



June 2024

EVENTS

Share schemes & trustees conference Guernsey 2024

The Esop Centre is set to return to Guernsey for its **annual conference on employee share schemes and trustees**. Held in conjunction with STEP Guernsey, we look to emulate the success of the 2023 event, building on the achievements of this industry-leading networking and learning opportunity.

The seminar will be on the morning of **Friday November 8** at the Old Government House Hotel, St Peter Port.

To reserve your place, email events@esopcentre.com

We are putting together a programme of talks from expert speakers, who will address the key issues currently facing trustees and employee share scheme professionals.

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

Presentations will run from 09:00 to 13:15 (approx.), followed by a networking lunch for delegates and speakers.

Don't miss this great opportunity to update your knowledge.



Guernsey Les Hanois Lighthouse Photo by Enrapture Captivating Media on Unsplash

Tickets: Book early to secure discounted ticket prices:

Esop Centre/STEP members: **£380**/each
(if booked before 04 October 2024. £420 thereafter)

Non-members: **£485**/each
(if booked before 04 October 2024. £538 thereafter)

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

To book, email events@esopcentre.com

Hold the day: PISCES - Employee Share Plans & Incentives

The Centre and CORPGRO invite you to a conference on PISCES and employee share ownership.

The event will run from 08:30 till 13:00 on **Wednesday September 25**, will be hosted by PwC at its More London offices and chaired by the Centre's Robert Pay.

Speakers confirmed so far include: the London Stock Exchange; Clifford Chance; CORPGRO; Howells Associates; PwC; Vestd; and WEALTH at Work.

To attend please register by emailing events@esopcentre.com.

CENTRE AND MEMBERS NEWS

UK share plan reporting 2024

How to prepare an annual share plan return and common reporting errors to avoid –

Abbiss Cadres aims to provide everything you need to know.

Poland: The fight for talent continues

Bird & Bird discusses the challenge of employee retention in Poland and ways to attract talent and reduce turnover, including:

- ⇒ **Restricted Stock Units (RSUs)**. Still considered a novel benefit in the Polish market, offered particularly by employers with foreign capital. In the US and UK they have contributed towards growth in the IT, social media and gaming industries. RSUs create a strong incentive to stay but employees must remain employed with the company until the end of the vesting period to benefit.
- ⇒ The retention bonus is a one-off payment for selected employees. Polish law does not regulate this, so the terms, including the duration of employment required and the bonus amount, must be clearly defined in the employment contract.
- ⇒ Non-financial instruments including loyalty agreements and flexibility supporting work-life balance

Canada: Proposed changes to inclusion rate

Deloitte has released an alert, **Global Reward Update – Canada** outlining the potential impacts on both employees and employers of changes proposed in Budget 2024 to the capital gains and stock option inclusion rate.

Six years of GDPR: Fines total €4.5bn Europe-wide

CMS has published the fifth edition of its **annual Enforcement Tracker Report on all publicly known GDPR fines**, adding 510 data protection fines in the March 2023 - March 2024 period. The total amount of fines since the survey began is now approximately 4.5 billion euros. Authorities are not averse to imposing high fines, including:

- ⇒ Highest GDPR fine of 1.2 billion euros imposed by the Irish data protection authority in May 2023 for a breach of the rules on international data transfers. Further fines imposed by this authority in 2023 amounted to hundreds of millions of euros.

SPLG annual conference and dinner

The Share Plan Lawyers Group annual seminar and dinner marks the culmination of a year's worth of share plan developments. It serves as a vibrant hub for the exchange of ideas and practices with debates on topics ranging from the government proposals for a secondary private market to helping clients implement effective management incentive plans. The day included star turns from **CMS's** Jaspal Pachu, reflecting on EOTs on their 10th birthday year, and Graham Muir on the increasingly complex area of share valuations.



CENTRE AND MEMBERS NEWS

Belgian Whistleblowers: Initial assessment

Fieldfisher provides insight into the legal and practical questions of the **internal whistleblowing procedures** required since December 17 2023 at all Belgian companies with at least 50 employees. The procedures include broad protection against all forms of reprisal, guaranteeing confidentiality, and providing anonymous reporting at companies with 250+ employees.

IPO conference 2024: Sir Tim Martin on life on the capital markets

At the **Investec** IPO Conference 2024, guest speaker Sir Tim Martin, founder and chairman of JD Wetherspoon, spoke on the advantages for employees of listing his pub chain company – as an investor-owned organisation provides more security for employees and stability of succession. JD Wetherspoon is the best known pub chain with nearly 900 venues throughout the UK. As a direct result of its focus on employees, 10 000 of Sir Tim's 40 000 employees have stayed with the company for more than ten years. **£520 million in free shares and bonuses have been paid to employees since 2006**, and staff now own about 22 percent of Wetherspoon's shares under its employee share option scheme.

UK election 2024: Employment law reforms

Lewis Silkin is **keeping track of expected employment law changes after the UK general election**. It has listed the key pledges in the Labour Party's New Deal for Working People and the proposed employment law reforms of the Conservative and Liberal Democrat parties.

Financial sponsors and their portfolio companies 2024

Linklaters' addresses both newly developing and long-standing issues for **financial sponsors and their portfolio companies**. Topics include:

- ⇒ Beyond the peak of inflated expectations: using generative AI to enhance performance
- ⇒ Cyber attacks: Keeping pace with new governance expectations
- ⇒ M&A: Making sure you cross the finish line
- ⇒ DEI: How to lead without going offside
- ⇒ Navigating the shift towards a low carbon economy: How to stay the course

Employment tax update - May 2024

Macfarlanes provided an **update on NICs, upcoming UK employment tax deadlines**, and commentary on non-dom reform.



Photo by Greg Willson on Unsplash

CENTRE AND MEMBERS NEWS

Esop changes for 2024 in Ireland

Ogier provides a **briefing summarising unapproved share option schemes available to companies in Ireland**, including reporting responsibilities. Unapproved share option schemes discussed include:

- ⇒ "Unrestricted" share option scheme (General Esop)
- ⇒ Restricted or clogged share option scheme (Clogged Esop)
- ⇒ Growth or flowering share option scheme (Growth Esop)

What's happening in pensions

Travers Smith's pension update for Lexology includes the General Election; TPR annual funding statement; lifetime allowance abolition; pensions dashboards; the Pensions Ombudsman's detailed legal analysis of a recoupment claim; Pensions Ombudsman procedures; and **data protection**.

Mapping company share schemes across the UK

Vestd has analysed the latest figures from the Department for Work and Pensions and **mapped UK households with a company share scheme**.

In inner London seven percent of households have investments in the form of company share schemes, with five percent in the rest of the capital. This is in stark contrast to other regions, where one percent is common. In "*the East Midlands, South West, North West and Yorkshire*" the households benefitting from a share scheme are "*just one in 50*".

Vestd research indicates one in three British employees would "*love a share scheme*". Founder and ceo, Ifty Nasir, is promoting action to expand equal access to all employees.

EU: Competition watchdogs target labour markets

Pinsent Masons considers the intentions of the EU to take **stricter action against companies that have agreements with other companies on employee salaries or poaching bans**.

New policy brief on antitrust in labour markets

White & Case has assessed labour-related agreements in the European Commission's antitrust spotlight, looking at **wage-fixing and no-poach arrangements**, including:

- ⇒ Why does the EC think wage-fixing and no-poach arrangements are potentially harmful?
- ⇒ How does the EC classify wage-fixing and no-poach agreements under EU competition law?
- ⇒ Are the labour-related arrangements between companies an antitrust issue only if parties compete both in labour and product markets?
- ⇒ Are there any efficiencies or justifications for the labour market agreements?



Photo by Paul Marlow on Unsplash

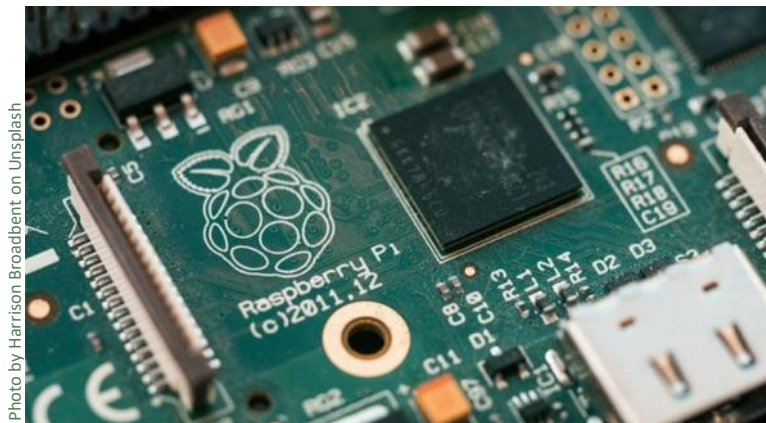
CENTRE AND MEMBERS NEWS

USA: FTC bans non-compete agreements

In January 2023, the Federal Trade Commission (FTC) proposed the Non-Compete Clause Rule which was intended to generally prohibit employers from using noncompete clauses (“noncompetes”). Based on a preliminary finding that noncompetes violate Section 5 of the FTC Act which bans unfair methods of competition, the proposed rule would have categorically banned noncompetes and required rescission of all existing noncompetes. Centre members commenting on this included:

- ⇒ An information document in [Buck's Compliance Consulting Practice](#)
- ⇒ Pinsent Masons published an HRNews interview with New York lawyer Ben Stockam about the [FTC's 'final rule' and employers' options in the event it survives legal challenge](#); and a comment on how [Australia's assessment of non-compete clauses could hold major implications for employers](#)
- ⇒ White & Case published an article on current issues in [enforceability of employer-employee non-compete provisions](#).

UK NEWS



Raspberry Pi shares soar on stock market debut

Employees at Raspberry Pi are set to receive significant financial gains as the company, known for its tiny affordable single-board computers, one of which still used by Centre president Malcolm Hurlston. The company has listed on the London Stock Exchange in one of the biggest tech flotations in recent years.

As reported in this month's [newspad](#) the Cambridge-based firm of 103 staff has an employee incentive scheme that controls shares worth around 13.6 percent of the

company – this was predicted to equate to an average of up to £660,000 per employee if the company achieved its expected £500m valuation.

Conditional trading started on June 11 at £2.80 per share, valuing Raspberry Pi at £542m, but shares rose rapidly, hitting £3.92 in early trading, 40 percent higher than its initial public offering price. On June 12 *“the firm's stock climbed further still and peaked at £4.20, [surpassing the \\$1 billion market cap threshold to achieve unicorn status](#)”*.

WORLD NEWS

USA: Federal noncompete ban: legal challenges

Many plaintiffs, including the United States Chamber of Commerce, have **lodged legal challenges against the Federal Trade Commission's Noncompete Rule**, which bans noncompete agreements for employees, independent contractors, and executives.

The Chamber of Commerce of the United States of America, Business Roundtable, Texas Association of Business, and Longview Chamber of Commerce filed a coalition **lawsuit**: "Complaint for declaratory and injunctive relief" seeking to prevent the ban from commencement, or at minimum, postpone its effective date.

See too Centre member comments on [page 5](#) of this edition of newsbrief.

Canada - employee ownership trust legislation

Corey Rosen in an NCEO blog post reported that parliament will have voted on a proposal to enact legislation that will exempt the first **\$10 million (Canadian) in gains from the sale of a business to a qualifying EOT**. In the event the company is sold, the employees would divide up the proceeds - a requirement in Canadian law that differs radically from the UK model, which benefits vendors more than employees directly. The exemption will be available until the end of 2026, though is expected to be extended.

"The EOT must meet a variety of rules:

- ⇒ At least 51 percent of the stock must be sold to the EOT. The exemption applies only to the first transaction.*
- ⇒ All current and future employees must be named as beneficiaries of the trust.*
- ⇒ The allocation of dividends and any proceeds from a sale paid to employees can be based on some or all of relative pay, seniority and hours worked. Companies can have a "look-back" provision to provide some of the sale proceeds to employees covered by the trust before the sale.*
- ⇒ At least one-third of the trustee board and company board members must be employees."*

India: Recent Esop expansions

Logistics unicorn **Delhivery** has expanded its Esop, approving a total of 11,06,060 equity shares, an additional 75,000 employee stock options on its Esop 2012 scheme. The stock options will be available for vesting over a period of three years from the date of grant – 20 percent will vest 12 months from the date of grant, 30 percent within 24 months, and 50 percent will have a vesting period of 36 months.

In Q4 financial year 2023/24, Delhivery slipped into the red with a consolidated net loss of INR 69 Cr, **while operating revenue declined five percent**.

PB Fintech, the parent entity of PolicyBazaar and Paisabazaar has **allotted 4,830,740 new shares under its employee stock option plan 2021** to eligible members. PB Fintech is experiencing an upward trend in its stocks. The company turned profitable in Q3 of financial year 2023/24, increasing profits by 62 percent in Q4.

The June edition of **newspad** reported on digital payments firm, Paytm, increasing issued share capital, allotting 87,373 equity shares to employees under its employee stock ownership plan.

KFin Technologies has allotted **50,105 equity shares** and **Home First Finance Company India** has **allotted 2,92,251 equity shares** under their Esops.

WORLD NEWS

India/USA: AiDash rolls out its first Esop buyback plan for employees

AiDash, an enterprise software as a service (SaaS) company, has launched its first Esop buyback, which allows full-time employees who have been with the company for over three years to cash in their vested shares. The initiative is a part of AiDash's commitment to shared wealth creation and is a follow-up to its successful \$58.5 million Series C funding round. The company has 300 employees in India, with headquarters in San Francisco.

USA: GE Aerospace gives employees “takeoff grant”

GE Aerospace ceo Larry Culp announced that all 52,000 employees will become shareholders through GE's “takeoff grant” to boost teamwork. Details have not yet been revealed.

GE Aerospace, an independent public company since April 2 2024, has seen a gain of 33 percent in its shares over the past three months, and 58 percent over the year to date. Investors have been encouraged by increased demand for air travel, and GE Aerospace's announcement it plans to hire 900 engineers in 2024.

USA: Blackstone to expand equity ownership to workers

Blackstone, the world's largest alternative asset manager plans to share equity with most employees in its US portfolio companies. This expands on its previous backing of equity ownership companies, and one-off worker equity programmes (such as Ancestry, Bumble and Merlin Entertainment).

Private equity head, Joe Baratta, announced Blackstone will “provide broad-based worker eligibility for equity-linked bonuses at our new large-scale, US private equity control investments.”

These includes Copeland, a HVAC manufacturer with 18,000 employees which it bought last year for \$14 billion.

Expanding equity ownership acknowledges the vital contribution of workers to portfolio company success and makes Blackstone more appealing to top talent, as well as reducing employee turnover after private equity takeovers. For Blackstone, extending equity to workers is a duty.



Blackstone Headquarters at 345 Park Avenue

By Americastroof at English Wikipedia, CC BY-SA 3.0, <https://commons.wikimedia.org/w/index.php?curid=7399491>

WORLD NEWS

USA: Colorado and North Carolina employee ownership legislation

Corey Rosen reported in a recent NCEO blog that “Governor Jared Polis of Colorado has signed HB24-1157 into law. It is a *bill that provides statutory authority for the Colorado Employee Ownership Office*, which Governor Polis created in 2020 through an executive order. The office provides technical assistance, coordinates with other agencies, and conducts outreach. The bill makes the office permanent and expands prior tax credits for the costs of converting to or expanding an employee ownership plan. The law provides a refundable tax credit for up to \$50,000 of the costs of setting up an employee ownership plan, defined as an Esop, employee ownership trust, worker cooperative, or equity grants or rights given directly to at least 20 percent of a company’s workforce where those workers hold 20 percent or more of the company’s fully diluted securities. Conversions to other qualified forms of employee ownership now also qualify for a credit of up to 50 percent of the costs, up to a maximum credit of \$25,000. The law also

provides a tax credit of 50 percent of the costs, up to a maximum credit of \$25,000, for a qualified employee-owned business expanding its employee ownership stake by at least 20 percent.”

In his blog, Corey also reported: “A *new bill in the North Carolina Senate* would allow Esop companies to qualify for state contracting preferences based on ownership by historically disadvantaged groups. Currently, Esop-owned companies do not qualify for any contracting preferences in federal or state programmes aimed at historically disadvantaged groups because the legal owner of the Esop is a trust, not a qualifying individual or individuals.

Under current North Carolina law, a “historically underutilised business” is one where at least 51 percent of the company’s stock is owned by members of at “least one of the following groups: Black, Hispanic, Asian-American, American Indian, female, disabled, or disadvantaged.”



Jared Polis) . CC BY 2.0, <https://commons.wikimedia.org/w/index.php?curid=11110161>

Governor Jared Polis of Colorado



The seal of the North Carolina Senate

EMPLOYEE OWNERSHIP NEWS

Surprise closure of Ownership Matters

Carole Leslie surprised readers of the 40th edition of her Ownership Matters, with the news that it was ceasing publication.

Carole has a strong interest in employee ownership and the EOT in particular, although she has been ready to note its imperfections. She has played a major role in developing employee ownership nationally, and particularly in Scotland. Although the publication has stopped, her work continues.

The Centre looks forward to her next steps. She is an advocate the topic cannot afford to lose.



NEW EOTs

- ◆ **Athena Security Solutions** - elite security company
- ◆ **Crofter's Foods Ltd** - North Yorkshire-based artisan food and drink business
- ◆ **LDA Design** - design and planning consultancy
- ◆ **Pearce Construction** - North Devon construction company
- ◆ **Planet Logistics** - Gloucester-based supply chain and logistics courier



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.

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