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it's our business

newspad of the Employee Share Ownership Centre

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From the life president

It is good to see progress on the idea I raised some years ago of consultations with HMRC on the subject of share valuation principles.

Since then the detailed work on preparation of worked examples has been carried forward by David Craddock, as technical lead adviser and by Juliet Wigzell, the Centre's general manager and secretary to the LEADS Valuation Team.

In due course, the member organisations of LEADS (Esop Centre, Employee Ownership Association, ProShare and Share Plan Lawyers Group) will make a simultaneous announcement to their members and the wider world.

Malcolm Hurlston CBE

New government = new CGT threat for Eso?

Fears that Eso could suffer another damaging blow from a post election tax hike rose after The *Guardian* newspaper claimed that a proposal to raise Capital Gains Tax bands was circulating among leading figures in the Labour Party.

Currently, CGT is imposed generally on shareholders at ten percent for those paying the basic Income Tax rate and 20 percent for higher rate taxpayers. The proposal is that CGT rates should be linked more closely to Income Tax bands, implying that CGT tax band rates could double.

However, Labour's high command has so far refused to either confirm or deny that more changes to CGT are being studied.

Employee shareholders in SAYE/Sharesave schemes already face the tightening of the tax screw following the halving of the annual CGT exemption allowance to a miserly £3000 as of last April. Employees in SAYE workplace schemes feel hard done by insofar as colleagues in the other main all-employee share scheme - the Share Incentive Plan (SIP) - are not liable to cgt charges on their gains.

As many recently maturing SAYE schemes have registered strong gains since the Covid years, many thousands of employee participants will be filling in HMRC annual CGT forms for the first time.

Labour was upstaged during the General Election campaign by the Lib-Dems - the only major political party to pledge giving all employee share ownership a boost, if they shared power in the new government. The Lib-Dems adapted Labour's proposal - aired in its 2019 election manifesto - to force UK companies with more than 250 employees to offer them Eso participation schemes.

What the Lib-Dems did was to water down Labour's previous planned compulsion element to a new Right to Demand by employees that their employers in these mid-sized companies, if asked, start holding shares in a trust on their behalf. Significantly, the Lib-Dems linked the proposed Right to Demand with the formation in those companies of new Share Incentive Plans, which are not subject to CGT.

The Centre believes that such a proposal is extremely helpful because there are still many mid -sized UK companies which have yet to instal a broad-based Eso plan.

Curiously however, there was nothing in Labour's manifesto, nor in that of the Tories, on how - if at all- they planned to advance Eso within the UK.

The Centre has long complained to governments that, excepting the wildly successful share options-based Enterprise Management Incentive, broad-based employee share ownership in the UK is stagnant and in need of an oxygen boost.

What a change of government means for Eso

There is generally cross-party support in the UK for encouraging employers to offer shares to employees. The post-election regime is likely to support the skills and productivity agenda; but there will be some changes made, as there are, after all, a number of pending consultations still require a government response.

Manifestos:

The **Lib Dems'** manifesto, published on June 10 states, in the Business and Jobs section that they would: "Encourage employers to promote employee ownership by giving staff in listed companies with more than 250 employees a right to request shares, to be held in trust for the benefit of employees".

There were no manifesto commitments from **Labour** on employee share plans and employee ownership, but before the dissolution of Parliament, the Labour MP Sir George Howarth sponsored a Private Members' Bill, 'Employee Share Ownership (Reform) Bill', which proposed to make provision for a new employee share ownership scheme allowing preferential access for lower income workers; to reduce the Share Incentive Plan holding period from five to three years and to require companies to include declarations in annual reports about the type of employee share ownership plans operated and the level of employee take up.

There's no public statement from the **Conservatives**. However, the government has made some recent enhancements and improvements, notably in relation to the Company Share Option Plan (CSOP).

There have also been a number of consultations, still outstanding, including:

Non-Discretionary Tax-Advantaged Share Schemes: Call for Evidence;

Taxation of Employee Ownership Trusts and Employee Benefit Trusts; and

PISCES – The proposed new Private Intermittent Securities and capital Exchange System providing a new share liquidity platform for private companies.

RM takeover bid - bad news for Eso

As predicted in the June edition of *newspad*, Daniel Křetínský has no intention of surrendering any equity, should his takeover bid of Royal Mail succeed.

Under cover of setting up an employee trust, what he's offering posties is only a profit-share, which of course is entirely different from share ownership.

Apparently, he thinks that CWU union leader Dave Ward (who spoke at the Centre's Rome conference) might buy a profit-share deal for his members.

According to *the Times* around 130,000 postal employees who collectively hold some 5.5 percent of the Royal Mail equity through a SIP, are being offered £3.70 per share. For many long -term employees this, if accepted, would be pure profit, as they were handed their shares free when the RM was privatised a decade ago. Sajid Javid overrode official advice to give employees extra.

Share schemes & trustees conference Guernsey 2024

The Esop Centre is set to return to Guernsey for its annual conference on employee share schemes and trustees. Held in conjunction with STEP Guernsey, we look to emulate the success of the 2023 event, building on the achievements of this industry-leading networking and learning opportunity.

The seminar will be on the morning of **Friday November 8** at the Old Government House Hotel, St Peter Port.

To reserve your place, email :

events@esopcentre.com

We are putting together a programme of talks from expert speakers, who will address the key issues currently facing trustees and employee share scheme professionals.

The programme is drafted to provide relevant technical information, which we trust will be acceptable as counting towards Continuing Professional Development or Continuing Competence.

Presentations will run from 09:00 to 13:15 (approx.), followed by a networking lunch for delegates and speakers.

Don't miss this great opportunity to update your knowledge.

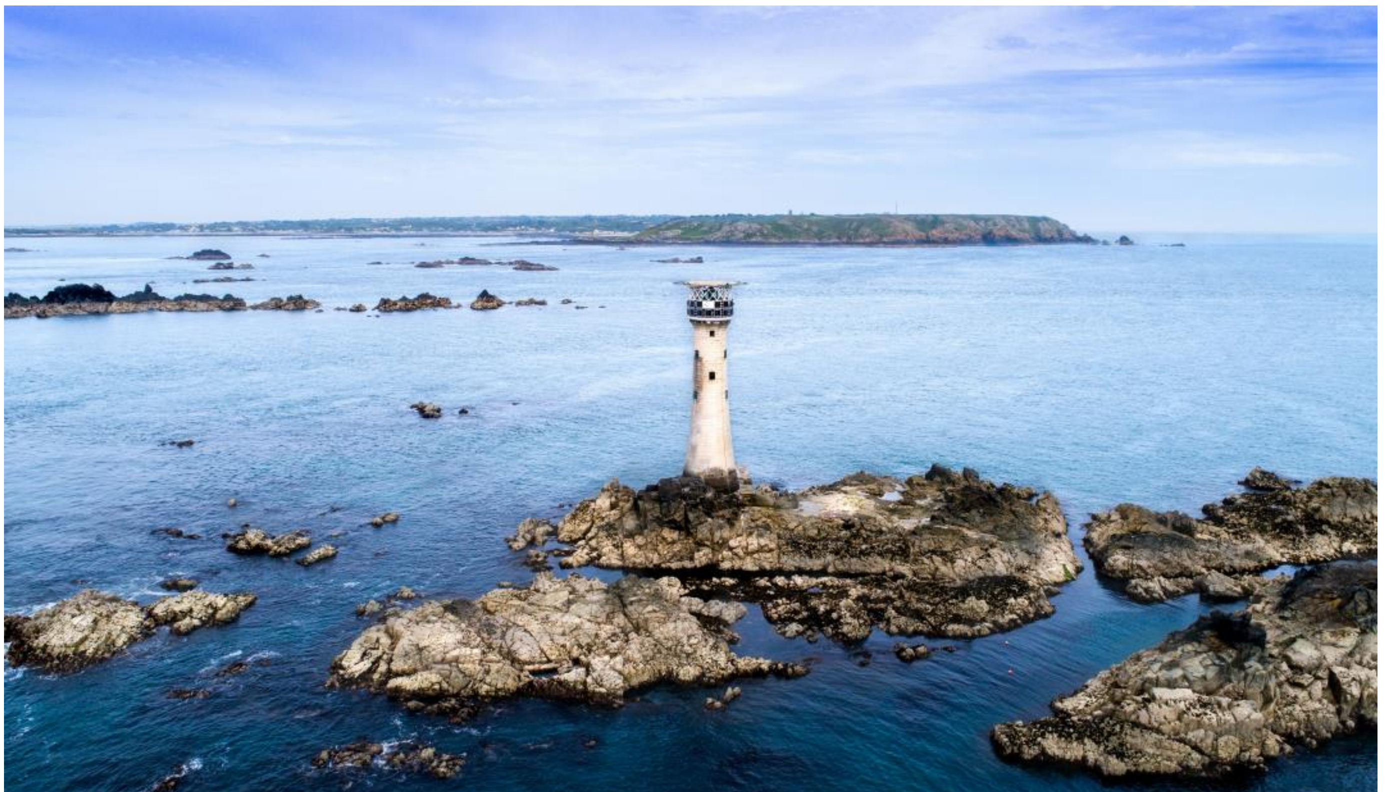
Tickets: Book early to secure discounted ticket prices:

Esop Centre/STEP members: **£380**/each
(if booked before October 4. £420 thereafter)

Non-members: **£485**/each
(if booked before October 4. £538 thereafter)

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

To book, email events@esopcentre.com



Guernsey Les Hanois Lighthouse Photo by Enrapture Captivating Media on Unsplash a

Conference:

PISCES - Employee Share Plans & Incentives – September 25

The Centre and CORPGRO invite you to a conference on new London Stock Exchange share trading platform PISCES and employee share ownership.

The event will run from 08:30 till 13:00 on **Wednesday September 25,** will be hosted by PwC at its More London offices and chaired by the Centre's Robert Pay.

Topics covered will include PISCES' aims and aspirations, how share plans and incentives could benefit, legal, tax, share valuation and accounting issues, and the practicalities of share plan administration.

Speakers confirmed so far include:

⇒ Tom Simmons, PISCES lead at the London Stock Exchange Group

⇒ Rebecca Clayton, Andrew Nealy and Jonny Rodwell of PwC

⇒ Juliette Graham, director at Clifford Chance

⇒ Damian Carnell ceo of CORPGRO

⇒ Ifty Nasir, ceo of Vestd

⇒ Alex Walsh, ceo of Howells Associates

⇒ Stuart Bailey of WEALTH at Work

To attend please email events@esopcentre.com.

PISCES: Employee Share Plans & Incentives

Conference

Wednesday, 25 September 2024
08:30 – 13:00 BST

Venue:
PwC
7 More London Riverside
London SE1 2RT

pwc

Topics of discussion:

- PISCES' aims and aspirations
- How share plans and incentives could benefit
- Legal, tax and accounting issues
- Practicalities of share plan administration

EsopCentre

CORPGRO

Bank of England wrong to not cut rates

The Institute of Economic Affairs reported in its *Insider* newsletter that people were baffled by the Bank of England's decision to keep interest rates at 5.25 percent in mid-June, despite the return of inflation to the two percent target.

It is arguable that inflation needs to remain around two percent, not just hit the target in one single month, and that it is still expected to rise again later in the year. With growth back on track, it might make more sense to keep policy tighter for longer to continue bearing down on inflation.

However, there is good evidence that underlying cost and wage pressures are easing. Interest rates are now higher than they need to be, the full effects of past increases have yet to feed through, and the recovery is partly based on hopes that the Bank will cut rates. The longer the Bank waits, the greater the risks that inflation undershoots the target, while unnecessarily holding back growth as well.

IEA has arranged a meeting for anybody interested in studying the University of Buckingham's online MA in Political Economy by Research. Run by editorial & research fellow Professor **Len Shackleton** and Vinson Centre director Dr Juan Castaneda, the course is for students with a strong interest in the history of economic ideas and the application of economics to questions of public policy. **Date:** July 11 **Time:** 17:30 - 18:30 **Location:** 2 Lord North Street, London SW1P 3LB

City of London executive pay caps are hurting UK, regulator says

Richard Moriarty, chief executive of the UK's Financial Reporting Council, has waded into the debate on executive pay, arguing that British boards should resist pressure from proxy advisers to limit US-style compensation packages. In an interview, Moriarty stated that there is no law preventing higher ceo pay in the UK, highlighting concerns that pay restrictions are hurting Britain's competitiveness and driving companies to list in New York, according to *Bloomberg*.

The FRC is reviewing the role of proxy agencies like Glass Lewis and Institutional Shareholder Services as part of a broader examination of the stewardship code. Moriarty suggested these agencies may need stricter oversight given their growing influence on shareholder voting. His comments reflect increasing pressure on UK regulators to act as economic boosters, with the government recently instructing the FRC to promote competitiveness. Moriarty emphasised the urgent need for the long-awaited reforms to create the enhanced accounting regulator, the *Audit, Reporting and Governance Authority*, to ensure the UK remains competitive in the global market.

Share scheme gender inequality doubles

The gender disparity in access to share schemes has doubled since last year, analysis by Centre member **Vestd** has found.

In 2023, men were twice as likely as women to have access to a company share scheme, according to Department for Work and Pensions data. This has doubled over the past 12 months and men are now four times likelier to receive access to a company share scheme benefit than women.

Duncan Brown, independent reward adviser and researcher, suggested this was due to the existing gender pay gap in the UK. He told *HR magazine*: "The more you earn the more likely you are to be an executive share incentive plan, and the more shares you get within them.

"Even in all-employee share plans, as women earn less on average and are more likely to be low paid and in part-time work, they are not able to save as much in these plans, if at all, or buy as many shares or receive as many of any gifted shares as men."

Photo by vectorartjk: https://www.vectorstock.com/royalty-free-vector/earnings-gender-discrimination-vector-36689026

COMPANIES—EXEC REWARD

Ceo pay is rising, widening the gap between top executives and workers

Chief executive compensation at S&P 500 companies continues to outpace average worker wages, according to an annual analysis by executive data firm Equilar for The Associated Press. The survey of 341 top executives found that median ceo pay jumped nearly 13 percent last year to $16.3m, more than triple the 4.1 percent rise in private-sector worker wages and benefits through 2023. The widening gap means that at half the companies surveyed, it would take the median worker almost 200 years to earn what their ceo did in one year.

The study highlights gender inequity in corporate leadership. Women make up 25 percent of the 341 ceos surveyed. While this marks the highest number of female ceos since the survey began in 2011, progress remains slow. The highest-paid ceo overall was Broadcom's Hock Tan, with a package valued at about $162m, while Lisa Su of Advanced Micro Devices topped the list of female ceos with compensation worth $30.3m. The survey noted a continued trend of tying ceo pay more closely to company performance, with stock awards comprising a large proportion of compensation packages.

New measure shows ceo pay at astronomical levels

Jeff Sommer, from the *New York Times*, reported on the staggering levels of executive compensation revealed in the latest annual disclosures. Using traditional measures, four ceos of publicly traded companies each received over $150m in 2023, with Jon Winkelried of TPG topping the list at nearly $199m. A new accounting method, mandated by Dodd-Frank, further highlights the vast wealth accumulation of ceos, with Elon Musk of Tesla theoretically gaining $1.4bn in 2023, though this figure is subject to ongoing legal disputes.

The article underscores the widening gap between executive and worker pay, with median ceo-to-worker pay ratios around 300 to one for the top 100 highest-paid ceos. Sommer noted that such ratios reflect levels of income inequality that were considered unacceptable just decades ago. While some argue that high ceo pay is justified by stock market performance, the author suggested that markets could perform well even if executives earned less, and workers received a larger share of company profits.

Yet shareholders happy with soaring exec pay

Top pay may be soaring, but shareholders are happy with stock prices and greater transparency over remuneration and not pushing back.

Between 2017 and 2023 the average annual compensation for a ceo at an S&P 500 company rose nearly 40 percent to $16.3 million. That compares to a 27 percent increase for the average US worker.

But shareholders do not seem to mind. Only twice this year -- or 0.5 percent of the time -- did they vote down executive pay packages proposed at annual meetings, said the business consulting firm ISS-Corporate.

Tesco ceo pay "one of the most extreme pay ratios in the FTSE 100"

Tesco chief executive Ken Murphy has admitted he is 'well paid' after shareholders approved his £10m remuneration package, as reported in the June edition of *newspad*.

His pay more than doubled to £9.9m last year after annual profits hit £2.3billion and it took market share from its rivals. The latest payout took his earnings since he took over in October 2020 to £20m.

His pay packet is thought to be the largest amount ever awarded to a UK supermarket boss.

The campaign groups ShareAction and the High Pay Centre both questioned the pay deal when some of those working in its supermarkets do not receive the real living wage. However the modern Tesco is more than a retailer, which accounts for investor support.

Motorpoint to limit staff salary rises as bonuses for top bosses slashed

Car retailer Motorpoint has significantly reduced bonuses for its top executives following what the company described as "the most difficult year" in its history. The firm reported a pre-tax loss of £10.4m for the financial year ending March 31 2024, a substantial increase from the £300,000 loss in the previous year.

Chief executive Mark Carpenter's total pay packet decreased from £808,000 to £636,000, with his bonus cut from £140,000 to £37,000. Similarly, cfo Chris Morgan had his pay reduced from £572,000 to £465,000, with his bonus slashed from £102,000 to £27,000. The company cited macroeconomic challenges, including higher interest rates, inflation and reduced consumer demand, as reasons for its poor financial performance. Motorpoint announced there would be no salary increases for executive and non-executive directors in the current financial year, with average pay rises for the wider workforce limited to two percent.

EA exec takes home £20m in salary after laying off 670 developers

Trade magazine *GameCentral* reported on the controversial compensation of Electronic Arts (EA) executives, particularly ceo Andrew Wilson, amidst significant layoffs at the company. Wilson's total compensation for the last financial year reached £20.2m, including a £1.0m base salary, £15.8m in stock options, and a £2.7m bonus. This represents a £3.9m increase from the previous year.

There's a stark contrast between executive pay and recent layoffs at EA, where 670 developers lost their jobs earlier in the year. Despite these job cuts, EA's top executives collectively earned £47.3m. This situation reflects a broader industry trend of layoffs, where over 10,000 developers have lost their jobs in the past year across various gaming companies. Cutting staff to show profit growth is a criticised practice, especially considering that Wilson's pay is 172 times higher than the average EA employee salary of £117,221, a figure likely inflated by executive compensation.

COMPANIES - EO NEWS

Ten years of the EOT

This year sees the tenth anniversary of the introduction of the Employee Ownership Trust. A decade on, over 1,000 companies in the UK have taken the opportunity.

An EOT is a trust that owns company shares on behalf of its employees, it can be set

Centre member **RM2** has identified the UK's largest EOT controlled companies. Many of these names will be familiar from the Employee Ownership Top 50 that operated until 2023, with John Lewis Partnership (which is trust-owned) in top spot.

A new entry is Churchill Group, the facilities management group with some 14,000 employees, which transitioned to an EOT in August 2023 and is officially the second largest EOT in the UK. At number three, Shaw healthcare is the largest EOT in the social care sector.

Sarah Anderson of RM2 who compiled the data, added: "*We're happy to be continuing the tradition of tracking the biggest companies in the employee ownership world to help demonstrate the positive impact the transition can have.*

"We've looked at the data for several years now, but this year the focus is on EOTs, as we approach the ten-year anniversary of their introduction. It's particularly gratifying to see sectors such as healthcare, which traditionally offer lower levels of pay, adopting this all-employee ownership model."

Welsh Employee Ownership target hit two years ahead of schedule

Jeremy Miles, Cabinet Secretary for Economy, Energy and Welsh Language, announced that Wales has achieved its target of 74 employee-owned businesses almost two years ahead of schedule. This goal, set in 2022 by First Minister Vaughan Gething when he held the economy portfolio, aimed to double the number of employee-owned businesses in Wales by 2026. Examples included Melin Tregwynt, a Pembrokeshire woollen mill that transitioned to employee ownership in 2022, to mark its 110th anniversary. Amanda Griffiths, former co-owner, emphasised how this transition has reinvigorated the business, with employees now more invested in its success and future. Miles underscored the benefits of employee ownership, with evidence of increased productivity and resilience. The current number of 74 employee-owned businesses reflect a significant shift in Welsh business ownership structures.

Employee ownership in Scotland booms with turnover topping £1.4bn

The number of employee-owned businesses in Scotland has reached nearly 300, with a combined turnover exceeding £1.4 billion according to *Scottish Legal News*. This surge comes a decade after legislation introducing employee ownership was enacted, offering tax incentives to encourage the transition.

Research commissioned by Co-operative Development Scotland showed a 47 percent increase in the number of employee-owned businesses since 2022, now employing almost 7,600 people. The Scottish government aims to have 500 such businesses by 2030. Employee-owned companies are proving to be more resilient, profitable and productive, with the trend expected to accelerate further in coming years.

New EOTS

- Integrated consultancy Aspect
- Security services provider Athena Security Solution
- Wholesaler Crofter's Foods
- Medical negligence specialist Graystons Solicitors
- Manufacturer of environmental test chambers James Technical Services
- Design and planning consultancy LDA Design
- Cinema operator Merlin Cinemas
- House builder Pearce Construction
- Courier Planet Logistics
- High-quality, handcrafted furniture manufacturer Saxon Furniture

WORLD NEWSPAD

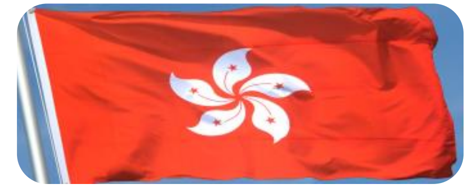
France

L'Oréal launches fourth employee share ownership plan

On June 3, L'Oréal announced the launch of its fourth Employee Share Ownership Plan, allowing employees to buy shares in the company and help with its development. In 2024, the plan will be rolled out in all countries where it is feasible (63 in total) and it will be easier for recent employees to join.

"We introduced the Employee Share Ownership Plan in 2018 to enable employees to join in the great collective adventure that is L'Oréal Groupe. The response was outstanding – and since then, more than 37,000 employees have participated, demonstrating their commitment and confidence in the future growth and values of the Groupe," said chief executive officer Nicolas Hieronimus. *"We wish to continue to share in our success with as many employees as possible, in France and internationally, which is why our ambition moving forward is to offer the Employee Share Ownership Plan on an annual basis."*

Beneficiaries will be able to buy shares in a 'classic' subscription formula, where the value of their investment will vary with changes in the L'Oréal share price. They will also benefit from an employer contribution, subject to the terms and conditions described in the plan documentation.



Hong Kong

IT sector leading investment in employee share plans in Hong Kong

Information technology companies listed in Hong Kong are investing more than any other sector in the region in employee share plans, to help recruit and retain top talent, reported Centre member **Computershare**.

Every year, Computershare assesses the popularity of employee share plans in Asia, and its latest research shows that the majority (83.6 percent) of Hong Kong-listed companies include employee equity in their remuneration strategy (as of 2022).

This is a notable rise of 17.5 percent from the 66.1 percent of listed companies in the region who offered a share plan just a decade ago, in 2012.

Employee share plans are popular across many sectors in Hong Kong - but the IT sector's spending on employee equity sets it apart from others.

Hong Kong-listed companies invested a total of HK$72 billion in employee share plans during 2022, and the IT sector accounted for more than half (53.5 percent) of this figure, or HK$38.5 billion.

Healthcare companies were the second largest investor in employee share plans at HK$11.5 billion, followed by the consumer discretionary sector, or companies that offer non-essential goods and services, which invested HK$9.7 billion.

The two most popular types of share plan offered by Hong Kong-listed companies are share options and share awards.

South Africa

Pan African concludes 5-year wage agreement as Esop matures

Pan African Resources, the JSE-listed mining company, has concluded a landmark five-year wage agreement with the National Union of Mineworkers (NUM) at its Barberton Mines operations. The agreement, covering the period from June 1 2024, to June 1 2029, provides for an average yearly increase of about 5.3 percent.

This follows a separate five-year agreement with UASA union, valid until June 30 2026, which offers increases of five percent or consumer price index, whichever is higher, capped at six percent. Simultaneously, the company announced the early maturation of Barberton Mines' Eso scheme. Over its ten-year tenure, the scheme paid out dividends exceeding R40m to qualifying employees. More than 2,200 employees received final maturity payments in May, with amounts dependent on years of service. Ceo Cobus Loots said the multi-year wage agreements had a role in ensuring labour stability. The tangible benefits shared by all participants in the Eso scheme underscored the company's commitment to employee welfare and engagement.

USA

Rayser Holdings wins national Esop award

Rayser Holdings, an employee-owned holding company based in Cedar Rapids, Iowa, has been named the 2024 National Employee-Owned Company of the Year by the ESOP Association. The award recognises Rayser's commitment to employee ownership and its positive impact on the community, economy, and workforce. This accolade comes as the company, with 150 employees in Iowa celebrates 20 years of employee ownership.

Founded over 50 years ago by Ray Buser, Rayser transitioned to employee ownership in 2004 when Buser retired. Since implementing its acquisition strategy in 2019, the company has seen significant growth, with revenue increasing by 16 percent and net profit by 22 percent, according to president and ceo Michelle Jensen. The company's share price has also risen by 49 percent, directly benefiting its employee-owners. Rayser's portfolio includes CarePro Health Services, KELTEK Inc, Des Moines Winterset Memorials, and J-Tec Associates, demonstrating the diverse range of businesses under its umbrella.

Employee ownership gains big momentum

Forbes contributor Mary Josephs wrote last month about the impressive growing interest in employee ownership in the US. She said *"So much has happened recently on the employee ownership and related employee stock ownership plan, or Esop, fronts that our three-year-old prediction that this would be the Decade of the Esop has panned out not even halfway through the 2020's*.

"The broad-based trend is encouraging. It's taken decades for employee ownership and Esops to gain widespread interest. The latest stats from the National Center for Employee Ownership estimate Esops at 6,533 in 2021, up one percent from 2020. Participating employees were estimated at 14.7 million in 2021, up 3.7 percent from five years earlier. Since 2016, an average of 251 new Esops have been created annually."

Asking why there has been a surge of interest now, she noted that there's an important distinction between employee ownership and an Esop: Employee ownership is the broader term for broad-based employee participation in the equity growth of the business where they work. For example, private equity giants Blackstone and KKR aren't forming Esops when they share broad-based participation in equity growth in their portfolio companies with workers. The same is true with *Ownership Works*, the nonprofit launched in 2022 by KKR that has enlisted dozens of companies and others to help public and private companies expand broad-based participation in equity appreciation.

The distinction is important. Sceptics wonder if private equity has got on the employee ownership bandwagon simply as a means to boost employee productivity. PE firms, sometimes criticised as "asset strippers," seek strategic and operational improvements to bolster profits and growth. But, any meaningful broad-based sharing of equity growth at portfolio companies is a major win for employees – and should be applauded. It may make a PE firm that shares equity a more attractive buyer for companies while balancing the impact of steps that reduce employment to improve financial performance, change lives and transform communities.

India

Agritech startup DeHaat completes first Esop buyback

DeHaat, the full-stack agritech platform, has completed its first employee stock ownership plan buyback worth Rs 10 crore (£0.94m). The programme benefited 153 team members, from senior vice presidents to field teams, providing an opportunity for wealth creation. To date, the company has issued Esops worth over Rs 100 crore (£9.4m) to more than 200 individuals, according to *Entrackr*.

The marketplace for the agricultural sector, which recently enlisted Bollywood actor Pankaj Tripathi as its brand endorser, reported a 54.2 percent increase in gross revenue to Rs 1,965 crore in 2023. Valued at over £556m and having raised around £181m to date, DeHaat joins a growing list of Indian startups, including Leverage Edu, Urban Company, and Meesho, that have implemented Esop buyback schemes this year, signalling a maturing startup ecosystem.

The pitfalls of Esop lifelines at startups

Indian startups increasingly turned to employee stock ownership plans as a lifeline during the pandemic, offering shares to compensate for salary cuts. However, according to *Mint*, employees remain sceptical of these schemes owing to a lack of standardised practices and the paucity of successful exits in India's startup ecosystem. While companies like Udaan have successfully implemented radical Esop policies, most startups struggle to convince employees to accept stock options over cash salaries.

The fundamental problem lies in the dearth of exits through IPOs or acquisitions, leaving employees last in the pecking order. Some firms, such as Oyo and Paytm, are attempting to build confidence by offering buyback programmes, but these often benefit a select few senior executives.

The lack of clear norms around Esop management, coupled with unfavourable clauses and loose record-keeping, further erodes employee trust. As Abhishek Goyal of data platform Tracxn notes, the understanding of Esops remains underdeveloped even among senior executives, presenting a significant challenge for startups looking to use stock options as a compensation tool.