 1 2025)
- ⇒ the Economic Crime and Corporate Transparency Act 2023 - failure to prevent fraud offence (September 1 2025)
- ⇒ Neonatal Care (Leave and Pay) Act 2023 – (expected to come into force in April 2025)
- ⇒ A consultation on the Right to switch off Code of Practice expected to be launched in 2025



CENTRE AND MEMBERS NEWS

Share plans bulletin

Topics in EQ's share registration and employee share plans [Monthly Bulletin for December 2024](#) include:

Institute of Directors; Companies House; Taskforce on Nature-related Financial Disclosures; Legislation.gov.uk; Home Office; Financial Reporting Council; IFRS Foundation; Glass Lewis; HM Treasury; Financial Services and Markets Act 2000 (FSMA); The Takeover Panel; Pre-Emption Group.

New Netherlands' shareholder dispute rules in force for 2025

Fieldfisher's insight into [updated Dutch law](#), effective January 1 2025, focuses on resolving disputes between shareholders and depositary receipt holders. The modernised framework is expected to increase shareholder dispute proceedings. Key changes include faster proceedings and adjusted admissibility rules for investigations.

EMI options: Understanding HMRC's October 2024 updates

Lewis Silkin has published its insight [outlining the October 2024 changes to HMRC guidance](#). In clarifying the application of the independence test (a qualifying condition for an EMI scheme), *Lewis Silkin* looks specifically at:

- ⇒ Limited Liability Partnerships (LLPs)
- ⇒ "Arrangements" for a loss of independence

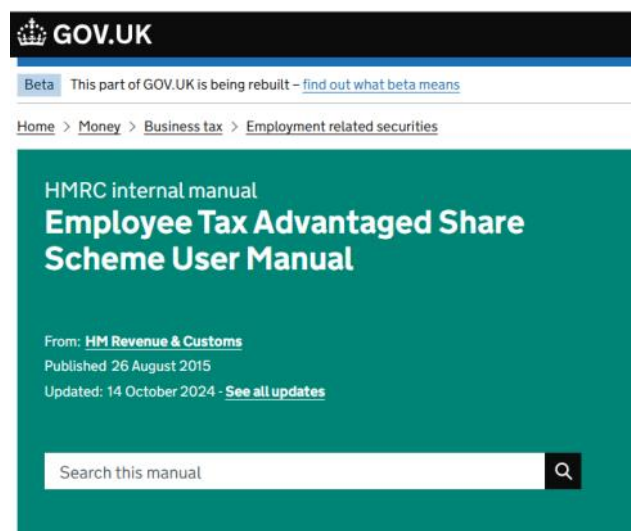
Practical implications for companies

The guidance updates should not contain any major surprises for well-advised companies, save perhaps HMRC's apparent lenience in situations where external approval is being sought for a transaction. It remains the case that when operating an EMI Scheme, companies must be careful to review their ownership and governance structures, and any agreements with shareholders and lenders, to ensure the independence test is satisfied and to check that they do not inadvertently create arrangements that could lead to a loss of independence.

For businesses that are uncertain about their eligibility to implement an EMI Scheme or how the updated guidance impacts their EMI options, consulting tax professionals can help clarify the application of these new rules. Where uncertainty remains in any specific case, companies may be able to submit an application to HMRC for clearance as to whether the independence test has been met. However, HMRC may not respond to an application for advance assurance if negotiations for a sale are under way.

As always, businesses are advised to keep their eligibility for operating EMI Schemes under review to ensure they remain compliant with the requirements and can take full advantage of the scheme's benefits.

EMI options: Top 10 mistakes uncovered on an exit – and how to avoid them explains more about securing compliance and avoiding common pitfalls.



CENTRE AND MEMBERS NEWS



2025 Outlooks

What's happening in UK employment law in 2025?

Lewis Silkin's employment law overview, notes that the main stories for 2025 will be increased employment costs and the passing of the Employment Rights Bill. It covers minimum wage reform, policy reforms on bankers' bonuses, expected case law decisions on social media and pay equality, as well as **policy areas to watch** such as responsible AI in the workplace.

What does 2025 have in store for UK listed companies?

Macfarlanes has **reviewed key future trends for 2025** under the following topic headings:

- ⇒ Making executive pay great again
- ⇒ The Labour government has an employment reform agenda: tinkering, or major upheaval?
- ⇒ Reviving London's capital markets – is deregulation enough?
- ⇒ Will the UK rediscover its mojo as a venue for listings and corporate HQs?
- ⇒ Class actions accelerate...
- ⇒ ... with more securities litigation too?
- ⇒ Will corporate reporting set pulses racing?

Remuneration trends

Paul Norris, director and senior partner at *MM&K* has provided a review of 2024 and looks ahead to 2025, identifying **remuneration trends** such as sustainability considerations: “*The balances between fixed and variable pay and between cash and equity are likely to become increasingly critical considerations*”; and cash resources: “*For early-stage firms, and others with an eye on preserving cash, paying in shares can be attractive but requires care to manage trade-offs and risks*”.

UK financial services year of change in 2025

Pinsent Masons expects 2025 to be a year of **regulatory change for the financial services** sector with the Financial Services and Markets Act 2023 (FSMA 2023) now law and outcomes-based regulation coupled with increased reliance on data. In spring a planned new financial services growth and competitiveness strategy is expected to be published, with the FCA board decision on the proposed new approach to enforcement expected within the first quarter.

Congratulations!

Fairway's private client team has been **shortlisted for two awards** in Citywealth's Magic Circle Awards 2025

Macfarlanes has been awarded a **Disability Confident Leader (Level 3) accreditation**, which is the highest level, by the government's Disability Confident employer scheme, underscoring the firm's commitment to inclusivity.

CENTRE AND MEMBERS NEWS

OMB completes review of DoL Esop valuation regulation

In a blog post, Scott Rodrick of NCEO discussed the need for **DoL formal guidance on valuation** as “much Esop litigation over the years has revolved around valuation.

“In October 2024, the DoL sent a new proposed Esop valuation regulation to the Office of Management and Budget (OMB) for inter-agency review of costs and benefits. The OMB has now completed its review.

“The next step will be for the DoL to make the regulation available for comment. The Esop community will examine the proposed regulations with great interest. We at the NCEO shall analyse them, gather input from the community, and report on the implications.”



Key concerns about Digitisation Taskforce

The UK Shareholders Association has written to the Treasury and Department for Business and Trade on **key concerns about the Digitisation Taskforce** in anticipation of its final report. The letter included the following concerns:

- ⇒ In the process of dematerialisation, certificated shareholders must neither lose their rights nor face new costs
- ⇒ Ultimate Beneficial Owners' rights need to be restored so they are no worse off than dematerialised certificated shareholders
- ⇒ After dematerialisation, issuers must be able to communicate directly with UBOs
- ⇒ UBOs need to be able to contact other UBOs when needed
- ⇒ Dematerialisation is the occasion for the government to mandate uniform, high standards of segregation.



Pay rises at fastest rate since 2021

UK pay after inflation has risen at its fastest rate for more than three years, driven by strong wage growth in the private sector. Pay packets increased on average by 3.4 percent between September and November compared with the same period a year ago after taking into account the impact of price rises, according to the Office for National Statistics.



Vacancies at pre-pandemic levels

The number of vacancies in the UK economy has fallen back in line with pre-pandemic levels. There were 1.44 million active job postings in December, only slightly more than the 1.41 million open roles recorded five years ago, data from the Recruitment and Employment Confederation showed. There was a 5.5 percent decrease in the number of job openings compared to November while the number of new job postings fell by nearly 17 percent, City AM reported.

Reeves heads to Davos in bid for more investment

Rachel Reeves will bid for more investment at the World Economic Forum's annual meeting in Davos this week. The Chancellor is expected to meet the heads of major international banks during her two-day visit to the Swiss town on January 22 and 23 in an effort to tout the UK as an investment opportunity.

WFH 'not proper work'

Working from home is creating a generation who are "not doing proper work", the former boss of Marks and Spencer and Asda has warned. Lord Rose told BBC Panorama that home working was part of the UK economy's "general decline" and employees' productivity was suffering. His comments come as some companies are calling time on remote working. Amazon, Boots and JP Morgan are just some of the businesses who now require their head office staff to be in every day.





India

Year in review: there's an Esop fable in startup Inc's IPO run

According to *the Economic Times* there is a disparity in earnings in tech startups between founders and employees. Data from eight IPOs in 2024 indicate that founders amassed nearly Rs 34,000 crore, compared to Rs 8,500 crore unlocked for staff through Esops, leading to **questions about the fairness of four-year vesting periods and disproportionate Esop distribution.**

India sees more startups encashing Esops in 2024 in pre-IPO, secondary deals

Mint reported an increase in unlisted startups initiating Esop buybacks, from 19 in 2023 to **26 in 2024**, though this is fewer than the 37 reported in 2021 and 2022.

New Esop allocations

Inc42, along with other publications, reported on the **broad trend of tech companies expanding Esops.** Examples include:

- ◆ Axis Bank allots 86,996 equity shares under Esop
- ◆ Delhivery allots shares worth INR 25.6 cr under Esop schemes
- ◆ Hissa launches US\$35m Esop-focused fund to unlock startup employee wealth
- ◆ ideaForge allots INR 49.3 Lakh worth of equity shares
- ◆ India Shelter Finance Corporation allots 7,450 equity shares under Esop
- ◆ Stashfin rewards long-term employees with Esop allocations
- ◆ Vega Equity evolves to Xumane: multiplying value in Esop management

South Africa

South Africa implements key changes to Companies Act, highlighting Esop reform

South Africa's recent amendments to the Companies Act bring significant changes to corporate governance, particularly for share buybacks and employee share ownership plans. Effective December 27 2024, the reforms aim to streamline processes and foster workplace equity. Esops now include plans involving the purchase of shares, not just subscriptions or issuances, and benefit from exemptions on financial assistance and public offer rules if a compliance officer is appointed. These updates make Esops more accessible.

Other key changes include the requirement for shareholder approval of most share buybacks and the election of Social and Ethics Committee members at Annual General Meetings. These reforms are part of broader efforts to simplify corporate law and improve governance. While some amendments, like public access to financial statements and updated remuneration disclosures, will come into effect later, businesses are advised to familiarise themselves with **the current changes and prepare for future updates.**





USA

Delta Airlines celebrates profits with \$1.4bn employee bonus

Delta Airlines is awarding its employees a \$1.4bn (£1.1bn) profit-sharing bonus on February 14, reflecting its strong 2024 performance and centennial anniversary. Eligible employees will receive an estimated 10 percent of their earnings, equivalent to about five weeks' pay. Over the past decade, Delta has distributed more than \$10bn (£8.2bn) in profit-sharing, emphasising its commitment to rewarding employees for their role in the company's success. Ceo Ed Bastian highlighted the airline's strong 2024 results and projected an even better 2025, with pre-tax income expected to exceed \$6bn (£4.9bn). The airline also supports its workforce through competitive pay, annual raises, financial coaching, and generous retirement contributions, *reinforcing a culture of shared success and recognition.*

RVNB Holdings employee stock plan suit settles for \$14m

Bloomberg Law reported on the All My Sons Moving & Storage Esop that was "*allegedly terminated to benefit insiders over workers*" resulting in a \$14m class settlement for participants. \$7m of the settlement will be funded by defendant Neil Brozen, stock plan trustee for RVNB Holdings Inc, the previous owner of All My Sons. A further \$7m payment will be "*required from the other settling defendants, which include certain RVNB board members and selling shareholders and the private equity group that acquired the company in 2017.*"



US Department of Labor proposes rule on valuing employer stock in Esops

The US Department of Labor has announced a proposed rule to guide fiduciaries on valuing employer stock purchased or sold by employee stock ownership plans following a directive in the SECURE 2.0 Act of 2022. The proposal aims to ensure that Esops, which primarily invest in stock from the employer, do not overpay for stock or sell it below its fair market value, which could jeopardise employees' retirement benefits and jobs. The rule provides fiduciaries with principles-based guidance on stock valuation, aligning with their ERISA obligations. It also introduces an exemption that provides a roadmap for fiduciaries and sellers involved in

creating new Esops. The proposed rule reflects stakeholder feedback and aims to enhance retirement security for workers, with public *comment periods open for 75 days.*

However, speculation from industry experts that the Department of Labor's rule proposal, *intended to codify standards for the 'adequate consideration' or a fair appraisal of the value of the shares within an Esop,* has been delayed by the change in administration and that the proposal may even be re-evaluated, withdrawn and/or rewritten. *According to NAPA-net* the lack of such a regulation is considered the primary legal risk that Esops face.

EMPLOYEE OWNERSHIP NEWS

Wales needs to be wary of becoming fixated with EOT businesses

An opinion piece in *BusinessLive* by Frank Holmes (partner of Cardiff-based corporate advisory firm Gambit) and Sion Barry advocated a “proactive succession roadmap” to ensure business longevity, but to be “*wary of developing a fixation on promoting the EOT as a primary model for SME succession*”. The piece argued that “the EOT transaction has the potential to cause financial strain or restrict investment for business growth while paying off the monies due to exiting owners” while noting “HMRC released proposals to reform EOT rules to prevent former company owners retaining majority control”. The authors believe any subsequent sale of an EOT business becomes “a complex tax and legal challenge” and have criticised “the nil tax incentive for sellers” as “the overriding priority in selecting an EOT, which from a risk perspective makes questionable commercial sense.”



EOTs surge in popularity following Budget tax changes

The *Financial Times* reported the growing popularity of the EOT model as changes to national insurance and inheritance tax come into effect. It noted that while there are capital gains tax advantages in selling more than half of a business into an EOT, there can be *negative tax implications for employees* if the EOT business is subsequently sold.

The Midlands: why owners are choosing staff ownership

Reporting on the popularity of the EOT model in the Midlands, Kurt Jacobs of *Insidermedia* claims it is “*the go-to strategy for succession planning*”. Use of the EOT model is predicted to increase in 2025.

ROL Cruise contacted by ‘five or six’ agencies about new employee ownership model

According to Harry Kemble in *Travel Trade Gazette*, cruise specialist ROL Cruise has *generated EOT interest in several travel agencies* since announcing its transition to an EOT model in November 2024. ROL’s aim was to *share success, provide long-term stability and protect jobs*.



Photo by Mike Arney on Unsplash

LIBRARY OF WEBINAR BROADCASTS:

Esop Sofa 2024 Review: Budget & PISCES; The Employee Voice; 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>



Z/Yen Group Limited t/a The Esop Centre. Registered office:
1 King William Street, London EC4N 7AF. Company number
2965552 England

+44 (0)20 7562 0586 | esop@esopcentre.com |
www.esopcentre.com

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:

T: +44 (0)20 7562 0586

E: juliet_wigzell@zyen.com