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it's our business

newspad of the Employee Share Ownership Centre

An election boost for employee share ownership?

What could and should the new government do to encourage the spread of all-employee share ownership? This key question is foremost in the minds of employee share scheme practitioners and issuers in the long run-up to the general election called by PM Theresa May on June 8.

Although the statistics are hard to come by, there is a sneaking suspicion that employee share ownership in the UK is stuck on a plateau and no longer on the up every year. Despite the runaway success of niche tax -advantaged schemes, such as the share options based **Enterprise Management Incentive (EMI),** overall levels of employee participation in **SAYE-Sharesave** and in the **Share Incentive Plan (SIP**) seem either almost static or, in some cases, even falling.

Furthermore, the *average* level of Eso among all employees in company plans remains stubbornly between only 23–35 percent – though there are heartening exceptions. Participation in employee share ownership schemes is voluntary and employees cannot be frog-marched into participation. In the manufacturing sector participation is lower still than in the service sector, where it is at its highest in the financial services industry.

Accordingly, Centre chairman **Malcolm Hurlston CBE,** has written to Chancellor Philip Hammond, setting out the Centre's priorities for action, applicable to whichever government is elected on June 8.

In his letter, the Centre chairman told the Chancellor, "For millions employee shareholding offers the best route towards equality. Let us see massive encouragement of option schemes and free shares which can reach all employees. Shareholders have largely taken over from the state in encouraging management to have skin in the game; tax breaks are better deployed down the line and where the market does not reach.

Secondly the government can nudge. Let there be full disclosure in annual reporting of all employee share schemes. The current miasma serves nobody.

Thirdly the government can ensure that employee shareholders have democratic as well as economic rights: companies must arrange for unimpeded access to voting at agms".

Mr Hurlston identified the following *newspad* proposals as worthy of immediate action by the incoming government:

*The Centre seeks to work with the Treasury/HMRC in order to recast some of the tax incentives offered by qualifying schemes, notably the Share Incentive Plan (SIP), in which participants have to wait five years before they can gain the full tax exemptions should they wish to sell part or all their holding. The Centre is concerned that the productivity elements inserted into the SIP at its birth are hardly being used by SIP promoters.

*The Centre seeks a Treasury grant of £600,000 in order to promote all-employee share ownership nationwide, including eight basic *nuts and bolts* Eso conferences in 2018-9 in: **London, Birmingham, Bristol, Cardiff, Edinburgh, Leeds, Manchester** and **Newcastle upon Tyne.** The Centre would ask

From the Chairman

The long election campaign gives us a great opportunity to put all-employee share ownership centre stage. All parties - and the Conservatives most of all - will be targeting those working people at the margin of wealth who would be the natural beneficiaries of free shares and options through approved schemes. Big businesses like Centrica are no longer the Tories' untouchable friends with energy prices a popular concern. Ditto fat cat reward, however swung. I hope all readers of newspad will write to candidates and point out how best to improve their chances: through backing a more productive and less unequal Britain, which offers a stake in future prosperity to all employees in the private sector.

Malcolm Hurlston CBE

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practitioner members to help it organise these events through their local offices, HMRC would be invited to participate and speak at each event, to reassure local businesses that bureaucracy would be minimised when launching their first all-employee share ownership schemes. A minister would be invited to open each event. Kits would be developed from each event for wider distribution among privately-held companies and smaller quoted companies.

*The Centre plans to ask the incoming government to promote and support more online courses about employee share ownership.

*The Centre wants HMRC to stress the advantages for companies who adopt the Company Share Option Plan (CSOP), which targets lower-paid employees in commerce (particularly retail) and industry.

The chairman has written similar letters to Labour leader Jeremy Corbyn and Lib Dem leader Tim Farron presenting the Centre's proposals for the further development of Eso in the UK. Gordon Brown was the outstanding exception who introduced both the Share Incentive Plan and the Enterprise Management Incentive, while he was Chancellor of the Exchequer in 2000-2001 and Sir Vince Cable (himself an employee shareholder at Shell) can take much credit for EOT under the Coalition. Centre stalwarts like Nigel Mason and David Pett played key roles in helping to bring these schemes to fruition.

The Centre knows that employee share ownership is not a universal panacea. Sadly, occasionally, a company with a share ownership culture goes bust and the jobs are lost. Bad decision-making is not restricted to the board of directors. However, in both the USA and Europe statistical evidence has built up steadily to suggest that *on average* companies which have a significant level of employee ownership (above three percent in listed companies and above ten percent in privately-held companies) are more likely to achieve consistent productivity increases than companies which either do not offer financial participation to their workforce, or which – worse still – pretend to adopt employee financial participation, but in reality offer employees only cosmetic employee equity, instead targeting senior executives and middle managers for performance-linked equity awards, leaving many other employees out in the cold.

If HMG is serious about wanting increased productivity in UK workplaces, it should remind enterprises that Eso is worth trying, if not already in place, because the evidence is there that productivity can be lifted significantly, over the medium and long-term, given intelligent and responsive management techniques.

*Using the 'nudge' principle, HMG could seek ways to encourage member states and companies to popularise the award of *an equal number* of both **free shares** and **share options** to all *qualified* employees in listed companies in order to build a more widespread share schemes culture. Listed companies should be encouraged to consider making more all-employee share option awards when they are planning to increase (every year) the equity incentive packages offered to senior executives? That would be one way Eso could confront growing inequality.

*The Centre suspects that of tens of thousands more UK employees may want to participate in Eso plans, but cannot afford to do so. HMG can **nudge towards help for the lower-paid**. The solution is to offer employees free shares or share options, which do not require employees to put any money up front in order to participate. Options in particular are inexpensive to administer and give companies the same cultural and communications opportunities as shares.

*HMG should liaise more with multi-national companies about how best greater employee financial participation can be encouraged among their workforce. Competing for talent large domestic companies are generally influenced by what multinationals do. Multinationals already make heavy use of Eso and should be encouraged to spread its use throughout the workforce.

*The Office of Tax Simplification (OTS) has done sterling work in simplifying qualification for, and operation of, employee share schemes in the UK. Even so, HMG should ask itself – through its various ministries – whether there are more directives and other regulations which could be simplified, in order to remove obstacles to the further spread of all-employee share ownership. For example, have the recent changes to the Prospectus Directive gone far enough to simplify the ability of non EU based multinationals to install and/or expand their Eso offerings to employees?

*If HMG is serious about giving employees more say in how they and their employers should operate, it should consider using the revised EU Shareholders Rights Directive, which is likely to apply even after Brexit, as part of a blueprint for *employee* shareholders' rights – thus furthering the concept of using more widespread Eso as a tool in the fight for more inclusiveness at work. This is now a highly relevant issue owing to mounting concerns over: protection of employees' rights, complaints about excessive remuneration awarded to some senior corporate directors, the need to ensure transparency in the dissemination of corporate information, including the identification of shareholders and whether companies are dispersing too much capital, rather than in investing for the future.

*HMG should consider that **all** qualifying employees should be offered the chance to participate in share plans in a meaningful way when state owned business are privatised – not just through cosmetic offers of a few shares each in the newly privatised business. At the UK's Royal Mail, almost 150,000 postal employees were offered free shares, now worth around £3,500 per head, and as a result, the employees now own 12 percent of the entire privatised company. A few segments in the NHS – notably local nursing and therapy services – are, post privatisation – 100 percent owned by local trusts, often similar in structure to co-operatives. Some previously municipal or regional health trust owned child nurseries have been privatised through worker buy-outs.

*HMG should consider whether a rider or condition should be included in *public sector tendering documents* to the effect that companies seeking such contracts should be able to demonstrate that they not only accept employee rights, but in addition show that they support Eso for their workforce and have installed such plans for **all** employees.

*In the SME sector, HMG should consider wider promotion of legislative tools like the **Employee Ownership Trust (EOT)**, which enable owners of smaller companies to sell them to employees at a fair price. In this way, thousands of local jobs within the UK are saved annually from the scrapheap. Trade buyers of companies whose owners want an exit often 'cherry-pick' the best units from their perspective and close down the rest, sacking their workers. HMG could therefore liaise with the Esop Centre and others to reproduce Eso funding mechanisms which can be used by employees who want to buy out their employer company, when the opportunity arises.

Majority of Finance Bill scrapped

Doubts about the future of parts of the **Finance Bill 2017** surfaced after the government announced that Parliament would be dissolved on May 3, or 25 working days before the general election on June 8, reported Centre member **Deloitte**. It emerged during the committee stage on April 25 that the government plans to drop a majority — 72 out of the 135 clauses and 18 out of the 29 schedules —of the Finance (No 2) Bill 2017, following discussions with the opposition. The measures omitted from the Bill are likely to be reintroduced wholly or partly depending on the outcome of the election. The **Chartered Institute of Taxation** wrote to the Chancellor urging him not to rush through a large number of tax changes without any real parliamentary scrutiny. The CIOT suggested the government drop the majority of the Bill and keep only those measures essential to maintain its revenue raising capacity, such as renewing the provision of income tax, and other measures which are required urgently, such as anti-avoidance provisions. See http://deloi.tt/2ostiYv. Financial Secretary to the Treasury, Jane Ellison, referred in general terms to the likelihood of the need to negotiate the passing of the Finance Bill as part of the wash-up process. The debate is at http://deloi.tt/2oOes09

EVENTS

newspad summit: Paris, June 15 & 16 2017

The Centre has received 30 registrations to date for its inaugural *newspad* summit which takes place in the offices of global legal group **Clifford Chance** in Paris on **Thursday/Friday June 15–16**.

The new two-day event presents an ideal forum for leading players to consider the most recent developments and long-term trends in international employee share plans, as well as in executive equity incentives. Participants will keep up to date with the latest legal, regulatory, taxation and communications impacts on share plans practice within the industry worldwide, especially in UK and France.

Our venue is: Clifford Chance, 1 rue d'Astorg, Paris 8. The nearest Metro stations are St Augustin and Miromesnil. The opening session will start at 10:15, to allow those arriving by Eurostar time to reach the conference without missing any of the technical presentations.

Expert speakers include: Sian Halcrow of **Aon Hewitt**; Sonia Gilbert & Anne Lemercier of **Clifford Chance**; Richard Nelson of **Cytec Solutions**; David Hildebrandt, president of the **International Association for Financial Participation**; Rob Collard of **Macfarlanes**; Stephen Woodhouse of **Pett Franklin**; Garry Karch of **RM2**; David Lee & Bastien Martins da Torre of **Solium**; Hannah Needle of **Tapestry Compliance**; Nicholas Greenacre of **White & Case,** Damian Carnell of **Willis Towers Watson** and Marco Cilento from the **European Trade Union Confederation**. Another key speaker is **FONDACT** chairman, Michel Bon, former president of **France Telecom** and of supermarket group **Carrefour.**

View the event brochure – sponsored by **Ocorian** – for further details, including topic descriptions and suggested hotels at: www.esopcentre.com.

newspad offers the following registration rates:

Practitioner members: £395

Practitioners non-members: £695

Plan issuers: FREE – subject to £50 admin fee

These fees are not subject to VAT, as the event takes place outside the UK.

Registration entitles all delegates and speakers to:

- Take part in all conference sessions
- Buffet lunch and refreshments during coffee breaks
- Programme with access to speech summaries
- Cocktail party, starting 17:45, June 15

To register as a delegate, please email the Centre at global@esopcentre.com or call 020 7239 4971.

Colin Powell CBE joins Jersey panel : May 12

Colin Powell CBE – international affairs adviser to the chief minister – will join STEP vice-president Rosemary Marr in a panel discussion on the future of the share schemes industry in Jersey at the Esop Centre and STEP's trustees seminar in two weeks.

The annual extended half-day event is an industry-leading networking and learning opportunity for all those involved in share schemes and EBT trusteeship. It will be held this year at the Pomme d'Or on Friday May 12.

The programme will consist of presentations on the latest taxation, legal and regulatory issues in Jersey and the UK:

- **Malcolm Hurlston**, The Esop Centre
  Introduction: we love the British Isles
- **Chris Lowe**, KPMG
  Share schemes under the Common Reporting Standard
- **Helen Hatton**, BDO Sator Regulatory Consulting
  Challenges facing Jersey trustees in the post Trump, Brexit, CRS and GAA world
- Panel: **Colin Powell**, States of Jersey, and **Rosemary Marr**, STEP
  The 'whether' forecast: volatile global politics and its impact on the Jersey share schemes industry
- **Paul Malin**, Haines Watts
  Approaching HMRC with a problem is not always for the faint hearted
- **Stephen Woodhouse**, Pett Franklin
  ESOTs and EOTs: share-based trusts for private businesses
- **David Craddock**, David Craddock Consultancy Services
  Takeovers and management buyouts: share scheme case studies
- **Graham Muir**, CMS
  Tax treatment of EBTs: Rangers go into extra time...

The event will conclude with a networking lunch.

Tickets cost £350 for Centre / STEP members and £450 for non-members.

To book, email events@esopcentre.com with the names and contact details of all delegates or call 020 7239 4971.

London share schemes for SMEs conference: September 12 2017

The next employee share schemes for SMEs conference organised by the Esop Centre and the **Institute of Directors** will be held in London on Tuesday **September 12** 2017.

This one-day event is designed for small businesses and their advisers who are considering introducing an employee share scheme, or who want to develop existing plans.

The event will be chaired by Esop Centre chairman Malcolm Hurlston and the programme will include the following:

- **Robert Postlethwaite**, Postlethwaite
  Introduction to employee share schemes
- **Liam Liddy**, Mazars
  Enterprise Management Incentives (EMI)
- **David Craddock**, David Craddock Consultancy Services
  EMI case studies
- **Catherine Gannon**, Gannons
  EMI alternatives
- ***Beginner panel***
- **Nigel Mason**, RM2 Partnership
  Employee Ownership Trusts
- **Colin Kendon**, Bird & Bird
  SME share scheme case studies
- **Stephen Woodhouse**, Pett Franklin
  Share schemes and succession planning
- **Garry Karch**, RM2 Partnership
  Financing employee ownership
- ***Advanced panel***

Centre members interested in attending the conference should contact Daniel Helen at events@esopcentre.com or call 020 7239 4971.

Esop awards dinner 2017: Tuesday October 31

The Esop Centre's sixteenth awards dinner will be held at the Reform Club on the evening of Tuesday **October 31** 2017.

The Awards Dinner brings together members and their influential guests – representing UK and international plan issuer companies and their expert advisers – to recognise the best in employee share ownership. This stylish enjoyable black-tie event is the perfect way to celebrate the year with clients, colleagues and peers. Save the date.

MOVERS AND SHAKERS

David Pett,** one of the UK's foremost employee share schemes specialists, has stepped down from **Pett, Franklin & Co. LLP,** the firm he co-founded**,** in order to fulfil a long-held ambition to transfer to the Bar. David has been a tireless supporter of the Centre over the years, serving on its steering committee, lobbying on behalf of the Centre and playing a key role in the formulation of its Eso policy in the wider world. He is joint author of the ***Employee Share Schemes manual, published by Sweet & Maxwell, updated twice yearly. David, a solicitor, advocate and partner at Pett Franklin, hopes to be called to the Bar in July *(having passed the necessary exams)* and commence practising (as, possibly, the first share plans specialist counsel) as a member of **Temple Tax Chambers** in London.

Centre chairman, **Malcolm Hurlston,** hailed the news: "Starting at Clifford Chance in the time of David Reid (who created the UK Esop as we know it and co-founded the Centre), David Pett took on the Reid mantle as our leading innovator through a career with **Pinsents** and his own multidisciplinary creation, Pett Franklin. His move to the Bar takes Esops too a step further."

David added: "In the meantime I shall remain practising as a solicitor through **Colmore Legal Limited** (www.colmorelegal.com) and may be contacted on **07836 657658**," he told *newspad.* "I would hope that, in terms of work undertaken and the corporate client base, there will be little change in my practice, although I shall now be available, as independent adviser, to support a broader range of accounting, consultancy and other law firms in ensuring their clients receive 'best advice' on tax matters, and all forms of management incentives and employee share plans."

*Share schemes veteran **Stuart Bailey** has left **Equatex**. Stuart now bats for social enterprise **InterHealth**, helping it build its business development, client relationship and marketing teams. InterHealth works with key humanitarian agencies, helping their employees and volunteers to remain healthy whilst working in some of the most isolated and dangerous places in the world. Stuart told newspad: "We were the 'Go-to' organisation during the Ebola outbreak a few years ago. I started the new role in January. I am planning to keep involved in share plans so you will see me around. I will initially look to do some part time consultancy work alongside my InterHealth role before perhaps returning to a full time share plans role next year. If *newspad* readers want to contact me, my mobile number remains unchanged: 07598 268669 and the best email to contact me on is:

stuart.bailey@whiteoakconsulting.co.uk"

*__Equatex__ is delighted to announce that **Paul Stoddart** has joined its UK team as business development director, responsible for UK sales. Paul, a long-standing member of the Centre's steering committee, and well-known share plan figure with 20 years of industry experience, has moved from Computershare where he spent seven years as client solutions director.

Paul will be spearheading Equatex's UK sales team based in London. Equatex has a reputation for excellence in designing solutions for the most complex of client financial reporting requirements, as well as providing innovative share plan services for 1.5m participants across the globe. "It was an easy choice for me to make," Paul says. "Equatex is a company with an excellent reputation for solid delivery, a genuine track record of developing innovation with real value and it has ambitions to grow in the UK and EU". Paul can be contacted on +44 (0)7703 677836 or paul.stoddart@equatex.com.

*__Bedell Cristin__ was awarded the *Offshore Client Service Award* at the *Chambers Europe Awards*. During a ceremony at the Grosvenor House Hotel in London last month, the award was presented to Bedell Cristin partners, Tim Pearce, head of the banking and corporate team and Bruce Scott, head of the London office. According to the judges, the firm demonstrated *"exemplary business acumen and industry working knowledge"* and *"a willingness to always work to tight deadlines."* The Chambers Europe Awards are among the most prestigious in the legal calendar and recognise the work of national and international law firms across Europe. They reflect notable achievements over the past 12 months including outstanding work, impressive strategic growth and excellence in client service. Among the comments in Chambers Directory, Bedell Cristin was recognised for being *"responsive, skilled and exceptionally knowledgeable"* and *"extremely focused, diligent and service orientated."*

*__Farah Ballands__, ceo of Centre member trustee

Estera, announced that the company had been shortlisted in the '*Independent Trust Company of the Year*' category in the CityWealth Magic Circle Awards 2017. She said: "We are delighted to receive this accolade as the finalists have been selected by a judging panel of highly regarded industry experts."

Absint omina (bearing in mind United Airlines had just won the PR Week award). The Centre is thinking of taking a leaf out of the Pope's book and nominating *in pectore.*

***Martyn Drake** joined US New Jersey based **Conduent HR** as head of share plans at its Bristol UK office. Martyn has worked in the industry since 1989 in a number of senior positions in both technology and business roles. He was technology director at Computershare and md of its share plan business from 2008 until end of 2015. Martyn will help lead the Conduent team in the next stage of share plan evolution. Conduent is a business process services company, originally created as a spin-off from **Xerox**. It has 93,000 employees in more than 40 countries. His co-ordinates are: mobile: +44 (0) 7990 558757 and his email: Martyn.Drake@conduent.com Conduent's address is: 5th Floor, Temple Circus, Temple Way, Bristol, BS1 6HG

*Last December, Centre member **Elian** rebranded itself by morphing into **Intertrust,** following the latter's acquisition of Elian earlier last year. Intertrust employs 2,500 professionals operating from 41 offices in 30 key financial markets worldwide. Its share plan team – led by **Shane Hugill** and **Laura Butler** remains the same. It provides dedicated share plan trustee and administration services to a multi-national client base. A measure of the complexity of the employee equity menu these days is Intertrust's list of what it handles for clients: long-term incentive plans, restricted and nominee share plans, approved and unapproved share option plans, approved UK share incentive plans, stock appreciation rights, employee stock purchase plans, international Sharesave, jointly owned share plans, phantom share plans and bonus deferral share plans.

*The pending merger of **CMS Cameron McKenna** with fellow UK law firms **Nabarro** and Centre member **Olswang** is now a reality, creating the world's sixth largest law firm by headcount. CMS is renamed CMS Cameron McKenna Nabarro Olswang LLP and trades under the name **CMS.**

*Law firm **Tapestry Compliance**, co-founded in 2011 by ex **Linklaters** share schemes partner, Janet Cooper OBE has won the **Queen's Award for Enterprise,** in recognition of its significant growth in overseas sales to blue chip clients. Tapestry advises multinational businesses on global employee and executive share plans as well as broader HR and employment issues.

*Teresa James has a new job - as share plans project manager (consultant) with Sainsbury's in Buntingford, Hertfordshire. Previously, she was with the Altro Group as assistant company secretary.

UK CORNER

Eso statistics resume in June

The government confirmed to *newspad* that publication of HMRC's long-awaited annual UK share schemes statistics will resume next month, after an absence of two years.

In an unprecedented move, HMRC last year abandoned publication of the statistics covering the 2014–15 fiscal year, owing to repeated IT failings of its then new online share schemes reporting returns. It now appears that this set of statistics, covering 2014–15 will be lost forever.

A HMRC spokesperson said: "From April 2015, HMRC introduced a requirement for customers to submit annual share scheme returns online for the first time. The Employment Related Securities Service encountered some technical difficulties in this first year, affecting the availability of 2014–15 data.

"It has therefore not been possible to update the Employee Share Schemes (ESS) national statistics for 2014–15 as previously scheduled. The next update of the ESS national statistics, based on 2015 –16 data, will be published in June 2017. The exact date of publication will be announced on the statistics release calendar four weeks in advance."

Passporting services post Brexit

The **Prudential Regulation Authority (PRA**) published a copy of the '*Dear Ceo'* letter it had sent to firms regarding contingency planning for the UK's withdrawal from the EU. The letter was sent on April 7 by the PRA's ceo, Sam Woods, in response to a speech by Mark Carney, governor of the **Bank of England (BoE)** on the future of global financial services regulation. The letter concerns banks, insurers and designated investment firms undertaking cross-border activities between the UK and the rest of the EU, said lawyers *Katten Muchin Rosenman.*

The PRA explained that it expected all such firms to undertake appropriate contingency planning for the UK's withdrawal from the EU. It noted that while the government was aiming for a comprehensive new trade relationship with the EU, coupled with an implementation period, a wide range of outcomes were possible. The PRA expects firms to plan for a variety of potential scenarios, so that the safety and soundness of their UK operation is assured, and that the risk of any adverse financial stability impacts on the UK economy was mitigated. The Financial Policy Committee of the BoE will oversee the plans to mitigate risks to financial stability.

The PRA said that the current level of planning was uneven and plans may not be being sufficiently tested against the most adverse potential outcomes (*for example, if there was no trade agreement in place when the UK exited from the EU*). Where firms currently relied on passporting, the PRA expected them to have full contingency plans that covered a range of potential scenarios, including the most adverse potential outcomes. In particular, firms currently relying on passporting to carry on business in the UK should take into account the need to apply to the PRA for authorisation, which may be required to enable them to continue operating either as an incoming branch or as a subsidiary after the UK's withdrawal from the EU.

The PRA is asking firms for written confirmation from their board or branch senior management that they have considered their firm's contingency plans, a short summary of the plans and assurance that the plans appropriately address a wide range of scenarios..For firms that have only a small European element in their business, a *de minimis* response would likely be sufficient. The PRA will use responses as input to its own contingency planning, and will share relevant information with the **Financial Conduct Authority**. Full responses to the letter are expected by July 14 2017.

Top executive reward pegged back?

Average ceo reward levels in the UK's biggest companies have stopped rising for the first time in years, as a new wave of institutional shareholder activism appears to be driving restraint. Analysis of the first 40 blue-chip businesses to publish their remuneration reports revealed that 42.5 percent of their ceos did not get any salary increase this year. Consultancy **PwC** examined remuneration docs of the FTSE 100 businesses to get a snapshot of how pay policy is shaping up. It found that the median total reward - which includes bonuses - for ceos dropped this year by £200,000 to £4.1m, a fall of 4.7 percent. Among the highest-paid quartile of ceos, there was an even bigger drop, with total reward falling by 13 percent to £5.7m, which PwC attributed to pressure from investors. "Companies are under the most intense scrutiny ever on pay decisions, and it's no surprise they are generally showing restraint," said Tom Gosling, head of reward at Centre member PwC. "Pay levels overall remain broadly flat or down in real terms, and pay has fallen sharply at the highest paying companies. This reflects continued shareholder pressure on companies perceived to be outliers on pay."

The data, derived from an analysis of remuneration reports of the first 40 FTSE 100 companies with year ends on or after 30 September 2016, found that rises in basic salary were waning too. For those ceos who did get an increase in their basic pay, the size of the rise was smaller at two percent this time round, down from three percent in the same period last year.

Executive reward became a high-profile issue after Prime Minister Theresa May said in her inaugural speech last summer that the Brexit vote was partly a protest by the public against corporate bosses who "don't get it". She used the address to pledge her government would be "driven not by the interests of the privileged few, but for everyone of us" and referenced the struggling middle classes. The government's business committee has called for significant changes to senior executives' pay.

Legal & General, one of the UK's biggest asset managers, has been at the forefront of the campaign calling for pay restraint. Its last corporate governance report revealed it opposed 118 pay resolutions in the UK in 2016. Last summer the **Investment Association,** which controls £5.5 trillion of assets, issued a 10-point plan it said was aimed at rebuilding trust over what it called "excessive and ineffectual" executive pay.

However, PwC said the calls seem to have gone largely unheeded, saying there companies "are showing no appetite for radical change". Its analysis revealed that 63 percent of the FTSE 100 companies covered by its research are proposing new remuneration policies, but these contain very limited structural change, and almost all will continue to use controversial share incentives which can deliver massive bonuses. Mr Gosling added: "Despite growing calls for reform, the continued divergence in shareholder views have made it too risky for FTSE 100 companies to contemplate radical change to pay design this year." Few of the companies covered by analysis opted to include the ceo-to-average –employee-pay ratio, though Gosling said that such a blunt instrument was unlikely to be the answer to addressing concerns about executive pay.

Shareholder activist group **PIRC** is another voice in the campaign for reform of executive pay. It raised concerns about LTIP share incentives, calling them a "fundamentally broken model", with a spokesman adding: "It is encouraging that the upper quartile pay, so far, appears to have fallen, but LTIPs remain a problem in principle, and upper quartile pay will still have been boosted by these LTIPs. "

Brexit news

Two Canary Wharf, London, based EU agencies will be relocated to the continental mainland, said the European Commission, despite UK government efforts to stop them moving out. The **European Medicines Agency** has 897 staff while the **European Banking Authority** employs 159 people and the UK's decision to leave the EU has prompted interest from several EU countries in hosting the two organisations. "The UK is leaving the EU and it will have no say in the location of EU agencies," said Margaritis Schinas.

Barclays ceo to lose bonus over whistleblower plot

Barclays and its ceo **Jes Staley** are being investigated by regulators over his attempts last year to unmask a whistleblower who had raised questions about a recently recruited senior executive. The bank said it would formally reprimand Staley and cut his bonus by a "very significant" amount, but is supporting him. Staley, a veteran US banker who spent most of his career at JP Morgan and took the helm at Barclays in December 2015, has apologised to the Barclays board for his "errors". Both the **Financial Conduct Authority** and the **Prudential Regulation Authority** are conducting investigations into Staley and Barclays over the incident and into the bank's "controls and culture" relating to whistleblowers.

However, Barclays shareholders criticised Staley for tarnishing the bank's reputation, at the same time as warning it is "entirely possible" he could be pushed out by regulators for his role in the whistleblower scandal that has engulfed the lender. The regulators could decide to revoke Staley's 'approved person' status, forcing him to quit. Staley had sought to track down the whistleblower because he believed his colleague – understood to be financial institutions banker Tim Main – was being "maliciously smeared". Barclays said Staley's attempt to identify the whistleblower came to its attention in early 2017 after an employee raised concerns about its whistle-blowing procedures. The bank asked law firm *Simmons & Simmons* to start an investigation, and informed the FCA and the PRA. Its investigation found that Staley "honestly, but mistakenly, believed that it was permissible to identify the author of the letter." The employee was not identified and no further action was taken. Staley said: "I have apologised to the Barclays board, and accepted its conclusion that my personal actions in this matter were errors on my part. I will also accept whatever sanction it deems appropriate." John McFarlane, Barclays chairman, said: "I am very disappointed and apologetic that this situation has occurred, particularly as we strive to operate to the highest possible ethical standards. We take Barclays culture and the integrity of its controls extremely seriously." Staley was paid £4.2m last year including an annual bonus of £1.4m. For this year, he was in line for an annual bonus of up to £1.88m plus another payment under the long-term incentive plan of up to £2.82m, on top of his annual fixed pay of about £2.35m. Staley spent more than 30 years at **JP Morgan** before joining the hedge fund **BlueMountain** in 2013. He vowed to overhaul Barclays' culture when he succeeded Antony Jenkins, who had been ousted after attempting to restore Barclays' fortunes following the Libor crisis.

Skill crisis worsens

The UK's skills crisis was laid bare in a report showing that it is bottom, or near bottom, of the international class on at least four key measures, including literacy and numeracy, learning and digital skills. In its report — *From 'inadequate' to 'outstanding': making the UK's skills system world class* — the **Chartered Institute of Personnel Development (CIPD)**, the professional body for HR, warned that the UK is sleepwalking into a low-value, low-skills economy which leaves it ill-prepared for its post-Brexit future, particularly if the UK is to face restrictions on accessing talent from abroad. The analysis, which forms part of the CIPD's formal response to the government's *Industrial Strategy* Green Paper, highlights multiple failings in the UK's skills system including: England and Northern Ireland together rank in the bottom four OECD countries for **literacy and numeracy** among 16- to 24-year-olds; Out of 19 countries, the UK ranks bottom of the class on young people's **computer problem-solving skills**; UK employers spend less on **training** than other major EU economy and less than the EU average and the gap has widened since 2005. Finally, the UK lies fourth from the bottom of the EU league table on participation in **job-related adult learning**, with evidence showing a marked deterioration since 2007.

UK legislation:

*The UK government quietly nobbled attempts to force **British Overseas Territories (BOTs)** to allow public access to registers of beneficial ownership of companies registered in their jurisdictions if they would not do so voluntarily. The move occurred during the second reading of the **Criminal Finances Bill,** which has been through its Committee stage in the Lords. Baroness Williams of Trafford, speaking for the government, said the government was fully committed to working with the overseas territories to achieve the ultimate end of public registers but did not want to impose on them but rather to work consensually with them. As a result, the proposed new clause was withdrawn, reported Centre member **Deloitte.** The reading of the Bill included examination of those measures which will create new offences of *failure to prevent facilitation of tax evasion.* The Bill as amended is at http://deloi.tt/2o3fOoS

***The government published its response to the **Double Taxation Treaty Passport** scheme review on March 20 2017. The scheme will now be made available to all UK borrowers who have an obligation to deduct withholding tax, including UK partnerships, individuals and charities. Transparent entities (including partnerships) will be admitted to the scheme as lenders where all of the constituent beneficial owners of the income are entitled to the same treaty benefits under the same treaty. Sovereign wealth funds and pension funds which are utilising withholding tax treaty rates will be admitted as lenders. HMRC has published the scheme's Terms and Conditions and Guidance, which will apply to loans entered into on or after April 6 2017. See http://deloi.tt/1qNOoBs

WORLD NEWSPAD

Eso still absent from annual CSR reports

Where is employee share ownership in corporate social responsibility reports, except in the dry-as-dust annual report financial appendices? Sadly, the answer is nowhere else, if the latest CRS reports are anything to go by. Aren't all-employee Eso schemes supposed to be part of the community at work glue – as in "We're all in this together" – (or perhaps not)?

FedEx's *Global Citizenship Report 2017* is typical of the box-ticking mentality so evident among the corporate HR compilers of these reports. In its 'People' section, FedEx says it is happy with its record on staff retention (88 percent), diversity (origin of staff) and safety record, but nowhere in the headlines is there any mention of its employee shareholders. Since FedEx employs 335,000 people worldwide, one would assume that its Eso plans are sizeable affairs. Similarly, in **Centrica**'s *Responsible Business* report there appears to be not a sniff about its Eso plans and the level of participation levels. Ditto *Nestle in Society* or **Accenture**'s *Corporate Citizenship* report. Similarly, in its recently published 2016 corporate social responsibility report, **G4S**, the leading global security company, which employs 585,000, talked about creating a safer and better environment, human rights – including the protection of whistleblowers, anti-corruption and bribery – but again nothing up front on employee share ownership. In some companies, this omission reflects the corporate pyramid structure: so is it really HR or the finance department which holds the whip hand over its corporate Eso plans? If the latter, then Eso is certainly condemned to the financial footnotes. The Centre is asking big business to help shift Eso out of the shadows and into the corporate light by promoting it up front in CSR reports and in other corporate media.

Share schemes news

***Farfetch Group** offered its 1,300-strong workforce share options in the fashion business through its latest initiative, 'Farfetch for All'. The London-based online group, which includes global subsidiaries, offices and the business units of Farfetch.com, Browns, Black & White, and Store of The Future, said all employees from junior staff to executives will be included in the scheme, which aims to retain and reward teams in 11 offices globally.

"We are very proud of our achievements and want to reward our people who have helped to bring them to fruition. Our company culture and values have been built around the importance of working together and aspiring to a common vision. By launching 'Farfetch For All' we are reinforcing this message to our people and rewarding all who have participated in this journey so far; as well as hoping to attract new talent who embrace these values as we look to the future," said Farfetch Portuguese ceo and founder, ***José Neves***. The initiative will equate to an investment of $40m (based on the latest company valuation), which is the single largest investment the company has made to date. This announcement follows a strong year for the company, which sells luxury clothes from 700 boutiques and brands worldwide. Farfetch Group grew by 70 percent in 2016, based on the value of goods traded across the platform. The business is unveiling in London '*The Store of the Future'*, a new strategy focused on "redefining the omni-channel retail experience for the customer" by making better use of the retail experience of its brand and boutique partners.

*Global electrical management and automation giant Schneider Electric announced a capital increase reserved for employees under its group Employee Savings Plans (plans d'épargne salariale). This offer, which is in line with the group's policy to develop employee shareholding, covers almost 90 percent of the 160,000 group workforce. The subscription period will be from June 7 to 13 this year, with the payment for, and delivery of, shares on July 11. Within this framework, share subscription is offered to group employees in 33 countries, including France under a classic plan, in which the subscriber is exposed to variations in the share price and may, if applicable, benefit from an employer matching contribution. Schneider Electric, which has a €26bn annual turnover, said: "This offer aims to reinforce the attachment of employees by giving them the opportunity to be more involved in the group's developments and future performance." Shareholders authorised the Board at the last agm to increase Schneider's share capital by up to two percent, by issuing new shares or other securities for employees taking part in the savings plan and to increase the share capital by a further one percent, by issuing new shares reserved for employees and entities created for the benefit of group employees located outside France. The subscription offer comprises up to 3.7m shares (0.62 percent of the share capital) and the price of the new shares will be based on the average of the opening share prices quoted on Euronext Paris market on the 20 trading days preceding the day the strike price is fixed, on June 6, this year. The shares created will bear dividend rights backdated to January 1 2017. Qualifying employees and former employees will be able to subscribe for shares either directly, or through a fonds commun de placement d'entreprise (FCPE), at a price equal to 85 percent of the reference price. The present offering is without a preferential subscription right. The unit holders of the FCPE will exercise their rights to vote in the Schneider Electric shareholders' meetings indirectly, through the supervisory board of the FCPE. The subscribers will hold the subscribed shares or the units of the FCPE at least until June 30 2022 (inclusive), except in early exit cases.

The Centre & the EU

The Centre will continue to work closely with the European Commission, to strengthen and extend employee share ownership within all sizes of companies, despite the looming Brexit negotiations, chairman **Malcolm Hurlston** told EU colleagues in Brussels. He recommended to European Commission representatives who were keen to tackle inequality that it should concentrate on the art of the possible.

First, in the absence of fiscal powers, it should encourage financial participation by means of its influence using nudge power based on behavioural economics. Large and multinational companies were already heavily engaged in employee share ownership: they made natural partners for the Commission. Share options were easy to offer and administer and could help to fight inequality.

Secondly, the Commission could look across all measures affecting the attraction and viability of share plans to simplify and remove barriers. (This would be modelled on the work of the Office of Tax Simplification in the UK).

Thirdly, the Commission could encourage the use of seller notes to help succession in SMEs through employee buyouts, a long established problem for equality, localism and employment.

Mr Hurlston was speaking at a special meeting of the Commission-backed Pan European study of how employee financial participation (EFP) at work could be developed and extended in the commercial and service sectors. He was supported by Centre international director, Fred Hackworth.

COMPANIES

***Credit Suisse** ceo Tidjane Thiam and his board of directors offered to *cut* their own bonuses by *40 percent* and to keep total board pay at the same level as 2015 and 2016, ahead of its agm after uproar over a £61m payout. The bank, Switzerland's second-biggest, faced a fierce backlash from investors and politicians against the planned bonuses, which were due to be paid despite it recording a £1.9bn loss in 2016, its second consecutive year in the red. A dozen executives had been due to share £61m of bonuses, including £9.4m for Mr Thiam, the former ceo of the FTSE 100 insurer **Prudential.** Three influential investor advisory firms, **Institutional Shareholder Services, Glass Lewis** and **Ethos**, had raised concern about the bonuses before the bank's agm next month. Credit Suisse decided to cut the so -called long-term and short-term incentive awards and pledged to keep total compensation for the 12 executive board members at the same level as last year. Thiam said the decision to reduce top executives' variable compensation reflected "the total confidence" they had in fixing the bank's fortunes. "My highest priority is to see through the turnaround of Credit Suisse," he wrote in a letter to shareholders. "I hope that this decision will alleviate some of the concerns expressed by some shareholders and will allow the executive team to continue to focus on the task at hand." Under Swiss law, shareholders get a binding annual vote on executive pay.

BP** slashed the pay package of ceo Bob Dudley by 40 percent to avoid a repeat of the shareholder rebellion it suffered a year ago. Dudley took home £9.3m for 2016, well below the £13m he received for 2015, when BP reported record losses amid a global slump in oil prices. In addition, BP is proposing to change its future pay policy: Dudley's maximum long-term payout will be reduced from seven to five times his salary. This will cut his annual bonus payments by a quarter. The cave-in followed a bruising stand-off at BP's agm last year, when ***59 percent of shareholders voted against the pay plan. "Last year's agm remuneration vote was a clear message about how we manage executive pay," said Prof Dame Ann Dowling, who chairs BP's remuneration committee. Last year's vote was advisory but the defeat piled pressure on the board to review its pay structures ahead of the 2017 agm, which takes place on May 21. Shareholders in BP will have a binding vote on pay for the ***first time*** this year, as a result of 2013 rules requiring companies to put their pay policies to investors every three years.

***Cairn Energy** and City broker **TP ICAP** revealed changes to their pay policies ahead of their agms. Executive directors at broker TP ICAP will have to get used to substantially lower reward packages for the next three years after investors pushed back on the firm's initial pay plan. A revamped plan, revealed in TP ICAP's annual report, has a higher shareholder return hurdle and a longer holding period for shares compared to the initial proposal. Ceo John Phizackerley will have to wait until the end of 2019 for a large shares bonus. Phizackerley, who earned £3.4m in 2016, will see his annual bonus potential shrink for the next three years as the focus shifts towards longer-term reward packages for those at the top. His total pay package will fall to between £600,000 and £2.1m each year until 2019, at which point he will be handed shares worth up to £15m. TP ICAP has been consulting investors on its remuneration plans ever since the business was created in December, when **Tullett Prebon** bought the voice-broking business of rival ICAP for £1.3bn. The business was forced to tear up its initial scheme in February after shareholders urged the FTSE 250 group's board to scale back its pay proposals and make bonus targets harder to hit. The mid-cap oil producer Cairn is planning to cap total bonus payouts while placing a greater emphasis on short-term success.

*****Five percent of employees at **Deutsche Bank** are eligible for a deferred cash plus equity pay-out from a €1.1bn (£950m) pot, despite the bonus pool being slashed by 77 percent. The 5,522 employees, who Deutsche feels it can ill afford to lose, will be eligible for a retention award of £477m in cash and *£477m* in equity between them.

However, the bankers will not be handed these amounts right away, as both parts of the award are deferred by at least three years. Additionally, the shares portion will not vest if the bank's share price does not hit certain targets. Deutsche Bank's total variable pay pool, which does not include the retention award, was slashed from €2.4bn to €500m this year, after a difficult 2016 left the lender €1.4bn in the red. The lender's annual sweeteners consist of an individual bonus, based on whether an employee has hit his/her targets and a bonus from a group pool calculated on the firm's financial performance. In January, it was announced anybody with vp, director or md in their job title would not be receiving their individual bonus, a decision which affected a quarter of the bank's 100,000-plus staff. The bank's management board did not take a bonus for the year either.

*More than a third of shareholders voted down last year's £1.58m remuneration package packet for **Drax** energy group ceo Dorothy Thompson, which gave her a 26.7 percent rise over her total pay for 2015. The shareholder revolt followed criticism from proxy advisor ISS and a 17 percent market slide for the FTSE 250 generator's shares this year.

*****High street retailer **Next** slashed its ceo's reward package by more than half after its profits fell for the first time in eight years. Lord Wolfson's total pay, which includes bonuses, was cut from £4.3m to £1.8m, for the 2016-17 financial year. He was paid a bonus of £500,000 for the previous 12 months. The 55 percent pay cut was revealed in the Next's annual report. None of the firm's other three senior executives or non-executive directors were paid a bonus either.

*Unions threatened to disrupt **Royal Mail** deliveries with strike action, after the company said it would close its defined-*benefit* pension plan next year. The plan, which has 90,000 members – which is roughly two-thirds of Royal Mail's workforce – and assets of £7.4bn, is in surplus, but Royal Mail (RM) said this would run out next year and the scheme would become unaffordable. The UK's largest-ever all-employee free share scheme came into being for 'posties' at RM when it was privatised in October 2013 by the then Coalition government. RM currently pays £400m a year into its salary-based pension fund but it said this could rise to more than £1bn in 2018. The scheme, which was closed to *new* members in **2008**, guarantees a pension based on a postal worker's average salary, but RM has plans to replace it with a less generous defined-*contribution* scheme. About 40,000 other RM employees, who joined the company since 2008, are members of the defined contribution scheme and are unaffected by the dispute. RM said it had consulted members and unions and defended its plans. "*We have concluded that there is no affordable solution to keeping the plan open in its current form*," it said. "Therefore, the company has come to the decision that the plan will close to *future accrual* on March 31 2018, subject to trustee approval." **BMW** recently announced it was closing its final salary pension scheme for UK employees, as did **Tesco** last year. Other companies including **Marks & Spencer** and **Tata Steel UK** are in the process of closing their employees' defined-benefit pension plans too.

*****The average FTSE ceo earns 386 times more than an employee on the national living wage, according to an analysis published by the **Equality Trust** as it stepped up its campaign for new government rules to expose pay gaps. The charity used annual reports from 2015 for all FTSE100 companies to calculate that their ceos pocket an average of £5.3m each year, compared to £13,662 for someone on the national living wage of £7.20 an hour. The trust issued its findings amid growing worries over a squeeze on living standards from sluggish pay growth and rising inflation. The Trust found that more than two-thirds of FTSE 100 ceos were paid more than 100 times the average UK salary. Its pay tracker report highlighted the big gaps between FTSE bosses such as Sir Martin Sorrell of advertising firm **WPP,** who was awarded more than £40m in 2016, and public sector workers, who have seen their incomes squeezed by years of austerity. The Equality Trust analysis found that FTSE 100 ceos are paid 165 times more than a nurse, 140 times more than a teacher, 132 times more than a police officer and 312 times more than a care worker. It urged the government to force large and medium sized firms to report the pay gap between their highest and average paid employee. "We need far greater transparency on company pay practices to challenge poverty pay and executive excess at the same time," said Equality Trust executive director Wanda Wyporska.

*MPs urged the government to ban lucrative and complex share-based pay schemes for top executives. Concern over excessive pay is a sentiment now shared by investors.

New global plans portal

Centre member **Deloitte** launched an interactive and free Deloitte Global Share Plans portal. See for yourself at this site: Visit the Deloitte Global Share Plans portal

This new hub provides guidance on tax and legal issues in multiple jurisdictions for the most common employee incentive plans (Stock Options, Restricted Stock Units/Long Term Incentive Plans and Shares). The summary information includes the relevant income tax points, tax withholding requirements, tax favoured plans, securities law issues and exchange control issues. This site is not a substitute for professional advice but it gives an overview for over 50 countries to help companies identify where they may have compliance requirements or opportunities. The portal provides an interactive map so that users can quickly identify the information they are looking for in over 50 countries.

Europe

*Several commercial **Irish** state-owned companies believe official salary rates for top-level personnel are now too low to attract suitable candidates or retain existing senior staff, the Department of Transport has warned. Briefing material prepared for the department's secretary general says there is "discontent" in some companies at government policy not to pay performance-related bonuses, and that some ceos are threatening to take legal action against the State. It says that already High Court proceedings have begun in one case.

The Fine Gael-Labour coalition introduced in 2011 new lower salary rates for ceos appointed to commercial State companies following the economic crash. The briefing material stated that policy introduced by the Department of Public Expenditure and Reform eliminated benefits such as car allowances for new ceos in commercial State companies and for those who were having their contracts renewed.

*Companies who operate within the EU cannot keep the details of stock option awards to certain employees secret, the **European Works Council (EWC**) reported. On January 17 this year, the state labour court of **Baden-Württemberg** ruled on a complaint filed by the works council of **Dow Chemical** at their site near **Karlsruhe**. Management had refused to provide information about the granting of stock options, which the US management distributes entirely at its own discretion. While the judges ruled that the works council does not have any co-determination rights on such incentive schemes, the group's German subsidiary however, should communicate with workforce representatives concerning to which employees and how many stock options are granted in each instance. It is only by these means, that the works council can fulfil its legal role and ensure equal treatment of employees, said the EWC.

*German sister organisation **Agpev** (Bundesverband Mitarbeiterbeteiligung) is holding a conference entitled '*More Share Ownership in Germany*' in Berlin on **Wednesday May 10**. This event, in association with **Siemens** and **Deutsches Aktiensinstitut**, is one of the highlights of Agpev (AGP)'s campaign to bring employee share ownership back onto the political and public agenda in Germany.

"Looking ahead to the federal elections in autumn we want to take the opportunity, to stimulate politics, unions and employers associations to promote employee share ownership (Eso)," said **Heinrich Beyer.** "Our main arguments in favour of more Eso are the inadequate asset formation / old-age provision and the unequal distribution of wealth in Germany, which has a lot to do with a weak share culture here. These are top themes in Germany in times of a low-interest-rate-policy. "We need more broad (share) ownership - in German: *Mehr Teilhabe am Kapital der Wirtschaft* and politics have to establish a supporting legal and fiscal framework. Added to this demand, AGP makes concrete detailed proposals." The documents about the conference are in German and congress language will be German and delegates will not have translation. German speakers can register online at: www.agpev.de/was-wir-tun/veranstaltungen/anmeldung/index.php

***Swiss bank **UBS** has been running its wealth management operations for continental Europe from **Frankfurt** since last December and has founded the new **UBS Europe SE** company, which has 2,000 employees in nine countries. Frankfurt has therefore become the favoured solution for the possible relocation of 1,500 UBS jobs from London, should Great Britain not only part from the EU, but also from the single European market. The SE participation agreement signed last August included appropriate provisions.

USA

*The House of Representatives passed the **Encouraging Employee Ownership Act** on April 4 by a bipartisan vote of 331 to 87, reported the California based **National Center for Employee Ownership.** The bill would ease current **Securities and Exchange Commission (SEC)** rules, making it easier for private companies to provide stock-based compensation to employees. The bill would increase to $20m the current $5m cap on the amount of stock closely held companies can award employees before triggering certain SEC reporting requirements. The amount would be indexed for inflation annually. The bill was received in the Senate and referred to committee.

*In *Tech Companies Are Shutting Employees Out of the Stock Market's Boom* on the **Fortune** magazine website, author Joseph Blasi observes that "the percentage of employees with equity stakes in innovative industries, such as computer services, declined from over half of all employees in that industry in the early 2000s to about a fifth of all employees by 2014. What's behind the decline? Dr. Blasi argues that there are many factors: changes in the tax code changed the incentives for public companies to maintain ESOPs, companies reacted to stock option accounting standards by providing option grants to fewer employees, and the declining generosity of employee stock purchase plans. He argues that these changes have led many HR practitioners to a new theory of compensation, based on the idea that 'only executives and a few percent of top employees can really impact the bottom line and only they should have shares.' He notes that "this view is held in spite of the fact that decades of scholarly research on broad-based employee share ownership concludes the opposite."

***Avaya,** which sought bankruptcy protection on January 19, wants to pay its ceo and ten other top executives up to $3.7m in bonuses for the second quarter of this year. The request to pay these bonuses came a week after *The Wall Street Journal* reported that Avaya had begun reducing pension benefits for certain retirees who received notice from the company that it wouldn't make supplemental pension payments due in February and March, although pensions guaranteed by federal law continue to be paid. While Avaya's "overriding goal remains to complete" its reorganisation, its ability to achieve this goal, as well as minimising disruption to customers, vendors and employees, depends on its management keeping the troubled telecommunications services company's business stable, said company papers lodged in court. If Avaya achieves these goals, then ceo Kevin Kennedy, whose annual salary is $1.25m, stands to receive $1.25m to $1.56m as a quarterly bonus.

*__Wells Fargo__ clawed back $75m from two former top executives after an internal report concluded management had little interest in dealing with an overly aggressive sales culture dating back at least 15 years - until it spiralled out of control, resulting in millions of accounts being opened fraudulently. The bank's board clawed $75m in pay from former ceo **John Stumpf** and community bank executive

Carrie Tolstedt, saying both dragged their feet for years regarding problems at the second-largest US bank. Both were ultimately unwilling to accept criticism that the bank's sales-focused business model was failing. Last September, Wells acknowledged that its employees had opened up to two million checking and credit card accounts without customers' authorisation. Trying to meet unrealistic sales goals, Wells employees even created phony email addresses to sign customers up for online banking services.

"(Wells' management) created pressure on employees to sell unwanted or unneeded products to customers and, in some cases, to open unauthorised accounts," the board said in its report. Many current and former employees talked of intense and constant pressure from managers to sell and open accounts and some said it pushed them into unethical behaviour. The report backs up those employees' statements.

The bank has already paid $185m in fines to federal and local authorities and settled a $110m class-action lawsuit. The scandal resulted in the abrupt retirement last October of ceo John Stumpf, not long after he underwent a roasting from congressional panels. The bank remains under investigation in several states, as well as by the **Securities and Exchange Commission**, for its practices. The board's report recommended that Stumpf and Tolstedt should have additional compensation clawed back for their negligence and poor management. Tolstedt will lose $47.3m in stock options, on top of $19m the board had already clawed back. Stumpf will lose an additional $28m in compensation, on top of the $41m the board already clawed back. Along with the millions clawed back from other executives earlier this year, the ***$180m in claw-backs*** are among the largest in US corporate history.

China

The stock price of **Tencent Holdings** touched new heights, catapulting the operator of China's biggest social messaging platforms into the largest Asian company by market capitalisation. In the process, it is making company founder Pony Ma Huateng very wealthy, along with members of his senior management. Tencent paid an unidentified individual £31.25m in pay and bonus last year, a 13 percent increase from the Hong Kong-listed company's highest 2015 employee reward, according to company filings.

Pony Ma Huateng's remuneration even exceeded that of Silicon Valley and other US technology company ceos, including Amazon, IBM, Apple, Twitter and Intel. Founded in 1998, Tencent has been generous and innovative in all-employee ownership . When it marked its 18th birthday last November, the company gave 300 shares to every employee, valued at a combined £107m. Several awards worth £11.36m each were handed out to the development teams behind its best-performing products, including the mobile game *Honour of Kings*, and its WeChat Pay service, according to a report by *Thepaper.cn*. Apparently, WeChat development team members each received an Apple *iPhone7 Plus* smartphone, with the employee's name engraved on it. This reflects the supply of talent in the technology world, where software engineers, designers and product managers with large companies on their resumes command a premium. In the first quarter this year, internet and e -commerce companies displaced banking and finance as the most sought-after employers among Chinese white-collar job seekers, according to Zhaopin.com, a New York-listed Chinese job portal.

"A lot of these guys can very easily go out and start their own companies at billions of dollars of valuation, because they are so well respected [by the private equity world]," said Shaun Rein, md at China Market Research. "The reality is they are performing that well," Rein said. "If they want to retain the top talent, the compensation makes sense."

Tencent operates Weixin -- and its offshore version WeChat -- the Chinese social messaging platform that allows 889m users to do everything from video-messaging to exchanging documents, and even hail rides, navigate and pay their utility bills. Tencent's shares rose to a record £23 each, boosting its market value to **£219 bn**, making it Asia's biggest company. Ma, who is also Shenzhen-based Tencent's chairman and ceo, was paid US$5.7m last year, according to company filings. His 8.7 percent Tencent stake was valued at US$24.6 bn at current market prices. It employed 38,775 people as of the end of last year, up 27 per cent from the 30,641 employed in 2015. **Baidu** and **Alibaba Group Holding**, two of the largest US-listed Chinese internet companies, are not required to divulge their executive remuneration. Alibaba is owner of the *South China Morning Post*.

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