EsopCentre

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it's our business

newspad of the Employee Share Ownership Centre

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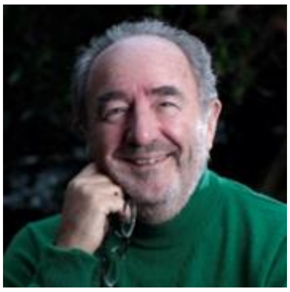
WELCOME

In this issue



From the life president

Of Britain's three historic political parties only the Labour party has had an uncertain relationship with employee share ownership. For the Tories, Sajid Javid overrode the blob to give extra shares to the posties; LibDem leader Vince Cable did well as an employee shareholder at Shell.

That's why it's so good to see Peter Hendy as transport minister. The government announcement tells us that Lord Hendy of Richmond Hill CBE will bring decades of experience to help realise the government's ambition of transforming infrastructure and improving public transport.

Peter Hendy launched his own management / employee buyout at CentreWest buses in Paddington in 1988. As it happened he asked me to come and talk to the busmen - the garage is just down the road from where I live. I like to think I contributed to the resounding approval.

In addition the Chancellor has picked up and run with the new idea of PISCES which the Centre applauds too. There couldn't be better timing for support for employee share ownership from a Labour government.

Malcolm Hurlston CBE

Esop Centre Jersey conference 2025—March 28

We are set to return to the Pomme d'Or hotel, St Helier for our employee share plans and trustees conference on Friday March 28.

A keynote speech from **Joe Moynihan**, ceo of Jersey Finance, will update delegates on the Jersey International Finance Centre and its plans for the future.

Expert speakers include Esop barrister David Pett of Temple Tax Chambers; head of employee incentives, private wealth Jersey at Ogier, Katherine Neal; CMS consultant Graham Muir and share schemes specialist David Craddock.

The programme is drafted to *provide relevant technical information, with a view to being acceptable as counting towards your Continuing Professional Development or Continuing Competence.*

It includes talks on the Private Intermittent Securities and Capital Exchange System (PISCES) and the new EBT/EOT rules. Further topics will be added later.

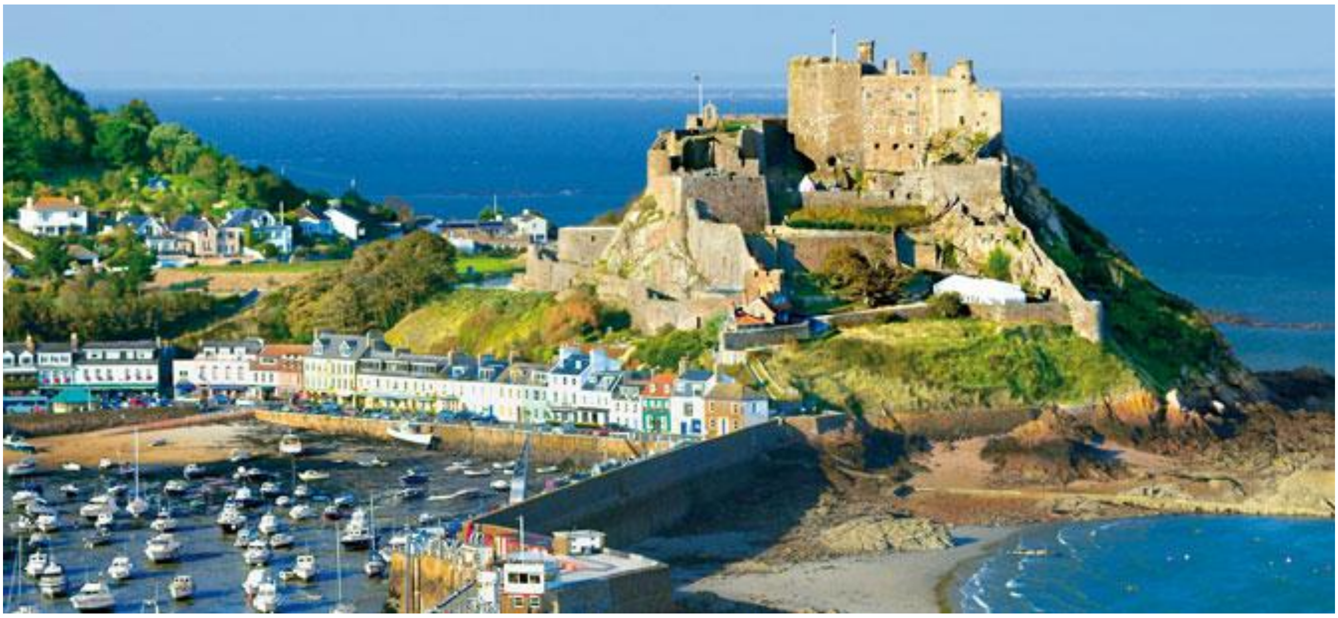
Presentations will run from 09:00 to 13:15, followed by a networking lunch. The seminar is being held in conjunction with STEP Jersey.

Book now to secure discounted ticket prices:

Esop Centre/STEP members: £380/each
Non-members: £485/each

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

To reserve your place, email:
events@esopcentre.com



Hold the day for the Centre's annual share plans symposium June 5 2025

The Centre's eighth Share Plan Symposium will be an in-person event at **Baker McKenzie's** London offices on the afternoon of **Thursday June 5**. The event will comprise four panel debates, running from approx. **13:30 to 17:15** followed by a reception, at which the **17th** *newspad Awards* winners will be announced.

The speakers' presentations will be pre-recorded and form the briefing material for what we hope will be lively panel and delegate discussions.

Centre conferences are equally celebrated for their level of speaker expertise and for the quality of their networking opportunities.

Admission rates:

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

Practitioners: Members: £450   Non-members: £800

Trustees: Members: £400 Non-members: £650

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

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

To register a delegate email events@esopcentre.com or phone the team on +44 (0)207 562 0586

Baker McKenzie.

The Esop Centre thanks Baker McKenzie for hosting the 2025 Share Plan Symposium

PISCES on the road

Following on from the success of our September event on the Private Intermittent Securities and Capital Exchange System (PISCES) and employee share plans, the Centre is teaming up with Corpgro and PwC again to take the conference on the road.

There are two events lined up for March, at PwC's offices in **Birmingham** on **March 5**, and in **Manchester** on **March 12** 2025.

The events will run from 13:00 to 15:00 (approx.) and comprise the following:

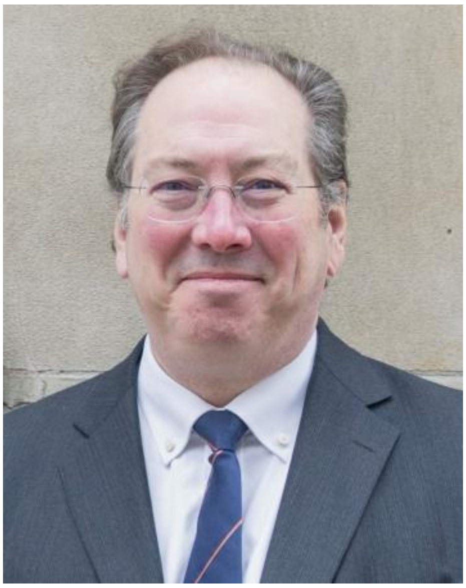
⇒ London Stock Exchange (Tom Simmons) - Background to PISCES, PISCES overview, current consultation, practicalities

⇒ PwC Valuations/Capital Markets (Rebecca Clayton, Jonny Rodwell, Jonathan Raggatt) - Valuations and disclosure considerations in the context of PISCES

⇒ Corpgro, PwC Reward (Damian Carnell & Andrew Nealey) - Reward and employee equity in the context of PISCES

⇒ Networking (30 mins)

To register please email events@esopcentre.com stating which date you wish to register for.



Centre chairman Michael Mainelli appointed as president of the London Chamber of Commerce and Industry

The London Chamber of Commerce and Industry (LCCI) has appointed Professor Michael Mainelli as its new president. The former Lord Mayor of the City of London joined in the New Year.

As President of the Chamber, Michael will play a key role in representing London's business needs as well as driving initiatives to enhance the capital's economic competitiveness.

With a career spanning finance, technology, and leadership, Michael is highly respected and renowned in the business community. He served as Lord Mayor of London from 2023-24, championing initiatives from digital transformation to climate action within business, and he continues to serve as an international ambassador for the Square Mile.

Michael is chairman of Z/Yen Group, which has run the Esop Centre since 2020. Z/Yen, a leading commercial think-tank which he founded in 1994, is known for its work in promoting innovation and green finance through its indices of Global Financial Centres, Smart Centres, and Global Green Finance.

Michael has a deep understanding of London's business community, having worked extensively with companies across a range of sectors to promote growth and innovation. His understanding of financial markets, coupled with his leadership experience, will prove instrumental in LCCI's mission to support businesses throughout the capital during challenging economic times.

Commenting on his appointment, Michael said: "It's a privilege to take on the role of President of the London Chamber of Commerce and Industry particularly at such a crucial time for London's business community. Our capital is a hub of innovation and entrepreneurship, and I look forward to working with LCCI members to foster an environment in which businesses of all sizes can thrive."

Murray Tompsett joins VU Live Share Plans

Former ProShare leader Murray Tompsett has taken up a new position as business development director with Centre member VU Live Share Plans (Investec).

Posting on social media, Murray said "I look forward to catching up with my network and the brilliant share plans community over the coming months.

"Thanks so much to my old team and friends at ProShare. I had a wonderful four years, and I wish you nothing but continued success."

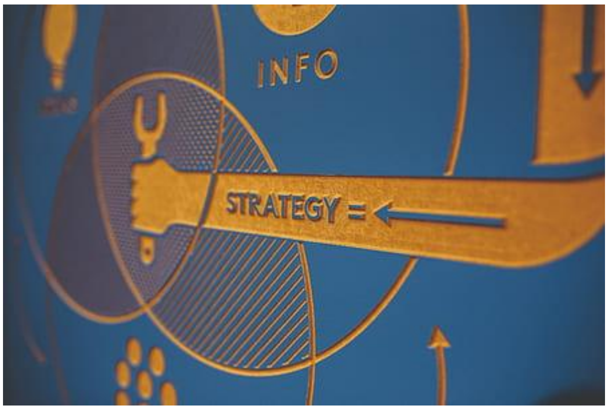
Economic fragmentation more damaging than Covid

Economic fragmentation could be more damaging to the economy than either the global financial crisis or the pandemic. Full decoupling between western economies and eastern economies could cost the global economy $5.7tn, or up to five percent of GDP, according to a report from the World Economic Forum and Oliver Wyman.

The hit would largely come through lower trade, reduced capital flows and lost economic efficiencies. GDP could fall by as much as 10 percent in India, Brazil, Latin America and South East Asia. To counter the dire predictions, the report proposed a stronger framework for the global financial network.

Chancellor to host industry forums with key financial services sub-sectors

The financial services sector is set to play a key role in designing the UK's first Financial Services growth and competitiveness strategy. The Chancellor will host a series of industry forums with industry leaders to seek views about the best way to deliver long-term. The strategy is to be published in the spring.



UK runner-up for attracting investment

The UK is the second most attractive country for capital investment behind the US, a PwC study shows. In the survey 14 percent of ceos chose the UK, while 30 percent mentioned the US. This marks the highest ranking for the UK in the survey's 28-year history. It was 4th in 2024.

Pay after inflation rises at fastest rate since 2021

UK pay after inflation has risen at its fastest rate for more than three years, driven by strong wage growth in the private sector. Pay packets increased on average by 3.4 percent between September and November compared with the same period a year ago after taking into account the impact of price rises, according to the Office for National Statistics (ONS).

Growth in private sector earnings was stronger than for public sector jobs.

Despite a risk of higher wages pushing up inflation, the Bank of England is still expected to cut interest rates next month.

Rates are currently at 4.75 percent, but traders have bet on a cut to 4.5 percent in February, after inflation, which measures the rate prices rise at over time, unexpectedly fell last month. The Bank of England watches the pay and jobs data closely when making decisions on interest rates. The latest ONS figures estimated that average weekly earnings in the UK hit £660 in November, when inflation was 2.6 percent - the latest figure is 2.5 percent.

Pension reforms aimed at driving growth and boosting pension pots

New rules aim to give more flexibility over how occupational defined benefit (ODB) pension schemes are managed. This will allow restrictions to be lifted on how well-funded, ODB pension funds that are performing well will be able to invest their surplus funds. Pension trustees and the sponsoring employers could then use this money to increase the productivity of their businesses – to boost wages and drive growth or unlock more money for pension scheme members.

UK population to reach 72.5 million

According to the Office for National Statistics the UK population will reach 72.5 million by mid-2032, up nearly five million from 67.6 million in mid-2022. It was 68.3 million in mid-2023, surpassing France’s 68.2 million. The driver of the growth was migration, with international migration now expected to be 4.9 million over the next 10 years. Natural change, the difference between births and deaths, is currently predicted to be zero, *the Guardian* reported.

More companies in Asia Pacific tie executive pay to ESG

More public companies across Asia Pacific are integrating ESG targets into their executive pay, according to data from global advisory firm WTW.

Key statistics included:

⇒ 193 companies in APAC disclosed their metrics for executive pay

⇒ Three in four firms (74 percent) tied their compensation to ESG metrics

⇒ Australian companies (92 percent) were the most committed

⇒ In Japan, three in four firms applied ESG metrics to executive pay

⇒ In Southeast Asia: 82 percent of the top listed companies surveyed in Singapore and 45 percent in Malaysia integrated ESG into their remuneration plans.

Writing for *People Matters*, Rachel Ranosa Joshi reported that Asia Pacific companies in the energy, materials, and financial industries had the highest prevalence of ESG-alignment. More leaders from these sectors are assessed against benchmarks such as their organisations' sustainability goals, DEIB principles, and other ethical standards.

Barclays ceo in line for 45% pay rise

Barclays is considering a pay restructure for ceo CS Venkatakrishnan, potentially increasing his maximum compensation by 45 percent to £14.3m. The proposal involves halving his fixed salary from £2.95m to £1.59m while allowing bonuses up to eight times the new figure, contingent on meeting higher profitability targets. This revamp follows the UK's 2023 removal of the EU bonus cap to enhance global competitiveness. The bank's remuneration committee, consulting with shareholders, plans to finalise and present the changes for approval in February, aiming to link executive rewards more closely with sustainable performance and shareholder interests.

Johnson Matthey listens to Standard Investments

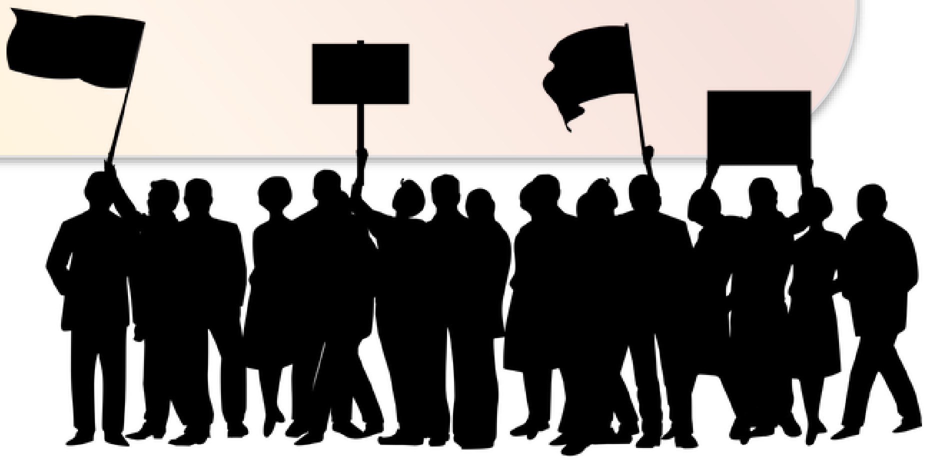
Johnson Matthey, the British autocatalyst maker, announced plans to review its executive remuneration to focus more on cash generation targets and to cut capital expenditure in its hydrogen technologies division. The move follows pressure from top shareholder Standard Investments, which has urged the company to prioritise cash flow and shareholder returns.

While aiming to increase cash conversion levels from 20-30 percent in 2025 to over 80 percent in future years, the firm will reduce hydrogen tech spending to £5m annually by 2026. This reflects broader scrutiny of the division, which has faced losses despite global interest in green hydrogen as a clean energy source.

Scottish Water faces strike over pay dispute and ceo's package

Around 500 Scottish Water employees are being balloted for industrial action amid a dispute over pay and the chief executive's remuneration. Unite, the trade union representing the workers, rejected a 3.4 percent pay offer made in October and criticised ceo Alex Plant's £483,000 pay package.

Plant's deal includes £83,000 in benefits, with £73,000 allocated for relocation expenses, such as temporary housing, an accommodation allowance, and Land and Building Transaction Tax payments. If the strike proceeds, it could disrupt Scottish Water's response to leaks and flooding throughout Scotland.



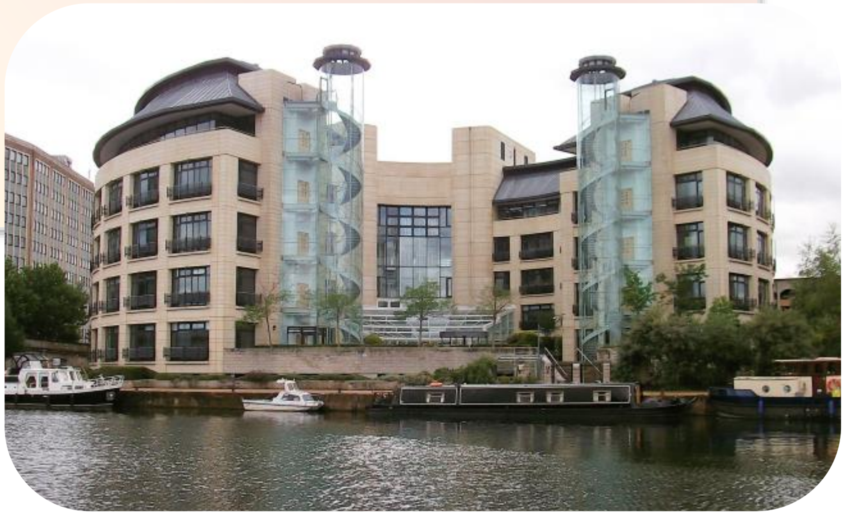
Most leading companies tie executive pay to emissions goals

According to the latest Corporate Health Check from lobbying organisation Carbon Disclosure Project, companies that are successfully meeting their emissions reduction targets are increasingly linking executive pay to environmental, social, and governance goals. The report, presented at the World Economic Forum, reveals that 78 percent of companies on track to achieve their climate objectives have tied executive compensation to climate outcomes.

Additionally, these companies are using emissions data to influence business decisions, with 64 percent having established climate transition plans. However, while progress is being made, only one percent of companies achieved the highest performance in the CDP Health Check, suggesting a need for further action on climate change.

Thames Water threatens executive pay hikes

Thames Water is planning to raise its executives' base salaries if the UK government proceeds with new bonus restrictions for water company leaders. The utility, which is already grappling with a £19bn debt and struggling to maintain essential services, warns that limiting performance-related pay could make it harder to attract and retain talent in the sector. The company's move comes amid the UK government's proposal to clamp down on bonuses for poorly performing water companies, a measure which Thames Water argues could force them to increase base pay to compensate for lost incentives.



Thames Water HQ. Photo by Jim Linwood, CC BY 2.0, via Wikimedia Commons

New business body to create 10,000 employee-owners in NI by 2029

The *Irish News* reported that a newly-formed business alliance has pledged to support the development of 10,000 employee-owners in Northern Ireland by 2029. Employee Ownership Ireland is on a mission to increase the uptake of employee ownership in the region and make it the succession model of choice for local business owners.

Supported by charitable grant-making organisation the DLD fund, Employee Ownership Ireland's board comprises business leaders who themselves have adopted the business model or supported other organisations through the process.

Speaking ahead of the launch in Belfast, head of the DLD Fund Aidan O'Neill said: "Essentially, employee ownership refers to a business model where employees own a significant portion of a company either directly or through establishing trusts. All evidence shows that this approach can increase productivity and employee engagement which is obviously beneficial in terms of overall outputs and profitability.

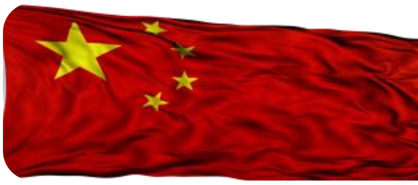
"But what makes it so appealing from a DLD perspective is that employee ownership is a much more viable way to retain businesses within communities and secure their long-term sustainability."

The DLD Fund's mission is to "break down barriers to education and the workplace in our local area and beyond. Thereby we enable people who are disadvantaged by age, health and educational attainment to reach their full potential; and collaborate with others to achieve this."

DLD comes from Daoine Le Dia, the Irish Gaelic term for people with special needs.

EOT round-up

- Facilities management service provider Atlas
- Industrial, commercial, retail, leisure and residential building firm Barnfield Construction
- Residential care and nursing home operator Coast Care Homes
- Video production company The Film Farmers
- Specialist insulation, heating and energy efficient services provider GS Verde Group
- Property, legal, and financial advice firm Poole Townsend



China

Huawei declares 2024 Esop dividend amid mixed financial performance

Huawei announced a 2024 dividend of RMB1.41 per share for its Esop, down slightly from RMB1.50 in 2023, yielding approximately 18 percent before tax based on a share price of RMB7.85. The company reported strong performance earlier in 2024 with a 34.3 percent year-on-year revenue increase in the first half, but later faced a 13.7 percent drop in net profit for the January-September period. Despite these fluctuations, Huawei regained its position as China's leading smartphone vendor in Q4, driven by successful launches like the Nova 13 and Mate 70 series, reflecting its ability to adapt and maintain competitiveness.

Huawei HQ photo by Brücke-Osteuropa, Public domain, via Wikimedia Commons

India

Zomato expands Esops with ₹903.82 crore grant to attract top talent

Zomato has announced a significant expansion of its Employee Stock Option Plans, granting 41.7million stock options worth ₹9,038m (£84.1m) under its Esop 2014, 2021, and 2024 plans.

Approved by the Nomination and Remuneration Committee on January 22 2025, the largest allocation - 37 million options—was made under the Esop 2024 plan. These options, convertible into fully paid equity shares, are designed to reward employees' contributions and foster long-term loyalty. With a 10-year exercise period from the vesting date, the grant reflects Zomato's strategy to link employee performance with its market growth. Its shares recently closed at ₹216.45 (£2.01). By using Esops to retain and motivate employees, Zomato strengthens its position as a top employer in the competitive tech industry, while continuing its growth trajectory and fostering innovation.

India

Startups expect simplified tax regime

The *New Indian Express* claims that with the abolition of angel tax in the previous budget, the country's start-up ecosystem saw a boost in early-stage investments, and now in the upcoming budget, they expect tax reforms, simplification of employee stock option plans taxation and extended tax holidays.

India, which has the third largest start-up ecosystem in the world, boasts over 159,000 start-ups that are recognised by the Department for Promotion of Industry and Internal Trade (DPIIT) as of January 15 2025.

Startups advocate for deeptech support and Esop taxation reforms

India's startup sector has called for enhanced support for deeptech and reforms in Esop taxation ahead of the Union Budget. During the National Startup Day event, Anjali Bansal, founder of Avaana Capital, emphasised the need for targeted funding in critical areas like spacetech, biotech and precision manufacturing, which require long-term strategies and robust R&D support. Prashanth Prakash from Accel highlighted the importance of sector-specific funds and thematic financing aligned with national priorities, akin to the AI mission, to foster innovation in deeptech domains. Additionally, he urged the government to address unresolved Esop taxation issues, comparing its significance to past disruptive initiatives like the angel tax reform. The startup community's advocacy underscores its commitment to advancing India's position as a global leader in core technology through strategic funding and supportive policies.

Kenya

Fifteen Kenyan companies licensed to offer Esops

The Capital Markets Authority (CMA) has granted licences to 15 Kenyan companies, allowing them to offer employee share ownership plans. Companies with Esops set up trust funds to hold shares which are redistributed to the employees, allowing employees to be part of the company ownership. The 15 Kenyan companies licensed to offer Esops include major firms such as Safaricom, Kenya Airways, and Equity Bank.

Employee ownership plans are seen as an important way of fostering a more motivated and productive workforce.

"How I transformed my firm with employee ownership"

Writing in *The Standard*, business leader Sarah Park shared insights into the benefits for both the business and employees based on first-hand experience, after recently deciding to transition to an employee-owned business model.

The ceo and founder of ZenToes said that she is already seeing the incredible benefits for her team and the company as a whole: "At ZenToes, we felt it essential to foster a sense of ownership and shared purpose to drive innovation, enhance employee well-being and satisfaction, and contribute to a distribution of company success."

In the article, she describes how an employee-owned business model can lead to more engaged employees, improved company performance and a stronger, more resilient organisational culture.

USA

Precipio introduces performance-based options

Precipio Inc, a cancer diagnostics company, has shifted to performance-based vesting for senior management's stock options, incentivising leadership to maximise the company's performance and share price. The options, granted on January 14, will vest only if the stock's 10-day Volume-Weighted Average Price exceeds $30.30—five times the $6.06 exercise price—reflecting confidence in the company's growth potential.

Unlike time-based vesting for other employees, this structure aligns management's interests with shareholder value. Ceo Ilan Danieli expressed strong belief in achieving this goal quickly, while the board emphasised the leadership team's ability to impact company performance and share price. It is quoted on NASDAQ as PRPO.

USA

Proposed esop rules withdrawn after Trump freeze

The Trump administration's regulatory freeze has led to the withdrawal of proposed Employee Stock Ownership Plan rules issued by the Department of Labor under the Biden administration, which aimed to clarify “adequate consideration,” strengthen participant protections and provide fiduciaries with guidance on determining employer stock value, aligning with their ERISA obligations.

Scheduled for publication on January 22, the rule was tied to the SECURE 2.0 Act of 2022 and intended to facilitate Esop creation and safeguard benefits, ensuring that Esops do not overpay for stock or sell it below its fair market value, which could jeopardise employees' retirement benefits and jobs. However critics, including ESOP Association ceo Jim Bonham, argued it was impractical and would foster litigation rather than growth. Bonham welcomed the withdrawal and emphasised the need for clear, fair regulations under the new administration, according to *planadviser* newsletter.

Policies to guide a pro-growth, pro-worker economy under Trump

In a piece for *Harvard Business Review*, Lynn Forester de Rothschild suggests that there is a powerful business case to be made for increasing the economic status of the lowest paid US workers. Lower levels of inequality are correlated with higher overall economic growth that benefits every member of society, including shareholders.
It has also been shown that companies with the best employee practices create sustained long-term value for their shareholders.
But the private sector cannot act alone in creating a more inclusive form of capitalism. It needs strong incentives from the government.
Among the potential policy ideas that could move the needle: • expand employee ownership programmes; • raise the income level where federal tax is due; and • make the minimum wage a living wage.
Lynn Forester de Rothschild is ceo of E.L.Rothschild and founder of the Council for Inclusive Capitalism.