

November 2023



THE LORD MAYOR'S YEAR AHEAD

In the week leading up to his installation as Lord Mayor of London, and the **Lord Mayor's Show**, Michael Mainelli, was interviewed by *Financial Times* on his plans for the year. He emphasised the need to reconnect with Europe and the promotion of London's diverse industries of the future in addition to financial services. He said "We have as many scientists, engineers and technicians as we have bankers and insurers in the City — and always have.." There was further coverage in BBC Radio 4's *Today*,

Bloomberg, *ReutersToday* and seven other news outlets. Speaking on the BBC's Today Programme, he said: "I believe there's an opportunity [for the City] to resurge and we're doing that on two points: an observation that we have a tremendous range of skills well beyond finance. In fact we have more scientists, engineers and technicians than we have bankers and insurers and we want to use that enormous brain power in a theme I call *Connect to Prosper*...to tackle the challenges facing the country and the City."

The Lord Mayor's '**Connect To Prosper**' theme, is posted with details at www.connect2prosper.net.

There are five initiatives within the programme:

The 695th Lord Mayor's Ethical AI Initiative

The 695th Lord Mayor's Space Protection Initiative

The 695th Lord Mayor's Smart Economy Networks Initiative

"695th Lord Mayor's Constructing Science: Offices To Labs Initiative" in conjunction with, www.constructingscience.com

GALENOS - mental health research project with **MQ Mental Health**

There are too three series:

The 695th Lord Mayor's WebApp of Walks & Wonders – VeraCity.London

Online webinar series – www.KnowledgeMiles.net

Coffee Colloquies (rolling dates) – **Coffee Colloquies**



CONNECT TO PROSPER ▲



EVENTS

British Isles Share Plans Symposium— April 25 2024

Under the heading: *Employee Share Plans – Beyond the 1%*, the theme of 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 will 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 central London offices of **White & Case**. The *newspad* awards presentation will close the symposium, followed by a drinks reception.

Please contact the team at esop@esopcentre.com to express your interest in making a presentation, suggesting a talk topic or attending as a delegate.

Newspad awards 2023

The Centre is accepting 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

Jeremy Edwards joins the Centre's steering committee

The Centre is delighted that Jeremy Edwards is now part of its steering committee. Accepting the appointment, Jeremy said "It will be a great honour to support the further development of the Esop Centre and to work with you."

Jeremy Edwards is a partner and the head of the Employee Benefits Group in Baker McKenzie's London office. He advises on all aspects of employee share plans and employee taxation, has over 20 years' experience as a share plan lawyer and two years' experience as a corporate lawyer.

Jeremy has substantial UK experience, including implementing plans for UK-listed companies, and advising on executive remuneration developments, UK tax issues and the position on cessation of employment and dealing with share plans in the context of corporate transactions. He is widely experienced in implementing share plans globally and working with multinational clients.

Vestd joins the Centre

Equity management platform Vestd became a member of the Centre this month. We are looking forward to working with CEO Ifty Nasir and the rest of his team. More details about the firm will feature in December's *newspad*.

Asia Pacific quarterly update: quarter 3 2023

Baker McKenzie has released its Asia Pacific employment & compensation update for quarter three 2023. [Available for download](#) from the *Lexology* website.

HMRC valuation delays

Bird & Bird's Sarah Ferguson, writing for *Lexology*, said that the firm is advising clients to plan longer lead times for incentives grants under their UK tax-advantaged enterprise management incentive option plans and company share option plans. There is a likelihood of significant delays in agreeing share valuation applications with the HMRC Shares and Assets Valuation team.

Though SAV valuations are not compulsory under UK law, they help in securing the highly beneficial EMI option and CSOP tax status for clients and their option holders.

Once obtained, these valuations are valid for, at most, a period of 90 days from the date of agreement. Unlike US 409a valuations, any circumstances which might affect the valuation after obtaining a valuation agreement from SAV will generally invalidate the agreed valuation.

However, over the past few months, the response time for valuation applications to SAV in respect of EMI options and CSOP options has been unpredictable, according to Bird & Bird. Valuations are taking anywhere between the expected one-to-two-week period and three and a half months.

Sarah added "The share plans industry is intending to approach HMRC to understand the reason for such delays but, in the meantime, clients **should allow longer lead times for their proposed grants.**"



Trustee knowledge update

CMS published its quarterly Trustee Knowledge Update – August to October, on November 10. The publication includes updates on pensions legislation; consultations and draft legislation; DC investment regulation changes; climate scenario analysis; regulated appointment arrangement guidance; pensions dashboards checklist; **and details of recent cases.**

Big drop in 2023 say on climate votes

In its annual agm Intelligence Report for 2023, Computershare revealed that 24 companies across Europe voluntarily proposed advisory agm votes on their climate disclosures and action plans. This is down by one third on the 36 companies proposing such votes in the year ended June 30 2022. Most of that drop came from the UK, where half of the 16 companies in 2022 chose not to have another vote in 2023.

This is relevant as investors are keen to understand the profile of a company's climate risk and opportunities as well as assess the company's strategy for them.

Damian Carnell of CORPGRO commented: "A UK led fall in Say on Climate votes for 2023 is not a major concern. There is major change in climate disclosure and sustainability disclosures unfolding across Europe and the UK. For some, it may be a practical response for the 2023 reporting year to pause on voting as the new detailed disclosures, and perhaps enhanced Transition Plans unfold.

"A different concern is the very low level in Say on Climate votes observed at all. In 2024 or 2025 we might see a dam-break

increase in companies proposing these voluntary votes. Indeed, it is predictable that the mandated disclosures will at some point be followed by mandated Say on Climate votes. Some investors have been calling for mandatory Say on Climate votes for some time, notably, for some years, The Children's Investment Fund."

Computershare's report is available to download. Other highlights include:

- ◆ 12 percent fewer issuers opted to supplement their in-person meetings with technology to enable one way engagement e.g. webcasting.
- ◆ 10 percent of FTSE 100 companies returned to in-person meetings, two percent of those offered alternative engagement options.
- ◆ The percentage of name on register shareholders attending AGMs dropped by 12.6 percent in FTSE 250 companies.
- ◆ AIM 100 clients saw an increase in pre-meeting online voting, but a decrease in the proportion of their issued share capital voted.

EQ UK shareholder services annual conference 2023

The theme of digital advancements took pride of place at EQ UK's Shareholder Services conference. Participants underlined the importance of: digitisation, technology, legislation, individual wants and needs, and ESG.

Podcasts of the conference talks **are available from the EQ website.**

Kleinwort Hambros launch art advisory service

Kleinwort Hambros has launched an art advisory service, deeply rooted in its longstanding commitment to the arts.

Société Générale Group has been supporting contemporary art for almost 30 years with the creation of the Société Générale Contemporary Art Collection in 1995.

In an interview with *HighClass Magazine* Aurélie Deplus, head of the Société Générale Collection and Laurent Issaurat, head of Art Advisory Services at Société Générale Private Banking, gave an **overview of the bank's activities and ambitions.**

The Takeover Panel clarifies rules on frustrating action

Writing for *Lexology* this month, Travers Smith's team said "On October 27 2023, the Takeover Panel published amendments to Rule 21 and the associated guidance that will take effect from December 11 2023.

"These amendments followed a consultation and are designed to improve targets' ability to operate in the ordinary course of business, while protecting bidders against unwarranted corporate actions. The amendments also provide for unilateral extension of a scheme mini-long stop date in a competitive situation, and simplification of due diligence access for competing bidders.

"The Panel has responded to requests for clarification and further guidance on the "ordinary course" test during the

consultation. In particular, we and other practitioners highlighted the need for greater clarity on common aspects of incentive scheme administration so that ordinary course arrangements would not be restricted. We are pleased to see that amendments to the Notes on Rule 21.1, and further assurances in the response statement, give some **clarity on the application of the "ordinary course" test in such circumstances.**"

How BT supports employees to build financial resilience

In **research conducted by WEALTH at Work** earlier this year, it was found that 83 percent of employees are concerned that the cost of-living crisis will mean they will have to work longer before retiring and 33 percent think they won't ever be able to afford to retire at all.

On October 19, as part of 'Pensions at Work 100', the PLSA and ITN Business released a news-style programme to reflect on the advances made by the pensions industry to support good retirement outcomes over the last century and to showcase its ideas on how to address today's challenges and opportunities. A short film - **Rethinking Retirement Plans** - features Kerry Shiels, pension & benefits director, BT Group and Jonathan Watts-Lay, director, WEALTH at Work, talking about why they think it's important that employers ensure their employees are making the right decisions.



JTC Group has been named 'Best Administrator - Infrastructure/Real Assets' at the **2023 Private Equity Wire European Emerging Manager Awards**.

Lewis Silkin has been shortlisted in many categories for the International Employment Lawyer Awards, including:

- ☆ Labour Relations Team of the Year;
- ☆ Disputes Team of the Year;
- ☆ Asia-Pacific Team of the Year.

Ogier in the BVI has a “remarkable ability to navigate complex legal matters with finesse,” according to client feedback in The Legal 500 (Legalease) Caribbean Guide 2024.

The guide features outstanding praise for Ogier’s BVI teams across key practice areas, as well as top tier rankings for corporate and commercial, dispute resolution, **regulatory compliance, and foreign-based expertise**.

Tapestry’s Chris Fallon has been designated a 'Next Generation Partner' for employee incentives in Legal500.

Travers Smith’s employee share schemes team has again been recognised by both leading legal directories, achieving ‘Tier 1’ ranking in the Legal 500 and ‘Highly Regarded’ in Chambers & Partners.

Mahesh Varia, himself listed in the ‘Hall of Fame’ and ‘Band 1’ in the Legal 500 and Chambers & Partners respectively, commented: “I’m so proud of our Incentives and Remuneration team, which I have the privilege of leading. As a team we are so grateful to our clients for providing feedback leading to our continued recognition in The Legal 500 and Chambers & Partners 2024 editions.”

UK NEWS

GB News hands shares to Jacob Rees-Mogg and Nigel Farage

The *FT* reported that GB News has given shares to some of its top presenters and contributors, including former Conservative business secretary Sir Jacob Rees-Mogg, ex-UK Independence party leader Nigel Farage and Arlene Foster, former first minister of Northern Ireland.

The right-leaning broadcaster, which has been hit by scandals and the subject of investigations by the UK’s media watchdog in the past year, has also awarded stakes to a number of other staff including suspended presenter Dan Wootton, according to filings in Companies House.

Others to have received shares include presenters such as Eamonn Holmes, one of the best paid on the channel, journalist Camilla Tominey and television presenter and author Neil Oliver.

The company wants to reward its staff and provide long-term incentives for them to stay, said one person familiar with the matter, although it is not known if these share awards are alongside or instead of bonuses.

The shares have mostly been handed out to its presenters in the form of growth stocks, which tend to gain value only after **a certain valuation of the company has been reached**.



LSE on track to lose THIRTY £100m-plus firms this year

The London Stock Exchange is set to lose as many as 30 £100m-plus firms from public markets this year. Thirteen firms have announced a takeover this year and already completed the transaction. Seventeen more takeovers or de-listings

have been announced and are awaiting completion. A host of small-caps under the £100m threshold have also either gone private, gone bust or announced plans to delist. On top of this, few big-ticket listings have entered the markets, *City A.M* reported.

HMRC stats reveal poor service performance

HMRC's latest statistics for July to September 2023 show continued poor service performance. It took an average of 23 minutes for a call to be answered, with 70 percent of callers waiting for more than 10 minutes. Just 69 percent of calls are answered by HMRC.

The key performance indicators are as follows:

	Jul to Sep 2023	Apr to Jun 2023	Apr 2022 to Mar 2023	Target
Customer satisfaction	79%	78%	79%	80%
Customer correspondence cleared within 15 working days	74%	74%	73%	80%
Customer correspondence cleared within 40 working days	not yet available	89%	89%	95%
Net easy score	+60	+58	+60	+70
Telephones: adviser attempts handled	69%	63%	71%	85%
Telephones: average speed of answer	23 minutes	22 minutes	16 minutes	None
Telephones: callers waiting for more than 10 minutes	70%	70%	63%	None

HMRC has also published a narrative report. The report highlights:

- ◆ the impact of higher inflation on HMRC's budget;
- ◆ growth in the number of taxpayers in the system; and
- ◆ an increase in the proportion of taxpayers with complex tax affairs who need more support (largely due to the freezing and reduction of bands and allowances).



Australia: Quiip launches employee share plan

Social media and online community management specialist Quiip has announced the introduction of its Employee Share Ownership Plan in collaboration with two senior staff members. Lauren Piro, people and culture director and Larah Kennedy, client services director are the company's first employee owners.

Quiip's Esop will enable employees to become owners by acquiring a stake in the business. A rarity — Esops are not common among Australian companies.

This development follows Quiip's impressive growth in 2023, marked by the addition of the Alcohol and Drug Foundation, Yes23 and the Museum of Australian Democracy (MOAD) to its expanding client portfolio.

Says Alison Michalk, ceo, Quiip: "This has been in the works for nearly two years. Employees are integral to our success, and I believe in the redistribution of profits. I'm proud as it's a unique initiative that not many companies undertake. Leading the way as a B Corp is a challenge that keeps me going!"

Quiip recently conducted an Employee Stock Ownership Plan Ask Me Anything (AMA), providing further details about the Esop. The Esop empowers employees to **collectively acquire up to a 30 percent ownership stake in the business.**

Italy: Ferrari to launch employee share plan in 2024

Luxury sportscar maker Ferrari said on November 13, that it would hire 250 people in the first six months of next year and announced programmes for workers including a new share ownership plan and an enhanced bonus scheme.

The announcement comes after workers' strikes halted operations at several North American plants of Stellantis, GM and Ford between September and October, and as Stellantis is reducing its workforce in Italy through voluntary redundancy plans.

The group said it would launch an employee share ownership plan in the early months of 2024, starting with its employees in Italy. Each employee will receive shares in the company worth up to a maximum of €2,065 free of charge.

Employees keeping the shares for at least 36 months will receive additional shares worth up to 15 percent of the value of the initial allocation. The plan will be serviced by treasury shares and will be **extended to Ferrari's employees outside Italy in the following months.**

Vietnam: SeABank to issue 42m Esop shares

Southeast Asia Commercial Joint Stock Bank (SeABank) plans to issue shares under the 2023 Employee Stock Ownership Plan to more than 2,000 staff members.

This is the fourth time SeABank has introduced an Esop for employees, with the aim of creating motivation to work effectively, increasing benefits for employees and connecting personnel.

The bank will release a maximum of 42 million Esop shares at a preferential price of VNĐ12,000 (US\$0.49) a share to more than 2,000 qualified managers and employees, according to the roadmap approved by the 2023 Annual General Meeting of Shareholders. The shares will be freely transferable at **50 percent after a year and 100 percent after two years of ownership.**

USA: Corporate Transparency Act: Esop and deferred compensation implications

Congress passed the Corporate Transparency Act (the “CTA”) in January 2021 to provide law enforcement agencies with further tools to combat financial crime and fraud.

As the CTA comes into effect, there are many important considerations for businesses and an article of November 14 in *The National Law Review*, focuses on two: Esops and deferred compensation.

For companies that are not exempt from the CTA’s reporting requirements, a crucial aspect of the company’s compliance is assessing its beneficial owners. An individual’s ownership interest will be determined by examining ownership of equity, stock or voting rights; capital or profits interests; convertible instruments (as if converted); options or privileges (as if exercised); and any other instrument, contract, arrangement, understanding, relationship or mechanism used to establish ownership.

Esop ownership of a company, in whole or in part, does not automatically change the analysis or conclusion about whether the company must file reports under the CTA.

However, Esops can impact the CTA analysis for non-exempt reporting companies in two ways:

- ♦ The Esop trustee may be a beneficial owner for purposes of the CTA because an Esop trustee may have the right to exercise certain aspects of control over the company.
- ♦ An Esop participant may be a beneficial owner for purposes of the CTA because a participant may be allocated shares that exceed 25 percent of **the voting power or value of the company.**

USA: An employee wealth-building tool that’s helping companies attract and retain talent

On November 10, *CNBC Workforce Wire* reported that in a challenging business environment, companies are looking for any competitive advantage they can get. Employee stock ownership plans could be one way to gain an edge.

“There is massive new interest in employee ownership from prospective employees, especially younger workers, and from government and political leaders,” said Jim Bonham, president and ceo of The ESOP Association, which educates people about Esops and advocates for employee ownership.

“Globally, the concept of employee ownership as a response to wealth and income inequality is reverberating across economies,” Bonham said.

According to the National Center for Employee Ownership, as of 2020 — the most recent year for which comprehensive

data is available — 225 new Esops were created, bringing the total to approximately 6,467 Esops in the United States alone, **holding total assets of over \$1.6 trillion and covering close to 14 million participants.**

EO NEWS

Employee Trust Programme – an alternative to the EOT?

In recent years, Employee Ownership Trusts have been a popular choice with those seeking to release profits from their business in a tax-efficient manner. However, for the everyday business owner, EOTs come with potential drawbacks.

First, the strict qualifying criteria for EOTs may put capital gains tax relief at risk, with timing issues sometimes leading to unexpected taxation for shareholders.

Furthermore, the transfer of ownership to an EOT means relinquishing some control over the company, as trustees make decisions on behalf of employees at the shareholder level, potentially causing conflicts and differences in opinion between selling shareholders and trustees.

One major concern with business owners is the risk associated with passing over ownership of the business. Many worry that their employees may not run the business as effectively as they could, potentially leading to decreased company performance and a failure to meet targets. Toucan Blue has **designed as an alternative to the EOT.** The proof will be in the pudding.

EOT roundup

- ◆ Research and consultancy specialists **Miller Research**
- ◆ Technology and connectivity service provider **NCS Technology**
- ◆ Tree nursery **English Woodlands**
- ◆ Recruitment specialist **Pratap Partnership**
- ◆ Workplace interior solutions provider **Abbey Business Interiors**
- ◆ Organiser of the UK's Real Estate Investment and Infrastructure Forum (**UKREiIF**)
- ◆ Sandwich supplier **Raynor Foods**



LIBRARY OF WEBINAR BROADCASTS:

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