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# it's our business

newspad of the Employee Share Ownership Centre

## easyJet & Xtrac lead the pack in *newspad* awards

Budget airline **easyJet** and the automotive transmission technology company **Xtrac** are the companies judged to have operated the best all-employee share plans during the past year.

These UK companies have therefore won the top **2018 *newspad* Awards** – for larger and smaller companies respectively**,** announced Esop Centre chairman Malcolm Hurlston.

Luton based easyJet, which employs almost 13,000 people worldwide, was judged to have the ***Best all-employee international share plan*** in companies with more than 5,000 employees and share plan participants in at least three countries.

Thatchet based **Xtrac,** whose expertise is relied upon by virtually all of the world's top motor-sport teams, was judged the winner of the **2018 *newspad*** award for ***Best all-employee share plan*** in a company with fewer than 5,000 employees.

They and all the other winners, named below, are being invited to collect their award certificates at a reception at the Centre's third British Isles share plans symposium, being held at Centre member **Travers Smith**'s London EC1 offices on **Thursday March 7.**

Leading FTSE companies entered their most recent plans in an attempt to get among the list of winners and commendations. Centre judges awarded 16 ***stars*** in the various award categories, reflecting the sophistication of most entries. These starred companies entered employee equity plans which, in the eyes of the judges, contained outstanding features of one kind or another.

☆ ***Best all-employee international share plan***

The judges compared the three finalists in the first category – **BP, easyJet** and **Rolls Royce -** and said that the winner was hard to call because all had impressive participation in diverse countries. International plans are judged by success in bringing all employees into the plan (its footprint) and the comparative generosity of the plan itself.

**BP** operated one-to-one matching, but its award entry plan had been rolled out to only 58 percent of BP employees so far; in Argentina, Australia, Azerbaijan, Brazil, Colombia, Cyprus, Egypt, Georgia, Germany, Greece, India, Mexico, New Zealand, Portugal, Romania and Spain. However, BP

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planned to launch the plan in its other jurisdictions within the next 12 months.

**easyJet** offered free shares from the start (genuinely generous) and got the plan out to all its employees. It was designed with international employees in mind, said the judges. It was well communicated, so that everyone would know what it was about. Its plan mirrored easyJet's UK free share awards, in which face value equalled two weeks basic salary, capped at £3000 per person and the awards attracted dividend equivalents. It was run on an opt-in, rather than opt-out, principle. Employee shareholders were compensated for any shortfall caused by exchange rate differences between grant and exercise dates. The plan was designed around its mobile workforce to make it easy as possible for employees to transfer between countries. Its 2018 global nominee plan sign up rates exceeded 90 percent. International employees invest over £5m per annum across all SAYE plans.

**Rolls-Royce** very sensibly made paper applications available in China and South Korea for any employees who were unable to get online, or who may have struggled to navigate the online portal. There had been an encouraging 63 percent take-up rate in UK.

The judges admired the sheer determination of the **easyJet** plan and declared it to be the category winner. All three finalists received star rating for the plans they had entered.

☆***Best all-employee share plan*** in a company with fewer than 5,001 employees and participants in no more than two countries.

There were two finalists in this category: **Landsec**, the UK's largest commercial property development and investment company and **Xtrac.**

**Landsec** switched to Real Estate Investment Trust status when REITs were introduced in the UK 12 years ago. It operates both SAYE and the Share Incentive Plan (SIP). The judges found that Landsec, which has around 600 employees in the UK, had submitted a good plan, especially as it was a 'plain vanilla' offering.

**Xtrac** submitted an inventive share plan, giving employees a share in the debt to give dividends. The judges said that in a private company, anything that helped people get shares in difficult times is welcome. The company had given employees opportunities to realise gains through the occasional operation of an internal market.

**Xtrac** was declared the category winner, and both finalists merited 'star' status.

☆***Best share plan communications:***

There were no fewer than six finalists in this category – **BP, FirstGroup, Micro Focus, Non-Standard Finance, Rolls-Royce** and **Smiths Group.** The judges concluded from the entries that share plan communication strategies overall were quite similar, which showed a huge step change in communications – they were all multi-channel based.

**BP**: Its booklet started well but then became very wordy (even though BP claimed this was less wordy and jargon heavy than older versions). However, the communications campaign had created new brand/identity for the 2018 launch.

**First Group**: The company, which employs thousands of bus drivers, might find it a struggle to communicate share plans to its workforce. How well had it managed to get round this? Did it flag up that the employee might not get all of what they had applied for? Was there an error in communications, or had this been dealt with in another way? First Group had clearly been successful in what it had done, as it had had to scale back its Eso offer. FirstGroup is one of the few FTSE companies that has a group employee director, nominated by subsidiary employee directors, who sits on the board. The subsidiary employee directors are voted for by their colleagues. As part of their role, they are encouraged to promote all-employee share plans. It had reintroduced an old SAYE favourite, the *'Sharesave Pig'* to reiterate that the plan is as much a savings plan as a share plan, in case a share plan sounded 'scary' for employees not familiar with investing in shares.

**Micro Focus**: Take-up of its employee equity plan was good, despite the tough journey it has had. The plan communications covered 36 countries, though it was unclear how many jurisdictions required document translations. Newbury based Micro Focus is a pure-play information technology company focused from the ground up on building, selling, and supporting software. It has 16,000 employees working in 36 countries. Following a merger with HPE, it gained 11,000 more and so was keen to re-design the share plan offering to unite the workforce. Employees had an opportunity to join either a Sharesave or ESPP scheme every six months. The company had created a micro-site, whose main objective was to answer participant queries to take pressure off the HR/reward team.

**Non-Standard Finance:** NSF is an expanding Leeds-based company which offers credit to the ten million UK adults not served by mainstream financial services. It provides home credit under the brands *Loans at Home* and *Everyday Loans*. Though the judges thought there was nothing immediately outstanding in the plan or its communication, the Centre chairman, as a spinmeister emeritus, was particularly impressed as it had brought together three different businesses and had shown how the share scheme had impacted results, which was a good differentiator. The plan communications brochure was good and NSF had set up a simple on-line participation sign up process. It had provided an interactive brochure and a savings calculator.

**Rolls-Royce**: The plan communications were especially good on translation – employees could access videos in any of 15 languages.

**Smiths Group**: Its plan communications booklet was wordy, but there was a video and the augmented reality had wow factor (if risky, as it might not work for all). The app was ahead of the game and would encourage uptake. The company is UK-based with operations in over 50 countries. Its communications objectives included raising awareness of the scheme and its benefits to less financially literate employees, or those less familiar with share plans and to make the documents more engaging. In 2018 the plan was communicated through its new *Smiths Now* employee *smart phone* app for the first time. Invitation emails were issued by the ceo on the day of launch. Despite the proportion of employees without company email, only **five** participants applied for the 2018 invitation using the paper based form. This clearly demonstrated the effectiveness and clarity of the on-line multi-channel messaging and the ease with which employees could apply, the judges said.

The category winner was **Micro-Focus** and the **Non-Standard Finance** entry was highly commended. All six finalists were awarded stars.

### ☆ *Best use of video communication:*

**Unilever** was the only finalist in this category. The judges found the Unilever share plan video was engaging, if not exciting, and worthy of recognition.

The winner of this category was **Unilever,** which also received a star award.

### ☆ *Best use of technology in share plan launch:*

There were three finalists in this category – **BP, Capdesk** and **Paddy Power Betfair**.

The judges observed that technology and communications were involved in both categories, but this technology award covered both communications/user experience and plan administration.

**BP**: Its entry in this category was based around its discretionary plan and the judges found its use of technology mature, thoughtful and joined-up.

**Capdesk**: The judges discussed this entry in detail because Capdesk is not a plan issuer company. They questioned whether its status ruled it out from winning the award. Capdesk is a software platform leveraged by equity advisers, enabling private companies to set up and manage share plans. It comprised a two-tiered web-application: A Ruby on Rails-backend and an AngularJS-based front end with multiple single-page applications (SPAs). Capdesk had won/been nominated for many technology awards. Should the Centre have a separate categories for service providers in future? Was Capdesk ahead of the game in the technology sphere? The chairman said that companies like Capdesk should not be excluded from entering the Awards and the case for establishing separate award categories for them would be examined.

**Paddy Power Betfair**: Paddy Power had made good use of *Facebook* ( in the same way that Micro Focus used its microsite), though there might be drawbacks with use of Facebook as, arguably, some employees might (like some judges) now be becoming worried about doing things on Facebook.

The winner of this category was **BP,** with **Paddy Power Betfair's** entry highly commended. Both entries were awarded stars

### ☆ *Most creative solution:*

There were three entries in this category - **BAE Systems**, **Capdesk** and **Investigo**

**BAE Systems** had met a global challenge. This was a systems challenge and the entry had impressed judges by dealing with Sharia Law compliance. The company had a workforce of 83,000 in more than 40 countries, employing 6000 in Saudi Arabia alone – with a Saudi workforce previously largely UK expatriates, but now including 65 percent Saudi nationals. They were not familiar with the concept of holding shares, so the huge educational aspect of the plan was instrumental in its success.

**Capdesk** – This entry was judged to be not eligible in this category. However, a 'special mention' was awarded to Capdesk for facilitating employee ownership among private companies

**Investigo** – The Investigo LTIP featured a solution that resulted in a plan which met the basic criteria of a broadly based share plan - by *deep* share ownership rather than a plan limited to a small number of senior executives. The plan was communicated by direct oral discussion with participants.

The winner of this category was **BAE Systems.** Both it and **Investigo** were awarded stars for the quality of their entries.

☆ ***The Laurie Brennan award for astounding Eso achievement***

The chairman's nomination for this award will be announced at the BI share plans symposium on March 7.

☆ ***Best financial education of employees:*** *There were no nominations for this award category and therefore no winner. The chairman commented that the best financial education for all was entry level bookkeeping available free from the Open University.*

The judges, who met at Centre HQ last December, were: **Damian Carnell**, director at Willis Towers Watson, specialist in executive reward and employee share plans; **Anna Watch,** head of executive share plans (governance & compliance) at member firm BT, **Robert Head**, director of Neo Reward and formerly head of global share plans at Pearson with **Malcolm Hurlston** chairing. Echoing the international reach of *newspad*, the judges noted a trend towards self nomination of entries by major world companies.

**Newspad awards – Rules 2018:**

◊ A plan issuer company can nominate itself for an award.

◊ A practitioner can nominate a client company for an award provided permission has been received from the client company. The practitioner must be a member of the Esop Centre but the nominated client may be a non-member.

◊ A practitioner can nominate a different client company for each award, or the same company for more than one award, but cannot nominate more than one client company for the same award.

◊ A plan issuer company can nominate itself for more than one award.

◊ Judges and their companies or clients are not eligible to apply for any award.

◊ All entries must be made using the online entry form. Submissions should be accompanied by supporting documentation (please see the online entry form for further details).

◊ Entrants should be prepared to co-operate fully with the judges or their representatives, where necessary, in response to enquiries seeking additional information from short-listed entrants.

◊ The decision of the judges is final.

◊ Commercial sensitivity will be respected.

◊ No charge is made for entries.

***From the chairman***

*With the award of newspad's top prize to easyJet we celebrate too Herb Kelleher, the founder of hub and spoke aviation who died on Jan 3. His airline Southwestern, which inspired easyJet, has been profitable for 46 consecutive years. He put employees first and taught them the customer was not always right. But he proved happy employees made happy customers who in turn made happy shareholders. I first flew Southwestern in 1984 and now regret having missed the mantra in my amazement at his flight attendants wearing hotpants.*

*A thought too for John Bogle inventor of passive investing and founder of Vanguard who also died this month at the age of 87. He famously said about brokers: "It's amazing how difficult it is for a man to understand something if he's paid a small fortune not to understand it."*

*Herb Kelleher smoked, drank and once settled a legal dispute by arm-wrestling, sidelining intermediaries in his own way.*

*The employee shareholders and customers of easyJet gain their reward from a company effectively putting into practice great ideas from leaders who were ahead of their time. Employee financial participation is still for many ahead of its time and between now 2030 I trust it will grow enough the help the UN achieve at least one of its Sustainable Development Goals.*

***Malcolm Hurlston CBE***

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# EVENTS

**Centre initiative on UN SDGs 2030**

The Centre presented fresh ideas in Brussels last week on how multinationals could contribute to the UN Sustainable Development Goals 2030 through more intensive use of employee financial participation.

At the invitation of its European allies in ProEFP, the Centre proposed at an event hosted by ETUC that companies could use share plans to help attack the income imbalances, targeted by Goal 10 of the 17 Goals laid down by the UN.

Among Centre members Deloitte, which has already taken a number of initiatives, supported the Centre in its presentation. Linklaters and CMS have been involved in national and international work on the Goals and BT has responded to their importance.

The thrust of the Centre's recommendation was that first, all-employee share plans would in each country spread wealth by adding the wages of capital to the wages of labour and secondly, that multinational companies would contribute around the world by spreading their plans to all viable countries where they operated.

There have been some suggestions, from Business in the Community in the UK, as well as from ETUC, that industry has been slow to react to the goals and is now playing catchup. The Centre's path towards Goal 10 offers an excellent opportunity for multinationals to work with Centre advisers who have already taken initiatives and can make a unique worldwide contribution.

Centre chairman Malcolm Hurlston is discussing next steps with Marco Cilento of ProEFP and inviting Deloitte and multinational Centre members to join a working party.

**Trustees back Centre share plans symposium: March 7**

Registrations for the Centre's third **British Isles share schemes symposium,** which takes place in London on **Thursday March 7,** include a growing number of trustees. They will hear first-hand a share options plan case history, featuring online bank **Coconut,** led by founder & ceo, **Sam O'Connor,** with **Nigel Mason** of the **RM2 Partnership.** Coconut is using successful Enterprise Management Incentives to motivate its employees.

To date, more than **30** registrations have been received for this full-day event, hosted by Centre member **Travers Smith** at its **London EC1** offices. Presenters are: **Colin Kendon** of Bird & Bird; **David Craddock** of his Consultancy Services; **Martin MacLeod** of Deloitte; **Jennifer Rudman** of Equiniti; **William Franklin & Eva Simpson-Fryer** of Pett Franklin; **Sue Wilson & Elizabeth Bowdler** of PwC; **Nigel Mason & Robin Hartley** of the RM2 Partnership; **Nicholas Greenacre** of White & Case**; Damian Carnell** of Willis Towers Watson; **Elaine Graham** of Guernsey based trustee Zedra and **Elissavet Grout** of **Travers Smith.**

Channel Islands based trustee members **Estera and Zedra** are both logo co-sponsoring the updated e-brochure, which you can download from the event page of the Centre's website www.esopcentre.com.

Centre chairman and founder **Malcolm Hurlston** will welcome delegates and introduce the programme, which includes:

*Employee equity plan case histories *Going global with your employee share plans *EMI and its almost tax-free rewards for key employees in SMEs *How best can EMI be improved? *Exit-only EMIs. *Alternatives for SMEs who cannot qualify for EMI tax-approved options. *Employee Ownership Trusts - What kind of businesses are using EOT and why? *Hybrid EOTs: the new way to structure MBOs & employee ownership *The employee shareholder experience – the UK and France compared *Share plans in volatile markets *Impacts of Brexit on employee share schemes *Q & A on regulatory & compliance issues - GDPR and Mifid II *Executive equity reward packages: new design parameters, performance share plans & shareholder activism; *Executive share plans and the UK corporate governance code *Employee equity trustee concerns *Re-energising the Company Share Option Plan (CSOP); SAYE-Sharesave and the Share Incentive Plan (SIP).

**Fees:** There is a **£395** admission charge for **Centre member** practitioner (service provider) **delegates**. Non-member service provider delegates pay **£595** for a seat.

*Delegates from **plan issuer** companies are welcome to attend **free of charge***. Fees are subject to VAT. To reserve your place at the symposium contact events@esopcentre.com or call the team on +44 (0) 207 239 4971. **Delegates should book their seats soon, as seating in the auditorium may be limited.** Our host, **Travers Smith,** offers a buffet lunch. At the end of the day there will be an all-star reception with invited guests, including *newspad* award winners.

***More symposium co-sponsorship packages are available: please contact the Centre.***

## MOVERS AND SHAKERS

**"Tangible benefits to members"**

**HMRC**'s assistant director of shares and assets valuation, **Tony Spindler** is moving across to another post. Tony worked with Malcolm Hurlston and **William Franklin**, partner at **Pett Franklin,** in setting up the unique **Worked Examples Group,** which is administered by the Centre**,** and wrote in announcing his departure: "A huge thanks to you and the Esop Centre for providing the facilities and resource to bring the WEG together.

"Quite often, things get discussed but never come to fruition, however with your drive and desire to deliver tangible benefits to your members I think the WEG over time will become an invaluable link between HMRC and the employee share community."

Malcolm Hurlston relpoed that Tony's departure would be "a severe loss – almost, but I hope not quite, irreplaceable."

### On the move

**Nicholas Stretch** has left CMS after a 12 year stint to join **Ashurst** as senior consultant, head of incentives. His new co-ordinates are: nicholas.stretch@ashurst.com D: +44 (0)20 7859 3664. Nicholas has more than 20 years' experience advising clients on share plans and executive rewards. He chairs the tax committee of the Share Plan Lawyers' Group.

**Lindsey Doud,** formerly head of development and strategy at RBC cees has recently taken on a new role as account director at **Link Asset Services**.

**Lisa O'Connell,** formerly head of share plan administration at Centre member **Global Shares,** has joined **Funding Circle UK** as share plans manager.

Centre friend **Teresa James** has started work in her new post as reward manager (share schemes) at **Marks and Spencer.** Her previous post was interim share plans manager at **Ladbrokes Coral Group.**

Efp academic **Professor Andrew Pendleton,** head of marketing and management at **Durham University Business School**, is moving to Sydney, Australia, to head the school of management within the business school, at the **University of New South Wales,** starting later this month. He promises to keep in touch.

## UK CORNER

### RBS Alert

Centre member UK Shareholders Association and its close ally ShareSoc report that RBS has recently announced a general meeting to take place on February 6, specifically to vote on a proposal to buy back shares from HM Treasury. This meeting is not directly related to the agm which is separate and will take place in May (and at which we expect a UKSA / ShareSoc resolution for a shareholder committee to be put to the vote).

The buyback proposal is controversial. The arguments for and against it, presented by Roger Lawson and Mark Northway of ShareSoc, can be accessed via the link below (together with details regarding the proposal and voting):
https://www.sharesoc.org/blog/company-news/rbs-general-meeting-you-decide/

ShareSoc and UKSA do not generally support share buybacks, because they tend to be manipulative, poorly timed and of questionable value to shareholders. Furthermore, they take the view that private discussions and agreements between a company and its majority shareholder are generally contrary to good governance practice. This initiative would have been far better handled with the assistance of a shareholder committee.

Neither UKSA nor ShareSoc is making any recommendation on the buyback resolution, and suggests that shareholders reach their own conclusion based on the merits of the proposal. HM Treasury will not vote its own shares in this instance, so the impact of shareholders votes will be magnified by a factor of approximately 2.5.

The resolution requires a 75 percent majority of voted shares to pass. It is likely that RBS will have canvassed major institutional shareholders to ensure support before tabling it. Anyone who holds shares directly, and has not opted for electronic communications, should have received a proxy card, with which to vote if not attending in person. When completing the proxy form, leaving the first box blank has the effect of appointing the chairman as proxy.

The form should be signed and dated and returned to the company's registrars to reach them by February 4.

People who do not hold their shares directly should contact their broker or investment platform for information on how to exercise their vote.

UKSA and ShareSoc are grateful for the Centre's support.



### No deal Brexit threat to share purchase plans

UK issuers who intend to offer share purchase plan participation within the remaining 27 EU states immediately after a 'No Deal' Brexit could be forced to defer or even cancel such offers, Centre member **Nicholas Greenacre**, partner at **White & Case**, told *newspad*.

"There are of course more significant risks associated with a no-deal Brexit but, in the share plans context, there is a period between the UK's planned exit from the EU on March 29 and full application of the new **EU Prospectus Regulation** on July 21," said Nicholas.

"During this period, UK companies will not be able to rely on the employee share plans exemption in currently applicable law in the EU member states.

"*This should not affect most option or free share plans, but a UK issuer that would normally offer participation in an employee share purchase plan during this period will need to take care.*

"*If another exemption or exclusion does not apply, it may have no choice but to defer or cancel the offer in the EU 27.*"

This is no idle threat**:** some MPs seem unaware of the Brexit default situation in event of no deadline extension**: the UK parliament must have an agreed withdrawal deal with the EU before March 29, otherwise the UK faces a cliff-edge 'no deal' Brexit on that day, unless Article 50 is revoked.** Paul Hardy, Brexit director at *DLA Piper*, reinforced this crucial point: **"The EU has to agree to no deal being taken off the table. If a deal with the EU cannot be agreed by March 29, or later if the deadline is extended, no-deal is very much on the table,"** he said.

Mr Greenacre said: "One of a number of possibilities is that the UK's withdrawal will be postponed under Article 50 *by agreement* with the EU 27, although this may be problematic due to the EU elections on May 26. If there is a postponement, it would either shorten the period of uncertainty for share plans or, if withdrawal is postponed beyond 20 July, eliminate it."

*Scroll down for more Brexit Corner news*

**Campus pay trough**

Sir Steve Smith, vice-chancellor of Exeter University is in line to receive a leaver's reward of up to **£830,000**, the largest ever in the academic sector. He is due to get the bumper annual pay and bonus package after completing his final year in 2020 under a lucrative deal awarded seven years ago. The disclosure reignites controversy over academic pay amid claims that it makes a mockery of the universities' pledge to show restraint under a voluntary *remuneration code* unveiled last year. The payout for Sir Steve, 66, a former president of Universities UK *and still a board member*, comprises a salary of up to £420,000 with pension contributions, topped up by almost £400,000 in bonuses and £11,700 for what his grace-and-favour accommodation would cost to rent. The bonuses include a retention payment of £105,850 if he remains in post until his contract expires on Aug 31 2020. His *golden goodbye* provides a further £105,850 if he avoids taking a job with a rival university during the 12 months *after* leaving Exeter, and a performance-related bonus expected to be around £180,000, according to Exeter's annual financial statements for 2017-18. Lecturers who uncovered the final year payout said it was "***beyond all sense of reasonable balance and proportion"***, especially as Exeter dropped out of the top 10 UK universities in 2014. It is 12th, after falling to 14th last year in the *Complete University Guide*. Lecturers at 64 universities went on strike last year over threatened pension cuts. "The scale of his salary and benefits is genuinely shocking, not just in light of this, but set too against ever-increasing levels of our students' debts," said one lecturer.



**Victory over Fat Cattery**

**Banco Santander** ditched its incoming ceo after the former **UBS** investment banker proved too expensive for the Spanish lender to hire because of his enormous 'transfer fee.' The bank originally announced Andrea Orcel's appointment last September and had settled the terms of his annual pay. However, back then Santander did not realise how costly it would be to cover the huge ***deferred share and share option awards*** which Orcel had clocked up at UBS over seven years. According to *The Guardian* it would have meant paying him at least **£44.8m** to compensate for the loss of those awards. Santander, which acquired ***Abbey National*** in 2004, declined to comment on the figure. Negotiations eventually broke down and the lender said Orcel's signing-on fee ultimately proved "unacceptable". Santander said: "In recent months, discussions have been taking place over the terms of Orcel's departure from his previous employer. ***It has now become clear that the cost to Santander of compensating Mr Orcel for the deferred awards he has earned over the past seven years, and other benefits previously awarded to him***, ***would be a sum significantly above the board's original expectations at the time of the appointment.***

"The board considers that for Santander to pay this amount to facilitating the hiring of one individual, even one of the calibre and background of Mr Orcel, would be ***unacceptable for a retail and commercial bank*** such as Santander."

Its current ceo, José Antonio Alvarez, will continue in the role, abandoning plans to transition to the chairman of Santander Spain in March. Orcel, a star investment banker at UBS, was set to pocket an annual pay package similar to that of Alvarez, who received total reward of £8m in 2017.

*Centre chairman Malcolm Hurlston said: “A sensible cap on such ‘transfer fee’ demands needs to be imposed throughout the financial sector, because unless this is tackled, ceo job mobility within the UK could grind to a halt.”

**Fat Cattery (2): A year’s salary in three days**

During the first three days of 2019 UK ceos earned more than the typical employee will earn all year, for the average pay of a FTSE 100 ceo is £1,020 an hour, according to research by the left-leaning **High Pay Centre** and HR industry body, the **CIPD**. By ‘*Fat Cat Friday*’ they had earned more than the typical annual UK salary of £29,574, the report said. However critics have questioned their calculations. According to the report, the median pay including bonuses for a FTSE 100 ceo was £3.93m in 2017, the most recent year for which data is available. It assumed that they work 12 hours a day for 320 days a year, making their hourly pay rate £1,020. “Excessive executive pay represents a massive corporate governance failure and is a barrier to a fairer economy,” said Luke Hildyard, director of the High Pay Centre. “Corporate boards are too willing to spend millions on top executives without any real justification, while the wider workforce is treated as a cost to be minimised,” he said.

The £29,574 figure for median pay of full-time UK workers was taken from **Office for National Statistics** data. To match that salary, FTSE 100 bosses would have had to work for 31 hours, or until 13:00 on Friday January 4.

However, free-market think tank the **Adam Smith Institute** said: “Limits on executive pay would drive top British talent and companies offshore, ultimately leading to fewer jobs and lower pay for workers.”

The CIPD report said typical pay for FTSE 100 ceos had risen 11 percent from last year. So they have to work two hours less this year to match the average worker’s annual salary, compared with 2018.

Ceos are being paid up to 1,000 times more than the average wage of their employees, a *Mail on Sunday* investigation has found. Analysis of accounts filed by the country’s 100 biggest listed companies showed bosses at private equity giant Melrose, housebuilder Persimmon and Ladbrokes bookmaker owner GVC last year had the largest disparities between the pay packages handed to their chief executives and their staff. In the worst case, Melrose boss Simon Peckham took home £42.8m in 2017 – 1,017 times more than the £42,000 average wage for workers at the firm. GVC chief Kenny Alexander took home £18.8m, or 484 times the average pay of his workforce. They all benefited from the LTIP scheme.

New rules introduced on January 1 require all large and medium-sized firms to begin calculating so-called ceo pay ratios this year – and to start reporting them annually from 2020. Some shareholder groups say they will urge investors to vote against chief executives whose pay packets are 20 times larger than the average for the company.

**Rachel Reeves MP**, chair of the Commons Business Select Committee – which is running a widescale inquiry into fair pay – said: ‘It beggars belief that these executives see fit to trouser pay packets vastly outstripping the pay of average workers in their own businesses. The bosses in these companies must be living in cloud cuckoo land if they think they deserve their outlandish pay packages. Excessive rewards for the few at the top mean less investment in the business, in capital or people, which could create value in the future. If shareholders won’t or can’t hold these companies to account, then we will need the government to step in with tougher rules that clamp down on this kind of executive reward.”

**Jeff Fairburn**, ceo of **Persimmon**, was forced out after a row over his huge £75m annual reward package, itself reduced from an initial **£110m**. His maturing *uncapped* LTIP was based on share awards, the value of which rose sharply when low interest rates and a government house-buying scheme helped raise Persimmon’s performance. He walked away from a BBC interview, when asked about his annual reward. The CIPD and High Pay Centre want LTIPs, which reward top executives with shares, replaced by a less complicated system based on basic salary. They want executives to be given incentives to improve the training and well-being of their workforce.

**Rakesh Kapoor**, one of the UK’s highest-paid ceos, is to leave **Reckitt Benckiser** after seeing his last few years blighted by a cyber-attack, criticism over his pay and factory disruption. The company, which sells consumer goods from Dettol to Durex, worldwide said that Kapoor – who has been paid a total £86m since 2011 and who is expected to top £100m soon – is to retire this year. Kapoor’s total reward for 2018 has yet to be revealed and his 2019 earnings will not be made public until 2020. However, he was paid £25m, £15m and £12.5m respectively, in the last three years. He could be handed 490,000 Reckitt shares, which are worth **£30m** at the current shares price, which rose from £32 at the time of his appointment to a high of £80 in July 2017 but which has since fallen back to c.£60 each. Kapoor had been due to receive £23.7m in 2017 but this was cut to £12.5m after a sharp fall in the share price and following talks with Reckitt

Benckiser shareholders, some of whom had expressed concern at the scale of his total annual reward.

**ING Group** said bankers' bonus payouts for the past year would be "significantly smaller" after the largest Dutch lender paid record fines to end a money-laundering probe. Two of France's top banks were weighing lower rewards after their trading units were hit by a broader downturn. At **Deutsche Bank**, which suffered trading problems as well as more scandals, the pool is expected to shrink by a tenth. The cuts reflect a mix of idiosyncratic problems and a broader vulnerability of Europe's largest financial firms to the recent market swings. ING, which paid €775m in fines last year to close a money laundering probe, had already scrapped a bonus for ceo Ralph Hamers. Even firms which avoided such scandals and had been doing well were caught last quarter by adverse market trends. In France, both **BNP Paribas** and **Société Générale** were weighing bonus cuts. BNP may hand lower or zero balances to many traders in its global markets unit after posting trading losses and closing some businesses. At Société Générale, steep cuts in traders' bonus pool could be implemented for the second successive year. Bonus levels may fall by as much as a quarter. Deutsche Bank headquarters in Frankfurt were raided last November by 170 law enforcement officials looking for information on the ***Panama Papers*** and the event had a negative effect on the bank's revenue in the fourth quarter, said cfo James von Moltke. ING spokesman Raymond Vermeulen declined to define the size of the reduction at the Dutch firm, though he said it wouldn't be halved compared to 2017, when the bank paid €403m in bonuses.

**Fat Cattery (3)**

An **NHS** organisation last year paid four executives at least £180,000 in bonuses despite losing £40m. Executives working for public health departments in the UK were paid more than £500,000 in bonuses last year. The biggest went to Elaine Hewitt, ceo of **NHS Property Services**, who received between £75,000 and £80,000 on top of her £220,000 salary. The organisation is taxpayer-funded and responsible for selling disused NHS buildings and land. The others to benefit handsomely from NHS Property Services were all executives earning a basic salary of more than £130,000. Director of asset management, John Westwood, received a £40-45,000 bonus; cfo Julian Pearce was given £35-40,000 and coo Martin Steele received a £30-35,000 bonus. NHS England, however, did not pay any bonuses because of ***'the current economic climate and the***

***need to provide effective system leadership for the NHS'.***

**Sin bin executive pay shaming**

Corporate raiders at **Melrose** failed to meet a deadline to address shareholders' concerns over their huge bonuses. The FTSE 100 company, which controversially bought engineer **GKN**, is one of a handful of London-listed companies found by *The Mail on Sunday* to have flouted guidance set out as part of Theresa May's crackdown on fat cat pay. The four top Melrose executives – Christopher Miller, Simon Peckham, David Roper and Geoff Martin – could pocket as much as **£285m** if its controversial £8 bn takeover of GKN proves a success long-term. The scheme, which would pay out in 2020, is similar to the one handed to Jeff Fairburn – an uncapped LTIP**.** The **Public Register**, dubbed the '*list of shame'* or *sin bin* because it exposes companies that have faced shareholder revolts over excessive executive pay, said firms ***must*** respond to investor concerns 'no later than six months after the vote.' However, Melrose; asthma specialists Circassia Pharmaceuticals; Russian miner Petropavlovsk and Russian property investor Raven Property Group have all failed to address their respective pay revolts, more than six months on. Melrose's top four executives each pocketed £40m in 2017 after a separate five-year bonus plan paid out. Ceo Peckham told the MoS: 'We're rewarded by the value we create. If we don't create any value in the enlarged Melrose then we don't get anything. I'm not saying we don't get paid well. We do, but we only get paid if we perform.' *Almost 23 percent of Melrose's shareholders voted against the remuneration report at the agm last May.* Before then, the company had said it intended to 'review the existing Melrose remuneration arrangements and expects to consult with shareholders in the coming months'. But it has yet to publicly reveal those plans eight months after the vote. The **Investment Association**, the trade body which was asked by the government to compile the register (and which others are free to republish), said companies should respond by publishing an update with 'views received from shareholders and actions taken by the company' within six months.' The guidance will be compulsory for firms to respond to such shareholder rebellions under the new **UK Corporate Governance Code.** A vote of more than 20 percent against is seen as a revolt by shareholders.

**John Lewis staff bonus threatened**

The **John Lewis Partnership** may be unable to pay a bonus this spring for its 83,000 staff for the first time in more than 60 years. John Lewis Partnership is owned through a complex trust mechanism largely in the interests of its staff, who are known as partners. It says it will think carefully about whether to give staff their traditional share in March. If it decides not to, it would mark the first time since 1953 the employees had gone without. Typically in profitable years, staff at the 350 Waitrose and 51 John Lewis stores receive a share of these profits. In the best years, these bonuses can add the equivalent of almost two months' pay and they are always paid in cash. Despite a slight increase in sales over Xmas, the overall level of sales and pre-tax profits during the last calendar year was not good. Chairman Sir Charlie Mayfield told the BBC: "Every year the board looks at what we can afford to pay in bonus in March. What we've said is because of the steps we've taken we've got a strong financial position and we can afford to pay a bonus. The question is whether it's prudent to do so and that's a judgement about what's coming and the uncertainty in the market and this year there's quite a lot of that. So we just have to look at that sensibly. In our business, it's owned by the people who work in it, we live within our means and we have to take account of what's coming up even if it's uncertain and we can't quite judge it perfectly."



**Eso plans should not be seen as lottery tickets**

When London based investment, health care and energy conglomerate **Octopus** began life in 2000, there were three people operating above a small London supermarket, recalls co-founder and ceo **Simon Rogerson:** "We based our business model on caring more about our customers than our competitors did. As owners, this came naturally to us, but once we started hiring, we needed people who understood this mindset almost instinctively. We were never interested in hiring wage-earners; we were looking for stakeholders willing to care about the business as much as we did. We have hundreds of people talking to our customers, every day. I want these people to care – about our business, about our customers and about our future. If they see we're getting something wrong, I want them to feel able to speak up. This is easier and more likely if they have a meaningful stake in the business.

“*I recently spoke to a start-up founder who had to convince his staff on the merits of share ownership. He said that offered the choice, most would prefer a subsidised gym membership.* Given only half of all UK start-ups survive longer than three years, perhaps they have a point,” said Rogerson.

***“That’s why it’s important to ensure share schemes have a tangible value and are not just seen as akin to buying a lottery ticket.*** It’s commonplace to hear that the only way to create value from employee share schemes from unlisted companies is to sell or float the business. Don’t believe it. ***I think a well-structured share ownership programme is one that gives employees the ability to monetise their shares when they choose to, without feeling locked in for an interminable timeframe***. Yes, this is harder for an unlisted company than for a listed business, but it’s by no means impossible. *For example, we create an internal marketplace for our shareholders every year. We publish our share price, alongside an annual report that explains how we’re performing. We then ask all our shareholders whether they want to buy or sell shares in the business at that price, for a certain time only.* Creating this annual window lets people plan ahead when making important life decisions. I like knowing that shares in the business have helped people to buy their first home, paid for their children’s education, or even just allowed them to take a well-earned holiday.

“Every business functions because of thousands of decisions made every single day. As it grows, you can’t make all of those decisions on your own. Instead, you have to start relying more on the people around you, as hard as that can sometimes be. “***Employee share ownership means I get to sleep that little bit easier at night, knowing the people I’m working with are thinking and behaving like the owners of a business they are personally invested in***. ***– which they are,***” added Rogerson.

## Axe FRC, says Kingman report

The **Financial Reporting Council (FRC)** should be replaced by a new regulator, the **Audit, Reporting & Governance Authority (ARGA)** with an extensive range of statutory powers to avert corporate failures, recommended the independent review led by **Sir John Kingman.** His report was published by the **Department for Business, Energy and Industrial Strategy (BEIS),** reported Centre member **Linklaters.**

ARGA should be required to promote brevity and comprehensibility in accounts and annual reports, to engage meaningfully with users and asset owners about their information needs and to ensure the proportionality and value of reports, said Sir John. At least once in every parliament, the regulator should report to BEIS on its assessment of the extent to which the statutory reporting framework is serving the interests of users or company reports and make recommendations for how it can be improved. The new regulator should be given power to direct changes to accounts, without (as now), having to go to court. Corporate reporting review findings should be reported publicly and the process should be extended to cover the entire annual report, including corporate governance reporting, he added. The FRC said it had levied £42.5m of fines (pre-discounts) since 2017. It was starting to see the effects of reforms leading to quicker conclusions and had opened new investigations into (amongst others) audits of: **Carillion, Conviviality, SIG** and **Patisserie Valerie**

## Disruptive technology in financial services

Technologies like artificial intelligence (AI), robotics and blockchain are increasingly affecting how firms in the employee reward and incentives market operate, said an **Intertrust** commissioned report. “There is no question that technology is impacting every element of our lives, simplifying and providing alternative processes and enabling new sources of value to be identified. We surveyed 500 professionals in the financial services sectors and our report highlights how disruptive technology and digital innovations are impacting the industry,” said **Shane Hugill**, head of performance & reward management.

Key highlights of the research within *employee benefits* include: *53 percent of firms have already adopted fully electronic and online channels; *41 percent of firms report that straight through processing will impact custody and trading; *44 percent of firms have adopted single sign-on arrangements to support employee incentive plans and *79 percent of firms believe that organisations will create senior technology directors with a mandate to drive strategic change. Early adopters are reaping the benefits of applying new technologies to business processes, especially time-consuming manual tasks that can now be successfully automated.

Respondents in the employee reward and incentives market were broadly positive and optimistic about how technologies would bring even greater value to their organisations and clients in the near future. Disruptive technologies are enabling firms to automate employee communication channels and back office processes to deliver more effective services that not only reduce administration, but help with employee retention too. Driven by the need for greater transparency and compliance with new corporate governance reforms, companies need to demonstrate greater employee engagement, awareness and understanding of employee reward and incentives. HR departments have been quick to implement technology to automate employee communications and provide an audit trail.

Almost half continue to use a mixture of online and offline channels and 81 percent of firms surveyed said that the key driver for employers in increasing plan participation and engagement through the adoption of new technologies is to reduce the administrative burden. About 38 percent said the key driver was employee retention, while the same proportion said it was business transformation. International companies are increasingly looking at ways to streamline and automate processes such as custody and trading of shares – whether it's a preferred broker arrangement or a panel of brokers. Demand for new technologies that can speed up back end processes has led to a proliferation of new platforms, such as those provided by transfer agents and software as a service (SaaS) delivered by new market entrants. Almost half (44 percent) of firms have adopted single sign-on arrangements to support employee incentive plans so that employees can access consolidated portals to multiple providers including those that are onshore and offshore. As well as dealing with recent regulation such as the GDPR and Mifid II and EU directives such as AIFMD and UCITS, firms need to consider wider global issues and the risks of non -compliance with aspects such as securities laws, tax and data protection. Respondents in the employee reward and incentives market are much more likely than those in other sectors to view cyber-security as the biggest risk relating to the adoption of new technologies: 80 percent agree this is the biggest risk compared to an average across all sectors of 50 percent. This is because employee benefits and reward systems share high volumes of data with third parties via portals and tech platforms that overlay each other. The risk that systems are hacked and suffer data breaches is a big concern, as is compliance with data protection laws that govern where employees' personal data is stored.

**Crystal ball gazing**

Centre member **RM2 Partnership** has made five bold predictions for what might happen in the world of employee share ownership in 2019:

*Employee Ownership Trusts (EOT) will graduate from niche to mainstream, five years after their introduction in the 2014 Finance Act. Thanks to the publicity generated by high profile adopters such as **Aardman Animations,** many more medium sized companies will embrace this neat succession solution. EOTs will start to take off in the traditional professional services sectors such as law firms. The traditional partnership pyramid structure is on its last legs.

*Big advisory firms will wade into the EOT sector. Advisers who have been slow to spot the potential of EOTs will start to promote the concept to their clients as if they had invented it.

*The number of companies offering **Enterprise Management Incentive** schemes will top 10,000 for the first time. This versatile scheme will become ubiquitous in any firm with ambition, thanks to its flexibility and awesome tax-efficiency. It will be operated on a broader basis to benefit larger numbers of employees.

*Technology will disrupt the share scheme advisory market, but the role of experts remains secure. New low-cost platforms for creating and managing share schemes are useful tools, but the dream of unchaperoned self-service by clients seems far-fetched, in the same way that health apps are freely available to diagnose illnesses, but the GP and health professional are still consulted as much as ever.

*HMRC fines for late share scheme returns in the reporting period ending April 2019 will exceed **£5m**. In keeping with its "*shoot first, ask questions later*" policy, HMRC will continue its muscular approach to errant companies. If it goes too far, HMRC's aggressive stance might start to deter some companies from adopting share schemes in the first place. On the other hand, if those companies appointed competent administrators, they would have nothing to fear.

COMPANIES

***Crossrail** bosses received bonuses of £725,000 just months before the new line went over-budget and was officially delayed by more than a year. In new accounts it is revealed that 15 of the project's senior management team got performance-related pay bonuses in the financial year ending March 2018. This was despite the project being plunged into crisis by escalating costs. Former Crossrail ceo Andrew Wolstenholme, was paid £765,689, which included a £160,000 bonus and a £97,734 fee for *'loss of employment.'* He was the highest paid transport boss in London last year by a wide margin. The previous year he got close to £950,000, including a £481,460 bonus. Mr Wolstenholme has taken up a role on the board of HS2 Ltd – which is running the £56 bn project to construct a high-speed line between London and the north of England. The Crossrail bonuses were paid around the time that significant issues with the project came to light.

*The takeover of **Faroe Petroleum** by its largest shareholder presents the North Sea oil explorer's management with equity gains of more than £52m, including a £12m windfall for its ceo Graham Stewart who was forced to surrender the £647m company he founded in the late nineties after Norwegian oil giant **DNO** wrested away control. Mr Stewart will be free to leave with shares worth almost £4m and share options worth £8.5m. Stewart and his board capitulated after a nine-month battle with DNO, which now claims over half of Faroe's shares after offering shareholders a price of 160p a share in cash. In total, the company's directors are expected to receive £7.7m from their shares and another £18.7m in share options. About 90 Faroe employees will cash in through share options worth a total £26m.

*****A new employee savings plan agreement was signed at **Getlink** (alias **Eurotunnel**). The new version of the scheme, applicable from January 1, runs for three years and will provide all employees in France with an attractive top-up facility from the company, to encourage the highest level of employee participation. The group employee savings plan will be replicated in the UK, in the form of a top-up Share Incentive Plan. This is part of the group's active employee share policy which has been in place since 2011 and which includes the distribution of free shares to all employees. For each employee working for the company, in both France and the UK since 2011, Getlink has distributed 1,010 free shares. This new package offers a matching rate of 100 percent for the first €900 invested, then 50 percent for the next €300 and 25 percent above €1200 within the legal limits. The potential gain is almost 17 percent higher compared to the previous scheme, equivalent to an additional payment of 1,050 Euros that can be allocated to each employee of the group.

*__Schneider Electric__, a leader in digital transformation of energy management and automation, has won the 2018 Prix de l'Indice Euronext-FAS IAS® for its outstanding employee share ownership plan. The **Fédération Française des Associations d'Actionnaires Salariés et Anciens Salariés** (**FAS)** recognised Schneider Electric's strong and ever-increasing subscription rate, thanks to annual plan launches and a significant uptake from employees internationally. Schneider Electric's worldwide Esop (WESOP) was first launched in 1995. The 2018 WESOP had the highest subscription rate ever in the company's history, with a 45 percent average subscription rate (over 52,000 employees) in 41 participating countries. Outside France, 41 percent of employees subscribed which is a high take-up rate, compared to similar French corporations offers. Schneider Electric has built a 65,000 strong stable and sustainable employee share-ownership group, reflecting its workforce diversity. This commitment has paid off. An employee survey conducted in 2017 found that a high level of pride in Schneider Electric was the main driver behind employees' decisions to participate, regardless of the size of their investment.

*After filing for Chapter 11 bankruptcy last October, the parent company of retail giants **Sears & Kmart, Sears Holdings**, obtained permission from a US bankruptcy court to pay out up to $25.3m in bonuses to Sears executives and senior managers. Plans for the bankrupt company included closing more than 100 stores and eliminating ***5,457*** jobs, the *Chicago Tribune* reported. Laid-off employees will receive no severance pay. Liquidation sales boosted Sears's profits by 4.3 percent, said *Newsweek.* New York judge Robert Drain accepted the retailer's claim that executive bonuses were necessary for employee retention, after it reported losses of almost **$1.9bn** in the first three Qs of 2018. Sears won approval to divide bonuses of up to $8.4m between 19 executives. An additional $16.9m was earmarked for a group of 315 senior employees in bonuses equal to 30 to 40 percent of their salaries. The judge's ruling attracted flak almost immediately as rumours circulated that Sears could even be forced into liquidation – *but only **after** the bonuses had been paid*. Former Sears ceo Eddie Lampert, who stepped down when Sears declared bankruptcy but who remains chairman, was known for running the company via videoconference from his island estate. Same-store sales declined every year under the billion-dollar hedge fund manager's leadership. The fall of Sears and Kmart closely follows a pattern set by private equity firms with companies like Payless and 'Toys R Us': ***loading the newly acquired company with debt while paying billions to investors through dividends, stock buybacks, consulting and debt servicing fees.***

**Double tax agreements enter force**

**HMRC** announced that the 2018 UK/Jersey Double Taxation Agreement and Protocol and the 2018 UK/Isle of Man Double Taxation Agreement and Protocol, which were signed on July 2 2018, had both entered into force on December 19, reported Centre member **Deloitte.** The double taxation agreements take effect in Jersey/the Isle of Man and the UK for taxes withheld at source from February 1 2019; in Jersey/the Isle of Man for income tax on January 1 2019 and in the UK for income tax on April 6 2019 and for Corporation Tax on April 1 2019. The Guernsey tax authorities report that the exchange of written notes required to bring the 2018 UK/Guernsey Double Taxation Agreement and Protocol into force occurred on January 7 2019.

Subject to confirmation by HMRC, it is expected to take effect in Guernsey and the UK - for taxes withheld at source - on March 1 2019; in Guernsey for income tax on January 1 2020 and in the UK for income tax on April 6 2019 and for Corporation Tax on April 1 2019.

## Workers on the Board (2)

Last December, *newspad* said that *employee board representation is commonplace within the EU.* One of Europe's leading experts Kevin O'Kelly, has shared a telling clarification. He wrote: "Nineteen of the current 28 member states have some form of legislation and/or practice for **employee board-level representation.** However, there are different systems in place across the EU:

*In Ireland, Greece and Portugal legislation only covers state-owned companies and agencies. However, in Portugal the legislation is not enforced. *In France and Poland legislation also limits worker directors to the public sector. However, there are legal arrangements for former state-owned companies to retain workers on the board after privatisation. *In eleven other EU member states there is legislation for worker directors in both the public and private sectors, but with differences on, for example, the number of employees, the role of trade unions, the type of industry, company ownership structure, etc. The levels of implementation differ a lot, in particular, in CEE member states:

*In Spain and Italy worker directors are introduced by way of collective agreements, rather than legislation, in some sectors/companies *The Netherlands has a different legislative system which allows for employees to elect/appoint directors, but from outside the workforce, consequently, employees of an enterprise cannot become board members! *Eight other member states have no legislation or practice, including the UK. However, there are examples of arrangements agreed by shareholders or decided by the company board.

"Within these various systems, thousands of workers represent their work colleagues on company boards, ranging from an estimated 7000 in Sweden (also in Norway); 3000 in Denmark and Austria; to less than 100 representatives in Greece, Ireland and Spain. Again, the numbers of worker directors vary across member states, from one in, for example, Greece and Croatia, up to four seats in Finland and one third of the board in seven other member states. All worker directors are entitled to participate, in various degrees, in company strategies and policies, bringing a workforce perspective to board-level decision-making. The best known system is in Germany where there are between 2000 and 3000 EBLR (worker-director) enterprises under co-determination *(Mitbestimmung*) legislation. In studies undertaken by the Hans Böckler Foundation and the European Trade Union Institute the co-determination system is credited with a) enterprises been more productive and innovative; b) agreed reductions of overtime and shorter working time saved some one million jobs during the recent economic crisis; c) companies with worker directors have shown a better performance, in terms of net sales and revenues. Another aspect is within EU legislation, in particular the European Company (SE - Societas Europaea) Regulation (EC 2157/2001) and Directive (2001/86/EC) that allows for worker directors on the boards of European Companies (SEs), under certain circumstances."

Kevin is a researcher with the European Trade Union Institute (ETUI), Brussels. Previously he worked for the Dublin-based European Foundation, where he co-ordinated a number of European Commission projects on poverty and social inclusion. For additional reading, he recommends: '*Board level employee representation in Europe: an overview'* Natalie V Munkholm, Aarhus University, European Commission, DG for Employment, Social Affairs and Inclusion (2018); *Board-level Employee Representation in Europe* J Waddington and A Conchon, Routledge Research, New York and London (2016) and *Benchmarking Working Europe 2017* European Trade Union Institute, Brussels (2017). A UK perspective is set out in *'Empty Chair: It's time for workers on boards'* B O'Shea, Policy Paper, Centre for Labour Studies, London (2017).

## More private equity in trust businesses

"There is no doubt that private equity is the future of the industry", according to Grant Barbour, global head of private client services at *Ocorian*, a Channel Islands based trust company backed by private equity firm **Inflexion**, which was behind **Sanne Group'**s IPO in 2015. "The trust industry is a very lucrative sector for private equity. We're going to see more investment and it's going to get bigger", he said.

David Goar, a partner at *Rawlinson & Hunter* in Jersey, is betting on a different future: "We're taking the alternative path. We're a partnership with no intention to sell and it seems to be a rare commodity working well for us. We do not focus on short term profit and instead look to establish long-term client relationships. "It's 'horses for courses', as the old saying goes; while some clients will be drawn to the owner-managed model, others will seek the private equity-backed 'one-stop shop'.

Research shows that there is an increasing focus among PE-backed trust companies on the corporate services side. Paul Douglas, md at Centre member *Accuro* – an owner-managed trust company - said: "Among the PE-backed trust companies, we are seeing a shift to a focus on the corporate services side of the business and a move away from private client. We anticipate that private client divisions could break away or be sold."

These trust professionals were discussing industry trends in a debate organised by the online magazine *citywealth*. Yet Barbour thinks that despite the corporate side of the industry being a big fee generator that private equity-backed trust companies won't be spinning off their private client teams anytime soon. "Private equity likes a mix of disciplines. It's beneficial for them to have a strong private client angle to the business, as it protects against unforeseen issues affecting corporate or funds. Some PE-backed trust companies are focusing on corporate as it is a big fee generator but certainly from our experience we know they like a balanced portfolio and are investing in private clients as well" he said. "A further reason why we might not see too many spin offs or start-ups is the cost of dealing with the regulatory requirements. "This is something that shouldn't be underestimated," said Goar. He explained that Jersey is at the forefront of trust regulation which he perceives as a major benefit, as it enhances Jersey's reputation internationally. However, the cost of compliance had created "a barrier to entry for new businesses". The industry thinks that more consolidation is to come: "***The pace of consolidation is continuing, and I don't expect a slowdown***" said Douglas. It's a further consequence of the rising cost of compliance. "The industry is becoming increasingly regulated and you need to be bigger to deal with the regulatory and reporting burdens", added Barbour. Ocorian has made a string of recent acquisitions including ABAX Corporate Services in Mauritius and Capco Trust in Jersey.

**Brexit Corner:**

***What happens now? –** The huge scale of the government's Commons defeat over the prime minister's proposed UK Brexit agreement cast fresh doubt on whether share plan managers will have any reliable guidance from the government any time soon about international plan logistics post Brexit. The government could seek to renegotiate the terms of the withdrawal agreement and return to parliament for a further vote, added White & Case. However, the EU's insistence - publicly at least - has been that it would not re-open the terms of the deal. The negative prospect of a hard Brexit both for the EU and the UK would potentially create some incentive for both sides to revisit aspects of the deal. However, the complexity of the issues involved – in particular the Irish border question – means that some delay of the current March 29 exit date would almost certainly be needed for this option to be realistic. The government could seek to negotiate an extension with the EU; Article 50 expressly allows for a postponement of withdrawal provided there is unanimous agreement by the remaining member states. This option would allow further dialogue to take place and possibly a redefinition of the conditions for the UK's exit from the EU, such as the operation of the Irish backstop. The EU's agreement to any extension would turn upon many factors. The timing of elections for the European Parliament (on May 26) may limit the scope – politically - for the EU to agree to an extension. However, such political considerations may be outweighed by the negative consequences for the EU of a 'no-deal' Brexit, which will become increasingly acute as March 29 approaches.

*Following the UK government's announced intention to introduce a ***temporary permissions regime (TPR)*** for inbound passporting EEA firms and funds, the **Financial Conduct Authority (FCA)** launched the notification process. It said: "*In the event of a no-deal Brexit, Mifid, AIFMD and UCITS passporting regimes would fall away and all EEA firms and fund managers would have to seek authorisation from the FCA to provide their services in the UK. Therefore, to tackle the constraint of a lengthy and heavy standard FCA authorisation procedure, the TPR allows EEA fund managers passporting into the UK to obtain from the FCA a temporary permission to access the UK market to the extent they submit a proper authorisation request within such TPR limited period. To benefit from the TPR, all EEA firms and fund managers wishing to continue to access the UK market will have until the end of* ***March 28 2019*** *to notify the FCA of their intention to market all or some of their products or funds within the UK."*

***No deal contingency plan for financial services**

Commentary from the Commission in Brussels makes it clear that with the exception of the limited financial stability measures for derivatives and central securities depositories, the expectation is that EU firms and EU clients of UK firms will need to take responsibility for their own contingency planning, to mitigate risks arising in a *no deal* scenario. Even if these risks are in principle foreseeable and surmountable for EU counterparties, the consequences of the sudden inability to trade with or borrow from UK firms or to trade on UK markets are potentially severe and could prove disruptive for both UK and EU counterparties. ***This once again illustrates the unsatisfactory nature of the EU equivalence framework as an alternative to passporting,*** *even in a temporary contingency planning context,* said lawyers *Herbert Smith Freehills.*

*****The EU's Brexit negotiator **Michel Barnier** warned that any Brexit deal with the UK would be a trade agreement and nothing more. His implication was that any deal would only cover goods and mimic the **Comprehensive Economic and Trade Agreement (CETA)**, which **Canada** and the EU negotiated over many years before it finally entered into force last September. The UK, on the other hand, is looking for a treaty that would encompass services, most notably financial services, to maintain the role of London as a global financial centre. To which Barnier has sternly replied: "***There is not a single trade agreement that is open to financial services. It doesn't exist."*** In a recent speech, he reiterated that a post-Brexit trade deal could provide close *regulatory co-operation*, similar to existing agreements with Japan and the US, but vetoed any deal that would allow the free flowing of financial services. "What Barnier said is not exactly true. But contrary to some hopes expressed in London, that doesn't mean he is bluffing either," wrote **Pierre Briançon** in the online magazine *Politico*. "The Canada option is the only one left on the table after all other possibilities have been ruled out, due to the UK's own interpretation of what Brexit means. The narrowing down of possible scenarios is illustrated by the now-famous *Barnier Slide*, giving a graphical representation of the downgrading of the future relationship when options are weighed against stated British red lines. What Barnier omitted to mention was that even the CETA deal has a section on financial services — and according to a European Parliament report on trade deals from 2014, it is the only modern trade agreement to dedicate a special chapter to the matter. So if it accepts the Canada model, the UK will have an agreement with some provisions on financial services. It, however, won't like what it gets: "*Most notably, the EU-Canada deal stops way short of allowing the so-called passporting that UK financial firms are so keen to retain to enable them to operate throughout the single market after having only registered in one member country.*

***"The diverging approaches of the UK and Barnier stem from the fundamental asymmetry of the negotiations,''*** said a French government adviser**.** ***"The UK wants to preserve as much as it can from the current situation. Their viewpoint is they're in and what's being discussed is simply stripping away some components of the edifice. Barnier and the EU, on the other hand, start from the position that everything has to be built or rebuilt 'from the bottom up' once the UK is legally out of the EU,''*** the official added.

Anything the UK hopes to obtain on top of the minimal financial services component in the EU-Canadian deal will be constrained by CETA's *most favoured nation* clause, which compels the EU to offer Ottawa the same terms it might concede to London. Even though nothing prevents the EU from deciding it does want an ambitious agreement with the UK — which, contrary to the EU party line, would be as bespoke as most other trade deals concluded in recent years — London's goals are constrained by both time and EU politics**. It would take more than the two years of the planned transition to negotiate a deal that would encompass financial services**. "Trade is easy, you check stuff at the border," a European official said. "Services, especially financial services, are a whole other game. You need common rules and a common arbiter whenever there's a legal disagreement." The EU doesn't have any reason to extend a sweet deal to the UK, other than wanting to avoid reaching the level where intransigence would turn into self-harm. "The only question is what our interests are, both collectively and of course for individual countries," the EU official noted. "Once we're clear among ourselves on this, there will be little the UK can do other than accept what we're prepared to give it."

*The **Republic of Ireland** has gained more than **4,500** jobs from international firms so far, as a result of Brexit, claimed its inward foreign investment body. **IDA Ireland** revealed the figure in its annual results for 2018. It said the jobs were a result of more than 55 Brexit-related investments which were approved last year. "For investors, the importance of Ireland's ability to provide a stable, predictable investment climate cannot be overstated," the report stated. "Ireland's advantages in a post-Brexit context include English language, commitment to the EU, a common law system in addition to our existing competitive proposition."

## WORLD NEWSPAD

*Executive pay at ten of **Australia**'s top companies soared back to pre-global financial crisis levels while their companies paid little to no company tax, Tax Office transparency records show. A *Sydney Morning Herald* and *The Age* analysis of four years of tax data and the annual reports of ASX-listed companies shows executive pay packets climbed back to pre-crash levels in 2016-17 - the latest year for which records are available - despite tax receipts being revised down by up to $4.6 bn. The ceos of some of Australia's largest companies - **Transurban, Domino's, and BlueScope** - received multimillion-dollar bonuses while their companies paid zero tax or heavily discounted rates. Ceos pay income tax at the marginal rate on bonuses and there is nothing improper about topping up executive salaries at a discounted or non-tax paying company, but the figures come amid disquiet, fuelled by the growing gap between executive pay and employees' wages, which have been stuck at historic lows. Don Meij, ceo of **Domino's**, had a total reward of up to A$36.8m after selling some of his shares in the pizza giant. The ceo earned three times what the company paid in tax - A$14.1m - or 19 percent of the full 30 percent tax rate in 2016-17. It paid a discounted tax rate despite profits climbing 29 percent to A$118.5m that year, earning Mr Meij a A$1.1m fixed salary, and a further A$3.6m in long-term incentive options.

*__France's__ data watchdog fined Google €50m (£44m), using the **EU**'s strict **General Data Protection Regulation (GDPR)** for the first time. Google was handed the record fine from the regulator **CNIL** for failing to provide transparent and easily accessible information on its data consent policies, a statement said. It said Google made it too difficult for users to understand and manage preferences on how their personal information is used, in particular with regards to targeted advertising.

"People expect high standards of transparency and control from us. We're deeply committed to meeting those expectations and the consent requirements of the GDPR," a Google spokesman said. "We're studying the decision to determine our next steps. The ruling follows complaints lodged by two advocacy groups last May, shortly after the landmark GDPR directive came into effect. One was filed on behalf of 10,000 signatories by France's **Quadrature du Net** group, while the other was by **None Of Your Business**, created by the Austrian privacy activist Max Schrems. He had accused Google of securing "forced consent" through its Android mobile operating software through the use of pop-up boxes online or on its apps that imply its services will not be available unless the conditions of use are accepted. "We have found that large corporations such as Google simply 'interpret the law differently' and have often only superficially adapted their products," Mr Schrems said after the ruling. "It is important that the authorities make it clear that simply claiming to be compliant is not enough."

The GDPR is widely considered the biggest shake-up to data privacy regulations since the advent of the web. Regulator CNIL found that despite changes implemented by Google since last year, it was still failing to respect the spirit of the new rules. It noted for example that specifics on how long a person's data is kept and what it is used for are spread across several different web pages. It said the record €50m fine reflected the seriousness of the failings as well as Google's dominant market position in France via Android. Google has contested the decision, saying it should apply only to its European sites, such as Google.fr, and not the global Google.com domain.

*President Macron's government introduced an optional one-off cost-of-living *goodwill* employees' bonus of up to **€1,000** each, which companies can pay their French employees by March 31, free of all tax for the recipients and social deductions for the company, reported Centre member **Bird & Bird.**

*__South Africa__: The African National Congress (ANC) released its election manifesto, which called for the party to "introduce legislation for the extension of company ownership to a broad base of workers through an employee ownership scheme and similar arrangements to supplement workers' incomes and build greater partnerships between workers and owners to build these businesses."

Transactions took place on December 7 involving the **Mondi** Share Incentive Plan (SIP) on behalf of directors/PDMRs of Mondi Ltd and Mondi plc and the company secretary of Mondi plc. Participating employees qualify for free matching Mondi shares. Sponsor in South Africa: UBS South Africa. CFO Andrew King bought 20 shares at GBP 16.37 each.

*__US ceo: average worker pay ratio__

According to AFL-CIO's 2017 Executive Pay-watch study, in 2017 ceos of S&P 500 Index companies made, on average, **361** times what their average workers made (or $13.94m in total compensation). While ceo salaries — like any other salary — vary greatly depending on gender, education level, industry, location, race, and countless other factors, the ever-increasing gap between workers and executives is certainly cause for concern. On top of this, even among the highest-paid ceos, the gender wage gap persists. The Institute for Women's Policy Research found that, among full-time ceos, women earn79.5 percent of what their male counterparts get.

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