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it's our business

newspad of the Employee Share Ownership Centre

Joint winners of Centre's major international share plan award

For the first time, the Centre's top award for the best international share plan award 2011 has produced joint winners – **Barclays** and telecomms giant **Ericsson,** which was nominated by its adviser, **Computershare.**

So good were these two submissions that the judges were unable to separate them, members and their guests were told during the Centre's annual black-tie Awards reception and dinner at the Oriental Club in London W1.

The joint winners and their sponsors were warmly applauded as they received their awards from shadow minister Chris Leslie MP. The judges commended **Pearson Group**'s submission, which was an honourable runner-up and its representatives too received a certificate.

The winner of this year's award for smaller companies (fewer than 1500 employees) was speciality chemicals business, **Innospec** advised by **YBS share plans**. The other finalist in this category was leading premium network data centres provider **Telecity,** nominated by **Capita Share Plan Services.** Its entry was highly commended by the judges.

In the major awards category, the judges said that three very competitive finalists had fought it out for top spot. The judges said:

Barclays: "We liked the rollout of 'Global Sharepurchase' (a Share Incentive Plan) as a departure from the normal employee share purchase plan/Sharesave international launch. Employees were invited to buy shares up to a total value of £1500 per year (or ten percent of salary) and to obtain matching of up to £600 in local currency equivalent. Flexibility is the outstanding feature – employees can either save set amounts, or contribute lump sums and they can change, stop and re-start their contributions at any time. The visual elements of the communications materials were clear, concise and had good recurring themes. They were also easily adaptable for different business units, with the brochure being extremely easy to follow. The SIP plan took into account technical issues such as how best to process the necessary salary deductions from those employees who bought partnership shares in certain countries."

Ericsson and its advisers Computershare: "Ericsson's scheme, which operates in more than 100 countries, had the edge as the most truly global scheme which allows eligible employees to save up to 7.5 percent of their gross salaries in order to purchase Ericsson shares at market price every quarter. A very impressive take-up rate of 27 percent - 22,000 scheme participants – was achieved. The one-size-fits-all nature of the scheme was felt to be a good fit with Ericsson's corporate ethos and the 1 for 1 matching up to 7.5 percent of salary was generous. The judges were impressed that such a large scheme was paperless."

Pearson and its advisers Equiniti: "We were impressed by the reach of educational publisher Pearson's all-employee SAYE-Sharesave scheme, which covers 87 countries and delivers plan communications in 11 languages. This year it benefited from a branding re-launch, which brought plan materials in line with company branding as a whole. A network of more than 100 local co-ordinators was essential to the success of the scheme. The re-launch achieved an impressive increase in take-up despite uncertainties around share prices."

Innospec: "We were very impressed by this SAYE-Sharesave scheme's global take up rate of more than 56 percent in 17 countries. This was due in no small part to the excellent communications campaign, which incorporated concise FAQs and a clear and simple plan guide. The willingness to go the extra mile to incorporate small numbers of staff in distant locations, eg China, in

From the Chairman

Black empowerment esops in South Africa are getting somewhere. Employees at mining firm Kumba will each receive around £30,000 after tax – the fruits of the first five year period. The news was welcomed by white trades union Solidarity too – without black empowerment, all-employee schemes would have been much less prevalent. What kind of boost do other countries need? Welcome this month to new readers in Australia, Ireland and member companies. Enjoy newspad and give us your news too.

Malcolm Hurlston

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spite of technical obstacles, was applauded.
Telecity was praised by the judges for adjusting its 'ShareSave' scheme in countries such as Ireland and France so that employees received a tax-efficient benefit. The communications campaign, with backing from the ceo and HR director down to local, country-based presentations, was crucial to the increased take-up numbers. Telecity made the documentation available in six languages for 450 employees.
Representatives from both companies and their advisers were warmly applauded as they approached the podium to receive their Award certificates.
Jill Evans, Head of YBS Share Plans said: "We are delighted that Innospec has achieved success at the Esop Annual Awards. I know that both teams have enjoyed working on this global project which rolled out all-employee share plans to every employee across the company covering 17 countries" **Cathy Hessner**, senior vp HR at Innospec Inc said: "Winning the Esop award for our Global Share Plans is testimony to all the hard work by the team who worked on this project both internally and externally. As a global company it is very important that we engage all our employees across the world and with this project we have been able to achieve this" Innospec Inc is a global specialty chemicals business recognised as the leading dedicated supplier of fuel additives in the world. In 2010, it rolled out an all-employee global scheme for the first time that was open to all eligible employees worldwide. The scheme is effectively divided into four sub-schemes - to take account of the different legislation and tax structures around the world.
Centre chairman Malcolm Hurlston told diners that although he was increasingly impressed by the way in which employee share ownership (Eso) was surviving the world economic crisis, it was clear that the movement had to do far more to promote itself within the UK business sector.
"Multinational companies have played a most important role towards making employee share ownership more popular with their employees, but perhaps these companies haven't really been saying enough publicly about how useful and rewarding most of their Eso schemes have been," he said. "The company share option plan (CSOP), which allows companies to make share options available to employees across the board, including part-timers, and which distributes much needed help to the low paid, is absolutely wonderful, but it does not get its fair share of publicity."
The Centre was working with the European Economic & Social Committee in Brussels in order to raise the profile and penetration of employee share ownership throughout the EU member states. The EU Commission too had signalled its great interest in Eso by transferring the subject into the powerful Enterprise & Industry directorate.
On the home front, the Centre was proud to be helping the Government's Office of Tax Simplification to take a fresh look at the four Treasury approved Eso schemes which offer participating employees tax benefits if they stick the course for three to five years, depending upon the specific scheme contract, added Mr Hurlston.
Meanwhile, trade unions in Germany, Italy and the UK were showing a more positive attitude towards Eso after many years of either indifference or outright hostility to the concept, said Mr Hurlston. Furthermore, European governments of differing political hues were increasingly interested in introducing employee share ownership and other participative mechanisms into their monolithic public services.
He urged the Coalition government to concentrate more on true employee share ownership and less on staff cash profit sharing. In championing the John Lewis model of employee financial participation, some ministers seemed unaware of the profound difference between what was effectively an annual staff bonus scheme and successful UK-wide all-employee share ownership schemes. Mr Hurlston said that ministers had been spending too much spare time reading the "John Lewis songbook," instead of studying the positive impact of UK employee share ownership schemes. Although John Lewis deserved praise for having pioneered the use of employee benefit trusts in the UK, it did not issue tradeable shares to employees, but instead gave them variable annual cash amounts, based on a fixed proportion of annual store group profits.
Guest of honour Chris Leslie MP, shadow Treasury minister, paid tribute to the Centre's role of "flying the flag" for employee share ownership: "The Esop agenda is something we must rediscover and as a shadow minister I hope to work with the Centre to achieve this," he told Centre members. Though he was not going to sing the praises of Gordon Brown, it was worth remembering that Brown, when Chancellor of the Exchequer, had introduced both the Share Incentive Plan and the Enterprise Management Incentive scheme, said Mr Leslie. "Yes, the rules are complicated and we have to work closer together, at an all-party level, to iron out the problems.
"At this very difficult time, we have to promote the employee ownership model and rekindle the sense of ownership, whether this be partnerships, co-operatives or Eso schemes," he added. There were three good reasons why the Eso model was worth promoting, said Mr Leslie: Eso helped obtain reinvestment in local businesses by including employees in the process; Eso helped achieve a balance the need to reward enterprise and to practise good corporate governance - it was a good behaviour model because employee shareholders had a voice and thirdly, rewarding staff for their efforts and not just management made good business sense.

IoD blasts executive reward rises
The Institute of Directors (IoD) attacked "unsustainable" rises in boardroom pay and called for major changes to the current guidelines. The "legitimacy" of UK business has been "significantly damaged" by executive pay packages that are not linked to company performance, the IoD warned.

In a strongly worded submission to Business Secretary Vince Cable's review of executive pay, the employers' group called for measures to address concerns that senior and chief executives' earnings are excessive, not linked to performance and growing much faster than those of rank-and-file employees.
This Exocet missile, aimed at the heart of corporate remuneration committees and the UK executive reward consulting industry, was the first ever full-frontal attack from a leading UK employers' group.
Although the majority of IoD members are directors of unquoted companies, earning £100,000 a year on average, it has a substantial number of large corporates in membership too.
It has been relatively easy for reward consultants and remuneration committee chairmen to deflect criticism from 'left-wing' trade unions and parts of the media about large executive salary and bonus increases, but it will be impossible for them to attack either the credibility or integrity of the IoD.
Mr Cable said he was minded to legislate to limit executive pay following a report by the High Pay Commission, which which found that FTSE 100 directors obtained reward increases of almost 50 percent in the past year; increases so high that they were "corrosive" to the economy (see bonuses round-up story in this issue).
Simon Walker, director general of the IoD, said: *"The legitimacy of UK business in the eyes of wider society is significantly damaged by pay packages that are not clearly linked to company performance.*" He added: "*The IoD has noted, with growing concern, the rapid rise in executive remuneration at the largest listed UK companies over the last ten to 15 years. We are aware of the difficult challenges faced by remuneration committees in responding to a global market for executive talent. But the current pace of increase in executive pay is unsustainable."*
Walker, a former communications secretary for the Queen, used the IoD's submission to the business secretary's consultation to call for:

- shareholder votes on remuneration policies to become binding – whereas they are currently only advisory
- more transparent pay packages as total earnings can comprise seven different elements
- more independent non-executive directors on committees, which are often made up of companies' current and former executives, to increase "objective scepticism" about pay deals
- voluntary discussions between employee representatives and remuneration committees
- more information about the consultants used by the companies to help determine pay deals.

"Shareholders should also play a more active oversight role," said Walker. "Remuneration committees should explore ways of engaging with employees on remuneration policy. This will be important in increasing the legitimacy of executive remuneration in the eyes of wider society," he said. The IoD added that "A higher level of professional diversity among independent non-executive directors will assist boards in aligning executive pay with society's expectations. Shareholders should also play a more active oversight role."
The IoD, under the terms of its royal charter, is responsible for corporate governance issues, and estimates that 92 percent of FTSE 100 companies – some of which are the subject of criticism about high pay – have members from the IoD on its boards
The HPC highlighted Barclays, where the pay of the head of the bank over the last 30 years had risen nearly 5,000 percent
Nicholas Stretch of law firm CMS Cameron McKenna, who urged companies to "go for a year of self-restraint to avoid triggering legislation, said: "The proposal for a binding shareholder vote on pay has been more strongly opposed … A binding vote would also create significant legal and practical problems."

Centre to partner with IoD in 2012
The popular joint conference with the Institute of Directors will return next May 15. The full-day conference focuses on share schemes for SMEs and regularly attracts more than 100 delegates. The agenda will be designed to take directors of fast-growing businesses on a step by step journey through the process involved in selecting and implementing the right share incentive plan for their business. The Centre is accepting speaker proposals for this event. Specifically we would like to receive papers on: an introduction to share schemes, how to design your plan/selecting the right scheme, implementation nuts and bolts, EMI (with case studies), options outside EMI, making the plan feel real, accounting for share plans/share valuation in unquoted companies, succession planning & pitfalls and practical tips. Company case studies with partners from an SME will be given priority. Please contact David Poole - dpoole@hurlstons.com.

First meeting of HMRC Forum
Her Majesty's Revenue and Customs held the first meeting this week of its Employment Related Securities Forum. The aim of the Forum is to create dialogue between HMRC and representative bodies on practical issues. Sub-groups will focus on detailed topics.
The meetings are being held under the Chatham House rule which allows representatives also to contribute personally.
The first forum covered approvals of tax-advantaged plans, PAYE coding of share scheme payments, RTI and the work of the Office of Tax Simplification. There was also discussion about model schemes with varying views expressed about whether they were desirable or possible: the Centre succeeded in creating a model employee benefit trust deed some years ago.
The next meeting is scheduled for February 27; Centre members at Jersey and Davos events will have time set aside for consideration. Meanwhile updates will appear on the HMRC website about this worthwhile initiative, welcomed by the Centre.

Centre member **Catherine Gannon** was featured in City AM's post- budget coverage. She was told by the PWC expert team that her travel costs will benefit (we learned she uses the tube) but the bank levy might hit her financial sector clients.

Autumn Statement:
There was little of interest for the Eso industry in the Chancellor's Autumn Statement, except for the announcement that the government will freeze the annual exemption limit for capital gains tax at £10,600 for 2012-13, instead of raising it in line with inflation.

Share scheme application process streamlined
HMRC is streamlining the approval process to be able to respond to applications as quickly as possible and to reduce the overall time taken to review draft documents and then give formal approval to proposed Company Share Option Plan (CSOP), Share Incentive Plan (SIP) and Save As You Earn (SAYE) schemes. To help HMRC, when applicants send in schemes for review and approval they should follow the new process explained below.
To assist applicants, Employee Shares & Securities Unit (ESSU) provides an informal review document (checklist) for each of the approved schemes, ESSUM38802 for SAYE, ESSUM47903 for CSOP and ESSUM29700 for SIP. This checklist should always be completed and sent to HMRC to demonstrate how the scheme rules and ancillary documents satisfy the legislation. The checklist contains a list of scheme documents but this is not exhaustive as the documents will vary in relation to the company and the scheme requirements. It may be necessary to provide additional information or documents not listed on the checklist.
To help HMRC review the draft documents as quickly as possible, if you are a practitioner, you should provide a copy of your proposed scheme rules with tracked changes against a similar scheme which HMRC has recently approved.
If the application is based on HMRC model rules, you should provide the proposed scheme rules with tracked changes against the HMRC model rules. In either case give a full explanation of any significant tracked changes you have made.
HMRC will review the draft scheme documents to ensure that the scheme is capable of approval. Once this preliminary review is completed they will tell you whether any changes are needed or whether the draft scheme is capable of approval.
The company must establish the scheme in the form agreed with ESSU before it can be formally approved by HMRC as it must have come into existence from a legal point of view. You must supply documentary evidence of the establishment of the scheme. Generally this will be by resolution of the company's shareholders at an agm. In some cases directors may have powers to establish a scheme under the company's Articles of Association.
You should submit the finalised scheme documents identified on the checklist under the column headed Final.
If any changes are made to scheme documents after HMRC has reviewed the scheme, these must be tracked and explained. If the amendments are not to the 'key features' of the scheme then you do not need to notify HMRC of those changes. However, alterations to key features do require HMRC approval.
Where an amendment is made affecting a key feature of a scheme, you should use track changes on the existing document(s) to show the amendments made and provide a full explanation of each significant change. If the only change you make is to a rule that limits the life of an existing approved scheme - by extending this period - then that is not an alteration to a key feature. But HMRC will need to approve any other changes made at the same time, as set out above.
ESSU will respond more quickly to you if you send in all the key documents together with a correctly completed checklist and changes highlighted with full explanations of any significant changes.
See the Employee Share Schemes User Guide for more detailed explanation of the HMRC approved employee share schemes.

EU Commission probes share saving schemes
The EU Commission is examining employee savings schemes – like SAYE Sharesave and the Share Incentive Plan - that offer incentives to employees who save monthly in their employer's share plans. This probe is part of the Commission's review of current corporate governance rules. Word has reached newspad that the review committee is split over whether its members think employee share savings schemes are a good thing to promote, or not. For some members believe that the risk of employee participants losing their savings as well as their jobs, should their employer go bust, is too great to risk. Other members however, stress the increasing popularity of such plans among European multinational companies. Their take up of Eso plans has more than doubled in the past decade. In the UK alone, they point out, the SIP has been a great success story and that the risk is limited by the fact that successive UK governments have limited employee exposure in approved Eso schemes like SIP. SAYE- Sharesave participants cannot lose their contracted savings in their employers' plans because if the share price is below the discounted option price at plan maturity, or the company has failed, they still get their savings back. Employees who participate in SIP can lose their investment if they have paid for partnership shares and then the company goes bust, or if its share price plunges for years on end. However, many employers mitigate that risk by awarding participating employees either matching shares and/or free shares. No decisions have yet been taken over whether to impose measures at EU level, though results of the review – and consultation - are expected before the end of the year, according to lawyers Freshfields, Bruckhaus Deringer LLP
Mick McAteer, chairman of FIN-USE the financial services user group appointed by the European Commission, commented "I hope the Commission does throw its weight behind employee share schemes. There are of course genuine concerns about the risks but these can be dealt with using suitable controls. The key point is that in an era where society is rightly concerned about the lack of accountability in capital markets, employee share schemes offer a great example of democratic shareownership."

BT to go global with Eso plans portal

BT is to roll out its employee share plans portal internationally to 86 countries to reinforce its corporate identity. Next year, the firm, which launched the online portal last May for 75,000 UK staff, will roll it out globally to countries including the US, Mexico, France, the Netherlands, Germany and Switzerland. BT employs more than 92,000 staff worldwide. Francis O'Mahony, head of employee share plans and share registration at BT, said: "Some of our overseas employees have come into BT through acquisition, so being offered participation in BT share plans gives them that corporate glue. It raises the profile and identity of BT, which they may not necessarily think of first of all as their employer because they were employed by another organisation acquired by BT." Through the portal, employees can view their shareholdings, access information about the firm's Sharesave scheme, share incentive plan (SIP) and free shares and buy and sell shares online. Updates are provided on BT's share price and account valuations, and staff can model their savings and sales options. Employees do not need a password when signing on to access the portal if they have already logged on to BT's secure intranet site. The portal is provided by Equiniti, which also worked with Avanade to develop the software.

Disguised remuneration

HMRC published the 'final' version of its guidance on the Finance Act 2011 disguised remuneration rules, which was first seen in draft form last August. In the Employment Income Manual, HMRC provided a summary of changes from the original draft. Additional guidance clarifies that no charge arises where a third party earmarks funds or assets and this is followed by a simultaneous distribution to the employee, said Centre member **Deloitte**. This does not offer the same degree of flexibility as when employees make a payment for a distribution from a third party at or about the time the distribution is made. HMRC clarified the scope of the exclusions for deferred remuneration and share schemes funded via third parties. A 'bad leaver' provision consisting only of forfeiture for gross misconduct is insufficient, but HMRC does accept that forfeiture provisions that were genuine at the time of award may cease after as little as a year without invalidating these exclusions. For the exclusions to apply the vesting date must be either specified at the award date or capable or being specified under a formula. This caters for plans which do not specify a fixed vesting date in advance but allow vesting to occur within a set period following the achievement of performance conditions, or the end of black-out periods – provided the five and ten year limits are met. For the revised guidance see http://tinyurl.com/6duppvt

Centre member **Pinsent Masons** said that the new material on disguised remuneration was helpful in indicating HMRC's approach on certain points, but there remained: "some areas of uncertainty for companies using employee trusts in the operation of their share plans. These companies should review arrangements if they have not already done so, as in certain circumstances changes may be required to avoid unanticipated PAYE and NIC charges."

Apart from HMRC's own published guidance, there has been much less written analysis of the new tax rules relating to 'employment income through third parties.' Sweet & Maxwell is publishing the latest bi-annual update of ***'Employees Share Schemes,'*** the leading and authoritative work on the subject. This includes a new Chapter 22A, written by Centre member David Pett. It is a comprehensive review of the new rules and of their practical application as well as of the many 'pitfalls for the unwary'. A shorter version of Chapter 22A is now available on the website of Pett, Franklin & Co. LLP – see under 'Disguised Remuneration' on the left-hand menu. *David Pett acknowledges with thanks the assistance of other members of the Share Plan Lawyers' Group in the preparation of Chapter 22A.* Pett, Franklin & Co. LLP advises clients, including accountants, other lawyers and advisers on all aspects of the new rules and is hosting an afternoon seminar in **Birmingham** on ***Tuesday December 13 at 4pm*** about ideas for mitigating the 50 percent tax rate through the use of employee share plans. This is principally intended for accountants and other advisers, but clients and others are welcome to attend. Admission is free, but please register in advance with jennie.kitching@pettfranklin.com

CONFERENCES

Jersey: December 9: The Centre and STEP Jersey are jointly hosting their second annual conference in Jersey on Friday December 9 at which Disguised Remuneration will take centre stage. More than 40 people have already registered. Speakers will discuss what steps trustees should take to ensure they stay onside of the fiendishly complex new rules. HMRC has just published the final version of its guidance, the draft version of which covers more than 200 pages. The Centre and its members are in regular contact with officials to ensure that legitimate reward schemes are not affected. Delegates will hear a company case study and a presentation on underwater options. The programme is specifically designed for anyone who deals with employee benefit trusts and would like to keep up to date with the latest regulatory, legislative and practical developments affecting employee share schemes. Centre chairman **Malcolm Hurlston** will update delegates on the Centre and its activities in both the UK and the EU generally. Disguised remuneration will be covered by **Juliet Halfhead,** director at Deloitte, who will give background context to the legislation and speak on non-approved share schemes, the tax exemptions available and how they have been affected by recent tax law and by **William Franklin** of Pett, Franklin & Co LLP who will talk about Joint Share Ownership Plans and clarify their position. **David Craddock** will speak on share price volatility and what to do about underwater options - useful information indeed in the current climate. **Jane Wycherley** of Ogier will give examples of practical issues faced by trustees. **Alan Judes** of Strategic Remuneration will introduce

Ron Forrest's case study of the share scheme at Perkins Slade Ltd.
The programme runs from 8:45 - 13:00 at the Pomme d'Or Hotel, St Helier. Tickets cost £295 for Esop/STEP members and £425 for non-members. Email esop@hurlstons.com now to reserve your seat. Breakfast and registration are from 08:45 - 09:15 and lunch will follow from 13:00 - 14:00. The conference is CPD accredited for 3.5 hours of professional development with the SRA. The brochure cover will feature a Jersey painting by local artist, Alastair Best.

Davos: Feb 2 & 3

Western governments are caving in to shareholder and populist pressures by threatening to slim the parameters of executive reward packages. By the time the Centre holds its **Global Employee Equity Forum**, in the **Steigenberger Belvedere Hotel** in Davos Platz on **Thursday February 2** and **Friday February 3**, the legislative landscape for reward consultants could be ominously different. This annual event, held in the slipstream of the World Economic Forum, is a major opportunity for reward consultants and HR managers to make sure they are au fait with what the legislative and regulatory reward moves mean and how they will impact at corporate level. Expert speakers from reward consultancies will discuss all the imminent changes with delegates.
A case study presentation about the award-winning worldwide stock purchase plan of telecoms giant Ericsson will be a major highlight of the Davos programme. It will be delivered by Martyn Drake, MD of Computershare UK, which administers the plan in 100 countries in which Ericsson operates. This plan was joint winner of the Centre's 2011 Award for the Best International Share Plan. Another interesting case study will be led by Richard Nelson of Howells Associates, who will introduce executives from client Imagination Technologies to talk about how the company has engaged with its employees using share plans as its key remuneration tool.
Dr. Marco Cilento from the Italian trades union confederation CISL will address delegates on 'Employee financial participation in the Italian automotive industry,' focussing on: attitudes of the employers, the trade unions and their members towards Eso; what types are installed in the car factories and the significance of this development in the evolution of Italian industrial relations
Martin Osborne-Shaw, of Killik Employee Services, will make the case for a major boost in the level and quality of financial education made available to employees in the workplace.
The Davos speakers are drawn from the following companies and organisations: Baker & McKenzie, BDO Human Capital, Capita Registrars, CISL, Computershare, Henderson Global Investors, Howells Associates; Imagination Technologies, Killik Employee Services, Macfarlanes LLP, Minter Ellison, MM & K, Norse Solutions, Pett, Franklin & Co. LLP, RBC Corporate Employee & Executive Solutions and Strategic Remuneration. The programme can be reviewed in detail on the Centre website at: www.hurlstons.com/esop and click onto 'events.' You can download our e-brochure, co-sponsored by Appleby Global and by RBC CEES and you can reserve your delegate place online too.
The programme covers latest developments in employee equity – including regulatory pressures on executive equity reward packages; employee equity case studies; plan administration techniques; corporate governance issues in the EU and US; disguised remuneration, accounting standards; cross-border taxation, trustee updates and national spotlights. Delegates will have their say, notably during a 40-minute open debate about the key issues.
Package Deal Fees: No sales tax is payable on these fees. The package price covers two nights (Feb 1 & 2) half-board accommodation in the five-star Steigenberger Belvedere Hotel, Davos Platz, admission to all conference sessions, light refreshments throughout, cocktail party (partners welcome) and bound copy of speech highlights.

Delegates: Centre members

Practitioners (service providers)	£ 925
Equity plan issuers	£535

Delegates: Non members

Practitioners (service providers)	£ 139
Equity plan issuers	£ 685

There will be a pre-conference informal delegates' dinner in a Davos restaurant on Wednesday evening. The programme includes extended afternoon breaks on Thursday and Friday, so that keen skiers can hit the slopes after the morning sessions. Packed lunches are available on demand and idem activity schedules for non-participating partners and/or visiting friends and relatives. If you would like to attend, please email Fred Hackworth, Centre international director, asap at: fhackworth@hurlstons.com

Tax Anti-Avoidance Warning

The adoption of a General Anti-Avoidance Rule (GAAR) would be inadvisable in the current climate and would do considerable damage to the UK economy, warned Centre member **Alvarez Taxand** "The subjective application of this test to tax planning may damage legitimate business structuring. We hope that the academic study provided to HM Treasury at the end of October recognised the importance of stimulating UK business, as opposed to supporting the full implementation of complex legislation that will tie up resources at HMRC and UK publicly-listed companies," said Taxand's UK md Shiv Mahalingham. "At first glance, the measures being introduced by the UK government to tackle tax avoidance, including a GAAR, appear to be simple, wide-ranging solutions, but, in practice, they may be difficult to implement effectively. Although GAARs or similar rules are common in other countries, they may not work well for the UK. The problem is that a rule designed for simplicity can, if not implemented correctly, become complicated. A comprehensive study by Graham Aaronson QC, a commercial taxation adviser familiar with the results of poorly prepared tax legislation, is welcome news for the UK business community. His report issued to the Treasury on October 31 2011 offers recommendations concerning a potential GAAR in the UK. Although the findings have not yet been made public, Alvarez Taxand highlighted the key issues preventing such legislation from being implemented at a critical time for UK business. Many of the biggest multinationals build tax planning around commercial change and, therefore, should not be affected by a UK GAAR. The European Court of Justice's concept of a ‘wholly artificial arrangement’ is recognised as a benchmark for discriminating between acceptable and non-acceptable tax planning, but the real fear is that those companies whose tax planning may be assessed more subjectively will be put off by the uncertainty and simply move their profits out of the UK to achieve the same savings. This could cost the country billions in lost investment and will affect UK jobs at a time when unemployment is at its highest level in 17 years,” said Taxand senior director Jonathan Hornby.

COMPANIES

Recent filings with the Securities and Exchange Commission (SEC) reveal that **Apple** paid some of its top executives stock bonuses of up to $60m each. According to Daniel Eran Dilger of Apple Insider, the bonuses were handed out with the intention of locking up those executives until at least 2016. General counsel Bruce Sewell, senior vp of operations Jeffrey Williams, worldwide product marketing, svp Philip Schiller, cfo Peter Oppenheimer, hardware engineering svp Robert Mansfield, and iOS software svp Scott Forstall each received 150,000 shares, Dilger said in his report. While those shares are valued at $6om at current market prices, the grants will not begin to vest until June 2013, and half of that amount will not be available until March 2016 and is contingent upon the executives staying with the Cupertino, California-based iPod, iPad, and Macintosh computer developers, the Apple Insider article added. A smaller bonus of 100,000 shares was paid out to Eduardo Cue in September upon his promotion to Senior VP of Internet Software and Services. Cue, who oversees the iTunes App Store, iBooks, and iCloud, will see 25 percent of his shares vest on September 21, 2014 and will be fully vested two years after that date. Cue’s shares would be worth $40 each at current market value, CNET reported. “Our executive team is incredibly talented and they are all dedicated to Apple’s continued success,” Apple spokesman Steve Dowling said in a statement: “These stock grants are meant to reward them down the road for their hard work in helping to keep Apple the most innovative company in the world.”

Cyril Sweett Trustee Co Ltd has awarded 34,149 of the company's ordinary shares to participants in the **Cyril Sweett** Share Incentive Plan. All were unallocated shares already held in the SIP. Cyril Sweett Trustee Co Ltd now holds 10,874,105 ords representing 16.4 percent of the issued share capital of the company.

Dover Harbour Board (DHB) is taking significant steps to strengthen ties with the local community as part of its proposed privatisation. All of its assets and liabilities will be put into a holding/operating company (Opco). The shares in the Opco will then be sold at a market price to one or more investors, or floated in an initial public offering. Significantly, at the same time, an upfront payment will be made by DHB to the Port of Dover Community Trust (PDCT), which in addition will receive £20m worth of shares in the Opco, for which it will be entitled to a dividend payment. The employee share ownership scheme will have vested shares in the Opco up to a value of £5m. This leaves a majority of shares available for a private sector investor, who will acquire them at the appropriate sale rate. “The DHB is quite clear in its objective, which is to formalise an arrangement whereby the community will benefit directly from the port by effectively being a shareholder in it,” says Dr Bob Goldfield, ceo of Dover Port.

On the move

Marketing manager **Amy Beck** left **Appleby Global** on November 25, after four years in the Jersey office, to pursue a new future in Norfolk. During December, her colleague Michelle Jeanne will remain the key contact for the Jersey and Guernsey marketing team, and she can be reached at mjeanne@applebyglobal.com. **Paul Stewart** will take over the role of marketing manager for the Crown Dependencies. Paul has been the marketing manager in Appleby’s Bermuda office since January 2007 and is re-locating to Jersey from January. His email address is pstewart@applebyglobal.com.

Gabbi Stopp, associate share plans director at Barclays and formerly with the Pearson Group, is joining **Capita Registrars** in January.

Jane Jevon has joined **Ernst & Young's** Human Capital Performance & Reward group. She will be based in the Birmingham office where she will work closely with Richard Buston on employee share and incentive arrangements and employee trusts. She can be contacted on 0121 535 2783 mob: 07870 208029 e-mail jjevon@uk.ey.com.

Australian corporate lawyer, **Michael Wallin**, joined the **Minter Ellison** London office as a corporate partner on November 1. Michael has substantial experience in corporate finance, private equity, mergers and acquisitions and outsourcing.

Occupational pensions at 55-year low point

The **Office for National Statistics (ONS**) said there were 8.3m active employee members of occupational pension schemes in 2010, almost half a million fewer than in the previous year. Occupational pension scheme membership is now at its lowest level since the 1950s. Of these members, 5.2m were in public sector schemes, while only 3m were in private sector schemes. The ONS defines 'active' pension scheme members as current employees who would normally contribute to a pension fund, or who would normally have contributions made on their behalf. It said the decline was due to the fall in membership of private sector defined benefit schemes, which promise a set level of pension once an employee reaches retirement age, no matter what happens to the stock market or the value of the pension investment. Pensions law expert Carolyn Saunders of **Pinsent Masons**, the Centre member law firm, said that the fall in defined *benefit* pension scheme membership was unsurprising as employers were increasingly closing schemes in an effort to save costs. By contrast, membership of defined contribution schemes, in which the final value depends on the performance of the scheme member's individual contributions, remained steady at 1m. "Many of the employers who have, until recently, defied the trend to close their schemes now find it impossible to maintain this position in the challenging economic environment," Saunders said. The percentage of an employee's salary which is paid into a pension scheme by both the employee and the employer is generally higher for defined benefit schemes than defined contribution schemes. In 2010 the average contribution rate amongst employers in the private sector for defined benefit pension schemes in 2010 was 15.8 percent, according to the ONS figures. For defined contribution schemes, it was 6.2 percent.

INTERNATIONAL

The **Australian Employee Buyout Centre** (AEBC) called on Alan Joyce, ceo of Qantas and the heads of the three unions in the dispute with Qantas to embrace employee share ownership as a solution. Elena Kirillova, chairman of AEBC said: "The unions are concerned that Qantas management is committed to cutting costs and moving jobs off-shore as part of the Asia strategy. There is insufficient focus in the debate on the extent to which Qantas can relocate to Asia in view of the restrictions imposed on Qantas by the Qantas Sale Act. All parties need a compromise that will last and this could be achieved by providing employees with a meaningful stake in Qantas through shares, instead of wage increases. There is considerable evidence internationally of employee share ownership being a solution for companies facing financial and market challenges. An offer of share ownership to all (or the vast majority) of the employees in Qantas in tandem with proposed wage concessions could work for Qantas. The Qantas Sale Act requires that the Australian character of Qantas be preserved and that the main Qantas operational base and facilities for the maintenance and housing of aircraft, catering, flight operations, training and administration and headquarters - remain in Australia." The **Australian Employee Ownership Association** supported the call for a 'stake in the business' to be offered to all Qantas employees in the enterprise bargaining process now proceeding.

A UK private equity firm is in talks to invest €50m in struggling **Irish** telecoms firm eircom as part of an attempt by the shareholders to maintain control of the company, the *Sunday Times* reported. Owners Singapore Technologies Telemedia (STT), a unit of Temasek, and employee share trust ESOT face an extended deadline for proposals to restructure €3.75bn in debt as they bid to maintain control of the firm. London-based Communications Ventures Partners (CVP), a former shareholder of eircom, is in talks to back a €300m injection of capital by STT and ESOT, the newspaper reported. Under the deal STT, which owns 65 percent of eircom, would inject about €200m euros of fresh capital, ESOT would contribute €45m and CVP would contribute the remainder.

SAYE abolished in Netherlands: Under current SAYE schemes in the Netherlands, employees can pay up to €613 per year, from gross salary, into a blocked savings account. After four years, these deposits are released, exempt from tax. In the Tax Plan 2012, the finance ministry plans to abolish SAYE schemes and place them together with a lifelong savings scheme. After the abolition of the salary savings scheme, accrued salary SAYE savings to date will be available tax free, as of January 1, 2012. However, participants have the option to keep their deposits in the blocked account. In that case, the deposits will be released partially each year. The remaining balance will be disregarded for the tax on savings and investments. Accordingly, it will no longer be possible for participants to add amounts to their SAYE scheme holdings from January. The Tax Plan 2012 has yet to be discussed and adopted by the House of Representatives and the Senate.

People Corporation, a leading Canadian employee benefits, group retirement and HR consulting firm, used its 2011 agm to announce the launch of an Esop. "This is another important milestone in the building of our organization and the execution of our strategy," said Laurie Goldberg, ceo. "Our Esop allows all our employees to participate in the growth and success of our organisation. At the same time, it delivers an additional value proposition to those people that choose to join our organization and have great careers. After all, we are in the people business, so we felt it was important to deliver what we believe in. The Esop provides employees with the opportunity to purchase shares through regular payroll deductions. The company will purchase shares from the market through a third party administrator and will match the employee's purchase at a rate of one share for every four shares an employee buys, subject to several limitations. We believe this will be yet another competitive advantage in the marketplace for quality and high performing talent in our industry. Few companies in our space offer an Esop or even have the ability to offer this type of programme. With this Esop, we are saying we want to attract, retain and incentivise the best people and this is the place to join if you want a long and prosperous career in Group Benefits, Group Retirement and HR Consulting in Canada," said Mr. Goldberg. He added: "From a shareholder perspective, we also believe this is good news. The Esop programme will facilitate improved company performance by way of additional talent attraction and retention, allow for broader share ownership, and improve the overall liquidity of the shares. We are excited about the Esop and are proud we are in a position to provide this benefit to our employees."

Esop strike ends; Mining group **Xstrata** reached an agreement with the National Union of Mineworkers (NUM) to end a strike over the company's Esop proposals, South Africa's Department of Mineral Resource (DMR) announced. Xstrata agreed to apply the principle of equality in its allocations in the Esop, after it had initially wanted to allocate dividends proportionally to workers according to their skill levels, while management grades were expressly excluded from the scheme. The parties agreed that the DMR, which brokered the deal, would recognise the Xstrata Esop as compliant with the Mining Charter requirements, and give Xstrata the necessary credits to meet its 26 percent black economic-empowerment ownership obligations in both its coal and alloys divisions. "We applaud both NUM and Xstrata on the cooperative spirit that they demonstrated during these negotiations in the national interest," special adviser to Minister Susan Shabangu and mediator in the dispute, advocate Sandile Nogxina, said. The company and the union met for seven days in discussions facilitated by the DMR. NUM members had downed tools on October 17 over the disputed Esop. The strike was suspended nine days later, after Nogxina intervened.

The EU Commissioner for Taxation and Customs Union, Algirdas Semeta, has suggested that the UK and Germany may have breached their European treaty obligations by signing bilateral tax agreements with **Switzerland**. He suggested the agreements could cover aspects already covered by the EU Savings Directive and/or the EU-Swiss agreement. Insofar as they may cover areas of exclusive EU competence, the Commission would take the matter "very seriously." See http://tinyurl.com/7399dvo

Top drinks producer **Schweppes Zimbabwe** Ltd could soon officially unveil its employee and management share ownership scheme, as government seeks to bolster its indigenisation and empowerment campaign. Management acquired a controlling interest in the local concern a year ago from multinational Coca Cola. Delta Corp, which holds the Coca Cola franchise in Zimbabwe, has retained an interest in the company. Indiginisation minister, Saviour Kasukuwere, said recently that SZL would become one of the four companies expected to launch their empowerment schemes in a few weeks as he battles to win public support for a project the Movement for Democratic Change has castigated as aimed to benefit ZANU-PF and its cronies. Part of the indigenisation campaign now involves creation of employee share ownership trusts of schemes, which are employee benefit plans that allow employees to become owners of stock in a company they work for. Zimbabwe's indigenisation and economic empowerment regulations gazetted last year compel non-indigenously-owned businesses operating in the country to achieve part compliance with the law through the disposal of at least five percent of their shareholding to employees, including management.

Impact of the Prospectus Directive

The UK Government recently implemented amendments to the EU Prospectus Directive regarding offers of securities made to UK employees, said Centre member **Postlethwaite**, the specialist Eso legal firm. The amendments extend the existing exemptions applicable to the number of employees to whom the offer is made and how much is payable for the securities.

- The maximum number of people, other than qualified investors, to whom an offer of transferable securities may be made without the need for a prospectus is increased from 100 to 150.
- The maximum total offer made in the EU without the need for a prospectus is increased from €2.5m to €5m.

The aim is to reduce the administrative burden for issuers, as fewer offers of securities will trigger the need for a prospectus in the future. The Government believes that implementing these particular changes at an early stage (well before next July's deadline) will permit companies to gain access to capital on public markets more efficiently. The benefits are likely to be most significant in the case of further fundraising by smaller public companies, by enabling unquoted companies and companies on exchange regulated markets, such as AIM and PLUS Quoted, to offer securities to a wider range of investors in a more cost-effective manner. The changes will be welcomed by unquoted companies and companies on exchange regulated markets (as well as by non-EEA companies with no listing either on an EEA regulated market or on a regulated market outside the EEA which is recognised as equivalent for these purposes) who wish to offer shares, or extend share incentive plans, to UK employees. Governments in other EU States have not, however, acted so quickly to implement these amendments, so that there is no consistency of treatment as yet throughout the EU. Specific advice should therefore be sought as to the position in other EU States if an offer is to be extended within the EU beyond the UK. Further changes included in that amending directive must be implemented by member states before the July deadline, added Postlethwaite. A key element among these will be an extension of the exemption covering offers of securities to employees. On general principles, a prospectus is not necessary where employees are offered non-transferable share options or free shares, but where shares are offered for sale in excess of the applicable thresholds (see above), companies will wish to know whether the employee exemption will be available. Under the current employee exemption, shares can be offered for sale to employees without the need for a prospectus if an *information document* is made available to employee recipients. This facility is, however, only applicable at present to companies whose securities are traded on a EU regulated market. When the changes in the amending directive have been implemented, the employee exemption will be extended to (a) all companies with a head office or registered office in the EU, and (b) to companies incorporated outside the EU with securities traded on a non-EU market, but only if that market is recognised as equivalent to EU regulated markets. The requirement for a company's securities to be traded in a EU regulated market will disappear. There is as yet no list of equivalent markets, but this is likely to include the Australian, Tokyo and New York Stock Exchanges.

Payback time on executive pay

U.K. Business Secretary Vince Cable threatened to legislate, if necessary, to limit executive pay, as he expressed sympathy with some of the goals of anti-capitalist protesters who set up camps in London's financial district. The high level of some executives' pay "causes a lot of public anger and indignation, and you know we've seen some of that spilling over into protests in recent weeks," Cable said in an interview on BBC TV's Politics Show. "It does reflect a feeling that a small number of people have done extraordinarily well in the crisis, often undeservedly." Cable published a discussion paper two months ago that set out ways to help shareholders curb excessive executive pay at under-performing companies, calling the current system "dysfunctional" and a failure of corporate governance. "Most big companies are owned by pension funds and insurance companies," Cable said. Those institutions need to be 'active and socially responsible shareholders,' adding: "if it does require legislation, of course we'll introduce it." Options being considered by Cable include giving shareholders a binding vote on pay and putting employees on company remuneration committees, according to the discussion paper. He's looking at stiffening reporting requirements for listed companies, including mandatory publication of how much each board member gets and details of performance-related incentive payments.

Meanwhile, David Cameron vowed to stop state-owned bank **RBS** from lavishing £500m in bonuses on its staff this year. The Prime Minister said the Government could and would ensure that the pot for pay and perks is much smaller. RBS – 83 per cent owned by the taxpayer – suffered a collapse in profits in recent months. Its revenues plunged to £112m between July and September – compared with £589m over the same quarter last year. Yet this dramatic fall is not reflected in the enormous pay pool from which its salaries and bonuses are funded. There is just under £2bn in the pool – only marginally lower than the £2.14bn it contained last year. Insiders expect about £500m of it to be paid out in bonuses this year – with more than £1m per person going to some investment bankers. The PM was responding to public fury at the way bankers continue to rake in huge salaries and end-of-year bonuses, while taxpayers who bailed out their banks three years ago are suffering pay freezes and public spending cuts.

Reward for the directors of the UK's top businesses rose 50 percent over the past year, a pay research company has said. **Incomes Data Services (IDS)** said this took the average pay for a director of a FTSE 100 company to almost £2.7m. The rise, covering salary, benefits and bonuses, was higher than that recorded for ceos. Their pay rose by 43 percent over the year, according to the study. Prime Minister David Cameron said the report was "concerning" (sic) and called for big companies to be more transparent when they decide executive pay: "Everyone, whether they are in public life, whether they are in private enterprise, they've got to be able to justify the decisions they make about pay." Cameron said pay decisions should be published, including the multiple in remuneration between the lowest and highest paid in the company. Boards should be more accountable to shareholders and consider the wider implications of their actions, he added. IDS said that that figure implied that "executive largesse is evenly spread across the board". Base salaries rose by just 3.2 percent, although that was above the median rise recorded by IDS for average pay settlements of 2.6 percent for private sector workers. Directors' bonus payments, on average, rose by 23 percent from £737,000 in 2010 to £906,000 this year. However, about two-thirds of FTSE 100 companies are global operations, making most of their profits overseas. For companies like the mining giant Rio Tinto, the UK is a small part of their operations. Unite union called executive pay levels "obscene" and urged that shareholders be given more power to hold directors accountable. The union's general secretary, Len McCluskey said: "The Government should strongly consider giving shareholders greater legal powers to question and curb these excessive remuneration packages. Institutional shareholders need to exercise much greater scrutiny and control of directors' pay and bonuses."

Executive pay needs to be radically simplified and companies should include workers on remuneration committees to end runaway awards that are "corrosive" for the UK economy, the independent **High Pay Commission** said. Its list of 12 proposals on overhauling executive pay are likely to inform government action and debate among companies, amid growing public anger about pay increases for bosses that have far outstripped average wages. The HPC's year-long inquiry found pay for some top executive roles has risen more than forty fold in the past 30 years, while average wages are just three times higher than in 1981. The HPC, set up by left-of-centre pressure group Compass with backing from the Joseph Rowntree Charitable Trust, includes a range of voices, from fund managers and pension funds to trade unions "Many of the options we are consulting on are reflected in the High Pay Commission final report," said Cable. The report could dovetail with his own review on top pay for which final submissions were due last week. The government plans to announce its next steps early next year. Cable said he was seeking views on whether there should be a binding vote for shareholders on deciding pay, employee representation on remuneration committees, and how to simplify and improve a company's pay structure. Those were all measures recommended by the HPC, which, in addition, wants companies to reveal their top ten pay packages outside the boardroom and disclose the pay ratio between the highest-paid executive and the company median. Latest data showed that at oil company BP, the ceo earned 63 times the amount of the average employee, up from a multiple of 16.5 in 1979, while top pay at lender Barclays was 75 times that of the average worker, up from 14.5 in 1979, the HPC said. That compares to the US where average CEO remuneration is 142 times that of employees, according to Thomson Reuters data. The HPC estimated that by 2035 the top 0.1 percent would take home 14 percent of Britain's national income, a level of disparity not seen since Victorian times.

The Commission said a new national body to monitor high pay should be established. The report, entitled: *Cheques With Balances: Why Tackling High Pay Is In*

The National Interest showed that decisions to award huge pay packages are set by a 'closed shop,' shrouded in highly complex detail, effectively hidden from shareholders, staff and the public. HPC chairman Deborah Hargreaves said: "When pay for senior executives is set behind closed doors, does not reflect company success and is fuelling massive inequality, it represents a deep malaise at the very top of our society. We have seen rampant, runaway excesses on pay and bonuses and I think people want that brought back under control. There's a crisis at the top of British business and it is deeply corrosive for our economy," she added.

A poll of more than 2,000 members of the public to mark publication of the report found that four out of five respondents believed that pay and bonuses for top UK executives were out of control. Two-thirds did not think companies could be trusted to set pay and bonuses responsibly and most wanted Government action to make firms more transparent about the way in which they award executive pay.

Alan MacDougall, md of shareholder advisory firm PIRC, said the report would reset the remuneration debate at a time of rising investor concerns on the issue. This year has seen pay revolts at 14 companies in the FTSE 100 index—(defined as cases where at least 20 percent of shareholders opposed or abstained on remuneration reports) -- up from seven in 2010. The 2011 revolts occurred at some of the biggest companies, including BP, HSBC Rio Tinto and WPP. Heather McGregor, director of executive search firm Taylor Bennett, said the idea of having employee representatives on remuneration committees was "barking mad". "These companies are owned by their shareholders and it is the shareholders who should have a say on executive pay, not the workers," she told BBC radio. However, she was not asked about companies that have simply ignored adverse remuneration report votes by shareholders, as these are purely advisory.

Pay for mds in the City's Square Mile has soared 21 percent to £237,000 in the past year. Even the average salary for average City employees was up 12 percent to £83,000 in the 12 months to October, research by recruitment firm Astbury Marsden revealed.

Separate research reveals the average pay rise in manufacturing has fallen slightly in recent months to 2.4 percent and wage freezes have started to creep up, amid high inflation and rising unemployment. This report by the **Engineering Employers' Federation** shows that the level of pay increases fell by 0.1 percent from 2.5 percent in the quarter to September. One in five employers are pushing through a freeze on pay, it said.

Remuneration consultants denied that they were responsible for the large rises in average executive reward in recent years. The consultants' fees are kept private but are in line with those charged by accountants and lawyers. In September, City investors called for them to disclose their fees to shed more light on this little understood sector.

David Tankel, former principal of **Hewitt New Bridge Street**, defended the role of pay consultants. "We don't make recommendations on what people should be paid. That is the role of the non executives on remuneration committees. We discuss what data they want to use as comparators but, at the end of the day, the decision doesn't rest with us." Asked whether he thought executive pay was too high, Tankel said: "Because there is so much transparency and data around these days (which shows what others are earning), there is a greater risk of inflationary awards."

Some Eso industry professionals too are growing alarmed over the high level of increases in many directors' annual reward packages. One City lawyer, who formerly worked for Ernst & Young, and who preferred to remain anonymous, told *Newspad:* "One question I think a lot of people would like answering *is 'How can the fantastic pay rises given to FTSE 100 directors year on year possibly be calculated, justified or sustainable?'* In my view, it brings the whole remuneration industry into disrepute."

Congress is seeking to end the practice of paying million-dollar bonuses to executives at government-controlled mortgage giants **Fannie Mae** and **Freddie Mac**. The House Financial Services Committee has approved legislation that would suspend tens of millions in Fannie and Freddie executive compensation packages, stop future bonuses and align their salaries with other federal employees who make much less. The vote was 52-4, with strong support from both parties. The Senate is expected to take up a similar measure. Lawmakers say the legislation limiting pay at the bailed-out firms could be sent to President Barack Obama by the end of this year. The Senate banking committee too intervened in the wake of widespread outrage over the $12.8m in bonuses approved for ten executives at Fannie Mae and Freddie Mac, which received a $170bn taxpayer-funded bailout during the Lehman Brothers financial crisis. The Federal Housing Finance Agency approved the bonuses for ten executives from the two government-sponsored agencies after they met modest performance targets tied to adjusting mortgages at risk of foreclosure. As very few such adjustments have occurred recently, critics are asking why the generous bonuses were doled out. They came only two years after the agencies received $170bn in taxpayer aid. The housing agency pledged at that time that it would curb executive pay after the huge compensation offered to former Fannie Mae ceo Franklin Raines and others. Ed Haldeman, who is quitting as Freddie Mac's ceo, received a base salary of $900,000 last year and a $2.3m bonus on top. Fannie Mae ceo Michael Williams received a $2.37m bonus. The top five executives at Freddie bagged $6.46m in bonuses last year, and a second instalment has yet to be reported to the **Securities and Exchange Commission (SEC)**. Williams and the four other top officials at Fannie were awarded $6.33m in bonuses, primarily for providing *"liquidity, stability and affordability*" to the national market. "Fannie and Freddie executives are being paid millions to manage losses," Rep. Patrick McHenry, a critic of the Obama administration's housing policies, told Politico news: "It's completely absurd." Democrats are as upset as Republicans. "It is outrageous that senior

executives at Fannie and Freddie are receiving multi-million-dollar compensation packages when they now rely on funding from US taxpayers, many of whom face foreclosure or whose homes are underwater," said Rep. Elijah Cummings.
The SEC said that it had reached a deal to claw back $2.8m in compensation from **CSK Auto Corp**'s former ceo and chairman, Maynard Jenkins, who ran the company during an accounting fraud scandal. In 2009, it moved to recoup the $2.8m in bonus and stock profits on behalf of CSK, citing the accounting compliance law, Sarbanes-Oxley Act. While Jenkins was not accused on any wrongdoing, at least three other former CSK executives have pleaded guilty to criminal charges stemming from the accounting fraud. The company itself paid a fine of more than $20m. At the time, the agency had never used Sarbanes-Oxley to claw back compensation from an executive who was not accused in a case, even though the landmark law has existed since 2002. Since 2009, however, the SEC has settled another significant Sarbanes-Oxley clawback case. Earlier this year, the agency recovered $1.4m from the former cfo of **Beazer Homes US**. The executive, James O'Leary, was not accused of any wrongdoing but received the money at a time when the house-builder was committing accounting fraud, the SEC said. "Ceos should know that they can be deprived of bonuses or stock profits they received while accounting fraud was occurring on their watch," Robert Khuzami, the SEC's enforcement chief, said in a statement.
Bankers hand back bonuses: Ceo Andreas Treichl and other top managers at **Erste Group Bank** have repaid more than a third of their 2010 bonuses after the lender restated last year's results to reflect changed treatment of credit default swaps (CDS). Management board members have paid back €1.9m of the combined €5.6m in 2010 bonuses they got, a bank spokesman said, confirming a report by the Austria Press Agency. Erste irked investors by announcing it would reclassify an off-balance-sheet CDS portfolio as derivatives rather than continue to treat them as financial guarantees, forcing it to restate its 2010 net profit – down to €988m euros from the €1.12bn originally reported.
Jeroen van der Veer, the boss of **Shell**, once said that bonuses did not have an impact on his performance "You have to realise: if I had been paid 50 percent more, I would not have done it better. If I had been paid 50 percent less, then I would not have done it worse."
Societe Generale has cut bonuses and cancelled its dividend after recording a profits slump due to a 60 percent write-off of its lending to Greece. The bank's net profit for the third quarter was €622m, down 31 percent from last year. France's second-largest lender said it would not pay a dividend this year in order to boost its balance sheet. Ceo Frederic Oudea said: "We are giving priority to the strengthening of the group's capital." He added that bonuses at the bank would be affected, with "a significant decline in performance-linked pay" within its corporate and investment banking unit.
London's bankers may receive £4.2bn in bonuses for 2011, the lowest in almost a decade as financial-services firms face tougher regulations and post 'weak' earnings, the **Centre for Economics & Business Research Ltd** said. Bonuses may fall by 38 percent from £6.75bn, a year earlier, the London-based firm said in a statement. Banking bonuses peaked at £11.6bn in 2007. The U.K. Treasury is set to collect about £2.5bn from this year's payouts, less than half received in 2007, the CEBR said. Employment in London's financial industry may sink to the lowest in more than a decade as earnings are hurt by concern about the European debt crisis, tougher regulation and higher taxes, the CEBR added.
Sergio Ermotti, newly appointed ceo of **UBS**, told the *Financial Times* that there was "no way" bonuses would be unaffected by the rogue trader incident early this year which cost the bank $2.3bn. However, the bank had previously opted not to cut bonuses after it reported profits of $1.24bn in Q3. The decision was met with controversy as it meant that 90 percent of the bank's revenue for that quarter would be added to the bonus pool. The new decision to cut bonuses could see a reduction of as much as ten percent from the $5bn bonus pool. Ermotti told the FT: "We have to take a huge bet that our people will stay on ... They will say, because 20 or 30 people – maybe as high as 50 people – didn't supervise this business properly, now I am penalising, de facto, the other 64,950 employees. Which is OK, the rationale can be understood. But it's going to be difficult to sell to our employees"
The **Archbishop of York,** Dr. John Sentamu, spoke out in an interview about the "greed" which had provoked the St Paul's 'Indignants' camp. He suggested that honours should be denied to those whose salaries and bonuses suggest that they already had more than their fair share of life's good things. Sentamu made his case in the *Yorkshire Post.* He said: "Great wealth has for so long been seen as a mark of status. I think that the authorities should let it be known that in future the Queen's honours would not be given to those who have already rewarded themselves most handsomely. To have to choose between two coveted sources of honour and prestige would be salutary. On the same basis, it might be worth extending this to the Queen's Awards to Industry so that companies with the largest pay differences between senior and junior staff would know that they were less likely to win these awards."
He suggested too that a voluntary tick (or honesty) box should be added to individual tax return forms filed annually by taxpayers, allowing the total paid to be made public.

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