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it's our business

newspad of the Employee Share Ownership Centre

Royal Mail free shares drama in Rome and London

There were frantic scenes in Rome, at the Centre's 27th annual conference, as guest speaker **Dave Ward**, leader of the postal workers' union, hammered out – at short notice – a riposte to **Chancellor George Osborne**, who had just announced a two-stage sale of the taxpayers' remaining 30 percent equity stake in Royal Mail.

Mr Ward, general secretary of the **Communication Workers Union (CWU)**, told delegates that his union was ready to strike to defend his members' job terms and conditions and daily postal deliveries. Although he restated his union's opposition to privatisation, Mr Ward said that if a further share sale took place, the new government should give more shares to the workforce.

His call did not go unheeded as, days later, when the government announced the sale of half its RM holding to City institutions at a three percent discount to market price, Mr Osborne and **Business Secretary Sajid Javid** promised that RM employees would be given up to £50m worth of more free shares – one percent of the remaining state-held equity - as part of the final shares sell-off. That could give each full-time employee (including new hires), on average, around an extra £350 worth of shares, to be added to the original employee holdings in the giant Royal Mail Share Incentive Plan (SIP).

Mr Ward is expected to discuss shortly the detail - of the new free share offer to postal workers - with **Business, Innovation & Skills** minister of state, **Anna Soubry MP.**

The drama did not end in Rome, because internal ministerial correspondence was later published between Mr Javid and his permanent secretary, **Martin Donnelly**, who took the unusual step of seeking a letter of direction from the secretary of state, questioning whether the new posties' free share award was in taxpayers' interests.

Donnelly, the top BIS departmental civil servant, wrote: "The Royal Mail is a key part of the UK's infrastructure. Its efficient operation is critical to the economy and that, in turn, requires the full engagement of its workforce, including through necessary workrestructuring for the company to remain competitive. I have considered whether it is possible to construct a business case that the impact of the employee shareholdings on the company's performance justifies the taxpayer's expenditure involved. I am not aware of sufficient evidence to reach that conclusion. Against this basis, I conclude that while a decision to allocate more shares to Royal Mail staff up to a limit of a further one percent and on the same terms as previously is an entirely legitimate policy decision, it does not provide a tangible return to the taxpayer and so is not value for money as defined in the legislation.

"I recognise you may wish to take a broader view. If that is your decision, I will proceed accordingly but I require your written instruction to do so. I will then ensure the necessary steps are taken to carry forward your instruction without delay," added Donnelly.

As accounting officers for their departments, permanent secretaries have a duty to ensure that spending decisions meet four key tests – 'regularity, propriety, value for money and feasibility.' If a permanent secretary believes a policy decision may contradict one of these aims, he/she must write to a minister asking for a formal *direction to proceed* – essentially asking the minister to order him/her to continue regardless. The exchange of correspondence is then sent on to the National Audit Office and Public Accounts Committee spending watchdogs and published online through GOV.UK.

From the Chairman

The normal splendour that was Rome was almost overshadowed this year by two special presentations - from Dave Ward, newly elected general secretary of Royal Mail's leading union CWU and from Chris Nott of Capital Law. Newspad covers what they said in some detail, together with a more official note on Roadchef from Ann Tyler. They contain in equal measure hope for the future and warning from the past. I encourage you to read them both. Centre actions to follow will come up at this week's meeting of our steering committee. I hope a few will sleep less soundly after Roadchef.

Also worth serious follow up is Alan Judes outline SIP > SIPP which could make millionaires of employee owners two times over! It should chime with the One Nation conservatism of Cameron and Osborne while Labour hopefuls, forgetful of Gordon Brown's championing our cause, wrestle in tweedle-deeish competition.

Malcolm Hurlston CBE

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Responding to Donnelly's letter, Mr Javid overruled his objections and formally directed him to implement the policy. He wrote: "*I have noted your concerns about the value for money of doing so. However, in coming to this decision I have taken into account the wider benefits of this policy. Employees currently comprise an important part of Royal Mail's shareholder base. Furthermore, I believe there is merit in rewarding the employees of Royal Mail for their hard work, which has contributed to the recent performance of the company and has been reflected in the current share price.*"

Research published by the Institute for Government think tank found that the use of ministerial directions is rare, with just *50 sought between 1990 and 2013.* Almost three-quarters of the directions issued by ministers came after concerns were raised over the value for money of spending plans, said the Institute, which analysed Treasury figures.

Centre chairman **Malcolm Hurlston** quickly went public to help defend the business secretary over his additional free shares offer to postal employees. Mr Hurlston said: "We will fight to the last ditch to defend the business secretary in his principled stand to involve Royal Mail's 143,000 post workers in the completion of the new mixed ownership structure of this successful company.

"Rewarding posties' hard work with a further one percent stake in Royal Mail certainly represents value for taxpayers' money. Productivity has risen against the tide at Royal Mail since the first free share award to posties. We all have an interest in a successful and universal postal service. Institutional investors were sold their 15 percent stake at a three percent discount by the government, so if that's value for taxpayers money a one percent stake for posties must surely be."

Earlier in Rome, Mr Ward, who has a seat on the TUC General Council and joins the board of Centre founder member Unity Trust Bank, told Centre delegates that his members already formed the second largest group of shareholders in RM - holding an estimated 11 percent of the total equity *(see separate story inside)* and that he did not want them to sell their shares, but rather to use their 'collective' voice to influence company policy-making.

During his speech to delegates at the **Residenza Di Ripetta** Hotel, in the city centre, Mr Ward said pointedly that union leaders needed to do more to balance the forces in the world of work, instead of becoming detached into the world of high level Labour Party politics.

After welcoming delegates, conference chairman, **Mr Hurlston** revealed that the new Tory government had still not allocated any official time to employee share ownership (Eso), though it was likely that we'd hear less in future about the John Lewis cash bonus profit-sharing model and more about broad-based Eso in larger quoted companies. He gave credit to Chancellor Osborne, who had stepped up to the plate - at the Centre's behest – by raising both the Sharesave/ SAYE and Share Incentive Plan employee annual investment limits during the last parliament, but we'd have to wait and see how much more he'd do.

Meanwhile, something had to be done about the UK's abysmal productivity rate and the continuing business succession crisis, said Mr Hurlston. "The UK's productivity rate lags behind that of many European rivals and, as share price is often a reflection of whether the company is performing well, broad-based employee share ownership can do its bit towards encouraging higher productivity levels. Within almost every UK enterprise, productivity must improve and the evidence is that more broad-based employee share ownership would give productivity a helping hand.

"Throughout Europe, tens of thousands of smaller quoted companies need the many benefits that employee share ownership can bring to their operations; greater staff loyalty (hence lower recruitment costs), rising productivity and a more cohesive, involved and motivated workforce, usually with lower rates of absenteeism.

"The Centre believes that only by a co-ordinated series of national Eso promotional campaigns among EU member states can we reach out to companies which, helped by organisations such as the Centre and perhaps by governments too, can convince rank-and-file employees that long-term employee share ownership is a good thing for them, as well as for the company: that not only can employees look forward to profiting from participation, but through equity ownership, however small-scale, they can feel that they have a voice and a role to play in how the company performs at ground level. Clock-watchers are the last thing companies need - employees need to be motivated."

The chairman continued: "The tens of thousands of SME privately-held companies without a clear succession map remain a serious EU problem. If siblings don't want to get involved in the business and if a trade sale is not possible, many companies end up on the scrap heap with the loss of jobs and damage to local communities which liquidation frequently involves. Employee share ownership can save many of these local companies from failure, but mechanisms for funding long-term company purchases by their employees are hard to find, in Europe at least. One of our US members, **Butcher Joseph & Co**, does a large amount of business by providing finance to help American employees buy their businesses, often on an instalment basis. **Keith Butcher** gave an interesting presentation about how this works at our Davos conference earlier this year."

He was "delighted" to see that **Grant Thornton'**s ceo had used the example of the quarterly Capital Strategies-LSE Esop Index – backed by the Centre – in order to encourage her firm of accountants to consider forms of employee share ownership or profit-sharing.

Noteworthy too was the need for more Eso in the UK economy generally, as a means of combating the continuing cost-of-living crisis, especially in companies in which employees' annual pay rise had been scrapped, the chairman added.

He added: "The Centre supports the Company Share

Option Plan (CSOP) as a mechanism for enabling lower paid and zero hours workers to acquire an equity interest in their companies, not least because they don't have to put money up front in order to participate. We remain determined not to let it die.

"The Centre is committed to more company disclosure too – for example corporates should give more information than they currently do about their all-employee share schemes - in both their annual reports and in Corporate Social Responsibility reports.

"The Centre is the European Commission's preferred UK partner in EU-wide projects aimed at helping to develop different forms of business ownership, including Eso, in order to be better placed to take part in the economic recovery. We have just completed our latest Commission assignment, which involved workshops in Milan, Florence and London, working with mainland partners from France, Germany, Italy and Spain. Our final report, which recommends new forms of shared or employee ownership within the state sector, as well as more Eso in the SME sector generally, is now on Commissioners' desks."

Finally, global companies too needed to look again at the kind of employee share ownership plans they were operating and why exactly they had them, said Mr Hurlston.

The chairman thanked Centre Channel Islands trustee members **Appleby Global** and **Bedell Group** for having sponsored the conference e-brochure and **Computershare** for having printed the delegate handbook.

Jeremy Mindell, director of **Primondell,** discussed the reputational risk that companies take with employee share schemes and why some types of Eso scheme, such as share options, have gone in and out of fashion. Politics and share schemes had come together again, he said; witness the Shareholder Directive, backed by the European Socialist group, but opposed by the Right. The Diverted Profits Tax had seen a different line-up – it was backed by SMEs, who liked the idea of preventing Big Business from abusing its powers. One of the biggest challenges was reward levels in a rising market: what was "astonishing" was the payment of bonuses to executives who hadn't performed to target, said Jeremy.

WPP boss Sir Martin Sorrell was being paid a total £43m a year, but he wasn't really risking the company's money, or his own. Share schemes were being caught in the murk – because paying out very large sums to top executives was a reputational risk, said Jeremy. He quoted the recent comment by John Longworth, director-general of the British Chambers of Commerce: "Since companies only prosper with the consent of the societies in which they operate, tackling this issue before it becomes a moral crusade is crucial."

Part of the share scheme debate was descending into caricature, said Jeremy – short-term shareholding was a 'bad idea' and long-term shareholding 'good' – a bit like George Orwell's 'Two legs bad, four legs good,' as in *Animal Farm*. Was it really the case that share awards were 'good' whereas option awards were 'bad', he asked?

Shareholder rights were all very well, but parts of the business community didn't think that dividends should be paid out at all – instead, profits should be reinvested in the business, they said. Implementation of the EU's proposed new Shareholder Directive was being left to the individual member states to decide, but it could have a major impact on UK share schemes, if it were passed, he warned.

The French government's Florange Law was rightly seen as protectionist – to stop the 'nasty' Anglo-Saxons from taking over French companies - but its side effect was to increase family control in companies – a *Don Corleone* scenario, in which families who had held on to their shares for many years were given twice the voting rights of recent shareholders, including many institutions. Meanwhile, the Renzi government had been unable, so far, to actively encourage employee share ownership, the use of which was declining in Italy, as in much of Europe, he added.

Mike Baker of **Solium** asked why it was worth bothering to install global share plans. Around 86 percent of Solium's 400+ staff worldwide had options on the company's shares, so there must be some point in that, despite the cost, said Mike, but the reasons some companies gave for having global plans begged serious questions, he said, such as: *'The ceo wants senior employees to have skin in the game';* or *'The ceo said we must have one,'* or even; *'Our competitor had one'* - (me-tooism) - and so on. One senior executive proposing a global share plan had added: *'I'm not bothered about the participation rate.'*

Mike said he was "staggered" to discover in a few instances clients or potential clients had no real business case for installing global share plans. Furthermore, some seemed unaware of how much installing and administering a global plan might cost. Sometimes the process of selecting an advisor could depend upon one phone call, but the plan provider had to do masses of due diligence. Then there was the key issue of a uniform share plan not fitting in well in some overseas jurisdictions, especially when HQ couldn't be bothered to change the detail, despite local employee advice. "S423 is not a UK Sharesave – we must stop thinking UK style," said Mike. Solium had put in a Sharia-compliant plan in Malaysia. Even when the business case had been established, some potential clients had not thought about who was going to do the actual share plan installation work! Technology could deal with problems such as late plan joiners or suspensions and spread sheets were no longer necessary. "If you want participation, you must be flexible." Mike gave the example of a FTSE100 company which had achieved only 15 percent participation among 11,000 employees in 11 Asian countries with an old-style Sharesave plan. Once that had been changed to an employee share purchase plan (ESPP), after local representations, participation had more than doubled to 33 percent. To facilitate the ESPP, a dedicated microsite had been created for local plan co-ordinators, with localised and translated content.

Stuart Bailey of **Equatex** delivered a case study about accounting for the cost of global share plans. Equatex is an independent business spun out from UBS (represented at the conference by **Veronique Japp**) and had one million employee participants under its wings.

Not much thought had been given at the time by the industry to the impact of share based accounting on the administration of employee share plans, said Stuart. The chairman intervened to say that he could remember vividly the very sharp debate in Davos between the then head of the **International Accounting Standards Board (IASB), Sir David Tweedie,** and **David Pett,** leading Centre share schemes lawyer, over whether share based accounting would be the end of share schemes as we knew them. Stuart said that all companies running share plans had to get valuations done and learn how to account for the expense, which could be equity settled, or by cash. "The biggest cost is the cost of the shares," he said.

Chartered accountant **William Franklin**, David's business partner, intervened to urge the IASB to "look again" at the International Financial Reporting Standard (IFRS2) which needed to be revisited because large sums of money were being wasted. Stuart backed him up by explaining that a large global banking client of Equatex had around 500 people involved in the reporting aspects of global share plans! For example, performance conditions had to be estimated for fair value. Big corporate groups nowadays wanted to report the cost of their share plans at subsidiary level and even at local share plan level. In some cases this meant trying to report on several thousand cost centres within the same group. Mobile employees increasingly moved from one reporting dimension to another.

Stuart then explored the complexity of whether expensing was needed for market-based, or non-market based condition, especially at vesting or non-vesting. "Over the past one or two years, company finance teams – who have built complex Excel in-house solutions - have been getting pressure from the accountants to sign off the numbers," he said. Unsurprisingly, there was a growing trend towards outsourcing financial reporting, viewed as a more multi-disciplinary approach. This was an opportunity to use data more effectively to inform decision making, Stuart added.

Tony Llewellyn, of **Imagination Technologies (IT),** delivered an informative case study of the many types of employee share plans used by this Kings Langley based FTSE150 consumer electronics company, which now employs 1,700 people on four continents. "Is there any all-employee plan we have not tried?" asked Tony – from SAYE to ESP to SIP and combinations of these so far. "We give shares (and not options) to all employees twice a year because it's important to keep up the share-owning culture," he said. "We see share giving to all staff as a method of distributing wealth and our philosophy is to use shares, rather than cash, to incentivise and retain key employees, as we have to give ourselves a chance of competing."

IT's share price had been highly volatile - £5 per share in 1999, down to 16p in 2001, up to £7 per share in 2010-13 and back down to £2 earlier this year. "Now that we are up to 1700 employees, we find that there are not enough shares to go round. So we are seeking authority from our agm this year to increase the percentage of our equity used for share schemes from a current maximum 1.5 to two percent," he added. The problem was that Imagination Technologies could not compete with many US high tech firms located near IT's California plant and offices. "We are losing key talent to other tech companies, including biz partner Apple, who typically issue between 3-5 percent of their issued share capital to employees. So to remain successful, it is vital that we attract and retain the highest calibre of employees," said Tony. Although an LTIP had been created for IT's directors in 2013, a key objective had been to minimise the impact on the company's Eso schemes, he said. "It is clear that our share schemes are for the workers."

Tony described IT's Share Incentive Plan (SIP) launch in the UK last year, after having "walked away" from an SAYE scheme in which the options were so deep under water, that it had to be abandoned. The firm gives four percent of salary level in free shares per annum – up to the new annual investment limit of £3,600 – and one free matching share for every one bought by employees. Employees can purchase shares using pre-tax salary up to the level of £150 per month.

Imagination Technologies is "close" to launching an ESPP for its US employees – as ESPP is the norm in Silicon Valley – because Tony believes that it will help recruitment and retention out there. It has a 15 percent discount at the start or end of the purchasing period and a max $25K per annum investment limit. IT had launched a new all singing and dancing share portal for employee participants in February this year, he added.

Dave Ward, general secretary of the **Communications Workers Union,** said that his union's hard campaign against privatisation was in part responsible for former business secretary, Vince Cable's decision to lower the share price when the IPO went public in October 2013. Now his members were part of the largest employee share ownership plan in the UK. "Our main concern was that investors would not like the universal service obligation and we were and still are determined to defend that. Royal Mail cannot break up the company, which must remain an end-to-end service provider – we have a legally binding agreement on that."

When Royal Mail launched an SAYE scheme last year, 35,000 postal workers took up that opportunity. "We are concerned about the shareholding trust, because we think it excludes workers' interests and had Labour won the election, we would have got a Workers' Trust. Our members have these shares and we want to collectivise their voice. There is a complex debate about how to bring this forward. The trust which holds our members' shares is run solely by Equiniti, but we seek recognition of our members' collective voice in the company charter." Productivity had improved by 2.5 percent since privatisation and employee engagement was up too. Employee shareholding at RM had led to better employee representation. He had worked with RM ceo Moya Greene to help the company bring in new products, as she seemed to understand the need for a collective workers' voice across the company.

Dave said there was a need for trade unions to do more to balance the forces in the world of work. He was talking to the TUC about how unions could best shift in that direction. "Too many general secretaries are detached in the high level world of Labour Party politics," he warned. Dave added that the principles of employee share ownership did match up with some of the positions held by trade unions. "Eso can offer a voice for workers and could be a pragmatic alternative in the real economic situation." Already the union had posed two or three "key questions" at Royal Mail's recent agm, he added.

Alan Judes of **Strategic Remuneration** addressed the development of the new UK pension freedoms and in particular how employee share ownership could and should be integrated into long-term retirement planning. The problem today was finding retirement in a low interest rate environment. While tax free pension saving limits had been tightened, savers were no longer forced to buy an annuity with 75 percent of their accumulate savings. "The fall in interest rates has meant that pensions are very expensive to buy," said Alan.

Now shares could be transferred both into pension schemes and into individual ISAs. His case history showed how the tax advantaged SIP share plan at British Land could turn £1,800 invested into £9,000 or more, if dividends were taken as shares. A £250 monthly SAYE options contract had given an Old Mutual director a gain of £83,000 at maturity. Transfers to Self Invested Pension Plans (SIPPs) were net of tax so HMRC gave such plans a further 25 percent of the value in cash. The aim of Alan's company, Strategic Remuneration, was to help every employee get a pension fund of £1m and a similar sized NISA (New ISA). "If you have a well-run and generous company share scheme, after five years you can diversify its portfolio by transferring them into a SIPP" Employees wouldn't cash in their share savings if they could see how they would mount up in such funds, Alan added. **Dave Ward** intervened to say that unions could not give their members personal financial advice, but **Stuart Bailey** said that unions could help ensure that their members avoided the worst of the miss-selling scandals the pensions industry had witnessed over the last 20 years.

David Ellis of **KPMG** asked where next executive reward was headed. Was remuneration disclosure really transparent, despite regulatory pressure for more disclosure? In fact, the level of disclosure was often limited, he told delegates. "This continues to be an area of concern for shareholders, as does the number of companies showing zero rise in profits yet who still pay annual bonuses." Looking at FTSE 350 companies, more than 40 percent of their new executive reward plans put to shareholders had three or more 'performance' measures, added Mr Ellis. "This is the phenomenon of putting in a non-performance dynamic as a factor which allows pay out even if the rate of profit return has fallen."

Remuneration policy was only supposed to be changed in exceptional or unforeseen circumstances, but some companies ignored that. Yes, there was more bonus deferral and longer vesting periods and/or longer holding periods in new LTIPs, but some executives were receiving significant payments without their bonuses being necessarily matched by performance, said David. Malus and claw-back had begun life in financial services, but was now incorporated into the Corporate Governance Code. The majority of FTSE 350 companies now disclose that they have malus/claw -back.

The percentage of shareholder votes in favour of remuneration reports was falling to around 80 percent from 95 percent. Huge energy was being expended on 'tweaks' to incentives, such as; compulsory deferral of bonus, three-five year performance periods and deferral periods, moves from EPS to (say) Return on Capital Employed (ROCE) as a measurement and a move to more non-financial measures. As for *How much is too much?* David said: "You can pay people more if the business is making a good profit - end of story." However, in FTSE350 companies, one third paid their ceo a bonus of at least 80 percent of the maximum available, despite the fact that a quarter of these companies experienced a ***fall*** in profits during the relevant year. "We need a different language to disclose pay that views pay honestly through at least four lenses. We need to be able to adjust the disclosure of *In Year* pay to reflect the longer term nature of pay," he added.

Nicholas Greenacre of **White & Case** discussed the effectiveness of executive claw-back arrangements within the EU, wherein the bonus cap limiting variable pay to 100 percent of salary, or 200 percent with shareholder backing, was of "tremendous" importance for the UK economy, said Nick. The UK Corporate Governance Code, which applies to all listed companies, must have claw-back/malus clauses, he said. A sensible way to achieve results would be to attach claw-back to individual employee long-term savings and/or pension accounts. The Governor of the Bank of England had castigated the behaviour of the UK's financial sector after a succession of scandals like fixing the Libor exchange rates and it was a question of finding out in which barrel the next scandal was stored, he added. Could we be certain of getting our money back under claw-back procedure when it hadn't been properly tested yet? Nick asked. "How will the courts interpret claw-back conditions in employment contracts? Claw-back is entirely possible. In civil law in many countries you can't get your

money back, but the UK and US legal systems allow this," he said.
However, unintended consequences included mounting pressure on the financial services sector to increase basic pay, which was not subject to claw-back, in order to prevent the City of London becoming uncompetitive. Already, there were plans to extend the parameters of retrospective claw-back claims from seven to ten years in the banking sector, said Nick.

Patrick Neave of the **Investment Association (IA)** said his job was to support the Principles of Remuneration by maintaining and improving 'best practice' in the current regulatory environment. During the past year, 20 percent of the companies he had met had sought approval to amend their executive remuneration policies, said Patrick. "A number of companies brought in double-digit reward increases." The IA, which has 200 members who manage £3 trillion worth of assets, encourages long-term share ownership. There had been no significant changes in the Remuneration Guidelines last year except that 'allowances,' originally confined to the banking sector, had been ruled as 'inconsistent with clarity' and had led to trouble from shareholders at Burberry. Of the 316 Institutional Voting Information Service (IVIS) reports last year, 48 percent had received the blue 'milk top' approval, 47 percent had got amber warnings and five percent had got the 'red top' award, meaning that the company concerned had breached best practice, said Patrick. The *binding vote* requirement on executive pay had got off to a 'positive start' and most companies now displayed a table about who got what amounts in their remuneration director's report. However, better engagement between company and shareholders was often needed – "witness the controversial payments to Lund," he said. *The **BG Group** ceo, Helge Lund, said he understood scrutiny of his controversial **£25m** pay package as he prepared to quit the business he joined only three months ago. Almost 20 percent of votes at the gas producer's agm failed to support its pay report and more than 15 percent of votes were withheld from the rem committee chairman in protest at Lund's pay. The deal to lure Lund from Norway's Statoil caused a shareholder revolt last November and forced a partial climb-down by BG. Investor anger resurfaced after **Shell** agreed to buy BG for £47bn, weeks after Lund joined, meaning he could receive a fortune for working one year. Lund said: "I understand the interest and I support transparency and the right of shareholders to voice their view on any issue, but it is difficult for me to comment on my own remuneration."* Similarly, one company had not even mentioned the pay-off terms it had agreed for a departing executive and that had caused problems, said Patrick. Another company had gamely agreed to reduce the maximum pay-out of its proposed new LTIP from 700 percent of base salary to a mere 500 percent! This year, companies had sought 'catch-up' double digit increases for their ceos, claiming that their ceos had 'lost out' in comparison with some of their overseas peers. IA's recommendation was that base salaries should only rise by RPI (annual retail price index) – on the same level as the rest of the workforce. Updated UK Corporate Governance Codes should advise serious follow-up by companies after significant negative votes at agms, he said. This would increase engagement with shareholders and help to understand their concerns. Was the current executive compensation system too complex, he asked? Some academics had launched a drive for simplicity and it was certainly true that some performance conditions were not transparent enough.

Patrick Jones of **Appleby Global** chaired the trustee panel session, supported by **Grant Barbour** of **Bedell Group** and **Shane Hugill** of **Elian Corporate Services**.

Alison MacKrill of **Carey Olsen** assisted. The panel said that an "enormous extra layer of cost" has been added to their business models by complying with FATCA – the US Foreign Account Tax Compliance Act – and the banks had spent a fortune on it. Employee benefit trusts were only just exempt from FATCA after heavy lobbying, but jointly-owned shares could be caught by FATCA which in some cases demanded individuals, and their employers, having to file every single day! Patrick said there has been much corporate activity in the last 18 months - refinancing through IPOs, which involved panel members as trustees or nominees. "We would like to be involved earlier in the process, as we often get saddled with 300 page prospectuses the day before the launch," said Patrick. Another issue for trustees was the use of the EES share scheme, known as '*Shares For Rights'* brought in by the chancellor during the last parliament. "It's almost exclusively private equity using this scheme through new issue shares, which is a concern for us," said Grant. There had been cases of the sacrificed employment rights being written back into employment contracts. Patrick said the ESS would probably have a "short shelf life" and that it might well be dropped in the run-up to the next General Election. "What we are talking about is £50K worth of CGT free shares," added one panellist.

Chris Nott, of Cardiff based **Capital Law** and **Ann Tyler** of **AT Ownership** delivered an extraordinary case history about the seminal **Roadchef Esop,** set up in 1986, which led to the establishment of the Esop Centre, co-founded by Malcolm Hurlston. The Roadchef Esop, funded by **Unity Trust Bank** and advised by **New Bridge Street Consultants,** was intended to profit 600 employees, but the original philanthropic motorway service group owner, Patrick Gee – a keen Eso supporter - died during the project and former pheasant plucker Tim Ingram-Hill became md of Roadchef. In 1995, about 22m shares held on behalf of Roadchef employees were transferred out of the Esop into a separate trust, EBT2, which was set up in 1987 to benefit only senior Roadchef employees. EBT2 fell under the control of Ingram-Hill who, when Roadchef was sold in 1998, exercised his options over the 22m shares (acquired from the Esop at 12.5p each) and later sold them to Nikko at £1.31 per share, making a gross profit of £26.8m. So instead of receiving five figure sums on the sale of Roadchef, the employees had to make do with much less. It then took 15 years for the cash-strapped trustee to get Ingram-Hill into court to reclaim the cash from him in order to replenish the trust and distribute the due sums to present and former Roadchef employees.

It was only when Capital Law in 2010 managed to get third party litigation funding from **Harbour Litigation Funding Ltd**, in one of the first cases to be supported in this way, that the net began to tighten on Ingram-Hill. The judge ruled that he had to account for the huge profit he had made from the sale of the 22m shares from the Roadchef Esop. The judge found that the transfer was part of a preconceived plan to acquire the shares and that Ingram-Hill had exerted improper pressure on the other directors, who had simply done what they had been told to do, believing that they had no other choice. It was only in November last year that the High Court approved a landmark settlement against Ingram-Hill, the terms of which remain confidential.

Ann told how, from very early on, pressure had increased from Ingram-Hill to replace individual trustees with a corporate trustee, which subsequently became the vehicle for his transfer of the Esop shares. As an adviser, she had resisted the proposal to set up EBT as a vehicle to offer shares and share options for senior managers because the Esop had been presented as a scheme to include and benefit all Roadchef employees.

Chris explained how, step-by-step, Ingram-Hill became the sole executive director of Roadchef and took control of EBT Trustee company, effectively removing any scrutiny. and enabling him to use the Esop to facilitate the grant of options over shares to himself.

Even after Ingram-Hill had been rumbled, some of the lawyers involved in the initial stages of the hunt for the employees' money looked for reasons *not* to go to court, said Mr Nott. Roadchef employees, both past and present, will receive payments from the settlement. It wasn't quite over yet – they had to negotiate with HMRC over how much tax had to be paid on the settlement money, he added.

Ann and Chris concluded: *"The Roadchef esop remains a landmark case study in the development of employee share ownership in the UK. The loss of the shares from the Esop and subsequent litigation was not a failure of employee ownership, but rather the tragic consequence of the company falling under the control of a single individual who then manipulated the Esop for his own benefit. This case illustrates clearly the need for greater disclosure of the interests of employee shareholders and employee benefit trusts, so that their interests are transparent at all times."*

Ann asked whether such an "outrageous series of events" could happen again and raised the issue of whether there should be a registrar of Esop trusts.

Mr Hurlston said that, in addition, the Roadchef saga had demonstrated the dangers of having an affable, charismatic ceo at the helm of SME esops.

Shervin Binesh of **Western Union Business Solutions** and **Nicholas Greenacre** of **White & Case** discussed the challenges of delivering global remuneration in widespread and sometimes remote jurisdictions *and* mechanisms for the delivery of salary payments in local currency.

Shervin said that the technicalities of payment delivery were often overlooked in the organisation of global employee share plans. There was a need to drive further efficiencies, he said. Many employees were confused by foreign currencies and bank fees – in remote places, poorly planned delivery could result in net receipts being 20 percent less than the original settlement figure. Furthermore, it had recently been revealed that the pension funds collectively had lost up to £7bn due to the currency rigging (Libor) scandal. Africa as a whole was particularly difficult to deal with for money transactions. "A lot of promises are made but not kept," said Shervin, but there were problems in Europe too, such as in Spain, where there were reporting requirements – notably for tax and social security reasons - for the movement of money to employees. "The settlement process is a key part of share value delivery and employees should not be seen as passive recipients," he added.

Western Union and White & Case had recently carried out a survey in 59 countries about the complexities of modern cross-border staff payment systems, including payments around the vesting of employee equity plans. Among the findings was the fact that Europe was not a level playing field and that South Korea, South Africa and Equatorial Guinea presented significant regulatory and other bureaucratic issues.

The Chinese currency renminbi (yuan) was going to be on a par shortly with the US dollar for international currency transactions, said Nick. The renminbi was already the fifth most used currency in the world, only just behind Japan's, for global payments through Swift.

Bob Grayson of **Tapestry Compliance** talked about hot spots and recent trends in the world of compliance and regulation. He explained that Tapestry Compliance is a law firm specialising in global HR and share plans, with the largest incentives team of any UK based law firm. Within the last ten years, many countries have imposed very strict data protection regimes with huge penalties for corporate breaches of personal data privacy - up to four percent of turnover in Turkey. Now the financial service industry needed protection from employees who did 'bad stuff' – hence malus/clawback – so the old paradigm had been turned on its head, said Bob. Foreign asset reporting was toughening up, especially new rules by the US, though Spain, France and others were involved too and the big question was – *what assets were caught and where by the new rules?* Key route pointers included ring fencing the 'good stuff' – and winning the political argument that employee share schemes are good for the economy. Another was that a European securities law was urgently needed to cover taxation and holding periods of equity awards in employee share schemes. For example, the French and UK tax treatments of qualified employee share plans was entirely different. When the financial crisis arrived, the French had accelerated their tax payments on share option awards, which had seemed ridiculous to much of the rest of the world. On the other hand, UK tax laws were now too complicated and incomprehensible to most foreigners. "We are a million miles away from tax harmonisation in the EU", said Bob. "On the tax front we have made no progress and on the political front we have made no progress either."

Davide Dal Maso from **Avanzi,** based in Milan, asked why employee financial participation (Eso) had not made much progress in Italy during the past year. Only a limited number of companies had taken advantage of the 2012 decree making it easier for small companies to issue shares for their employees and encouraging larger companies to issue performance-based stock options and the like. There had been political differences between the parties and the trade unions, as a result of which, the government had 'given up' on bringing in new law to promote further EFP, said Davide. There was disappointment too that the plan to launch an issue of shares for Italian postal workers, together with a partial privatisation, (on the lines of the Royal Mail) had been delayed because of Italian stock market conditions, he said. A new parliamentary Bill offered hope for consensus because the emphasis in it was on the word 'can' rather than 'will.' Davide described it as "a very flexible tool" with which to advance EFP in Italy and was very confident that it would be law by the end of 2016. The main features of this Bill, Davide explained, were:

*authorisation for management and unions to sign bargaining agreements at company or territorial level to establish profit sharing and employee share ownership;

*direct or indirect employee share ownership through associations of workers, trusts and investment companies;

*up to 20 percent of the annual pay or bonuses could be paid in the form of shares or share options and

*companies could create trusts to support employee purchases of shares. ***The trusts could exercise the voting rights on behalf of the employee shareholders.***

*investment funds that buy corporate bonds could be established and part financed by worker contributions.

"Share ownership is part of a broader project, that includes information, involvement, governance – in a word economic democracy," said Davide. The weak point of the new Bill was that it proposed no tax advantages for adopting EFP and that was because Italy had a huge public debt problem.

Nevertheless, both large and small companies had realised that human capital is a key asset in the knowledge economy. People had to be involved and rewarded to be retained and financial participation was one of the tools which helped achieve this goal and was being used more and more as a corporate responsibility policy- to meet stakeholder expectations.

William Franklin of **Pett, Franklin & Co** asked whether delegates believed that employee share schemes contributed to the *greater good* . Did Eso promote advancement, happiness, did it relieve poverty and did it promote 'justice'? Yes, we were told repeatedly by surveys that Eso was a 'good thing' – it raised engagement, could increase productivity, loyalty to the company etc. "How rigorous is the evidence – ultimately, it's a matter of faith," said William. Other questions needed to be asked: Do share schemes encourage short-termism, via sell and bank your winnings strategies? Do repeated share option awards in SMEs go against the strong family owned company culture? There had been an executive total reward explosion during the last 30 years and the transmission mechanism had been equity reward schemes and even Esops, he said. This was an arbitrary transfer of wealth. Tax approved schemes encouraged participation, but complicated the tax system. In the US, the line was peddled that massive stock awards to ceos made their companies much more innovative, even if the value of their machinery had gone down, because knowledge was the key. "But I'm not convinced that US companies are a lot more innovative than they were 30 years ago," said William. "Do Eso schemes really encourage scientific and technical development? Surely scientists and engineers are motivated much more by ideas. Edison used his profits from his light-bulb invention to set up his first dedicated lab and he gave shares in his project to his collaborators."

Eco-friendly schemes and 'love' create serious underlying wealth, but giving people equity incentives just because you couldn't afford to pay them cash was a "pretty imperfect bridge."

Dave Ward said: "Employees having a stake in the business is good – I'm not fearful about that. Unions need to open up their thinking. At Royal Mail, I want our members to keep their shares, preferably until they retire, to give them some extra value.

"In a privatised Royal Mail, I see employee share ownership as another bridge towards industrial democracy – the possibility of giving employees power over decision-making. Regarding executive reward, my test for RM executives is: have they grown the company? Too many executives are short-termist. The concept needs refreshing and expanding – a new mind set is wanted. Are we going to increase employees' stake in the business for which they work? Are we going to create workers' trusts to manage their collective voice?" He asked.

Mr Hurlston concluded: "We have missed trade union participation in Eso in the UK. We have seen it in Italy – our partnership with the leading Italian union CISL has been very positive. I would like to see industrial democracy installed in a voluntary way – union members should be asked whether they want to gift their vote for company meetings.

During the conference cocktail party, Mr Hurlston announced the names of those nominated companies for the various categories of award which had survived preliminary scrutiny. The names of the winners and runners-up will be revealed during the **Centre's Awards Reception and Gala Dinner** at the **Reform**

Club on **Wednesday October 28.**
Award categories are:

- Best international all-employee share plan in a company with more than 1,500 employees in at least three countries
- Best all-employee share plan in a company with fewer than 1,500 employees
- Best all-employee share plan communications
- Best in financial education of employees
- Best integration of an all-employee share plan into a wider programme of employee engagement
- Best use of video in share plan communications
- The best employee equity intervention by a major company chairman or ceo

**If you wish to nominate a company – or self-nominate - for one or more of these awards, but missed the cut for whatever reason, please contact Jacob Boult jboult@esopcentre.com at Centre HQ to discuss the nomination(s) you wish to make.*

DAVOS 2016: Attendance fee reductions
Reserve your place now for Centre's 17th winter conference, which will be held in **Davos** on **Thursday January 28 and Friday January 29,** days after the World Economic Forum**.** ***Prospective Centre speakers are invited to suggest ideas now on what themes and slot topics our Davos 2016 programme should contain.*** **Mike Landon,** a director of **MM & K,** and **Solium UK** director **Kevin Lim** have offered to help compile the conference agenda and others will join them. The Centre has obtained a remarkably favourable deal with the four-star **Seehof Hotel** in Davos Dorf, allowing us to **reduce all early bird attendance fees by at least £100** compared to last February. Our *Early Bird* charges for the two nights half-board accommodation + conference + cocktail party **conference package** in the Seehof are: **Speakers**: practitioners **£825;** plan issuers **£399; Delegates:** member practitioners **£945;** plan issuers **£495,** non member practitioners **£1450.** *No VAT is charged as the event takes place outside the UK.* Email Fred Hackworth now to reserve your speaker or delegate place or to suggest topic themes for this key annual Centre event: fhackworth@esopcentre.com with copy to the Centre at: esop@esopcentre.com

Posties gain from further Royal Mail shares sell-off
The government raised £750m from the quick-fire sale of half of its remaining stake in Royal Mail (RM) to City investors. The sale of 15 percent of the letters and parcel delivery firm through an accelerated book-build to institutional buyers was announced by the **Department for Business, Innovation & Skills (BIS),** which said that the shares sold for 500p each – a three percent discount to the then closing price of 516.5p.
Business secretary Sajid Javid said: "Building on the success of the initial scheme, and in recognition of their work in turning around the Royal Mail, the chancellor announced that government intends to gift *up to one percent* of the shares of the company to Royal Mail's UK employees. These shares will come from government's remaining holding and they will be subject to sales restrictions. This builds on the ten percent of the total shares in the company that were awarded to Royal Mail employees as part of the 2013 flotation."
Bank of America Merrill Lynch, Goldman Sachs and JPMorgan ran the sale, while Rothschild advised Royal Mail. BIS said it would not sell any more of its remaining Royal Mail stake for 90 days. It was not clear whether future sales will be offered to retail investors, as they were during the firm's controversial 2013 initial stock market listing, when 66,000 private individuals bought them.
Chancellor George Osborne told a City audience at Mansion House: "*We want to help the Royal Mail attract more investment and serve its customers, and use the money we raise in return to pay down the national debt and we're going to make sure that there is a special bonus for the workforce who have done such a great job turning Royal Mail around. Thanks to them, Royal Mail's share price has risen; so we're going to give more of the shares to the staff."*
The new shares give-away to posties was seen by some commentators as a quid pro quo by the Government in order to avert threatened strike action by the unions. The one percent employee free shares award comes on top of the ten percent given to employees in shares in the 2013 sale.
The Government said it had 'not ruled out' allowing the public to buy the remaining 14 percent stake. RM has cut its workforce by 5,500 during the past year and has 143,000 in its main UK business.
"Esop, which is about *all*-employee share ownership, welcomes the chancellor's decision to give postal workers a further one percent of the company. This should be putting down a marker for One Nation conservatism" said the Centre's founder chairman **Malcolm Hurlston**. "The employees and their union play a major part in making this company, with its public service mandate, a success. The chancellor has recognised the achievements of the company and CWU in taking Royal Mail forward. Now let's see more private sector owners increase the employee stake. Dave Ward has shown other unions how understanding employee ownership can benefit his members, to the tune of a further £50m."
Communications Workers Union (CWU) general secretary, Dave Ward said: "Selling off the final 30 percent of Royal Mail threatens the very existence of the one-price-goes-anywhere, six day delivery service that Royal Mail provides to 29 million UK addresses. When the first part of this privatisation was completed by the coalition we were told that this was because Royal Mail needed private capital to invest in its future, but if you ask the workforce they have seen hardly any new investment but have witnessed the worse type of short term investors making a killing

without any regard to the long term future of the company or the services it provides to the public. The CWU will oppose this final part of the sell-off and continue to campaign against unfair competition and the race to the bottom, which privatisation inevitably brings. Both existing and any new shareholder should be in no doubt – any attempt to undermine the legally binding agreement that protects Royal Mail workers' terms and conditions will be defended if necessary through strike action."

A Treasury spokesman said: "The government will get on with the sale of RM shares to get the best deal, with the money coming in used to pay down debt and benefit all taxpayers. No decisions on the form of the sale have been taken." RM shares were initially floated at 330p each, but leapt by 38 percent on the first day of trading, peaking at 615p. They now trade at around 505p (mid June).

Mr Osborne told the Commons that the money generated by the sale of the remaining Royal Mail equity stake still in public hands would be used to pay down the national debt.

Labour accused Mr Osborne of "ripping up" his long term economic plan by springing the announcement on MPs. The SNP said the move "poses real danger to the postal service and, in particular, the universal service obligation which is of huge importance to Scotland".

RM employees currently own well over ten percent of the company, following the partial privatisation in October 2013, when the then UK Coalition Government sold 60 percent of the equity of the Royal Mail. More than 149,000 present and past postal employees are now employee shareholders as the UK government honoured its promise to offer at least ten percent of the total equity to postal employees – in the form of free shares**.** They each got 729 **Share Incentive Plan** (SIP) shares in staggered awards.

In addition, 15,000 RM employees – one in ten – applied for the *priority offer* to purchase at least £500 worth of additional shares – i.e. 151 or more extra shares each at the offer price – putting at least three million more shares in employee hands. Their requests to buy a minimum of £500 worth of RM shares, up to a maximum of £10,000 were met ***in full***. The SIP can be used to facilitate this by offering them Partnership Shares**.** All their SIP shares are held in a trust.

Postal workers deepened their employee share ownership culture when 35,000 of them – almost one in every four – signed up to the RM's first ever three-year **SAYE-Sharesave** scheme, but the level of applications was so high that the offer had to be scaled back when the options were granted last October at the discounted price of 360p per share. CWU represents the overwhelming majority of 150,000 Royal Mail employees.

Centre chairman **Malcolm Hurlston** wrote to **David Gauke MP**, financial secretary to the Treasury, asking him to ensure that **Lloyds Bank** & **RBS** staff are offered the chance to acquire more shares in their employer's business in the government's retail sale of taxpayers' shares in both banks. Mr Hurlston told him: "The further sale of the taxpayers' stake in these banks is a prime opportunity to spread employee share ownership by offering a priority sale to its staff, on an all-employee basis. By offering shares to high-street branch employees, back office staff and managers alike, the government can give evidence of its commitment to One Nation policies, and in so doing boost productivity in a flagship UK company.

"The chancellor showed his commitment to employee share ownership in the last parliament by raising the investment limits in the tax-advantaged SIP and SAYE schemes, as well as by introducing shares for rights. The Lloyds (and RBS) sales present an opportunity to extend the lead. It is well established that employee share ownership boosts employee engagement, retention and productivity, with reduced absenteeism and greater company performance. Should you need further persuading I am happy to share it with you, but BT and now Royal Mail are already shining examples, with employee shareholding both changing attitudes and spreading wealth. We are ready to offer support if called upon. Our membership includes the leading advisory firms and companies where employees own shares."

Socially responsible Royal Mail

Well done **Royal Mail!** - it is one of the very few FTSE 100 companies to mention Eso in the main section of its 2014-5 Corporate Social Responsibility Report, which details how the core objectives of its corporate responsibility strategy have helped the business to continue making progress amid challenging market conditions. Its highlights included:

- Around a quarter of eligible employees seizing the opportunity to increase their shareholdings this year through subscribing to the Save As You Earn scheme. The overwhelming majority of Royal Mail employees are shareholders in the business. All eligible RM employees received free SIP shares when the organisation was floated on the stock exchange in October 2013.
- Best Employee Relations Initiative award from the **Chartered Institute of Personnel Development**, for Royal Mail's Agenda for Growth agreement with the CommunicationsWorkers Union (CWU); over 60 projects were launched under the initiative by the year end
- £11.1bn contributed to the UK economy during 2014-15.
- One in every 180 UK employees works for Royal Mail, with a higher proportion doing so in the UK's deprived regions where jobs are scarce.

The Centre continues to lobby on the Eso-CSR issue.

Share plan sponsors fail to register correctly

Some share plan issuer companies are finding it difficult to use the new online service for registering their employee share plans with HMRC properly, reported *Baker & McKenzie.* Despite the looming deadline of July 6, there were anecdotal reports that – as of June 1 - only about 25 percent of relevant UK employee share plans had been registered.

Even among the one-in-four issuers who had registered their Eso plans in good time, HMRC identified particular issues over:

* Companies registering the same plan more than once, perhaps in the mistaken belief that each launch of a plan constitutes a new plan, rather than simply another grant/award under the same plan;
* The same plan being registered repeatedly, once for each subsidiary that operates it; and
* Companies registering tax-advantaged plans in the wrong category (e.g., an SAYE scheme registered as a Company Share Option Plan - CSOP).

There is no way yet devised to correct an entry made by mistake. A plan that has been registered incorrectly will be on the system and therefore an end-of-year return for that plan will have to be made, in which the plan should be reported as having ceased. In addition to which, those who have erred will have to register the plan correctly under a separate number. Chapter and verse is set out in a letter sent by HMRC to company secretaries. Review the relevant HMRC web pages.

These filing requirements apply if any UK employees participate in a stock option, restricted stock unit or other stock based incentive plan linked to their employment, for example UK employees participating in a US stock incentive plan, said lawyers *Latham & Watkins*. The obligation to file falls upon a US employer if there is no UK employer.

David Pett, partner at Centre member **Pett, Franklin** writes: HMRC has now moved to online registration for all share scheme arrangements. It is important to register **all** of your schemes - or any arrangements relating to the acquisition of shares by employees, whether a 'scheme,' a bespoke arrangement for one or more employees or directors - in advance of the **July 6 2015 deadline**, or else there may be serious consequences.

CSOP, SIP and SAYE: It is essential that all of these schemes are registered before July 6 or else they will lose their tax-advantaged status in relation to all options and awards granted in the **2014-15** tax year and going forward. For CSOPs, this will apply retrospectively - if a CSOP is not registered by **July 6 2015**, *all* options granted under it will lose their tax-advantaged status, even if granted before April 6 2014.

Other schemes and arrangements: If a 'reportable event' involving employment-related securities has occurred in the 2014-15 tax year, you must file an annual return (the online Form 42) by July 6 this year or else penalties will apply. 'Reportable event' is broadly defined and you should seek advice if you are at all uncertain about whether a report needs to be made. In order to file a return, you *must* register the unapproved scheme or arrangement before the July 6 deadline as this is an absolute cut-off. Failure to register may mean that you are unable to file your annual return for 2014/15. For **Enterprise Management Incentive (EMI)** options which have already been registered using the new online arrangements, or earlier under the old paper based system, there is a ***separate*** online annual reporting requirement before July 6 2015 that replaces the paper Form 40. Companies that operate EMI plans must still notify HMRC of new awards within the 92 day qualifying window.

For non-tax approved schemes, employers do not need to register the scheme until there is a reportable event. Therefore, the current filing deadline for non-tax approved schemes (July 6 each year) relates to all reportable events which took place between April 6 2014 and April 5 2015. This applies to listed and non-listed companies. Once a share plan is registered, a return must be filed every year. If there have been no reportable events in that year, then a nil return must still be submitted.

Within a group of companies, it is sufficient that online registration is carried out by the principal employer or by another group employer (for example, the UK entity in the group), whichever is registered with HMRC Online Services (and so already has an online Pay-As-You-Earn (PAYE) portal), added *Latham & Watkins.*

Companies must submit a return using the **ERS Online Service** and they must:

Register to use the HMRC ERS Online Services at http://tinyurl.com/qzpn49l

Registration can take more than seven days to complete, and HMRC recommends that companies register well in advance of the July 6 2015 deadline

Register each employment related securities scheme or arrangement (and record any reportable events)

Self-certify any tax advantaged scheme using the ERS Online Service

If there have been any reportable events for the 2014-2015 tax year, companies must all submit an attachment with the return. Template attachments are available at http://tinyurl.com/m5pm86u

For HMRC guidance: http://tinyurl.com/md9kulr

Registration involves HMRC sending a ***Government Gateway Code*** through the post to your registered office which can take *up to ten days to arrive*. You should factor this delay - as well as the possible one-week delay to register your share plans - into meeting the registration and annual reporting deadline of July 6 2015, said **Colin Kendon** of Centre member **Bird & Bird.** ***Automatic penalties for late submission of the online annual returns are £100 for missing the deadline; plus £300 after three months; plus £600 after six months; plus £10 per day after nine months.***

Sports Direct
Controversial sportswear retailer **Sports Direct** revealed that just over ten percent of its employees are to share the award of five million shares worth £34m in September this year, performance targets set in 2011 having been met. Only 3,100 of the retail giant's 28,500 employees will benefit from the payout because most were not eligible for the performance scheme. In addition, the company faces a compensation claim from 300 employees who were not allowed to participate in the scheme because they are on zero hours contracts, though the company refused to comment. However, the lucky few stand to gain an average £11,400 each under the share bonus scheme. Sports Direct employees will accrue a further 15m shares vesting in 2017 under its scheme. This was confirmed at its annual conference on May 28, which was attended by 900 of its employees and partners. Its 2015 share bonus scheme was approved at its agm last July. The scheme will award staff if conditional performance targets are all met, and 25 percent of any award would vest following the announcement of the organisation's audited full year results in July 2019. The organisation's bonus arrangements have paid out £160m worth of shares to 2,000 permanent employees in 2014, and more than £100m to 2,000 employees in April 2013.

Irish Esop comes good
ESB (Electricity Supply Board, **Ireland**'s leading electricity utility) employees may be in line for a €100m payout as the Government prepares to sign off on a plan to buy back shares from staff. The Government gave the shares to ESB staff in 2011 in lieu of a pay increase through an Esop. ESB Esop members own five percent of the company, with 99m stock units having been acquired by the Esop in 2011 for almost €76m. The shares are notionally allocated to eligible Esop participants.
However, employees say the value of the shares has not been realised because they have not had any buyers for them. Now though, the Government is preparing to buy the shares back from its current and retired employees, according to recent reports. While no final decision has yet been made on whether or not the buyback will go ahead, it would be a surprise if the State does not go ahead with the plans, said the *Irish Independent.*
While the Government plan calls for a buyback of about €100m, there have been suggestions that the value of the buyback should be doubled to around €200m. ESB pensioners have been particularly vocal that the value of the buyback should be increased.
Last year, based on a valuation of around €4bn for the ESB, members of the Esop control a €200m stake between them - making their minority holding larger than many entire stock market-listed companies. Esop participants who are no longer employed by the ESB have to sell their shares within three years of leaving the semi-state company, while only ESB employees who were with the company during or prior to 2002 can buy shares.

On the move
Robert Head has decided to leave long-standing Centre member **Pearson** from the end of July, following a reorganisation of Pearson's Human Resources and Reward functions. Robert, a key player on the Centre steering committee - and for many years one of the Centre's annual Awards competition judges - said he was leaving with very mixed emotions. "I have worked at Pearson for 24 years, during which time I've had five different job titles," he told *newspad*. "I've worked with three chairmen, three ceos, four heads of HR and five remuneration committee chairs. As a good reward person, I could go on talking numbers, but for now I look forward to building a new track record and another chapter in my career. I will have the opportunity to celebrate and to contemplate what the future holds over the coming weeks and months. In the meantime, please rest assured that I remain fully committed to membership of the Esop Centre, to serving as a member of the steering committee and to fulfilling my current and any future speaking engagements with the Centre. It goes without saying that I have really valued our professional and personal dealings and hope that they will continue well into the future," he added. Responding to Robert's news, Mr Hurlston said: "I am delighted that you will continue to take part in the steering committee of the Centre (and judge the awards)" Robert's contact details are:
e-mail: robert.head88@outlook.com
Phone: +44 (0)7836 684 523.
US based Centre member **ButcherJoseph** announced that vice president **David Lake** was selected as a winner of The **M&A Advisor**'s 40 *Under 40 Emerging Leaders Award* in the Dealmaker category. David was chosen for his expertise in the industry from a pool of international nominees by an independent judging panel of distinguished business leaders. Investment bank Butcher Joseph & Co has to date completed more than $5bn worth of Esop financing transactions. The M&A Advisor, known globally for its recognition of leading M&A, financing and turnaround professionals, created this event to promote mentorship and professional development amongst the emerging business leaders.
Centre member **Elian** has opened an office in New York, extending its international footprint to 11 offices, said ceo **Paul Willing**. The New York office will support Elian's fast-growing and comprehensive range of corporate services, including corporate structuring, structured finance and asset finance. The office will be led by md John Wallace, who has 25 years' international financial markets experience. John has held senior

positions in New York, London and Tokyo with Deutsche Bank and Bankers Trust. More recently he was a founding member of Guardian Director Services, providing independent directors to boards of alternative funds, and has also provided independent consultancy advice to the alternative investment industry. In his new role, John will be responsible for developing a strong network of clients and intermediaries in the Americas, giving them direct access to Elian's global reach of offices and service lines.

Patrick Neave, senior remuneration analyst, left the **Investment Association** at the end of June after his post there was abolished. Patrick, formerly with the **Association of British Insurers**, is well-known to Centre conference goers having filled the executive remuneration regulation spot at our summer conferences for many years. You can contact him regarding future assignments at: pnea@btinternet.com

Tapestry Compliance was declared England's 'Boutique Law Firm of the year, National' at *The Lawyer Awards - 2015* ceremony. The judges mentioned the tremendous achievements Tapestry - launched in 2011 by Janet Cooper, formerly partner at Linklaters - and its impressive range of clients and work the firm does.

Grant Thornton goes for John Lewis model

The first female boss of a major City accountancy firm announced the setting-up of a **John Lewis**-style profit share scheme that could boost salaries by 25 percent as she called for a business revolution to bring back "trust and integrity". **Sacha Romanovitch**, 47, revealed she is capping her own salary as she looks forward to taking over as ceo at Centre member **Grant Thornton** in July. Her pay will be limited to a *maximum of 20 times the average salary in her firm*. That is a fraction of the 149 times average ratio across FTSE 100 firms. On the decision to cap her own pay, she said that earning more than 20 times the average pay of her staff "didn't feel right" and that restricting her earnings was in line with the philosophy she wanted to instil in her firm. The introduction of the 'shared-enterprise' system, modelled on that operated at John Lewis, will allow future profits to be shared between all of its 4,500 staff instead of being restricted to the most senior. Ms Romanovitch said: "The benchmark that we are working to is that in great organisations that do this, it ends up being between ten and 25 percent of a person's salary. That is what they can potentially earn as a profit share. John Lewis does it, **Arup** is the other one that does it really well." She emphasised that all staff, including the 187 partners, would retain their existing pay deals. The profit share will come from extra money generated by collaborative working. The aim is to double the firm's total profits by 2020.

CONFERENCES

Centre - IoD September 3

The Centre's next joint share schemes conference with the **Institute of Directors** takes place on **Thursday September 3** at the Pall Mall HQ of the IoD. This all-day event is co-promoted by Bird & Bird, David Craddock Consultancy Services, Fieldfisher, Haines Watts, MM&K, Nabarro, Pett Franklin and the RM2 Partnership. The programme will focus on SME companies and will attract owners, ceos, directors, fds, HR specialists and other key decision makers in such companies. Speakers from Centre member firms will help the SMEs represented decide whether to introduce an employee share scheme or to deepen existing employee share ownership in their business. Confirmed speakers are: **Colin Kendon, Bird & Bird; Graham Muir, Nabarro; Paul Malin**, **Haines Watts**; **Mike Landon**, **MM & K**; **Mike Gearing**, **FieldFisher**; **David Craddock**, **David Craddock Consultancy Services**; **Nigel Mason**, **RM2 Partnership**; **Stephen Woodhouse**, **Pett Franklin** and **Robert Head, Pearson**. Centre chairman **Malcolm Hurlston** will introduce the event and a ministerial response is also awaited. For further details on the presentations and speaker bios see upcoming events on www.esopcentre.com.

Delegate prices: Centre / IoD members: £360 + VAT; Non members: £460 + VAT

If you are a Centre member, please contact the IoD events team at events@iod.com or 0207 766 8919 to register at member prices. If you are a non-member or IoD member you can register to attend this conference through the IoD website. For all enquiries, contact Jacob Boult at Centre HQ – email jboult@esopcentre.com or phone him at **+44 (0)20 7239 4971.**

Centre - STEP Guernsey, October 9

The Centre's annual Guernsey share schemes seminar, held in partnership with the Society of Trust & Estate Practitioners (STEP), Guernsey branch, will take place on **Friday** morning **October 9 2015** at the St. Pierre Park Hotel, St. Peter Port. The event will review employee share schemes from a trustee perspective, providing an update for trustee delegates. Law Society accredited, this half day seminar will run from 9am till 1pm, prefaced by refreshments and followed by lunch.

Gavin St Pier, States of Guernsey minister for treasury & resources will be guest of honour, speaking on the issues of the moment. Gavin is a former member of the Centre's steering committee. Several speaker slots are already confirmed: **Stephen Woodhouse, Pett Franklin; Alison MacKrill, Carey Olsen; Jeremy Mindell, Primondell; David Craddock, David Craddock Consultancy Services.** If you are interested in taking up the final speaker slot please send your proposed topic, outlined in a few bullet points and with a session title, to Jacob Boult: jboult@esopcentre.com, or call on +44 (0)207 239 4971 For further details, including a breakdown of the presentations and speaker biographies see upcoming events at www.esopcentre.com In recognition of the contribution our expert speakers make to the conference, the Centre offers favourable arrangements.

Delegate prices: **Early bird offer until July 31**: buy three tickets and get the cheapest free
ESOP Centre/STEP members: £325
Non-Members: £450
To register to attend as a delegate please contact the Centre at esop@esopcentre.com or call +44 0)207 239 4971 See the event page for updates to the speaker programme.

Centre Awards Dinner & Reception October 28

The Centre's 14th annual employee share ownership awards dinner will be held in the grand Italianate surroundings of the **Reform Club**, Pall Mall, on **Wednesday October 28**. Arrangements are being finalised and details, including how to secure your place at this black-tie event, will be published soon. Early applications really are recommended since places will be fewer. The **deadline for submission of award entry forms** and supporting materials is now. For details about this year's awards categories, and how to submit your nomination please see the awards page at www.esopcentre.com

DAVOS 2016: Big ticket reductions

Reserve your cut-price place now for Centre's 17th winter conference, which will be held in **Davos** on **Thursday January 28 and Friday January 29,** just days after the closure of the World Economic Forum**.** ***Prospective Centre speakers are invited to suggest ideas now on what themes and slot topics our Davos 2016 programme should contain.*** **Mike Landon,** a director of **MM & K,** and **Solium UK** director **Kevin Lim** have already offered to help compile the conference agenda and others will join them.

The Centre has obtained a very favourable deal with the four-star **Seehof Hotel** in Davos Dorf, allowing us to **reduce all attendance fees by at least £100** compared to those in force last February. Our *Early Bird* charges for the two nights half-board accommodation + conference + cocktail party package deal in the Seehof are: **Speakers**: practitioners **£825;** plan issuers **£399; Delegates:** member practitioners **£945;** plan issuers **£495,** non member practitioners **£1450.** *No VAT is charged as the event tales place outside the UK.*

Email Fred Hackworth now to reserve your speaker or delegate place and/or to suggest topic themes for this convivial annual Centre event:
fhackworth@esopcentre.com with copy to the Centre at:esop@esopcentre.com Work hard and play hard is our motto: the Seehof is a snowball's throw from the famous Parsenn ski slopes at 2,300 metres+ reached by funicular railway, which offer 35 great ski runs.

SUMMER conference June 2016

The Centre is asking all who attended our recent Rome conference – and others – when and where they'd like the Centre's next European conference to be held – with four cities in the frame – placed in order of the voting so far: **Rome, Vienna, Berlin and Reykjavik.**

Stop Press: We have been asked to add the city of Madrid to our list above.

We would like to learn your first and second preferences, if there is a possibility that you may attend.

The prospective dates will be easier to settle: either **Thursday/Friday June 2 & 3 (2016)** or the same weekdays in the following week **- June 9 & 10.** Do you have a marked preference? Please let us know both your venue and date choices by sending a brief e-mail to: fhackworth@esopcentre.com

Awards Dinner GoH in the limelight

Financial Services User Group (FSUG), chairman **Mick McAteer**, last year's Centre Awards Dinner GoH, was awarded the honour of opening trading at the **Amsterdam** Stock Exchange by sounding its gong. The event marked the Amsterdam meeting of FSUG, an advisory body set up by the **European Commission** composed of associations representing consumers and retail investors in the EU. This advisory body meets monthly in Brussels for talks with European policymakers. The twenty members of FSUG, from 16 EU countries, advise the Commission on the creation and implementation of European directives into law. Shareholders association VEB hosted the members of FSUG and the European Commission in Amsterdam. With this initiative, the association of private investors underlined the importance of the interests of financial consumers at European level. You can see Mick McAteer banging the gong here (in a passable imitation of J Arthur Rank's Bombardier Billy Wells.) http://tinyurl.com/pyacszx

Bonus corner

The **High Pay Centre** recently issued a report called '*No Routine Riches,*' as a follow-on to its '*Metrics Re-loaded*' report which looked at the use of performance measures in executive directors' variable pay, concluding that they do not achieve the desired 'pay for performance' and alignment of shareholders' interests, said Centre member **Linklaters.**

The new report concludes that *companies should stop paying directors on performance metrics that are not beneficial for the company* – in other words, LTIPs should be scrapped. The report said this was because:
The whole system of performance-related pay for executives does not work: complex variable awards have pushed directors' pay "into the stratosphere" but there is little discernible link with corporate success;
Having performance related pay leads directors to focus on short term measures and therefore damages the company in the long term; and Reforms to the system have not worked.

Instead, the report recommended: Abolishing long term incentive plans; Paying only cash in certain circumstances. If shareholders consider executives must hold shares, executives should use their own funds to purchase shares (*this sounds like some current arrangements for non-executive directors to purchase shares out of net salary*); In any continuing performance-related pay, using a broader range of company-specific targets with an emphasis on productivity which reflects efficient profitable business that invests judiciously; Increasing diversity of remuneration committees to include a broader range of age, gender, ethnicity and professional background to eliminate indirect conflicts of interest; and Not making any buy-out awards for unadvertised positions, as buy-outs work against any retention objective.

"The report aims at influencing change directly through market forces by companies (and their shareholders through approval of the remuneration policy) and through regulatory changes to the UK Corporate Governance Code. It is unlikely that the government plans any further reforms to board pay and perhaps in view of this, the High Pay Centre looks to the market and regulators to take action," said Linklaters. "The report argued that by correcting perverse incentives it should be possible for successful business leaders to enjoy deserved acclaim from running successful companies rather than being subjected to abuse over their pay. This is a call to the executives themselves to recognise that the current system is not to their benefit, in the hope that they would welcome the suggested reforms."

The report raises some interesting issues. Linklaters will be discussing this and other aspects of board pay in a seminar with **Towers Watson**. In the meantime call **Gillian Chapman** or **Mirit Ehrenstein** at Linklaters.

*If countries were awarded bonuses for talking about performance pay for bosses, then the UK would top the league table, said an article in the *Financial Times*. Together, the higher corporate take-home pay than in the more restricted markets of several European countries and the greater disclosure than in many governance regimes, have produced an environment in which executive pay is the story that will not die. **Fidelity**, the fund house, asserted some success in its campaign to promote longer holding periods for shares awarded under LTIPs and the Investment Association, the trade body, said it was discussing how UK institutional investors might insist that long-term awards be simplified. "All this attention should amount to a moment of change for long-term performance pay: the *L-Tipping point.* The IA's expressed desire for simplicity can be disregarded as little more than a pious aspiration. The UK's executive pay debate has been bedevilled by two assumptions that interests are or can be aligned when in real life they are not," said the FT article. "The first is Westminster's desire that shareholders should enforce a crackdown on bosses' pay. The reforms of **Vince Cable** as business secretary gave investors a binding vote on corporate remuneration policies and made companies provide more information about top pay. Yet even though the High Pay Centre estimates that the average FTSE 100 boss was paid almost £5m in 2014 — 'a fivefold increase since the late 1990s' — the new '*say on pay*' regime has produced few shareholder rebellions. With most of this year's agm season behind us, **BG Group, Man Group** and **RSA** were the only blue-chip companies to experience noticeable dissent, and even those revolts were unsuccessful." Meanwhile, Dominic Rossi, global chief investment officer of equities at Fidelity, has been explicit that the fund manager's LTIP campaign is about structure and governance rather than actual amounts paid. "We have deliberately steered away from that issue," he said.

The second misplaced assumption is that pay policies can align the interests of shareholders and chief executives, said the FT. LTIPs were devised more than a decade ago to encourage executives to behave in ways that would increase the value of the business over the long term. But targeting what shareholders would regard as desirable outcomes, such as relatively higher earnings per share growth or better total shareholder return, left the schemes open to being *gamed*. Efforts to reduce this risk and to take account of the differences between institutional and individual share ownership have introduced layers of complexity without producing real alignment. ***The answer should be to scrap LTIPs altogether,*** added the FT article: "Insofar as senior executives need to be incentivised beyond substantial base salaries and interesting and important jobs, performance pay should be in cash and related to the running of the business rather than the response of the markets. The performance indicators set out in annual reports (which require shareholder approval) seem a good place to start. The many and various parties interested in performance pay should seize this occasion to kill LTIPs. Having done so, they should lower the volume of the debate. Executive pay is important, but it is not the only issue worth discussing. This is one of those rare moments when a slide down the league table might count as a good result."

Perhaps **Burberry** has started a trend among UK firms by spelling out the pay terms of its ceo if he dies, sparking fears this practice could lead to the introduction of US style 'golden coffin'*** benefits. This addition to executive perks is common in the US where bosses are offered lucrative death-benefits for their heirs as part of their compensation packages. Executives can earn their salaries and bonuses from beyond the grave for up to 12 months after death. The Burberry annual report, giving details of ceo Christopher Bailey's £8m pay package, includes a clause giving details of the terms agreed should he pass away while still at the helm. It said: 'If Christopher Bailey dies during his employment with [Burberry], the company will pay his estate his salary to the termination date and a bonus.' The report states Bailey has a 12-month notice period in the event of 'termination of his employment'. Lawyers and shareholders are unhappy that it is unclear as to whether the termination date refers to the end of his 12 -month notice period or the date of death, although Burberry claims it is clear in his employment contract. Ordinarily a director would have a death in service benefit of life insurance, often linked to the pension, and payable at, say four or six times salary. The annual report shows the firm pays a £4,000 premium for Bailey's life assurance annually. Burberry has been at the heart of a pay storm after more than half of its investors had voted down the 2014 directors' remuneration report, which the luxury goods firm conceded 'may not have been sufficiently clear'.

***Advisory groups had predicted a shareholder revolt in reaction to **WPP** ceo Sir Martin Sorrell's 43 percent total reward rise to £43m last year — but the boss of the world's largest advertising agency holding group came away from the company's agm relatively unscathed. Just over 22 percent (19.5 percent against and 2.7 percent in abstentions) refused to support Sorrell's pay package, well below the 28 percent who voted against Sorrell's compensation last year. While shareholder advisory groups had advised those with WPP stock to vote against the compensation proposals, only one such group spoke up against Sorrell's pay at the agm. Roger Geary, a representative of the **ShareAction** charity, said Sorrell's compensation had reached an "astronomical level," more than double the amount of the next best-paid FTSE 100 ceo. Geary added that Sorrell's compensation not only did not offer value to shareholders, but presented a "significant risk to WPP's reputation" to investors and the public. Right on cue, the main **French** news *Channel 2* put Sorrell's reward packet at the top of its main evening bulletin, pointing out that his huge pay haul was more than twice the amounts gained by France's two best paid senior executives last year.

Instead, ShareAction said the money could be better spent increasing investment in the company and staff. Geary estimated that Sorrell's compensation could pay 2,378 people on the London Living Wage of £9.15 per hour. In response, outgoing WPP chairman Philip Lader said that the amount paid to Sorrell "is certainly a large quantum," but added that 92 percent of that amount was variable and performance-based, over a period of five years. This plan was supported by 83 percent of shareholders when implemented, according to Lader, who mentioned that Sorrell — alongside almost two dozen senior executives – were required to make a personal investment, which is "highly unusual."

***Channel 4**'s top executives were paid maximum bonuses with its ceo pocketing £855,000 last year – almost double the pay of BBC director general Tony Hall – despite the broadcaster's main channel dropping to its lowest-ever share of TV viewers. David Abraham, Channel 4 ceo, received £855,000 in total remuneration last year, including a £166,000 bonus, a 15.6 percent increase on 2013 and almost double the £450,000 received by Hall, reported *The Guardian.* The BBC, which receives almost £4bn in income to spend on running its TV, radio and online services, is considerably larger than Channel 4, which makes about £1bn in revenues annually. "Both culturally and financially Channel 4 continues to punch above its weight and make a huge contribution to the creative sector at no cost to the UK taxpayer," said Abraham. The broadcaster's total pay and bonus bill hit £2.35m for its top four executives, who include chief creative officer Jay Hunt, the second highest-paid executive at Channel 4, who received total remuneration of £581,000, including a £123,000 bonus, up 17 percent from the previous year. Both Abraham and Hunt received the maximum possible bonus, capped at 30 percent of their salary. C4 paid out £478,000 in bonuses, more than double the £221,000 worth of bonuses in 2013. The payouts come despite Channel 4 reporting that viewing dropped last year, and that its TV ad sales underperformed the market.

*UK managers are getting pay bonuses despite being 'underperformers,' a report claimed. The research into the pay of 70,000 managers concluded that a third of those given bonuses were rated as "not meeting expectations." The **Chartered Management Institute's** National Salary Survey found that the average bonus for under-performing company directors was £45,000. The average bonus for below-par senior managers was almost £9,000. CMI chief executive Ann Francke said: "Too many managers are reaping the rich rewards of their positions despite being poor performers. Unfortunately, it seems to be a lot easier to reward poor performance than to face the awkwardness of having difficult conversations with underperforming staff." *Ms Francke explained that bonuses may now be considered a part of normal pay, rather than a reward for hard work*. "Another reason so many low performers get bonuses is that there is often a culture of rewarding past glories. The longer that goes on, the more people come to rely on the money... employers really should think about whether it would be better to address the level of basic pay." The CMI said that companies are finding it increasingly difficult to find, recruit and hold on to staff. And it is this skills shortage that could be forcing up wages and bonuses, economists believe.

***Marks & Spencer**'s senior executives received bonuses for the first time in two years, after a pick -up in performance at the embattled retailer. All bonuses were cancelled in 2014 after M&S reported its third successive year of falling profits. The decision affected all 80,000 staff, from ceo Marc Bolland to employees manning the tills and fitting rooms. Following a recent improvement that saw the retailer post its first increase in profits for four years, Bolland received a bonus worth £596,000, taking his total pay package to £2.1m. M&S employees got a cash reward too, although the retailer does not disclose details of the staff bonus pot. Bolland earns a basic salary of £975,000 but at his own request has not received a pay rise since he joined the company in 2010. In his first year in the job, his total pay package was worth £4.4m. The biggest bonus went to Steve Rowe, the executive in charge of M&S's highly-successful food division. He got a £653,000 bonus, after a year when food revenues grew by 3.4 percent to £5.2bn. Laura Wade-Gery, who leads M&S's online operations, got a reward of £219,000, after a botched re-launch of the M&S website hit sales. The retailer spent £150m revamping its website with more video and magazine-style content, but many customers struggled to register, leaving sales two percent down over the year. M&S execs can earn bonuses worth twice their annual salary, but nobody came close to hitting the top target.

***Goldman Sachs, Morgan Stanley** and **Bank of America Merrill Lynch** paid the largest bonuses to directors in 2015, according to research by salary benchmarking site Emolument.com. Its analysis of 2015 salary data from 189 front office directors working in London investment banks, found that Goldman Sachs paid its directors an average of £194,000, well above second-placed bank Morgan Stanley's £170,000 average. The remaining firms in the list of the top five organisations paying the largest bonuses are Bank of America Merrill Lynch (£166,000), JP Morgan (£162,000) and Citigroup (£143,000). Credit Suisse is the first European bank on the list, paying average bonuses of £135,000. HSBC and Barclays are the only British banks to make the list, paying directors bonuses of £116,000 and £103,000 respectively. Alice Leguay, co-founder and coo at Emolument.com, said: "Continuing a trend established in the last few years, we expect to see base salaries shoot up in order to circumvent bonus cap regulations, especially at director and md level where employees expect to see their total compensation increase substantially."

*The **Czech** Ministry of Finance proposed that board and supervisory board members of almost 70 percent state owned electricity producer **ČEZ** forego their customary bonus payments from profits. The proposal, relating to 2014 profits was tabled for the company agm with its passing a near certainty. The payment proposed by the company to board members totals 25.5m crowns. Payments allocated from profits to board members had been made hitherto without interruption since 2001.

Vatican signs up to FATCA

The Holy See and the US signed an agreement under the US Foreign Account Tax Compliance Act (FATCA). According to a statement released by the Vatican, the agreement, which is the first formal inter-governmental agreement between the Holy See and the United States, "will prevent tax evasion and facilitate the compliance of fiscal duties by those US citizens who conduct financial activities in Vatican City State."

France

The French Government proposed a new law intended to simplify employee representation, reported lawyers *Herbert Smith Freehills*. The key proposals are:

*for companies with fewer than 11 employees (who don't currently have an obligation to put in place any employee representatives): the creation of regional commissions (with 10 employee representatives and 10 employer representatives) giving employees representation outside of the company

*for companies with fewer than 300 employees: a unified employee representative body (DUP) which will meet every two months and will include all employee representative bodies (works council, personnel delegates, trade union representatives and health and safety committee) in one body

*companies with more than 300 employees will also have the opportunity to group together in one body all employee representatives excluding the trade unions

*a reduction in the number of obligatory subjects for information and consultation (from 17 to three): strategic direction, economic situation of the business and social policy; by agreement, also the possibility to reduce the number of annual meetings required (currently six)

*simplification of the consultation on pay (NAO) and the possibility to avoid doing this annually. The proposals will be voted on in July 2015.

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