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it's our business

newspad of the Employee Share Ownership Centre

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In this issue

From the life president

Křetínský's takeover of Royal Mail spells the end of what was the UK's second largest all employee share scheme in a privatised company (BT was the biggest). The wheel has turned full circle - Royal Mail, once a seemingly untouchable state-owned enterprise, was privatised before ending up as a privately owned company just eleven years later.

We like to think employee share ownership has all party support. Certainly, Sajid Javid overrode the blob to add to the postmen's holding and Ed Davey took advantage of the coalition to introduce the EOT. But Labour needs to prove good intentions. Darling's betrayal of employee shareholders at Northern Rock still rankles. There is hope in progress with PISCES and the current EOT review. Now we need clear advocacy at high level.

The takeover rules say that to guarantee absolute control, the new owner must acquire at least 90 percent of the shares he does not already own in order to force minority shareholders to surrender their holdings. How far is the embattled union CWU able and willing to defend its members as shareholders?

Malcolm Hurlston CBE

Annual all-employee share plan awards - submission deadline

The Esop Centre is delighted to be able to offer a further opportunity to enter the 17th edition of its annual share plan awards. The new deadline for nominations **is 17:00 on Friday 24 January**. Why not see the new year in by celebrating the success of your company or your clients over the past twelve months?

The awards recognise the achievements of companies which offer employee share plans and whose best practice models other companies can follow.

If your company or client made a notable contribution to employee share ownership, issued an inspirational share plan or showed excellence in its communication and presentation; has been creative in using share plans to overcome significant changes or challenging situations, increasing participation or using technology; or maybe its chairman, ceo or share plan team leader has upped the game with enthusiasm, then why not tell the world about it?

Companies can nominate themselves and advisers can make submissions on behalf of clients their. Entrants can apply for awards in more than one category. Submitting nominations is free and simple. Required information kept to a minimum. Clarity matters more than length.

The deadline for all nominations is now 17:00 on **Friday January 24 2025**.

The award categories this year are:

1. **Best all-employee share plan**
2. **Best share plan communications**
3. **Best use of technology, AI or behavioural science**
4. **Best share plan response to significant changes or challenging situations**

Category descriptions and rules of entry can be viewed on the Awards 2024 webpage.

Application process

To submit an application for the *newspad* all-employee share plan awards, please complete both of the following stages:

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

⇒ **Supporting documentation** - you may back up your application with supporting documents. Either upload the files at the end of the form, or email them to: esop@esopcentre.com.

The winners will be decided by two impartial judges, experts in the use of employee equities, plus Malcolm Hurlston CBE, founder of the Esop Centre. **The finalists will be announced in *newspad* and award certificates will be presented during the Centre's Employee Share Plans Symposium 2025.**

If you have any questions, please contact us at esop@esopcentre.com or call +44 (0)20 7562 0586.

EVENTS

Hold the day: 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.

We are putting together a programme of talks from expert speakers, who will update trustees and employee share scheme professionals on current key issues. Presentations will run from 09:00 to 13:15, followed by a networking lunch. The seminar will be held in conjunction with STEP Jersey.

To reserve your place, email us at

events@esopcentre.com

UK CORNER

John-Paul Marks

New head of HMRC

The Cabinet Secretary, with the approval of the Prime Minister, has announced the appointment of John-Paul Marks as the new Permanent Secretary and Chief Executive at HM Revenue and Customs. Mr Marks will replace Sir Jim Harra who will step down in April 2025.

Cabinet Secretary, Sir Chris Wormald, said "I would like to congratulate John-Paul on his appointment. He brings vast experience to the role from his time as Permanent Secretary at the Scottish Government and from earlier Director General roles at DWP. John-Paul is excellently placed to continue the transformation of HMRC, playing a vital role in delivering the government's *Plan for Change* and improving the experiences of taxpayers and businesses across the whole of the UK.

"I would like to thank Sir Jim Harra for his leadership of HMRC over the last five years and for his many years of dedicated public service."

UK economy poised for recovery, driven by consumer spending

The UK economy will experience a strong recovery in 2025, with GDP growth expected to rise by 1.7 percent, double the previous year's anticipated 0.8 percent increase, according to a forecast from KPMG. A combination of falling interest rates and increased government spending should fuel this growth, with consumer confidence and spending playing a central role.

Consumer spending could grow by 1.8 percent, up from one percent in 2024, as real wages rise and lower interest rates make saving less attractive. The Bank of England's approach will be cautious, making three interest rate cuts during the year. However, risks from global trade tensions, including potential tariffs, could dampen economic growth, with a flare-up in protectionism reducing UK GDP by 0.4 percent.

Despite KPMG's positive outlook, inflation is expected to remain slightly higher than expected owing to strong demand. *The Guardian* reported that food price inflation jumped to 3.7 percent last month, the highest level since March, helping fuel a bumper season for supermarkets. Sales at the big grocery chains were up 2.1 percent over the four weeks to December 29 compared with a year before. However, that rise was flattened by food price growth, which jumped more than one percentage point from 2.6 percent in November.

BBC News reported that more than half of companies are planning to raise prices in the next three months as they face a "pressure cooker of rising costs and taxes". The British Chambers of Commerce survey of nearly 5,000 firms suggested confidence had "slumped", falling to its lowest level for two years. Nearly two-thirds of firms were worried about taxes following the Budget and 55 percent expected to raise their prices by April.

Meanwhile, weak demand and higher payroll costs have led to the steepest decline in service sector jobs since January 2021. Nearly a quarter of survey respondents reported a fall in workforce levels, while 12 percent signalled a rise, according to S&P Global UK Services.

Pound to dollar rate plummets as markets lose faith in the UK

As market confidence in Chancellor Rachel Reeve's budget measures wanes, UK assets are facing a significant decline, writes Gary Howes. Analysts from Deutsche Bank believe that the Chancellor will need to borrow more, cut spending and increase taxes to address the growing fiscal issues. Gilt yields have surged to their highest levels in years, and sterling has dropped against major currencies, as the UK's economic outlook gives investors concern. This shift is not driven by inflation expectations but rather by worries about the sustainability of UK government debt and the potential impact of fiscal policies.

Key financial indicators reflect the depth of the crisis:

⇒ 10-year gilt yield reached its highest point since 2008.

⇒ 30-year gilt yield hit its highest level since 1998.

⇒ The Pound has fallen against both the Euro and the Dollar.

These figures suggest that the UK's economic policies are creating significant uncertainty, with forecasts predicting lower GDP growth and higher inflation. The ongoing fiscal challenges may lead to painful decisions in future budget reviews, further eroding investor confidence.

Interest rate hold

The Bank of England held interest rates at 4.75 percent at the end of December, while downgrading economic forecasts for the UK towards stagnant growth, reported *City A.M.*

Only six members of the Bank's Monetary Policy Committee voted to keep interest rates steady, fewer than had been expected, as three voted to cut rates by 0.25 percent citing fears over a weaker economy. The Bank slashed UK growth forecasts for the last quarter of 2024 to zero, down from its estimate last month of a 0.3 percent rise.

GDP fell by 0.1 percent in both September and October. "The prospective increase in labour costs from higher National Insurance contributions from next April, announced in the Budget, is currently weighing heavily on sentiment," the Bank said.

Go further to revive the City of London, government told

The government must do more to support the City of London after a bruising year in which fresh IPOs have fallen off a cliff and scores of firms have been picked off by private buyers, a survey of voters has suggested. According to the first of a new monthly poll, more than half of voters said they would like more to be done by ministers to support the health of the City, while nearly 50 percent believed the sector has a key role to play in the growth of the economy.

Can returning Asda boss Allan Leighton roll back the woes?

Asda's owners are betting on retail veteran Allan Leighton to help return the store chain to its glory days. But a lot has changed in the decades since Leighton and Archie Norman led the famed turnaround.

Perhaps sensing that the chain was heading for its worst Christmas since 2015, late last year current owners, TDR Capital and Mohsin Issa (his brother Zuber having sold his stake in the summer), made Allan Leighton executive chairman.

The new exec chair has already said that the turnover will take "three to five years" so is under no illusions that it will be quick (indeed his first priority must surely be to arrest the current rate of decline). But such is the accelerated pace of change in retail now that he may find the job of turning the ship around even more of a handful than he is expecting. "We have seen more change in consumerism in the last five years than we did in the previous 40," says consumer expert and adviser Kate Hardcastle.

Leighton's approach to leadership can be summed up by four points:

"Build the right team."

"Create a culture that really resonates."

"Make mistakes, but fix them fast."

"Don't be afraid to borrow from the best."

COMPANIES - EXEC REWARD

UK ceos earn more in days than most workers do in a year

In a stark illustration of income inequality, ceos of Britain's largest companies were set to earn more in the first three days of 2025 than the average worker will earn in an entire year. According to the High Pay Centre, the median pay for FTSE 100 ceos in 2025 is estimated at £4.22m, 113 times greater than the median salary of £37,430 for a full-time worker.

The pay disparity is especially pronounced at companies like Tesco, where ceo Ken Murphy earned nearly £10m in 2023 - 431 times the salary of a typical Tesco worker. Murphy's pay means he earned more on New Year's Day alone than most of his employees will make in all of 2025.

Some defend high pay packages as necessary to attract top talent, especially as companies shift their listings to Wall Street, where such compensation is more common. However ceos are one thing and cxos another.

The UK government's recent Employment Rights Bill includes measures to empower trade unions but is unlikely to change income inequality.

Study reveals minimal impact of sustainability on executive bonuses

A study by researchers from the University of Tübingen and Business School HEC Paris shows that only five percent of performance-related remuneration for executives in major European corporations is tied to measurable sustainability criteria such as emission reduction, diversity, or product safety. The analysis, covering 674 executives from 73 companies listed in the EUROSTOXX 50 and STOXX Europe 50 indices (2013-2020), found that while 60 percent of executives included ESG (environment, social, governance) criteria in their remuneration, these metrics often lacked meaningful financial incentives.

Many companies' ESG metrics are discretionary and can be adjusted after the performance year. Professor Matthias Efing of HEC Paris described this practice as potential greenwashing. The study underscores the dominance of traditional financial results in executive bonus calculations, and questions how much corporate incentives are aligned with societal goals.

Bet365 ceo takes significant pay cut

Denise Coates, the ceo of Bet365 and one of the UK's richest people, saw her pay package drop significantly last year, from £221m to £158m - a salary of £94.7m and dividends of £63m. Despite the reduction, Coates remains one of the world's highest-paid executives, having transformed Bet365 into one of the world largest online gambling platforms.

The company's fortunes improved, reporting a pre-tax profit of £596.3m following a £72.6m loss the previous year, thanks to expansion into markets like North America and reduced executive pay. Recent UK government reforms, including new limits on online slot bets and a levy to fund gambling addiction treatment, aim to encourage responsible gambling practices.

University leaders face backlash over pay hikes amid financial struggles

Vice-chancellors at the UK's top universities are now earning an average of £400,000 a year, even as the higher education sector grapples with financial challenges. Analysis of Russell Group institutions, covering major universities, disclosed rising pay packages, with Cambridge's Deborah Prentice receiving £577,000 and Oxford's Irene Tracey earning £573,000, including a £100,000 accommodation allowance.

Tuition fees are also set to increase from £9,250 to £9,535. Critics, including the TaxPayers' Alliance, have slammed the "bloated salaries," suggesting they deepen inequality while students accumulate debt.

Universities cite the scale of responsibilities vice-chancellors undertake. A Russell Group spokesperson highlighted their role in leading large institutions that deliver education, research, and economic contributions. However, the sector faces significant challenges, including job cuts and rising operational costs.

Canadian ceo-to-worker pay gap narrows slightly in 2023

Canada's top-paid ceos earned over 200 times more than the average worker in 2023, according to a report by the Canadian Centre for Policy Alternatives. The ceo -to-worker pay ratio fell to 210:1 from a high of 240:1 in 2022, driven by rising worker wages and declining corporate profits as inflation eased. Workers secured an average 6.6 percent wage increase, while after-tax corporate profits dropped by three percent. However, long-term trends show the gap remains substantial, with ceo compensation steadily outpacing worker pay since the 1980s.

The report highlights the complexities of executive pay, with most ceo earnings stemming from performance-based bonuses and stock options rather than base salaries. The average top ceo earned $13.2m in 2023, with GFL Environmental's Patrick Dovigi leading the list at $68.4m. Policy changes limiting stock option payments have curbed ceo compensation growth.

COMPANIES - EO NEWS

Navigating tax changes: EOTs and business strategy

In-Cumbria reports the views of local expert Rachel Bell on the impact of recent shifts in Capital Gains Tax and Inheritance Tax on business owners considering next steps. For those eyeing an exit, Employee Ownership Trusts remain attractive, offering tax benefits and a legacy of employee engagement. However, owners need to weigh the advantages of an EOT against management buy-outs, which may lack the long-term cultural benefits of employee ownership.

For those choosing to hold on to their businesses, staying doesn't mean standing still. While higher CGT rates may deter immediate sales, this period could be used to refine operations, scale growth or strengthen the company's valuation. Owners have time to align strategies with long-term goals, ensuring that when market conditions or tax policies shift again, their business is well-positioned for a successful transition.

Ownership Works publishes 2024 impact report

The US organisation set up to promote widespread employee ownership published its 2024 impact report last month, showing "meaningful progress to date and celebrating the people driving the shared ownership movement to increase prosperity for all".

Since its launch in 2022, data show that $570,195,260 actual wealth has been shared with a broad base of workers, and there has been: $176,591,871 impact for low- and moderate-income workers; $143,597,714 impact for workers of colour; 113 companies with board-approved shared ownership plans; and 163,479 employees have been impacted by shared ownership.

EOT round-up

- Traffic management company Apex Traffic Management
- Windows and doors specialist Derwent Windows & Doors
- IT firm Expert IT Solutions
- Manufacturing, construction, and architecture firm Gusto Group
- Communications agency Orchard Media and Events Group
- Specialist seating manufacturer Primacare Group
- Events ICT infrastructure business Pylon One
- Uniform manufacturer Tibard Group

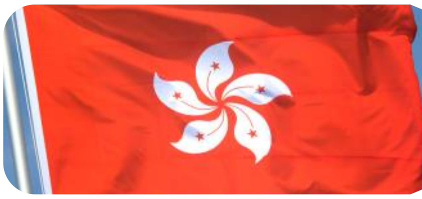
Czech Republic

New Esop taxation rules

The Czech Parliament has been debating amendments to the Income Tax Act that will impact the taxation of employee stock, shares, and options (Esops), according to Grant Thornton.

The proposed changes, expected to take effect from May 1 2025, aim to simplify the current complex system, which requires employers to track up to seven taxation moments. Employers will have the option to defer taxation until employees sell the shares or cease employment, provided they notify the tax office by the 20th of the month following the acquisition.

For shares acquired before the amendment, employers must confirm their intention to maintain the deferred taxation by February 2025. Failure to act will retroactively make the income taxable in the month of acquisition, requiring employers to submit corrective tax statements. The amendments aim to streamline Esop taxation while allowing flexibility for businesses, but compliance hinges on timely notifications to tax authorities.



Hong Kong

Chanjet unlocks third tranche of incentive shares

Chanjet Information Technology Co Ltd has unlocked the third tranche of incentive shares under its Employee Share Ownership Scheme. The company also announced the appraisal of the third tranche of bonuses under its Long-term Incentive Bonus Scheme. With over 80 percent of its 2023 targets met, 80 percent of the shares were unlocked for eligible employees. This move highlights the company's ongoing efforts to reward its staff through performance-based incentive programmes.

India

Budget 2025: Expand tax deferment on Esops to boost startups

The 2020 tax deferment policy for Esops aimed to address immediate tax liabilities and financial strain on startups, according to Lubna Kalby in Times of India. Despite its potential, applicability is limited to only 3,605 IMB-certified startups. NASSCOM, the trade association of Indian IT BPM industry, recommends expanding eligibility to all DPIIT-recognised startups to attract talent and reduce employee attrition.

Esops are taxed in two instances: at time of excise there is a tax on prerequisite value; and at time of sale there is a tax on capital gains.

From the financial year 2020-21, an employee receiving shares from an 'eligible' startup need not pay tax in the year of exercising the option. The TDS on the 'prerequisite' stands deferred to earlier of expiry of five years from allotment of the Esop shares, date of sale of the shares by the employee, or date of termination of employment.

While Esops are critical for attracting and retaining high-quality talent in startups, the policy has had limited impact.

There is a case for expanding tax deferment as employee attrition in startups remains high, and as 80 to 90 percent of startups fail, many Esops end up worthless, leaving employees to face the risk of paying prerequisite tax on notional profits without actual gain.

Expanding the tax deferment policy to all DPIIT-recognised startups could enable smaller firms to compete with larger businesses for talent.

Recommendations for expansion:

⇒ Eligibility for all DPIIT-recognised startups: Separate the Esop tax deferment eligibility from the tax holiday under section 80-IAC of the income tax act.

⇒ Safeguards for eligibility: Adequate safeguards can be built in. Esops should be available only to Indian resident employees of DPIIT-registered startups. Uniform terms should apply to all employees receiving Esops.

Expanding the policy is unlikely to lead to widespread misuse or excessive issuance of Esops.

India

Razorpay marks 10 years with Esops for all employees

KR Srivats reports in *businessline* that fintech leader Razorpay has announced Esops worth £943 for each of its 3,000+ employees. This gesture highlights the company's commitment to sharing its success and recognising the contributions that have fuelled its rise as a dominant player in digital payments. Founded in 2014, Razorpay now processes an annualised £146bn and supports millions of businesses across India, powering payments for 80 of the country's 100 unicorns. Ceo Harshil Mathur expressed pride in the journey so far, emphasising that the Esop initiative is a step towards ensuring employees benefit as the company continues to innovate and scale. Over the years, Razorpay has set industry benchmarks for employee rewards, including a £61m Esop buyback in 2022. These initiatives reflect Razorpay's philosophy of translating its achievements into tangible value for its teams, fostering loyalty and shared success as it enters its next phase of growth.

Zetwerk expands Esop pool by $64m ahead of IPO

B2B e-commerce unicorn Zetwerk has expanded its Esop pool by the equivalent of US$64m under its 2018 Esop Plan, marking its first expansion of the year. Regulatory filings reveal the addition of 12.5m stock options, each convertible into equity shares. This move increases Zetwerk's total Esop pool valuation to US$136m, reflecting a 90 percent growth. The expansion follows a US$90m funding round led by Khosla Ventures and The Schiehallion Fund, which valued the company at US$3.1bn. Founded by Amrit Acharya, Srinath Ramakkrushnan, Rahul Sharma and Vishal Chaudhary, Zetwerk connects buyers and suppliers for manufacturing jobs and partners with offline suppliers in fabrication and machining. The company reported a 53 percent revenue growth to US$2.04bn in FY24 from US$1.33bn in FY23.

Competing with Infra.Market, OfBusiness, and Moglix, Zetwerk is reportedly preparing for a US$1bn IPO and has initiated talks with investment bankers.

Japan

MOL introduces employee stock incentive programme

Mitsui O.S.K. Lines (MOL), the Japanese shipping giant, has launched a new initiative to encourage employees to acquire company shares, aiming to strengthen engagement and promote a long-term corporate vision. Through the MOL Employee Shareholding Association, eligible employees will receive approximately 30 shares each, contingent on specific conditions. The programme, designed to align employees with shareholders, emphasises "human capital management" and seeks to foster an ownership mindset that enhances long-term corporate value.

The shareholding association collects employee-contributed funds to purchase MOL shares on the open market, which are then allocated and managed for its members. The incentives will be distributed in March 2026, targeting employees registered between March 2025 and February 2026. While the programme currently focuses on Japan-based staff, MOL is exploring similar options for its global workforce. With its Tokyo-listed shares priced at ¥5,396 (£27.48) as of December 27, MOL expects minimal financial impact from the initiative. The association already holds two million MOL shares, equivalent to 0.55 percent of the total stock issued.

Vietnam

Mobile World repurchases shares from departing employees

Vietnam's Mobile World, a leading retailer, repurchased over 431,000 shares from former employees for VND4.3 billion (£137,385) at VND10,000 (£0.32) each, significantly lower than the market price of VND61,500 (£2). This buyback, part of the Employee Stock Ownership Plan, was conducted in December and aimed to reclaim shares from employees who had left the company.

Following the transaction, MWG's treasury stock increased to 759,968 shares, and the total number of voting shares dropped to 1.46bn, reflecting a reduction in the company's charter capital. This was the third Esop buyback of the year for MWG, following similar transactions in February and May. Esops allow employees to purchase company shares at discounted prices, but these shares come with transfer restrictions. If an employee departs before the required holding period, they must return the shares to the company at the agreed lower price. This move aligns with the company's restructuring efforts aimed at improving quality over quantity, following a significant reduction in stores and workforce in 2023.

USA

ESOP Association endorses Chavez-DeRemer for labour secretary

According to *businesswire* the ESOP Association has launched a six-figure campaign to support Representative Lori Chavez-DeRemer's nomination as US Secretary of Labor under President-elect Donald Trump. A longtime advocate of Esops, Chavez-DeRemer has championed initiatives to expand employee ownership and was a co-sponsor of the Employee Equity Investment Act. Esops represent over $2 trillion in assets and benefit 14 million Americans by providing wealth-building opportunities alongside regular wages and benefits.

The campaign will deploy the Association's extensive resources, including grassroots advocacy, bipartisan lobbying and paid advertising, to secure Lon's Senate confirmation. Volunteer leaders nationwide will meet senators to highlight Chavez-DeRemer's track record of promoting Esops and her commitment to fostering economic growth through employee ownership. The ESOP Association believes her leadership could significantly advance policies that support business success and financial security for millions of Americans.

Colorado emerges as leader in employee ownership movement

Colorado is spearheading a growing trend in employee-owned businesses, driven by aging baby boomers seeking succession solutions. The state has become a national model, with over 230 employee-owned companies and a dedicated Employee Ownership Office established by Governor Jared Polis in 2020. The Office provides technical support and tax incentives, supporting 70 business transitions to employee ownership in just three years. Key options include Esops, which offer tax advantages and wealth-building opportunities, and worker cooperatives, emphasising democratic governance and profit-sharing.

The appeal of employee ownership lies in its benefits: retiring owners secure payouts, while employees gain a stake in the company's future. Businesses adopting these models report improved financial performance, job retention, and hiring prospects. Notable successes include Denver-based Sky Blue Builders, which transitioned to an Esop this year, boosting morale and recruitment. Experts attribute the rise to demographic shifts and resistance to corporate consolidation, positioning Colorado as a pioneer in economic growth through employee ownership.