EsopCentre

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it's our business

newspad of the Employee Share Ownership Centre

Z/Yen Group Limited t/a The ESOP Centre

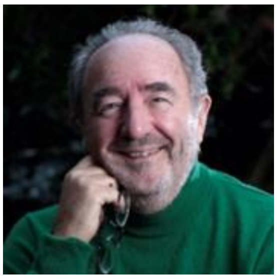
1 King William Street, London EC4N 7AF

tel: 020 7562 0586 e-mail: esop@esopcentre.com www.esopcentre.com

WELCOME

In this issue

Seasons Greetings: All at the Centre – president Malcolm Hurlston CBE; chairman Professor Michael Mainelli, and Juliet Wigzell wish members and friends the best of health and happiness in 2023. A very joyful New Year to you all!



From the life president

Fred Hackworth is much missed as editor of newspad, not least for his indefatigable campaign on behalf of the original employees of Roadchef. He has passed on his contact base so their cause will not be forgotten. I have started the process of making our continuing interest known to those on his list.

But, beyond keeping the flame alive, we need to ensure lessons are learned through a formal enquiry where privilege applies.

I have often compared the Roadchef imbroglio with Dickens' Jarndyce v Jarndyce. That case ended with the lawyers taking all the money. But it is acknowledged that the litigation specialists who are helping in the Roadchef case have their right to a due reward.

Without the same deep expertise and experience we cannot campaign as Fred did but we can restore contact, listen and provide a channel. Readers who would like to add to our knowledge are welcome to write in the first instance to esop@esopcentre.com

I welcome the ten-minute rule bill introduced by Sir George Howarth PC. George is an old friend from Wales TUC days. His bill would not normally progress but it has gathered strong all party support and is in tune with the times so could catch the government's eye.

Esop progress in the US typically follows bipartisan work. With any luck George has created a new pathway.

Malcolm Hurlston CBE

CGT exemption allowance to be halved

The Chancellor has cut the dividend allowance as part of his autumn statement. Speaking to the House of Commons on November 17, Jeremy Hunt said the allowance will be cut from £2,000 to £1,000 in April next year, and reduced to £500 from April 2024. It has been predicted that this could raise £455m for Treasury coffers.

The annual exemption amount for capital gains tax will also change, dropping from £12,300 to £6,000 from April 2023, reported *FT Adviser*; it will then drop to £3,000 from April 2024.

The more than halving of the annual CGT exemption allowance from £12.3k to £6k from next April will hit many employee shareholders hard, especially those in SAYE schemes. By contrast, SIP participants don't pay CGT on their Eso gains.

Trustees will face more punitive cuts as some will see the allowance fall as low as £300.

The Telegraph reported that trustees can currently make gains of up to £6,150 on assets taken out of, or put into the trust before they pay CGT. But their allowance will fall in line with the government's changes, so from April it will be only £3,000 and then £1,500 from 2024.

Some trustees' allowance will be smaller still—if the trust's creator or settlor has set up multiple trusts, the allowance will be divided equally between the various trusts, up to a maximum of five—leaving some trustees with a CGT allowance of just £300.

The chancellor's cuts in CGT exemption allowance were first recommended by the Office of Tax Simplification about two years ago. Mr Sunak, then Chancellor, rejected the OTS proposals at the time, but obviously agrees with Mr Hunt that they should be imposed now in this emergency.

Privy Counsellor introduces draft legislation to strengthen Eso schemes

On November 8, Labour MP Sir George Howarth PC introduced draft legislation to reform the all-employee share plans. His Ten Minute Rule Bill aims to introduce 'a new employee share ownership scheme allowing preferential access for lower income workers', and calls for the Share Incentive Plan (SIP) holding period to be reduced from five to three years. The Bill would 'require companies to include declarations in annual reports about the type of employee share ownership plans that are operated and the level of employee take up.'

The draft legislation was supported by 12 MPs, drawn from across the political spectrum, including the 1922 Committee Chairman, Sir Graham Brady, the former Secretary of State for Trade and Industry and Foreign Secretary, Dame Margaret Beckett and long-time supporter of Eso reform, the Conservative Jonathan Djanogly. (full list below).

Introducing the Bill in the House of Commons, Sir George Howarth argued that it was now time to reduce the SIP holding period: "SIP and SAYE were introduced 22 and 42 years ago respectively. In the intervening years, employment practices have undergone significant changes…the length of time an employee spends at a company has markedly reduced. Indeed, young people are often encouraged to move jobs more frequently to secure career advancement…without updating them, they could become increasingly obsolete."

Sir George suggested a new share plan for people working in the gig economy, "that does not depend on regular monthly contributions and is accessible to those in less regular forms of work." He called on the Treasury to carry out a consultation with the aim of modernising employee share ownership.

The Bill's second reading will be on February 3 2023. Private Members' bills rarely become law without government support. However, as the Bill has broad cross-party sponsorship, enactment is a possibility.

Sponsor: Sir George Howarth. Supporters: Margaret Beckett, Kirsty Blackman, Sir Graham Brady, Philip Davies, Jonathan Djanogly, Dame Margaret Hodge, John McDonnell, Esther McVey, Sarah Olney, Jim Shannon and Gareth Thomas.

Sir George has been invited to share his ideas with Centre members.

Newspad 2022 Awards: celebrate your achievements

Send your nominations for the *2022* newspad *all-employee share plan awards – the submission deadline is fast approaching.*

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

If your company or client has 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; why not tell the world about it?

Companies can nominate themselves and advisers can make submissions on their behalf. Entrants can apply for awards in more than one category. Submitting nominations is free and simple. *Nominations should be proposed by Centre practitioner members* though their clients need not be members. If you are a plan issuer, you may enter your own plan for an award whether or not you are a member of the Centre.

Required information is kept to a minimum. The deadline for nominations is 17:00, **Friday December 16 2022**.

The award categories this year are:

- ★ **Best all-employee share plan in a large company** (more than 2,500 employees)
- ★ **Best all-employee share plan in a mid range company** (500-2500 employees)
- ★ **Best all-employee share plan in an SME** (fewer than 500 employees)
- ★ **Best executive/managerial equity plan** (involving more than 100 employees)
- ★ **Best share plan communications**
- ★ **Best use of technology, AI , or behavioural science**
- ★ **Best share plan response to significant changes or challenging situations**
- ★ **Best employee share plan team leader**
- ★ **Outstanding company leader**

Category descriptions and rules of entry can be viewed on the Awards 2022 webpage: https://esopcentre.com/about/awards. To submit an application for the newspad all-employee share plan awards, please complete both 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 2023**.

For queries, please contact esop@esopcentre.com or call +44 (0)20 7562 0586.

We look forward to receiving your nominations.

Webinar

Employee share schemes, levelling up and social mobility

December 8 at 16:00(GMT)

In a 45-minute webinar, share schemes expert David Craddock will examine the role that employee share schemes can play in contributing to levelling-up. David will identify the unique characteristics of employee share schemes in reducing inequality, addressing the deficiencies in industrial management, marrying individual motivation and the entrepreneurial mindset with business development, and restoring cohesion to local communities. He will explain how employee share schemes can contribute to formal education as well as self-education, and raise aspirations by opening the channels for social mobility and life fulfilment. He will cover the implications for economic growth, regional policy, the housing market, local self-help groups and sustainability projects.

There will be ample opportunity to put questions and comments to David, for which the final 20 minutes of the event have been reserved. **Register now**.

Thank you to our hosts of the Esop Centre British Isles Employee Share Plan Symposium

Baker McKenzie.

TRAVERS SMITH

WHITE & CASE

Guernsey Conference 2023

Employee Share Schemes & Trustees Conference Guernsey – January 27 2023
The Centre is set to resume its programme of annual conferences on **Esops and trustees** in Guernsey in the New Year.

Held in conjunction with STEP Guernsey, it will mark our first return to the Crown Dependency since 2019, the success of which we look to emulate, building on the achievements of this industry-leading networking and learning opportunity.

The seminar will be on **January 27 2023** at the Old Government House Hotel, St Peter Port, and concludes after a networking lunch.

Guest of honour will be Hon. Tasha Ebanks-Garcia, Representative of the Cayman Islands in the UK. Many firms are present in both Cayman and Guernsey. She will make a wide-ranging speech.

Centre experts will distill the key issues and opportunities now facing trustees and employee share scheme professionals.

Book early to secure discounted ticket prices:

Esop Centre/STEP members: **£380**/each (if booked before December 23 2022. £420 thereafter)

Non-members: **£485**/each (if booked before December 23 2022. £538 thereafter)

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

To reserve your place(s) email esop@esopcentre.com or call the team on 020 7562 0586.

EVENTS

Symposium 2023

The Centre's annual British Isles Share Plans Symposium is set for Thursday, March 30 2023 at **Macfarlanes**' central London offices.

It will be a hybrid event with speakers' presentations available to absorb before an afternoon of interactive panel debates, concluding with a networking reception at which the 2022 newspad awards will be presented.

Centre members are invited to take a speaker place. Speakers who propose to present on a case study should feel free to invite client *plan issuers* to share their slot (**all issuers may attend free of charge**). To register as a speaker and to suggest a presentation topic, email esop@esopcentre.com

A list of working panel titles and further updates is available from the event web page.

Admission rates:

Centre member delegates**: £425**/each

Non-member delegates: **£625**/each.

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

**All prices are subject to UK standard rate VAT*

(Thanks to the generosity of our host Macfarlanes, we have been able to keep prices low).

Please contact events@esopcentre.com to reserve a delegate place, or phone the team on +44 (0)207 562 0586

Thank you to our Esop Centre British Isles Employee Share Plan Symposium 2023 host:

MACFARLANES

UK CORNER

Employee Benefit Trusts: Requirement to Correct

Under the Requirement to Correct (RTC) rules, undeclared UK tax liabilities in respect of offshore matters faced harsh penalties if they were not dealt with by September 30 2018 and these rules may have applied to Employee Benefit Trusts and other remuneration trusts.

This is a freeview 'At a glance' guide to the Requirement to Correct (RTC) rules and Employee Benefit Trusts. (Last Updated: 29 November 2022).

The requirement to correct deadline has now passed and it is too late to make a compliant correction. The following is retained for reference only.

Under the Common Reporting Standard (CRS) HMRC will receive information from hundreds of countries on bank accounts and financial investments in order to help tackle offshore tax evasion.

Measures included in Finance (No2) Act 2017 gave a 'last chance' for taxpayers to disclose any such offshore evasion prior to the CRS coming into force later in 2018.

The RTC applied to undeclared:

- Income Tax.
- Capital Gains Tax (CGT).
- Inheritance Tax (IHT).

It did not apply to PAYE.

Investment Association Principles Of Remuneration For 2023

The Investment Association has published its 2023 Principles of Remuneration and annual letter to remuneration committee chairs. The IA updates its guidance and writes to remuneration committees annually to highlight the key areas of focus it expects them to consider.

The IA's updated guidance reflects the broader economic environment in its expectation of restraint over executive pay amid the cost-of-living crisis, windfall gains and evolving ESG expectations, and is in line with the position taken in guidance issued by other proxy advisers such as LGIM's 2023 principles.

On cost of living crisis, Centre member Travers Smith commented *"As expected, in light of rising inflation, the cost of living crisis and ongoing macro-economic uncertainty, the IA considers that remuneration committees should sensitively balance the need to continue to incentivise executive performance with the experience of shareholders, employees and those most impacted by the cost of living crisis. Given the disproportionate impact of high inflation upon lower earners, the IA encourages remuneration committees to be aware of widening inequality and to consider salary increases for executive directors below the rate of increases given to all employees. Remuneration committees should also be mindful of the knock-on effect that salary rises can have on other aspects of the overall executive pay package. All salary increases for directors will have to be carefully justified in the wider stakeholder context. "In relation to performance measures, the issues and different performance drivers should be explained to shareholders, in the context of the wider stakeholder experience."*

Given the economic outlook, executive pay will come under even greater scrutiny in 2023 and remuneration reports will need to take account of institutional investor views.

The IA echoes a similar pay restraint plea from the governor of the Bank of England earlier this year.

Shareholders could not claim against third party for loss in value of shareholding

The Court of Appeal has confirmed that continuing shareholders of a company in which a new investor took a 50 percent stake could not claim against the investor due to the "rule against reflective loss".

Centre member Macfarlanes reported that Burnford and others v Automobile Association Developments Ltd [2022] EWCA Civ 1943, concerned a company with one major trade investor and several individual shareholders.

In 2015, the company's shareholders entered into an investment agreement with Automobile Association Developments Ltd (AADL), a subsidiary of the Automobile Association (AA). Under that agreement, AADL took a 50 percent equity stake in the company.

BVCA updates its Net Zero Statement

The British Private Equity and Venture Capital Association (BVCA) has updated its Net Zero Statement, following the COP27 conference and the publication of the government's new net zero policy paper, "Build Back Greener".

The updated BVCA statement sets out the BVCA's support for the Paris Agreement and its commitment to ensuring that the UK's private equity and venture capital industry plays a leading role in global efforts to eliminate the causes and combat the effects of climate change.

In particular, the BVCA is encouraging the PE/VC industry to deepen its engagement on net zero and broader climate issues.

Increase in HMRC late payment interest rate

On November 3 2022, the Bank of England Monetary Policy Committee voted to increase the Bank of England base rate to three percent from 2.25 percent. As a result, HMRC interest rates for late and early payments will increase. HMRC's late payment interest rate for most taxes is set at the Bank of England base rate plus 2.5 percent so their late payment interest rate will increase from 4.75 percent to 5.5 percent. Interest charged on underpaid quarterly corporation tax instalment payments is calculated as base rate plus one percent so this will increase to four percent. These changes came into effect on November 14 2022 for quarterly instalment payments and November 22 2022 for non-quarterly instalment payments. HMRC also increased its repayment interest rate for most taxes from November 22 2022 to two percent, as it is set at Bank Rate minus one percent, with a 0.5 percent lower limit. For interest paid on overpaid quarterly instalment payments and on early payments of corporation tax not due by instalments the rate will be 2.75 percent from November 14 2022 .

Kier shareholders rebel over chief executive's pay rise

Kier has suffered a major shareholder backlash after chief executive Andrew Davies' pay package jumped by around 70 percent.

Around 44 percent of Kier's shareholders voted against the directors' pay report at the firm's agm last month. Davies' total pay including bonus and long-term incentive plan rose to £2,245,000 this year from £1,323,000 in 2021.

The agm vote was only advisory and followed a formal vote in 2020 to accept the company remuneration and long term incentive policy.

In a brief statement, the firm said: "Prior to the agm, the company engaged with its largest shareholders on directors' long-term incentives, and the remuneration committee will reflect carefully on the points that they have raised."

At the agm, Davies said: "The current financial year has started well and we are trading in line with our expectations." Adding that Kier remained "well positioned to continue benefiting from UK government infrastructure spending commitments and remains focused on the delivery of a sustainable net cash position and a sustainable dividend, in line with our medium-term value creation plan."

Average wage increases fall behind the rate of inflation

The latest quarterly Chartered Institute of Personnel and Development CIPD survey published in November survey found overall, employers expect to raise their basic pay rates by four percent on average over the coming year, and by as much as five percent in the private sector- well behind current inflation.

Some 12 percent of companies plan a one-off payment to all employees, with another 10 percent planning that for some staff only (nearly a quarter in all).

An article by Damian Carnell of Centre member CORPGRO points out that with UK inflation over 10 percent, and the cost-of-living crisis unfolding, companies must now judge how wages might move in response. A study by CORPGRO of 25 companies offering one-off payments found that:

80 percent of companies exclude top earners, 72 percent of companies pay a one off payment while the rest have made payments in stages and that the average payout is in the region of £1,000. While a one-off bonus payment is welcome the question remains, "what will companies do in 2023?" Even if the rate of inflation drops, the impact on real wages means that employers will need to look at a more permanent solution. An obvious possible role for equity to be included in the mix.

CJEU strikes down public registers of beneficial ownership

By Luxofluxo - Own work, CC BY-SA 4.0, https://commons.wikimedia.org/w/index.php?curid=107742750

In a seminal judgment, the Court of Justice of the European Union (CJEU) has held that registers containing the personal details of 'beneficial owners' of companies and accessible to the public at large infringe fundamental rights.

The judgment follows a number of appeals in Luxembourg. (Read the CJEU press release here).

Filippo Noseda, of Mishcon de Reya which has has appealed against the judgment, commented: *"Today's judgment represents a victory for data protection and the Rule of Law in an extremely politicised context."*

"Our research shows that the European Commission believed that providing indiscriminate access to sensitive personal information on the ownership of companies to the public at large in the age of the GDPR was disproportionate and unacceptable. However, the Commission went along with proponents of public registers to assuage the demands of NGOs following the publication of the Paradise Papers at the end of 2017."

The judgment is likely to have practical implications beyond the EU, including the UK. The UK was the first country to introduce public registers of beneficial ownership of UK companies and partnerships (known as 'PSC registers') in 2016, which was followed by public registers of overseas entities holding UK land ('ROE register') in March 2022. By the same token, the UK continues to adhere to the GDPR principles and therefore the EU judgment will be watched closely in the UK.

Technical note:

Central registers of beneficial ownership were first mentioned at a G8 meeting hosted by then UK Prime Minister David Cameron in Northern Ireland in June 2013.

In May 2015, the EU adopted a new version of the block's anti-money laundering directive (the 4th in order of time) whose Article 30 created a requirement for EU Member States to introduce central registers of beneficial ownership of companies.

Art 30 4AMLD provided for access to public authorities as well any person who could demonstrate a 'legitimate interest' in the fight against money laundering and terrorist financing, with the European Parliament singling out

CJEU strikes down public registers of beneficial ownership

investigative journalists as people having a 'legitimate interest'.

4AMLD required member states to introduce central registers by June 26 2017. However, David Cameron's government went one step ahead and on June 25 2014 it announced plans to make the UK's public registers wholly public. The UK Registers of Persona with Significant Control became effective in April 2016.

Following a string of terrorist attacks at the end of 2015 and 2016, the European Commission published plans to tighten 4AMLD to better combat terrorism. The first draft did not make any changes to the requirement of a 'legitimate interest'.

However, following the publication of the 'Panama Papers' in April 2016 the European Parliament soon tabled an amendment to Article 30 requiring the removal of the requirement to demonstrate a 'legitimate interest' and introducing the idea of wholly public registers of beneficial ownership.

Our research into internal EU documents show that the European Commission and the European Council (which represents the governments of EU Member States) were firmly against the removal of safeguards due to data protection concerns. The European Data Protection Supervisor, too, issued a critical opinion on February 2 2017, stating that the amendments lacked proportionality, '*significant and unnecessary risks for the individual rights to privacy and data protection*'.

These concerns were raised against the backdrop of the GDPR (the General Data Protection Regulation) that was adopted a year earlier (on April 27 2016) following Edward Snowden's revelations.

As the institutional impasse could not be resolved, on December 20 2017 EU Ambassadors reached a political agreement backing the European Parliament's position, paving the way for the adoption of the fifth EU Anti-Money Laundering Directive on May 30 2018.

Luxembourg was one of the first EU member states to implement a public register of beneficial ownership on January 13 2019, with information freely searchable online.

In October 2020, Mishcon de Reya lodged five appeals before the Luxembourg District Court with the assistance of Luther, a local firm. Other appeals were lodged by NautaDutilh and Elvinger Hoss and on November 13 2020 the District Court referred the question of the compatibility of the Luxembourg register with the fundamental rights to privacy and data protection to the European Court of Justice. Separately, the firm lodged a GDPR complaint with the Luxembourg data protection authorities.

Following the publication of the EU's Advocate General's opinion on January 20 2022, Mishcon de Reya published a series of articles and 'amicus briefs' discussing the internal EU documents showing widespread opposition to the new rules.

Employee Ownership Trusts

*Law firm **Bennett Oakley**, which has offices in Brighton, Burgess Hill, Hassocks and London, has moved to employee ownership.

Simon Elliott, who previously owned the business, is retiring and the leadership team which has been in place for the last 12 months will take Bennett Oakley forward.

"Employee ownership is about looking after our existing employees and attracting the best talent to work for us," says Simon Elliott, Bennett Oakley's managing director. "Becoming employee-owned means our people now have a direct stake and say in the business.

"Law firms tend to be very hierarchical with profits being shared among partners and everyone else having very little input into the operations or strategy of the business.

"Moving to employee ownership means that our people will take an equal share of our profits and will have a direct say in the business through our Employee Ownership Trust.

"I'm leaving the firm in a very strong position."

Bennett Oakley has 25 employees, who have all become employee owners and will enjoy an equal share of the firm's profits annually.

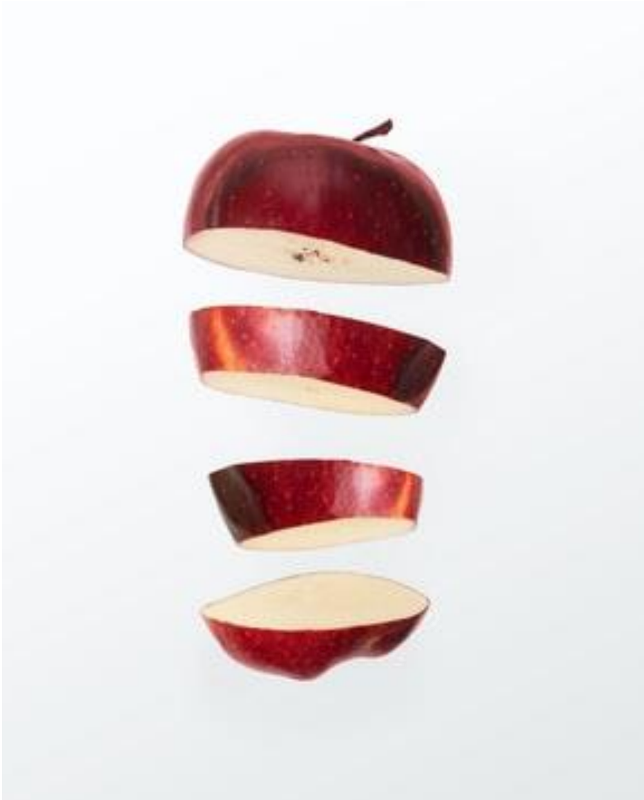


Photo by Nikolai Chernichenko on Unsplash

Other new EOTs this month:

- British casting specialist and fine jewellery manufacturer, Hockley Mint
- Engineering consultancy Futureserv
- Marketing agency Leader Marketing Partnership
- Franchised car retail business Peter Ambrose Peugeot
- Tax advice company YesTax
- Architecture practice Franklin Ellis
- Communications agency Creed Communications
- Manufacturer Bisley Office Furniture
- Events agencies Sledge and SWM Partners

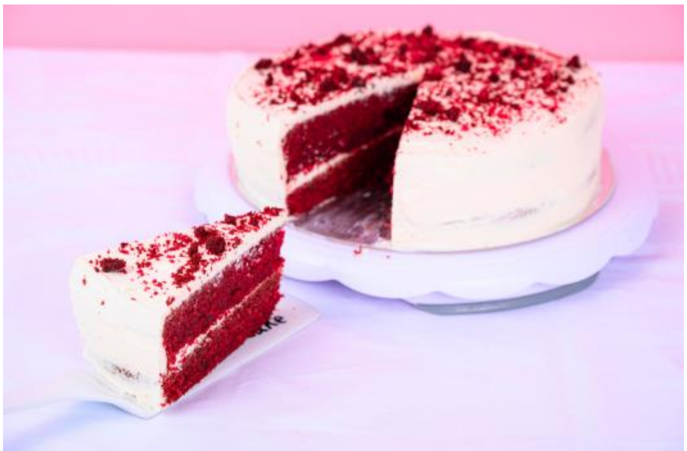


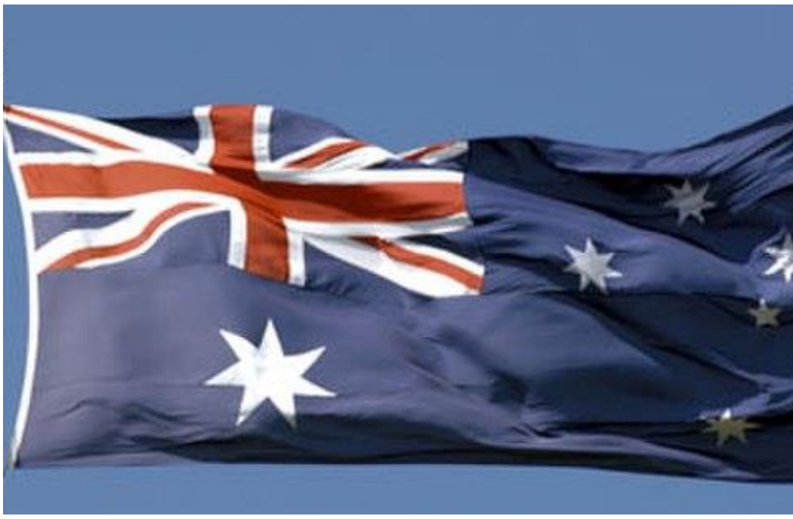
Photo by Caitlyn de Wild on Unsplash

Australia

icare board removes executive performance incentives

Icare, one of the largest and most complex insurance businesses in Australia, is to remove performance incentives from executive remuneration reward arrangements following a comprehensive review to ensure its framework. Its board said this was “fair, competitive and transparent”.

Chairman John Robertson said that fixed pay for employees impacted by this change will be adjusted to ensure remuneration remains fair and appropriate, with the total reward set with close reference to external market benchmarks.



China

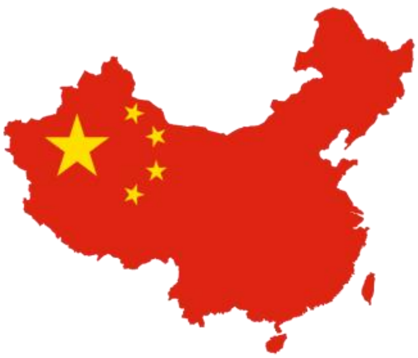
FLJ Group new share incentive plan

FLJ Group Limited, a leading technology-driven long-term apartment rental platform in China, announced on November 18 that its board of directors has approved and adopted a new share incentive plan (the “2022 Plan”). The maximum number of shares available for issuance under the 2022 Plan is 2,500,000,000 Class B ordinary shares of the company (the “Shares”). The board of directors has also approved the issuance of the Shares to an Esop Platform, which is holding these Shares (representing 8.8 percent of the total outstanding share capital and 49.1 percent of the voting power of the company) and will act upon the instructions from a senior management committee of the company determined on a unanimous basis in relation to the voting and, prior to the vesting of the shares to the relevant grantee of the share-based awards under the 2022 Plan, the disposition of the Shares. The shares held by the Esop Platform are reserved for share-based awards that the company may grant in the future under the 2022 Plan.

Xi’s common prosperity roars back in JD executive pay cuts

JD.com Inc is slashing salaries for about 2,000 managers by 10 to 20 percent and diverting some of those savings towards a US$1.4billion employee benefits fund, aligning China’s No.2 online retailer with Xi Jinping’s “common prosperity” campaign to share the wealth.

Billionaire JD.com founder Richard Liu will donate 100million yuan (US$14million) of his own money towards staff welfare, *Bloomberg* reported. China’s largest online retailer after Alibaba Group will also set up a 10billion yuan fund to provide staff with interest-free home loans.



France

“Sharing Value”: unions raise the issue of wages

After the emergency measures on purchasing power passed this summer, which made it easier to use profit-sharing for smaller businesses and to perpetuate a new formula “Macron bonus”, the government indicated that it wanted to “go further” on the distribution of profits within companies.

The social partners have just launched negotiations “on the sharing of value in companies”, whose orientation is, from the outset, matter for debate between the protagonists. The unions would like to raise the question of wages, the employers refuse to do so.

The discussions opened on November 8, on the proposal of the government. The latter, in fact, wanted to associate the organisations of employers and employees in his reflection around a campaign promise by Emmanuel Macron: “Living better from work.” The law on the protection of purchasing power, promulgated in August, was a first step. The executive intends to go further, in a context where millions of households are struggling to make ends meet because of soaring prices of basic necessities.

In mid-September, the Minister of Labour, Olivier Dussopt, invited the social partners to negotiate, with the aim of concluding a national interprofessional agreement (ANI) with concrete measures. The interested parties accepted, while asking to have a little more time than was envisaged by the power in place. The exchanges are expected to last until the end of January 2023 – an additional three months compared to the initially sketched timetable.

To frame this exercise, Mr Dussopt provided the parties involved with a “guidance document” that sets out goals, which include “to facilitate the development of all value-sharing mechanisms, including employee share ownership”, and for profit-sharing and participation, by having “special attention for companies with less than 50 employees”. Three “axes” of reflection have been drawn: “generalise the benefit of value-sharing schemes for employees, especially in the smallest companies”; “modernisation” of the participation formula and “the articulation” between the Macron bonus and the various employee savings schemes; and “direct employee savings towards the main priorities of common interest.”

Alstom new global stock plan

French listed Alstom a leader in the transportation sector (providing high-speed trains, metros, monorails, trams, infrastructure, signalling and digital mobility) has announced the launch of “WE SHARE ALSTOM 2023.” The plan will be offered to 90 percent of its 73,000 employees in 21 countries. The plan design is based on the framework of the PEG France and the International Group Savings Plan (Plan d'Epargne Groupe International, PEGI) of Alstom.

India

ITAT allows deduction on Esop cross charges as expenditure

While granting relief to Hewlett Packard (India), the Bangalore Bench of the Income Tax Appellate Tribunal (ITAT), held that employee stock option plan paid to an overseas ultimate holding company are allowable as expenditure. The appellant company, Hewlett Packard (India) Software Operation Pvt Ltd is engaged in providing Application.

Vivriti rolls out maiden Esop liquidity Programme

The Vivriti Group announced the closure of its first employee stock option plan liquidity programme, providing an opportunity to its team members for wealth creation.

In all, Vivriti offered an opportunity to over 100 team members to realise Rs 100 crore of liquidity and partake in the meteoric growth that the company has seen.

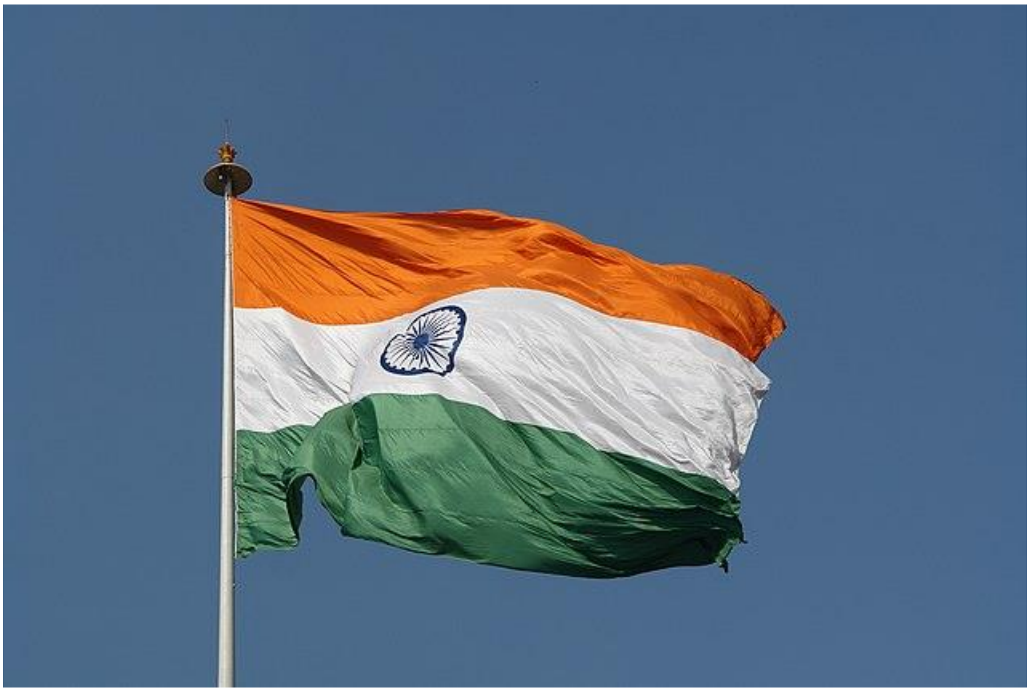
While around 50 percent of the team participated in the offer, the remaining opted to hold on to their exercised shares and build more value. As a result, 47 team members received liquidity at the conclusion of the Esop Liquidity Programme, resulting in ~Rs 50 crores of wealth creation.

Continuing with the above objective, Vivriti launched its maiden Esop Liquidity Programme to shorten the wait of the Esop holders.

The Company expects the programme to result in far higher engagement and employee retention. Vivriti believes Eso to be a powerful instrument that creates ownership in the company and that it strongly contributes to accomplishing a shared purpose.

Founder and ceo, Vineet Sukumar said, “We aimed to democratise wealth creation for our team. Our team members are an integral part of Vivriti’s journey to becoming India’s largest mid-market lender and asset manager.”

Currently, the Vivriti Group has a team of 225 members across all its group companies. The company offered Esops to all team members.



USA

SEC releases final rules regarding clawback policies for public issuers

Harvard Law School Forum on Corporate Governance issued an alert summarising new Rule 10D-1 under the Securities Exchange Act of 1934 (the "Exchange Act") as adopted and released by the Securities and Exchange Commission (the "SEC") on October 26 2022, requiring the recovery of erroneously awarded incentive-based compensation in the event that an issuer is required to prepare an accounting restatement.

As under the proposed rules, final Rule 10D-1 generally applies to all listed issuers, including smaller reporting companies, emerging growth companies, foreign private issuers, controlled companies and issuers of debt and non-equity securities. The SEC apparently was unpersuaded by numerous commenters who questioned the utility and feasibility of applying the rules to foreign private issuers and certain other classes of issuer. The only exempted issuers under the final rules are issuers of security futures products, standardised options, unit investment trust securities and certain registered investment company securities.

Similar to the proposed rules, the final rules define "incentive-based compensation" subject to the clawback policy to be "any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measure." The final rules clarify that "financial reporting measures" may include both GAAP and non-GAAP financial measures, and also includes measures linked to stock price and total shareholder return.

Why employee-owned companies are better at building worker wealth

In a recent *Dollars and Change* podcast, Wharton School of the University of Pennsylvania, management professor Katherine Klein spoke with Corey Rosen to demystify what it means to be employee owned.

Rosen is founder of the National Center for Employee Ownership and has long advocated for this corporate structure because it offers better performance, greater stability, and higher wealth for workers and the community. He is co-author of the new book, *Ownership: Reinventing Companies, Capitalism, and Who Owns What*.

Ex-Trump org cfo says Trump's sons raised pay after learning of scheme

Prosecutors hope to convict ex-president's company after two top executives testified to scheming to avoid taxes on perks.

Allen Weisselberg, the company's long-time chief financial officer, testified that Eric Trump raised his pay $200,000 after an internal audit spurred by Trump's 2016 election found that he'd been reducing his salary and bonuses by the cost of the perks.

The raises boosted Weisselberg's annual pay to $1.14 million, and the company continues to pay Weisselberg $640,000 in salary and $500,000 in holiday bonuses and punished him only nominally after his arrest in July 2021, reassigning him to senior adviser and moving his Trump Tower office. He's now on paid leave.

"Now, even after you pled guilty in this case did the company reduce your salary one penny?" prosecutor Susan Hoffinger asked Weisselberg on his third and final day of testimony.

"No," he said.

Yellow.ai rolls out employee stock ownership plan for its 900+ global workforce

AI platform Yellow.ai has rolled out an employee stock ownership plan worth US$43m for its global workforce. This is applicable to the company's 900+ staff across seven locations - San Mateo, Abu Dhabi, Bangalore, Singapore, Sabah, Jakarta, and Tokyo.

USA

The announcement comes as the company is looking to touch the 1,000-employee mark by the end of this year, and has recorded a three times year-on-year growth.

The objective, said the company in a statement, is to empower employees irrespective of their tenure or designations, as well as promote collective success by getting them to think about long-term value and wealth creation for themselves, customers, and for Yellow.ai.

Act Fast: Esop-owned defence contractors eligible pilot programme

Government contracts attorney, PilieroMazza reported that the Department of Defence (DOD) recently launched a pilot programme allowing contracting officers to award sole-source follow-on contracts to contractors owned 100 percent by an employee stock ownership plan. Although sole-source awards already exist for specific types of small businesses, this programme marks the first time that the government authorised a set-aside programme for Esops. Like most pilots, however, the Esop set-aside programme is limited, with strict eligibility criteria and only nine contracts are available.

Challenge to world's richest man

A good day's work for a good day's pay. Should this age-old wisdom define how our workplaces here in the 21st century go about compensating work? More to the point: should corporations start applying this common-sense standard across the board, to both front-line workers and the most powerful corporate ceos?

Kathaleen McCormick will soon let us know, in a turn of events that must have the world's richest man, Elon Musk, more than a little bit uneasy.

McCormick currently serves as the chancellor in corporate America's "top go-to judicial body," Delaware's little-known Court of Chancery.

Corporate law often comes down to what judges in Delaware say that law should be, as over a century ago, the state essentially "sold its soul to corporate America". Delaware gave the US economy's greatest moguls a place where they can inexpensively incorporate their operations, avoid serious taxes, and pile up profits free from outsider meddling.

But moguls have a habit of falling out with each other, and Delaware also offers a court system where they can thrash out their big-ticket differences before judges, not juries. These same courts give corporate small fry — individual stockholders — a chance to push back against the moguls, and one modest shareholder in the Elon Musk empire has done just that.

Tesla shareholder Richard Tornetta, a former heavy-metal band drummer, filed suit in 2018 against the company's board for lavishing unnecessary mega millions upon Musk. Among other missteps, the lawsuit charges, Tesla misled investors "about the difficulty" Musk would have reaching the board's ceo "performance" pay targets.

Now, after years of legal infighting, Tornetta's challenge to the Musk empire has finally ended up in open court — before McCormick, a judge who's just happened to have already demonstrated a distinct lack of patience with Muskian antics. Just last month, McCormick ruled against Musk in another case. She might well again.

The Z/yen Group

The Employee Share Ownership Centre is a membership organisation which lobbies, informs and researches on behalf of employee share ownership.