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# it's our business

newspad of the Employee Share Ownership Centre

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## In this issue



***From the life president***

*It's our business - the Centre's monthly has been synonymous for many years with the name of its editor Fred Hackworth. It is fitting that the new Chancellor has given him a rousing send-off by selecting for action Fred's almost lone call for making effective use of the CSOP. Doubling its maximum was at the lower end of the ideal but it was a strong move. He was also glad to see the end of the Office of Tax Simplification, whose recommendations had frequently riled him and many members of the Centre. But most pleasing for all of us was the Chancellor's clear summation from the despatch box -* ***We want this country to be an entrepreneurial, share-owning democracy.***

*From the pages of newspad Fred led an unrelenting and well-informed campaign on behalf of the original shareholders of Roadchef. He has passed on access to the channels through which he kept informed and through which as a journalist by profession he was able to cover the sad story with impunity.*

*That will be harder for the Centre in a world where the consensus favours good news, but I shall personally keep his high ideals in view. I have compared the Roadchef saga with Dickens' Jarndyce v Jarndyce in which the pot was empty after all legal fees. However, I understand that there are substantial sums of money now gaining ever more interest so there may be light at the end of this rare dark tunnel for employee ownership. Fred's light will continue to shine.*

***Malcolm Hurlston CBE***

# Centre win on key CSOP reforms

Chancellor of the Exchequer **Kwasi Kwarteng** responded to the Centre's call for urgently needed reform to the discretionary Company Share Option Plan (CSOP) by doubling the individual employee investment limit from £30,000 to £60,000 from next April.

In addition, the Chancellor listened to Centre representations about the need to ease restrictions on share classes which can be used in a tax-advantaged CSOP. Mr Kwarteng announced: "*The 'worth having' restriction on share classes within CSOP will be eased, better aligning the scheme rules with the rules in the Enterprise Management Incentive (EMI) scheme and widening access to CSOP for growth companies*."

These CSOP reforms were a direct response to the Centre's key lobbying point that once gazelle-type UK companies grew beyond the strict qualifying rules of the EMI, they had nowhere else to go, because CSOP appeared until now to be a tired old scheme which failed to incentivise key employees sufficiently, especially in FinTech roles.

These footnotes in Mr Kwarteng's *Growth Plan*, which accompanied his mini-Budget, should open the floodgates to the installation of dozens, if not hundreds of new CSOP plans by UK companies seeking to incentivise key employees. The Treasury believes that the CSOP reforms will cost HMRC £115m in additional tax relief in the tax year 2026-7.

He told MPs from the dispatch box: "***We want this country to be an entrepreneurial, share-owning democracy.***"

His Treasury Growth Plan said: "*The government is supporting companies to raise money and attract talent by increasing the generosity and availability of the Seed Enterprise Investment Scheme (SEIS) and Company Share Option Plan (CSOP). The government remains supportive of the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) and sees the value of extending them in the future.*"

**Centre founder and life president, Malcolm Hurlston CBE,** said: "We are long-term backers of the CSOP. I am delighted that at long last we have a Chancellor with clarity of vision to spell out the merits of a share-owning democracy."

The CSOP will become a much more attractive scheme for companies to use from the next fiscal year 2023-4. Employees who are awarded CSOP options won't have to pay either NICs or Income Tax when they cash them in, provided they don't exercise their share options for at least three years. Companies are not taxed when they issue CSOP options either.

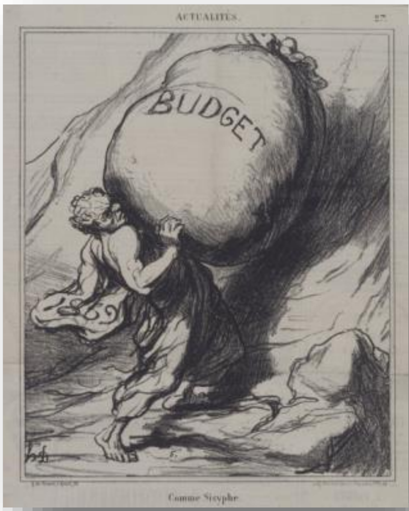
Some start-up founders and investors told the *FT* supported website *Sifted*, that, while encouraging, the proposed CSOP scheme changes could have gone further. Hannah Seal, partner at Index Ventures, said that the UK lagged behind several EU member states, including France, which had introduced much more attractive stock option policies. This, in turn, had made it easier for start-ups in those countries to attract and retain talent. With other countries expected to follow suit and become more competitive, the UK had needed to urgently review its policy," she told *Sifted*.

# Centre win on key CSOP reforms

*In a surprise move, the Chancellor announced plans to embed tax simplification into the heart of government. The **Office of Tax Simplification (OTS)** will close and the Treasury and HMRC will be instructed to simplify the tax code in order to boost economic growth.

Set up in 2010 to identify areas where complexities in the tax system for businesses and individual taxpayers can be reduced, the OTS is an independent office of the Treasury. The OTS has form in upsetting the Centre. A decade ago, it urged the Treasury/HMRC to abolish the CSOP, claiming that the scheme had become irrelevant, but the Centre leapt to its defence, mounting an impressive lobby campaign in order to help save the CSOP. The OTS, then, in another study-report, enraged the Centre a few years back by suggesting that employee share scheme gains should be taxed as income, using the higher Income Tax bands to secure additional revenue and demanding that the annual investment tax allowance exemption of £12,300 should be slashed to a nugatory amount. This would have landed many employee shareholders with big tax bills. *The OTS advice was not followed.*

*He announced too that the controversial **IR35** off-payroll tax reforms for the self-employed would be abolished from April in order to stop hindering the construction industry. Under those reforms, introduced in April last year, medium or larger companies in the private sector are forced to take responsibility for checking whether contractors they hired should be taxed in the same way as employees. The previous government hoped the reforms would reduce the amount of 'disguised employment' in the UK, although critics argued that they would be an unfair burden to place on businesses. Before reform, HMRC believed that just ten percent of contractors who ought to be working inside IR35 actually were. It leaked out that the Department for Work and Pensions (DWP) paid an £88m tax bill to HMRC as a result of IR35 non-compliance. From next April, workers across the UK providing their services via an intermediary, such as a personal service company, will again be responsible for determining their employment status and paying the appropriate amount of tax and NICs. The 2017 and 2021 reforms to the off payroll working rules - known




as IR35 - were a tax law that required the end client, and not the contractors they hire, to decide if the working relationship resembles a self-employed engagement or employment. Under existing rules, the fee-paying party (either the end client or recruitment agency) shouldered the liability. The aim of the reform was to stop the promotion and mis-selling of disguised remuneration schemes, however the legislation was heavily criticised. Mr Kwarteng repealed these reforms as part of the first steps in taking complexity out of the tax system. He said: "*We can simplify the IR35 rules and we will. In practice, reforms to off-payroll working have added unnecessary complexity and cost for many businesses. So as promised, by the prime minister, we will repeal the 2017 and 2021 reforms. Of course, we will continue to keep compliance closely under review*."

The changes will mean workers will once again be responsible for determining their employment status and paying the appropriate amount of tax and NICs. The Centre follows the IR35 issue closely because some of the intermediary companies who hired skilled employees for the industry used EBTs to lend money to contracted workers, thus avoiding some of the usual employment tax and NICs charges. However, many were later caught by HMRC which argued that since the loans in most cases had not been repaid, their arrangements were still technically open and thus subject to the tax legislation.

# Centre win on key CSOP reforms

*Chancellor Kwarteng believes that scrapping the cap on bankers' bonuses will make London a more attractive place for global banks to do business. City ceos have long complained about the EU-wide bonus rules which cap bonuses at twice an employee's salary. They say they lead to higher base pay that pushes up banks' fixed costs. Critics argued that uncapped bonuses led to the kind of excessive risk taking that spawned the financial crisis of 2008. However, others maintain that new rules holding senior managers personally and potentially criminally responsible for misconduct, plus the ability to claw back bonuses years after they are granted, were a sufficient disincentive.

*It was Mr Kwarteng's last-but-one predecessor, Rishi Sunak, who first asked the share scheme sector for ideas on how to turn the somewhat neglected CSOP into a scheme which could help smaller companies who no longer qualified for EMI because they had exceeded the limits for maximum £30m Gross Asset Value, or they now had a headcount of 250+ employees. When he was Chancellor, Mr Sunak rejected calls from Centre member share scheme practitioners and others to reform the immensely popular EMI because, he claimed, it was working perfectly well. However, he invited practitioners to help him spruce up the dowdy CSOP. The idea was to make it far more attractive for fast-growing SMEs to use for incentivising key employees, once their employer no longer qualified for EMI status. One of CSOP's biggest handicaps was that no employee can be awarded more than £30,000 worth of share options if the company and its employee plan participants are to stay within the tax-protected umbrella - a paltry limit which has been left unchanged for 20 years, despite the ravages of inflation. *In response to that invitation, the Centre suggested raising the limit on maximum individual CSOP option holding to at least £60,000 – merely to return it to what it was before years of inflation erosion – and, if possible, to £100,000 per individual.* Mr Kwarteng heeded the Centre's call for CSOP reform and has met us more than half way by raising the employee investment limit to £60K and by easing the rules on eligible share classes. *However, the Centre still wants to see a reduction in the minimum holding period before vesting of CSOP options within the tax-advantaged regime from three years to two years.*

In his mini-Budget, Mr Kwarteng:

- Scrapped the cap on bankers' bonuses (*no more than annual salary, or up to 200 percent of salary with shareholders' express approval*), which was introduced in 2014 when the UK was still a member of the EU.
- Cancelled next year's planned rise in Corporation Tax from 19 to 25 percent.
- Will lodge new legislation requiring trade unions to put pay offers from employers to a vote by member employees.
- Cancelled the planned 1.25 percent increase in NICs next year and the increase imposed last April.
- Scrapped from April 21 next year, the higher Income Tax rate of 45 percent.
- Cut from next April, the basic rate of Income Tax from 20 to 19 percent.
- Said he was winding down the Office for Tax Simplification.
- Was in discussions with companies and regional bodies about the establishment of up to 40 new tax -free business investment zones.

Centre members are relieved that the new government has acted in a positive manner to encourage more employee participation in Eso, if mainly in the SME sector. Although CSOP is technically a discretionary scheme, originally intended to incentivise executives, it can be used as an all-employee share option scheme too – and is, especially in large retail companies, including supermarkets. It held on relatively well during the pandemic because awarding incentive options to employees avoided depleting employers' cash reserves even further.

*What better way of boosting the UK's poor productivity record than giving the other tax-advantaged employee share schemes a make-over too, encouraging many more employees to work harder and smarter (as Louis Kelso used to say) for their companies and themselves?*

*The Chancellor indicated that tax breaks on VCTs would remain in place beyond the original closure date of April 2025, despite a pre-Brexit rule. VCTs offer investors a 30 percent tax rebate on sums invested on risky start-ups. Any dividends and capital gains made are free of tax. Only those who subscribe directly for new VCT shares get the 30 percent tax rebate, but all investors qualify for tax-free dividends and capital gains. The same changes will apply to the Enterprise Investment Scheme.

# Newspad 2022 Awards: entries welcome

Nominations are now open for the ***2022* newspad *all-employee share plan awards.***

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

Has your company or client made a notable contribution to employee share ownership, issued an inspirational share plan, or showed excellence in its communication and presentation; been creative in using share plans to overcome significant changes or challenging situations, increasing participation or using latest technology? Or perhaps the chairman, ceo, or share plan team leader has upped the game with exceptional enthusiasm for Eso? Why not tell the share scheme world about it? Companies can nominate themselves or advisers can make submissions on behalf of clients. Entrants can apply for awards in more than one category. Submitting nominations is free and simple. *Nominations should be proposed by Centre practitioner members,* though their clients, whose share plans are proposed, need not be members. If you are a plan issuer, you may enter your own plan for an award whether or not you are a member of the Centre.

Required information is kept to a minimum. The deadline for nominations is 17:00, **Friday December 16 2022**. The awards present a great opportunity to celebrate your achievements.

The award categories this year are:

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

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

***Online application form** -complete all sections of the online form, providing as much detail as possible. (Alternatively, entries can be made by one or two explanatory documents)

***Supporting documentation** - where appropriate, please back up your application with supporting documentation. Either upload the files at the end of the form, or email them to esop@esopcentre.com.

Please read the rules and terms of entry. The winners will be decided by two impartial judges, experts in the use of employee equities, plus Malcolm Hurlston CBE, founder of the Esop Centre. The finalists will be announced in newspad and award certificates will be presented during the Centre's **British Isles Symposium 2023**.

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

# Fred Hackworth retires as newspad editor

After almost 25 years in post as editor of the Centre's widely-disseminated monthly news bulletin, *newspad,* Fred Hackworth has decided to hang up his quill pen. Fred was director of the Centre until he retired to live in France some years ago. For many years, he organised international conferences for the Centre, including 12 successive years in Davos in February and early summer events in, among others, Barcelona, Cannes, Paris, Rome, Seville and Vienna. Until recently, he helped organise the Centre's continuing series of British Isles share plan symposiums, now in a hybrid format.

Fred told *newspad* readers: *"It has been a great privilege and a lot of hard work being part of the Esop Centre's voice over all these years. Collectively, Centre members, led by founder and life president Malcolm Hurlston, have helped secure key advances for both all-employee share ownership and management equity incentives, notably the introduction of the Share Incentive Plan (SIP) and the Enterprise Management Incentive (EMI), which saw the light of day through the efforts of the late great Nigel Mason of RM2, who talked the then Chancellor Gordon Brown into implementing it.*


Photo by George Dolgikh: https://www.pexels.com/photo/thank-you-signage-2072165/

*"Centre members should keep up the pressure on the new government to reform the other tax-advantaged Eso schemes too. After all, reputable survey evidence, especially from the US, is conclusive that all-employee share ownership often leads to sustained increases in productivity and smarter working in tens of thousands of workplaces throughout the developed world. Although share prices on many stock exchanges are well off their recent peaks this, paradoxically, may well be a good time for employees to join their company share schemes, or to extend their participation, as share values are almost certain to rise again within the next two to three years,"* added Hackworth.

Juliet Wigzell will be in the editor's chair to assemble the next issue of *newspad,* so please send your share schemes news to her at: juliet_wigzell@zyen.com

# New employee director at Capita

Janine Goodchild, a former intensive care and community nurse, has joined the board of Capita as an employee director. She has worked at Capita since 2016 and is a lead clinical trainer in the team which assesses personal independence payment applications on behalf of the Department for Work and Pensions. Previously, she worked in the banking industry as a training development officer.

Janine continues in her day-to-day employee role at Capita, with time allowances made to be able to fulfil her responsibilities as an employee director. She receives the same remuneration as other non-executive directors and is being given a training programme to equip her for her new role on the Board. Sir Ian Powell, chairman of Capita, said: *"Janine brings with her a wealth of operational experience gained in the healthcare team at Capita, as well as from her previous careers. Her expertise and insights will be of great benefit to the board. The role of employee director, which we introduced in 2019, is a crucial part of Capita's wider purpose-led objectives. It broadens the perspective and diversity of thought of the board; and ensures that the voice of an independent colleague from the wider workforce informs strategic decision-making at the highest level of the business."*

In addition, Capita launched its first employee leadership council, comprising 11 individuals, drawn from different parts of Capita, who have been identified as potential future leaders. The council acts as an advisory group, representing employees' perspectives to Capita's executive committee. It will contribute to business-critical projects including new programmes aiming to accelerate Capita's drive to become more inclusive and diverse. Each council member's tenure will be for two years, during which they will benefit from learning and development opportunities designed to enhance their leadership skills. This will occur through projects the council is asked to deliver and a rotating programme of mentorships, including Capita's ceo, Jon Lewis. The launch of the employee leadership council builds on the significant transformation that the business has been going through to break down barriers and extend opportunities to all colleagues. This includes the launch of employee network groups, a mutual mentoring programme, mandatory anti-racism training, *Real Living Wage* accreditation and the introduction of employee directors to the board.

# On the move

*Executive remuneration consultancy and Centre member **MM&K** appointed Joanne Fegan as its new managing partner. Joanna, a chartered certified accountant, took over from Paul Norris, who retains his client-facing role and seat on the board of MM&K. Joanne said: *"Paul led the buy-out of MM&K in 2003 and has steered the firm's continual growth. His leadership leaves MM&K with a strong foundation on which to build for the future. I have held a number of management roles in MM&K and now look forward to building on the momentum we have generated in recent years to consolidate and develop MM&K's position as a trusted adviser to remuneration committees and boards on director and executive remuneration."* Later this month, MM&K will resume its Covid-interrupted series of remuneration dinners, to be held at the Royal Automobile Club.

***RM2 Partnership** appointed **Seb Salt** as its newest senior consultant in the employee share schemes team, having worked

# MOVERS & SHAKERS

## On the move

previously at Deloitte and Wright Hassall. John Dormer, share incentives director said: *"I'm very much looking forward to working with Seb again as part of our growing employee incentives team. His recruitment further increases our ability to deliver specialist incentive advice to existing and new RM2 clients."* Centre member RM2 specialises in the establishment of employee incentives and EOT transactions and in helping companies manage and administer share schemes after set up and through to exit events.

*Centre member **VG**, known as Volaw until its 2016 re-brand, is celebrating 40 years as a leading, independent Jersey-based trust company. VG, which has grown from a team of 12 to more than 110 trust and fiduciary professionals, administers more than 1100 structures, holding assets under administration exceeding £15bn on behalf of its clients, who are resident in more than 80 countries globally.

### Webinar

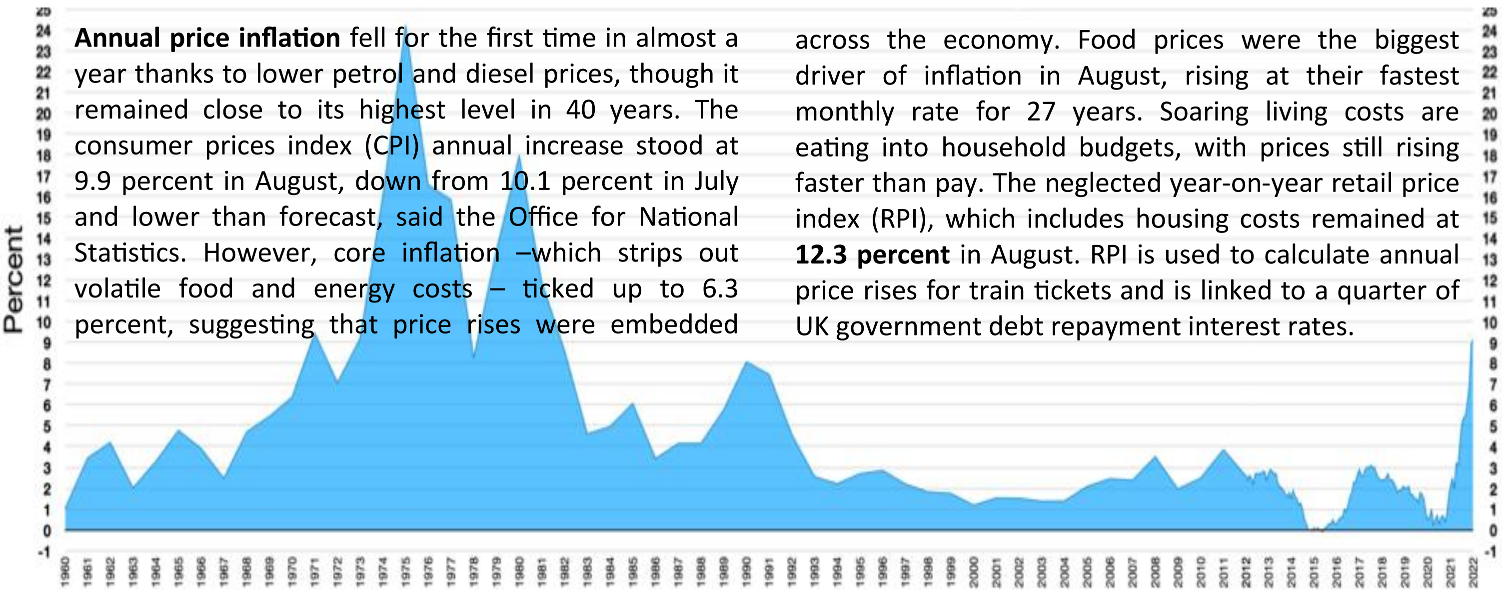
**International share schemes - exporting the vision**

**Tuesday October 25—16:00 (BST)**

Many businesses now operate on a truly international scale, but how can they keep corporate identity and cohesion in the midst of a great variety of cultural, financial and legal complexities? In this 45 minute webinar, share schemes expert **David Craddock** will examine the challenges of international share schemes, including language, legislation, currency and technology; and how employee share schemes can promote inclusivity and act as 'corporate glue', holding together the various subsidiaries into a global whole, and the role of an international employee share trust. Registration is open.

# UK CORNER

## Inflation




**Annual price inflation** fell for the first time in almost a year thanks to lower petrol and diesel prices, though it remained close to its highest level in 40 years. The consumer prices index (CPI) annual increase stood at 9.9 percent in August, down from 10.1 percent in July and lower than forecast, said the Office for National Statistics. However, core inflation –which strips out volatile food and energy costs – ticked up to 6.3 percent, suggesting that price rises were embedded across the economy. Food prices were the biggest driver of inflation in August, rising at their fastest monthly rate for 27 years. Soaring living costs are eating into household budgets, with prices still rising faster than pay. The neglected year-on-year retail price index (RPI), which includes housing costs remained at **12.3 percent** in August. RPI is used to calculate annual price rises for train tickets and is linked to a quarter of UK government debt repayment interest rates.

# Courts marathon over property fund EBT

HMRC claims that property tycoon Jamie Ritblat and his real estate investment firm, Delancey, owes it tens of millions of pounds in income and employment-related taxes. on £141m of profits from Delancey's flagship fund, distributed mainly as ***carried interest*** by an employee benefit trust (EBT) to 24 employees, including Ritblat himself. The payments began months after HMRC accepted just £400 in a 2015 settlement that barred it from collecting further taxes from the trust's beneficiaries or Delancey. HMRC now alleges the deal was agreed on the basis of misrepresentations made by Delancey and the trust during the settlement negotiations. Ritblat and Delancey asked the High Court to hold HMRC to the 2015 deal, which would leave the £141m effectively untaxed apart from the £400 settlement payment, reported the online journal *World News*.

HMRC wants to tear up that agreement. In a court filing, HMRC said it was not "*at this stage*" alleging the claimed 2015 misrepresentations were made fraudulently or recklessly. Delancey said: "*Unfortunately proceedings had to be brought against HMRC as they have breached the terms of an agreement concerning an EBT settlement opportunity which they publicly initiated and offered to hundreds of employers and trusts."* It added: "*We believe that this agreement is valid and strongly reject the allegation that misrepresentations were made by the trust, its professional advisers and Delancey.* However, HMRC said: "*We are committed to ensuring that everyone pays the right tax under the law."*

The struggle between Ritblat and HMRC centres on a trust set up in 2007 as Delancey raised €1.5bn from investors for its flagship client fund, known as DV4 Ltd, an EBT which held the Delancey employee profits, in the form of carried interest, from the DV4 Ltd investment fund. Sitting between the two entities was a British Virgin Islands partnership. The DV4 Trust owned most of the partnership, and the partnership in turn owned shares entitling it to 20 percent of DV4 Ltd's profits if the fund achieved at least a seven percent annual return. DV4 Ltd did not beat the seven percent hurdle rate until the financial year ending March 2014, according to the June HMRC court filing, which cites the DV4 Ltd and partnership accounts. Carried interest then began accumulating, reaching £133mn by March 2015.

At the time of the £400 settlement in July 2015, no distributions had been made, according to HMRC. However, in January 2016, the trust paid out £10mn to Ritblat.

*In the tax years 2015/16 to 2018/19, the DV4 Trust made distributions to Delancey employees totalling £141mn, of which £63mn went to Ritblat personally, said HMRC.*

EBTs were once widely used as tax avoidance vehicles. Companies would receive tax deductions on payments into EBTs, but the employee beneficiaries would not have an immediate corresponding tax liability. HMRC has been cracking down on EBTs for more than a decade and in 2011 laws were enacted to curtail abuses. "*HMRC has been challenging EBTs for some years and nearly always wins,"* said Catherine Gannon, founder of Centre member law firm **Gannons**.

Between 2011 and 2015, HMRC invited employers to resolve any liabilities related to such trusts through negotiation rather than litigation. In 2015, the DV4 Trust entered the settlement programme. DV4's trustee was Harbour, a Cayman Islands-based fund services company. Harbour did not comment.

*HMRC in its filing alleged that the significance of the DV4 Trust had been downplayed during the settlement negotiations by referring to just £1,000 in assets it had in 2008 and not telling HMRC that by March 2015 it had capital of £125m.* A summary of "key facts" referred to the DV4 Trust investing £1,000 into a "BVI partnership" alongside third-party investors who made equivalent investments. The documents quoted do not describe the partnership being a vehicle for carried interest rewards from the Delancey fund. HMRC alleged that the document gave the illusion that the partnership was an arm's length commercial investment. The trust in 2008 allocated portions of its ownership of the BVI partnership to specific Delancey employees. A settlement of £400 was proposed, to be paid by Harbour on the basis that in 2008 the value in the trust had not changed since the initial £1,000 invested by the trustee. HMRC accepted the offer and agreed the £400 settlement with clauses blocking it from seeking additional taxes from Delancey or any of the trust's beneficiaries.

# Courts marathon over property fund EBT

The trigger for this new confrontation was Ritblat's 2015/2016 tax return, filed in January 2017, according to HMRC. The return disclosed the £10m payment from the DV4 Trust in January 2016. The tax authority opened an inquiry into his tax return in December 2017, beginning years of legal wrangling. In January 2018, Ritblat's representatives gave HMRC a letter from Harbour stating that it as trustee had exercised its discretion to award him £10m. In February 2020, Ritblat's lawyers provided HMRC with accounts for the BVI partnership and the DV4 investment fund, the HMRC court filing said. The partnership's carried interest shares in the fund entity as of March 2015 were worth *£133m* and the DV4 Trust owned 95.5 percent of the partnership. *HMRC said that if it had the full picture of the DV4 Trust at the time, it would not have agreed to the £400 settlement.*

Ritblat initially went to the tax tribunal to force HMRC to close its inquiries into three years of his personal tax returns from 2015/16 to 2017/18. He succeeded, *but the closure notices HMRC issued in September 2020 claimed he owed income tax on £18.4mn of payments from the DV4 Trust in those three tax years.* The notices were accompanied by side letters noting that HMRC could make further arguments that he owed other taxes on the payments that would make his liability much larger. Ritblat appealed against the closure notices in the tax tribunal. He sued HMRC in the High Court in 2021, seeking a declaration that the 2015 settlement precluded HMRC from making the *"threats"* he claims it did in the side letters. HMRC denied making threats and issued a counter-claim in that case in June this year. The tax authority argued that if the 2015 settlement was upheld, then it should be entitled to damages from Delancey and Harbour for lost tax revenue. Ritblat and Delancey were due to file their response to the counter-claim by the end of last month. The HMRC counter-claim noted that *other Delancey employees had sought to use the 2015 settlement to avoid taxes on DV4 Trust payments, including md Paul Goswell, a member of council at King's College London***.** Earlier this year, HMRC opened a new front in the tax battle, suing Delancey itself for £32m of NICs it claims was due on the £141mn of total distributions the DV4 Trust made between 2016 and 2020. The lawsuit has been stayed pending resolution of the other cases.

## Registry of beneficial company and trust owners

The Economic Crime (Transparency and Enforcement) Act 2022, facilitates the setting up of a register of overseas entities and their beneficial owners and requires overseas entities who own land to register in certain circumstances; clarify unexplained wealth orders and make provisions for sanctions. The register of overseas entities and their beneficial owners will require relevant entities to register with UK Companies House and provide details of their beneficial owners or *'persons of significant control'*. This is intended to mirror the way that UK companies currently provide information and will create a public record searchable on the Companies House registry. It is unclear when this legislation will come into force but work is progressing behind the scenes, with an implementation group comprising Companies House, the Land Registry, and the Department for Business, Energy and Industrial Strategy. However, once in force, there will be a *six-month transition period*, by the end of which overseas entities which are registered proprietors of freehold or leasehold properties will need to have been entered on the Register or to have lodged an application. This would capture any overseas companies, LLCs, corporate general partners of limited partnerships and foundations regardless of their tax residency. For example, there are some Jersey incorporated, but UK tax resident, companies that may not be registered with Companies House, but who will now be subject to the registration requirements if they hold UK property. Although trusts would not be captured under this definition, an overseas corporate trustee holding real estate would need to register. The trust itself would need to register separately with HMRC under the Trust Registration Service, which requires any trustee holding property directly to register if it is liable to a tax charge or has acquired land or property after October 6 2020 *(the deadline for registration was September 1).* There is on-going discussion as to whether certain overseas partnerships, such as Jersey or Guernsey limited partnerships or Luxembourg special limited partnerships, are out of scope as, like trusts, they do not have separate legal personality and may not be regarded as a 'legal person'. Their overseas corporate general partner is, however, likely to be captured by the Act.

# Fintech UK still booming

Around 2,500 fintech (financial technology) companies have established themselves in the UK, with an increasing upward drift through the funding rounds towards market listed status. UK fintechs, which cover everything from money transfer apps to open-source banking and payments and supply chain finance, are not subject to any specific legal regulation, except where their activities fall under the responsibility of existing financial regulators, said *Investors' Chronicle*. Many fintechs use share options as an essential means of motivating their staff, as there is constant pressure on their working cash reserves. In contrast to other sectors where venture capital and private equity has largely left the scene, fintechs have continued to attract decent levels of investment. According to trade statistics, the UK's fintech industry raised the equivalent of $9.1bn (£7.9bn) in the first six months of this year, compared to $7.3bn during the same period in 2021, which itself went on to become a record-breaking year. However, questions are being raised about several companies who are struggling over questions about their accounts or dealing with failures to implement money-laundering protocols in certain markets. The capital intensive, and mainly loss-making business model, is suddenly less in vogue with investors who are wary of debt-laden companies at a time of rising interest rates, but there is a sense too that growth has been helter-skelter and management control sometimes lacking, added the IC.

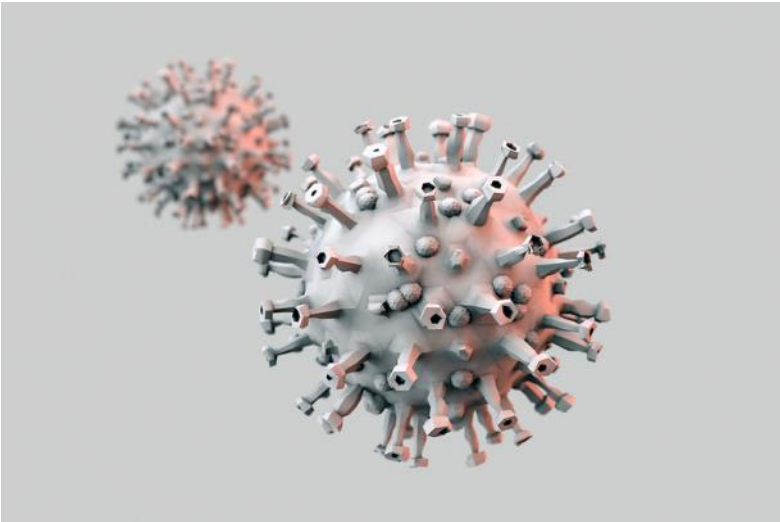
*Investors have taken more than £4bn out of the UK market so far this year, estimated research group *Calastone.* DIY investors pulled a record £1.9bn out of funds which invest in stocks and shares in August alone, it said. Many technology and growth company share values have tanked this year as their boards burn through fund-raising reserves without producing any profits - and nervousness as interest rates rise sharply on a global scale. However, while the FTSE100 index had fallen by only two percent this year, the US S&P benchmark index of stocks was down by almost one fifth in value since January.

## Pensions

Up to 4.5m private sector pensioners will 'lose' an average £1,200 per year during the next two years because their annual pension uplifts will fall well short of current price inflation. Although final salary and career average pension pots rise in line with inflation while employees are still working, ***post-***retirement private pension rises are capped usually at a maximum five percent, warned XPS Pensions. By contrast, public sector employees with a final salary pension scheme will be unaffected because there is no cap on such schemes, reported *The Telegraph.* Recent data suggest that more over 65s are returning to work because they fear they would be unable to cope with massive increases in energy prices at home and surging food prices too.

# Taxpayers defrauded via Covid loans?

*****More than 18,000 *Bounce Back* loans, which helped businesses to stay alive during the pandemic, are now thought to have been obtained by fraudulent means, suggested statistics collected by the British Business Bank (BBB). One tenth of the 175,000 loans made via the scheme are already either in default or in arrears, revealed the BBB - itself the subject of much criticism. The final estimated cost of these *Bounce Back* loan failures to taxpayers could well be more than £5bn, of which loans worth £1.9bn have already defaulted, though not all of them were due to fraud. Several billions more in losses could come from other pandemic business aid schemes, such as the Coronavirus Business Interruption Loan Scheme, as well as further potential losses from *Bounce Back*.



"corona virus white low poly" by Philippe Put is licensed under CC BY-ND 2.0.

***Starling**, the online bank highlighted by a former minister over the effectiveness of its counter-fraud measures, was registering an average of 15,000 new business customers a month during the Covid crisis, reported the *Observer*. Statistics from Starling Bank's last annual report show the young lender had grown its business customer base from 87,000 before the pandemic to 330,000 business accounts as of last spring. Banks are required to conduct rigorous checks on new customers in order to prevent fraud and money laundering. Analysis of the bank's annual report shows it took on up to 243,000 new customers – an average of more than 15,000 a month – between November 2019 and March 2021. This was despite having just 1,245 staff, only a slice of whom would have been checking for potential problems. The number of new accounts was much higher than for the UK's biggest high street lenders. Banking sources confirmed that they normally took on between 1,500 and 8,000 new business customers a month. Starling said it had benefited from the lockdown, when most major lenders closed their branches and were struggling to keep up with the demands of existing customers. The digital lender said its technology allowed it to on-board new customers, including those seeking government-backed Covid loans, at a pace that bigger banks relying on older technology would not have been able to manage. The volume of new customers, as well as the jump in loans Starling distributed during the pandemic, raised questions about its ability to run sufficient checks, claimed former Cabinet Office minister Lord Agnew. He questioned whether all would-be borrowers were fully checked out before they received taxpayer-backed loans, though Starling's ceo, Anne Boden, threatened legal action against the Tory peer over what she said were *defamatory statements*. Kevin Hollinrake MP, chair of the all-parliamentary group for fair business banking, said Starling had questions to answer. "*Public scrutiny should always accompany public money. Although I have yet to see any firm evidence of inappropriate lending, Starling must urgently answer very valid questions including its current and future default and fraud rates on government-backed loans*," he said. Before the pandemic, Starling had only lent £23m, excluding loans bought from other companies. By June 2021, said a company trading update, it had distributed £1.6bn worth of *Bounce-Back* loans. The scheme, introduced by ex-Chancellor, Rishi Sunak, offered up to £50,000 per customer. The loans were distributed by high street banks, who charged interest at a reduced rate of 2.5 percent – in return for distributing the money, but the taxpayer is liable to refund 100 percent if customers default.

# UK CORNER

## Taxpayers defrauded via Covid loans?

*The directors of the government's *British Business Bank* should be sacked over its "woeful" handling of the emergency pandemic loan scheme, MPs were told. Lord Agnew of Oulton said that non-executives at the economic development bank must be held accountable for its "ridiculous" lack of oversight of the *£47bn Bounce Back* loan scheme. The former anti-fraud minister, who quit at the House of Lords dispatch box last January over what he called "*schoolboy errors*" in the management of the scheme, told the parliamentary business, energy and industrial strategy committee that there had been "*colossal cock-ups"* by the bank. Lord Agnew said: "*A fish rots from the head down."* The parliamentary Public Accounts Committee warned that fraud and error in the business support schemes run by HMRC, the Department for Work and Pensions and the Department for Business, Energy and Industrial Strategy were expected to cost UK taxpayers *'at least £15bn'*. PAC chairwoman, Dame Meg Hillier, said a lack of preparedness and planning' had led to *'an unacceptable level of mistakes, waste, loss and openings for fraudsters'*. This will 'end up robbing current and future taxpayers of billions of pounds', she said. The furlough scheme is thought to have lost £5.3bn to fraud and error - 8.7 percent of the overall funding handed out by the programme. It is believed that ***£21bn*** in all will be lost as a result of Covid loans not being repaid, either due to bankruptcy or fraud. The National Audit Office said the cost of the government's pandemic measures would hit £370bn over their lifetime.

# COMPANIES

*__AstraZeneca__ said that it had paid former top executive Chris Sheldon £644,553 in shares last year, as part of a non-compete deal in which he agreed "not to facilitate competition" in respiratory, oncology and Covid-related therapy work for at least six months after leaving to join **GSK.** A High Court judge ruled that Mr Sheldon could not start working for GSK before a full trial takes place over whether or not he breached the deal by taking the new job.

*Nick Barton, ceo of **Birmingham Airport**, received a 49 percent rise in his reward last year, taking his pay up from £399,000 to £595,000 p.a, revealed *The Telegraph.* This was despite the midlands airport having the worst flights take-off delayed statistics - as average flight delays reached 12 minutes and 24 seconds. The ceo of Manchester Airport Group had a 25 percent reward rise last year, taking his pay up to £2.5m per year, though Manchester is a far bigger airport than Birmingham.

*Rapid delivery business **Gopuff** started rolling out its *GoStock* equity programme for its 1,400 employees and other workers in the UK. The business released an internal memo that detailed the initiative, explaining that employees and workers, including delivery drivers, will receive equity and an ownership stake. Gopuff said it wanted to provide staff with a share in ownership as part of its commitment to the UK market. A Gopuff spokesperson said: "*This is a direct acknowledgement of our continued efforts and underscores our commitment to the UK, a priority market which has experienced significant growth, with revenue increasing at a 30 percent compound monthly rate and ten times order growth since launch.* The amount employees and others receive in stock options will vary, based on several factors, including seniority. They will be valued in the range of thousands of pounds."

*The former executive chairman at retail giant **JD Sports** has been given a £5.5m *Golden Goodbye* exit deal. The Bury, Lancashire, based group agreed the financial package with Peter Cowgill who resigned in May. The long-serving chairman announced his departure after the retailer received a £4.3m fine for sharing commercially sensitive information with **Footasylum**, the rival it was seeking to buy for £90m. At the time, the move was described "*as a consequence of an ongoing review of its internal governance and controls"* and a decision to "*accelerate the separation*" of the roles of chair and ceo. His golden goodbye was the latest payout from JD Sports to Cowgill, who had already cashed in £50m of shares in the company in the past two years. JD Sports was hit by a shareholder revolt over pay last year after it emerged that Cowgill was paid almost £6m in bonuses despite the company accepting more than £100m in government pandemic support. The listed group said Mr Cowgill had been paid his salary, contractual benefits and would be eligible for any appropriate annual bonus, subject to usual performance conditions up until the date he left. The terms of the deal will see Mr Cowgill be paid £3.5m over two years for agreeing to non-compete restrictions, including not setting up a rival retailer and £2m over three years to act as a consultant.

*Employees of the **John Lewis Partnership** are in danger of losing their annual (cash) bonus for the second successive year, warned chair Dame Sharon White. She told them that a “substantial strengthening of performance” was necessary in the second half of the year. Trust-owned JLP lost almost £100m in the first six months of the year, mainly due to soaring inflation, announced Dame Sharon, who formerly worked at the HM Treasury. Customers bought fewer than expected big-ticket items, such as sofas and dining tables, which tend to be more profitable for the business. Last year, employees did not receive an annual bonus for the first time since 1953.

*Demand for debt services among **Lloyds Bank** customers jumped by 30 percent in the first six months of the year, as the cost of living crisis took its toll. Amid the squeeze on living standards, research from the bank indicated that three-quarters of its 26m UK customers were worrying about rising prices and the impact it was having on their savings. Charlie Nunn, ceo of Lloyds, said that customers were trying to get a grip on their finances by consolidating their debts. Eight in 10 of its customers had less than £500 in savings in their accounts. Lloyds is the UK’s largest mortgage lender and is often considered a bellwether for the UK economy. According to its research, 20 percent of its customers are already cutting back on their discretionary spending to ensure they could cover the rising cost of essential items.

***Morrisons**’ private equity owners asked 800 staff – from store managers upwards – to invest thousands of pounds of their own money in the business. Local departmental heads were asked for £10,000 each, while directors of departments were asked for £25,000 each. The minimum investment required to participate was £2,000. A source said that, while contributions were voluntary, some staff were annoyed about feeling pressed to make a cash contribution to a struggling business at a time when the cost of living was soaring. “People are used to being paid bonuses rather than asked to invest,” the source told *The Guardian.* It is understood that those who agreed to invest in ersatz *shares* in Morrisons were paid a special bonus, equivalent to 60 percent of the amount they were asked to invest before tax, with a number understood to have invested more. **This was ironic because Morrisons had to de-list its shares, ending share scheme participation for more than 30,000 employees last year, when it was taken over.** A spokesperson said: “*The opportunity to invest in the future of Morrisons was incredibly popular throughout the business with over 800 colleagues, or more than 90 percent of those eligible, choosing to invest.”* One expert said it was common to ask staff to invest as part of private equity deals, with the stakes seen as an incentive to help the business grow. While it is less usual to ask rank-and-file workers to participate, he said the wider-than-usual scope of the Morrisons scheme could be seen as a good thing, allowing more people to benefit from a potential return on their investment. The grocer, which was bought out by the Issa brothers and US private equity firm Clayton Dubilier & Rice (CD&R) in a deal worth £7bn last year, lost its position as the UK’s fourth largest supermarket chain to German discounter Aldi.

*The ceo of the Dettol disinfectant maker **Reckitt Benckiser** abruptly resigned in order to take a new job in the US, surprising investors after a three-year stint at the top of the FTSE100 company. Laxman Narasimhan stepped down on September 30, despite being partway through a turn-around plan he launched after joining in September 2019. Shares in the Slough-based company, whose brands include Durex condoms, Calgon detergent and Nurofen painkillers, fell by 4.5 percent. It was valued at about £48bn before the announcement. Narasimhan said: “I have been offered an opportunity to return to the US and although it is difficult to leave, it is the right decision for me and my family.” He was one of the best paid ceos in the FTSE100, receiving total reward of £6m in 2021 and £8.4m in 2020, when the company benefited from increased sales of disinfectants from germ-conscious shoppers during the pandemic. Part of his pay included tax advice to facilitate his relocation from the US. The company’s senior independent director, the former British American Tobacco boss Nicandro Durante, will step in as interim ceo while the company tries to find a long-term replacement. There have been 17 changes announced in the top job at FTSE100 firms in 2022 so far, according to research by AJ Bell, the investment platform.

*If at least 75 percent of shareholder votes are cast in favour of the board's recommendation, the remaining 40 percent free equity in Cambridge based industrial software company **Aveva** will be acquired by French conglomerate **Schneider Electric** for £9.4bn, equivalent to £31 per share. Schneider Electric, which has addressed Centre conferences, is a major supporter of all-employee share ownership.

*Rare stamp dealer **Stanley Gibbons** delisted from the AIM market. **Phoenix Asset Management,** which has a 58 percent stake in the group and provides all its debt facilities, said there were 'clear benefits' to delisting. It said the cost, management time and regulatory burden of being listed were 'disproportionate' to the benefits.

*Villagers in rural Wales were crowd-funding a community-led effort to save their local pub which is threatened by possible closure in October. The 350 residents of Pennal in Gwynedd were asked to stump up at least £100 each for a share in Glan Yr Afon, or **Riverside**, to save the 16th century pub. Subscribers will have one vote each, no matter how many shares they buy. By this means, the committee hopes to raise at least £250,000 towards the £1m estimated cost of saving Riverside. Almost 150 UK pubs are community owned, said the Plunkett Foundation, which has been supporting community businesses for almost a century.

*A start-up investment group backed by former **Tesco** ceo Sir Terry Leahy was investigated for alleged misuse of the *Bounce Back* loan scheme, *The Times* revealed. It found that companies linked to the Liverpool-based **We Are Nova** secured almost £2m in taxpayer-backed funding from the *Bounce Back* loan scheme for businesses which may have been ineligible. Nova, which invests in fledgling companies, arranged for the group and related businesses to claim multiple loans worth £50,000 each, even though the vast majority showed no evidence of having 2019 sales of at least £8,000 to qualify and to secure a maximum £50,000 loan, which could not exceed 25 percent of their annual turnover.

*A pizza takeaway boss became one of the first to be prosecuted for fraudulently claiming a £20,000 Covid-19 bounce back loan. Abdulrazag Zagroba, 54, applied for the loan two weeks *after* dissolving Amigo Pizza in Stretford, Greater Manchester, the Insolvency Service said. Investigators said he told them he had used the cash to buy a car and gave the remaining £14,000 to his family abroad. He was jailed for two years at Manchester Crown Court.

# Companies fight the great resignation

The *great resignation* trend impacted all parts of the UK economy, from healthcare to retail. On the whole, employees and businesses embraced remote working during the pandemic. However, while working from home, many employees had felt more isolated and less connected to their employers. Such trends may impact on loyalty, meaning that, as lockdowns had lifted or eased, some employees felt ready to move on, with all the cost and risks entailed for their employer, said Centre member legal group **Bird & Bird**. Other staff suffered from burnout, finding it difficult to separate their work and home lives as their laptop screen glowed at them from the kitchen table, intruding on their downtime. The surge in economic activity as countries exited lockdowns had created an upturn in job vacancies, with increases in pay and improved conditions on offer, in light of sky-high price increases generally. These trends were magnified in "*team move*" scenarios, where employees move en masse to a competitor. The situation is aggravated lower down the scale either by those older employees who, post Covid, have decided not to return to full-time work, or by the unexpectedly large number of *Long Covid* sufferers who, in many cases, can no longer work remotely in a sustained manner, let alone physically return to work.

Where employees do leave, employers should ensure that off-boarding processes are up to standard, said Bird & Bird. Possible measures include reminding employees of their contractual obligations and requiring them to confirm in writing that they have returned all company information and property and will comply with their post-termination obligations. Where permitted under the employment contract, garden leave was a simple mechanism to restrict an employee's activities while their notice period ran down, said Bird & Bird.

A four month long non-compete clause in a leaver's agreement is probably close to the edge of what is reasonable for key FS leavers, but as leavers usually only receive basic pay for the *'gardening leave'* period (*being deprived of their habitual bonuses*) legal issues, like unintentional discrimination, may arise. To avoid that risk, in some cases, companies have offered senior employees a deferred bonus, or paid them for continued compliance with a post-termination non-compete, even though they were not contractually required to do so, to reduce the risk of them breaching their restrictions.

***To spy, or not to spy.*** A potential red line issue is that *some employers perform enhanced monitoring of employees' activities once they give notice. However, employee monitoring is subject to stringent data protection safeguards, including considering whether employers have a legal basis for implementing monitoring systems and have given sufficient information to staff*, warned Bird & Bird. Businesses should be mindful of the employee relations impact of such systems, especially with the renewed focus on engaging with and trusting employees in order to motivate and retain talent, it added. High staff turnover forced employers to spend time and money in recruitment and training new joiners. In a knowledge-based economy, the protection of intellectual property and confidential information, including customer contacts, presents another major risk for employers at a time of high staff turnover. Breaches of confidentiality obligations or restrictive covenants, whether committed intentionally or not, could result in significant financial losses, including lost business. Companies need to address the knock-on issues, including potential litigation and possible obligations to report breaches to regulators. These issues become even more serious where they result in reputational damage from the perspective of customers and the wider public. The first thing employers could do to mitigate risks arising from staff attrition is to stop employees thinking about leaving in the first place. Managers should ensure that catch-ups and team meetings are reinstated where they might have been neglected, or are refreshed to reflect new pressures and priorities. With the increased blurring of physical boundaries between work and home, employers could consider taking a more informal or conversational approach to these discussions.

# Employee Ownership Trusts

Oldham-based security and cleaning firm **Britsafe** transferred ownership of the business to its workforce, via an EOT, in a move to provide greater future job security for staff. Britsafe employs 500 people nationwide, who all have a stake in the business and will receive tax-free bonuses if it continues to do well. Britsafe said that the EOT model means all employees are motivated, as how they perform will affect future success. The EOT has been implemented in order to give employees greater stability and job security in the current cost-of-living crisis, while empowering and better rewarding them to reduce turnover. Paul Cody, founder of Britsafe, said: "*It's an exciting prospect for our employees, giving them a direct investment in their future income. But, more importantly, in these desperate times of rising costs, it gives the employees stability and job security. It gives them collective control of their future and keeps considerably more money in employees' hands which, in turn, encourages them to keep delivering outstanding service to our clients.*"

Photo by Cats Coming: https://www.pexels.com/photo/a-delicious-mango-cake-9419867/

# ESG turmoil

A no-holds barred attack on ESG (environmental, social and governance) by the respected magazine *The Economist* will be one of the key issues to be discussed during the Centre's share plans symposium next spring.

Summarising a special report into ESG, the magazine warned: ***"It is government action, combined with clear and consistent disclosure, that can save the planet, not an abbreviation that is in danger of standing for Exaggerated, Superficial Guff.''***

*The Economist* said: *"Although ESG is often well-meaning, it is deeply flawed. It risks setting conflicting goals for firms, fleecing savers and distracting from the vital task of tackling climate change. It is an unholy mess that needs to be ruthlessly streamlined,"* concluded *The Economist,* which carried out an in-depth investigation into what *"has turned ESG from an investment craze attracting trillions of dollars on promises to make the world a better place into a source of eye-rolling cynicism."*

It is unfortunate that ESG suffers from three fundamental problems, said the magazine: *"First, because it lumps together a dizzying array of objectives, it provides no coherent guide for investors and firms to make trade-offs that are inevitable in any society. Elon Musk of Tesla is a corporate governance nightmare, but by popularising electric cars, he is helping to tackle climate change. Closing down a coal-mining firm is good for the climate but awful for its suppliers and workers. Is it really possible to build vast numbers of wind farms quickly without damaging local ecology? By suggesting that these conflicts do not exist, or can be easily resolved, ESG fosters delusion.''*

ESG's second problem is that it is not being straight about incentives, claimed *The Economist. "It claims that good behaviour is more lucrative for firms and investors. In fact, if you can stand the stigma, it is often very profitable for a business to externalise costs, such as pollution, onto society, rather than bear them directly. As a result, the link between virtue and financial out-performance is suspect."*

Finally, ESG has a measurement problem, it said: *The various scoring systems have gaping inconsistencies and are easily gamed. Credit ratings have a 99 percent correlation across rating agencies. By contrast, ESG ratings tally little more than half the time. Firms can improve their ESG score by selling assets to a different*

*owner who keeps running them as before. As investors become wiser to such flim-flam, they are growing more sceptical. It is surely time then for a re-think."*

It would be better to un-bundle the letters E, S & G and concentrate simply on the 'E,' claimed the magazine, but added that the term *environmental* is not precise enough. *"By far the most significant danger is from emissions, particularly those generated by carbon-belching industries. Put simply, the E should stand for emissions alone."* Investors and regulators were already pushing firms to make disclosure of their emissions more uniform and universal. *"The more standardised they are, the easier it will be to assess which companies are large carbon culprits – and which (others) are doing most to reduce emissions. Fund managers and banks should be better able to track the carbon footprints of their portfolios and whether they shrink over time."*

It concluded: *"Make no mistake, though: tougher government action is essential now. We have long argued for much higher carbon prices that would harness the market to save the planet. Carbon pricing schemes now cover 23 percent of global emissions, about double the level of five years ago, but far more needs to be done, not least in the US.''*

Damian Carnell, founder and director of Centre member **CORPGRO**, said: *"I agree with the Economist that emissions (CO2e mainly) are the number one priority, by miles. If that is not fixed, we can forget biodiversity, and then forget social equality as humanity struggles to survive.*

*"ESG is a Rubik's Cube; we all seem to agree on the pleasing end outcome, but views differ markedly on the mix of squares as to how to get there - and it's tricky stuff. There is also confusion on company purpose; is it to make money in a good way for owners; or is that too simple, to the point of 'all do good' activities are the aim?"*

Photo by Erik Mclean: https://www.pexels.com/photo/scattered-pile-of-playing-cards-6152927/

***Berlin**-based presentation software start-up **Pitch** announced it was letting go 30 percent of its staff**,** while Europe's largest vertical farming company, **Infarm**, told FT-supported website *Sifted* that it was laying off 50 employees.

***France**: Insurer **AXA Group's** *Shareplan 2022*, financed by the issue of new shares, was rolled out in 37 countries, involving more than *112,000* employees, most of whom could either participate in the classic offer and/or a guarantee plus offer. The issue was offered at a subscription price equal to:-either (the classic offer), set at 80 percent of the reference price; or, (the guarantee plus offer), 92.6 percent of the reference price – i.e. the average price of AXA shares exchanged in one trading day, weighted by the number of AXA shares exchanged for each price point on Euronext during 20 consecutive trading days. The initial personal investment of the employees who subscribed to the guarantee plus offer is guaranteed by partner bank Natixis and the subscribers benefit from the greater of (i) an annual return of three percent capitalised on the amount of their personal investment, or (ii) four times the average protected increase of the AXA's share price calculated over the holding period and applied on their personnel investment. The maximum number of new shares that may be issued was 58.9m shares, corresponding to a capital increase of a nominal amount of c. **€135m**. The new shares will be eligible for dividends, backdated to January 1 this year. Qualifying employees included those who had a work contract with one or more of the AXA entities, members of the AXA International Group employee stock purchase plan (*Plan International d'Actionnariat de Groupe* or PIAG) or the AXA French Group employee savings plan (*Plan d'Epargne d'Entreprise de Groupe* or PEEG.). For the classic offer (other than Germany, Italy, South Korea, Spain and the US) the new shares were subscribed through FCPEs, from which the employees will receive units. Participating employees will have direct voting rights at AXA's agms. In Germany, Italy, South Korea, Spain and the US, the shares were subscribed directly by employees and will be held in registered accounts. They will have direct voting rights. For the guarantee plus offer, other than in China, Italy, South Korea, the US and Sweden, where the guarantee plus formula will not be offered, the new shares were subscribed through FCPEs, from which the employees receive units, equivalent to their investment. Employees will have direct voting rights at AXA's agms. Aggregate voluntary contributions by each eligible employee could not exceed one-quarter of that eligible employee's annual compensation or pension benefits. The partner bank is Natixis. Participating employees will be obliged to hold their shares or FCPE units for almost five years, except in the case of a specified early exit event. Listing of the new shares on Euronext, Paris, will be completed before December 31. Around 75 percent of AXA's worldwide workforce was included in this year's Eso offer.

*Following its Eso plan launch in France last year, **Rémy Cointreau** announced the plan's extension to cover international staff too. The total number of shares offered to overseas-based employees was capped at 40,000. Eligible employees could subscribe for shares up until September 30. Under the terms of the offer, employees could purchase shares at 20 percent below the reference price. Employee contributions will be matched by an employer contribution of up to €400 gross. Share purchases will be cleared and delivered no later than October 27. Rémy Cointreau ceo Eric Vallat said: "*The successful launch of our first employee share ownership plan in France gave the majority of our people an opportunity to express their commitment to Rémy Cointreau and their confidence in our growth potential. Now we're expanding the programme to our international staff. This new stock option plan will make all our employees partners in achieving our long-term goals."*

*Since French social mapping start-up **Zenly** was bought by **Snap** in 2017, it had enjoyed steady growth and acquired millions of users worldwide, reported FT-supported website *Sifted,* but that didn't stop Snap pulling the plug on the company. Only months after being offered more stock restricted stock grants, Zenly's 73 employees were told that their jobs would be eliminated. The equity awarded to them is almost worthless now because it was supposed to vest in a year's time. The only ray of light for them is that parent Snap, which is cutting 20 percent of its worldwide workforce, has to make a legal and economic case to the French courts in order to go ahead with its closure decision.

# WORLD NEWSPAD

*__Russia__: A recent law targets any company in Russia that is controlled or owned at least 25 percent, directly or indirectly, by a foreign investor originating from an "*unfriendly state.*" However, the Russian authorities are considering imposing reprisal measures only on the companies who have abandoned the Russian market in response to the invasion. The list of potentially affected companies remained uncertain. Special external (Russian) management will be initiated when a director of the affected company or the Russian tax authorities file an application to the Russian Arbitrazh (Commercial) Court. Such external management would be conducted for 3-6 months by the Deposit Insurance Agency for financial institutions or by VEB.RF, a Russian state development corporation, for the remaining companies. *After that, the external manager can spin-off all the assets in a newly established company*. *The shares of the new company would then be auctioned*. The new buyer should guarantee a minimum one-year continuation of the business and employment of two-thirds of the employees. If no buyer is found, the Russian Federation becomes the sole shareholder. The original company is then liquidated and foreign investors from "unfriendly states" would not receive any compensation.

***US: Hard Rock International** (HRI) and **Seminole Gaming** invested more than $100m (£88m) to raise wages for more than 10,000 employees, making up half of its US workforce. Some received a more than 60 percent pay increase, with starting wages at between $18 (£15.81) and $21 (£18.45) an hour for 95 different roles, constituting an hourly raise of c.$6 or $7 (£5.27 or £6.15). This includes cooks, housekeepers, security, call centre and front desk employees. Some Florida-based HQ team members could get $16,000 (£14,057) more per year than the state's minimum wage. HRI said that the investment reflected its concerns about rising inflation, and the impact on employees. It was hoped that the increases would help retain employees and prevent turnover, even though it would have an impact on the bottom line. Hard Rock said that senior leadership wanted to show appreciation for staff, who are able to provide a significant return on the investment through their job performance. Jim Allen, chairman of Hard Rock and ceo of Seminole Gaming, said: "*We could have substantially reduced the total capital that we're willing to commit to our employees, hypothetically, maybe given $2 or $3 an hour raise versus a $6 or $7 an hour, but I looked at it and said, let's be the leader. Let's be ahead of the curve. We have really changed the lifestyle and the standard of living of thousands of people."*

*Presidential hopeful, Ron DeSantis, Governor of **Florida**, in his recent "*Initiatives to Protect Floridians from ESG Financial Fraud*," prohibited the State Board of Administration (SBA) "*from considering ESG factors when investing state money.*" Mr DeSantis said his actions were protecting more than 21m Floridians "*from woke capital*." Florida's own initiatives "*require SBA fund managers to only consider maximising the return on investment on behalf of Florida's retirees*." However, prohibiting sustainability from consideration results in inferior performance over any period during the past decade, claimed data compiled by *Bloomberg*.

The Z/Yen Group

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