EsopCentre

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it's our business

newspad of the Employee Share Ownership Centre

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WELCOME

In this issue

From the life president

Just where is diversity, equality and inclusion now going? For some time it has been a sacred cow in the human relations world.

But the report from CRIF in City AM (which features in newspad this month) gives pause for thought. Over half UK's senior finance professionals believe DEI commitments will become less of a focus in the future. Where finance leads, the rest tend to follow - at a respectable distance.

What is your take? A word to the wise? Or, it will never happen....

Malcolm Hurlston CBE

HMRC employee share scheme stats released

The latest HMRC statistics for employee share schemes - relating to tax years ending 2022 to 2024 - came out on Thursday June 26.

The statistics include the numbers of companies using schemes, numbers of employees receiving awards or numbers of awards, values awarded, numbers of employees exercising options or taking options out of plan and estimates of Income Tax (IT) and National Insurance Contribution (NIC) relief received.

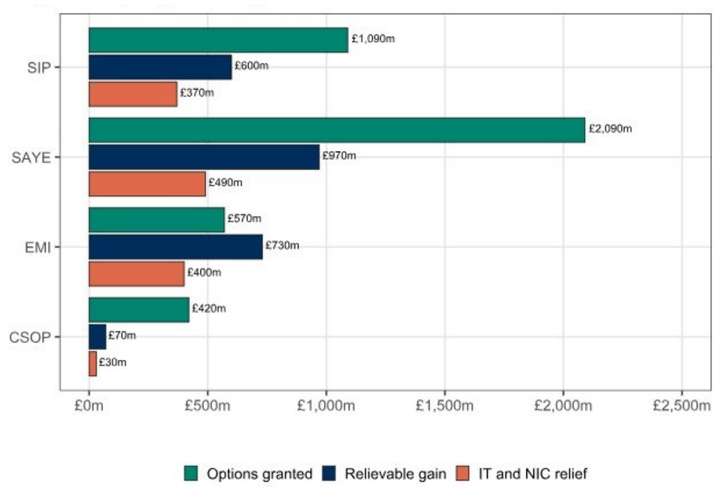
Key points were:

Employees received an estimated £790 million in Income Tax relief and £500 million in NIC relief in the tax year ending 2024 from tax-advantaged Employee Share Schemes (ESS). This is an increase of 18 percent on tax relief for the tax year ending 2023. Save As You Earn (SAYE) is the largest contributor to the total cost of tax relief for the first time this year.

The total number of companies operating ESS in tax year ending 2024 was 20,370. This is an increase of two percent on tax year ending 2023.

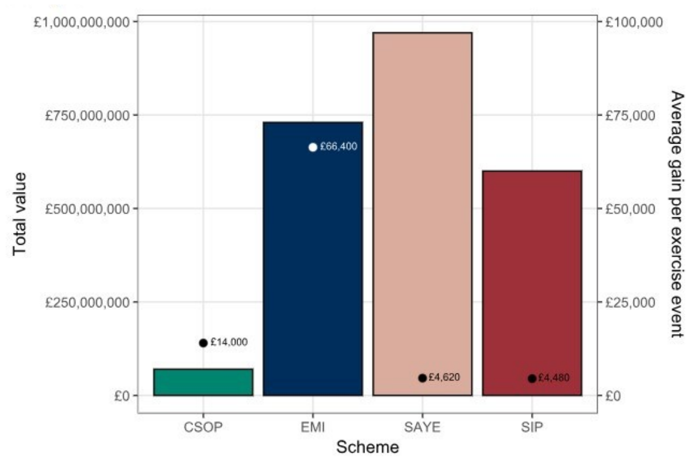
IT and NICs relief: SAYE was the largest contributor to tax relief as well as having the largest aggregate values of options granted and relievable gains. This seems to be a result of increased participation during Covid-19 and subsequent growth in asset prices. CSOP grants increased significantly after the rise in the scheme's option limit from £30,000 to £60,000 at the start of tax year ending 2024.

Chart shows the total value of options granted, relievable gains on exercise and IT and NIC relief by scheme, tax year ending 2024.



Receivable gains: SAYE has the largest total gains while EMI has the largest average gain per exercise event. Although SIP and SAYE have a large total value of relievable gain compared to CSOP, the average gain is smaller owing to the high numbers of employees in these schemes.

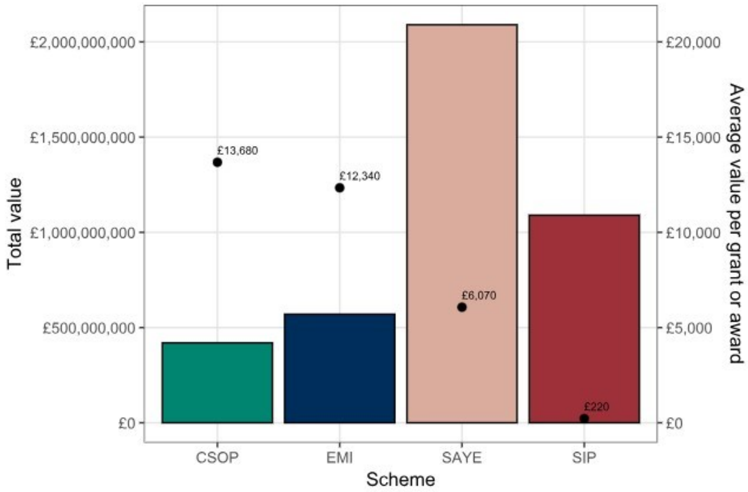
Chart shows the total relievable gains or value on which relief is applied by scheme, tax year ending 2024.



ESS stats *more*

Combining schemes: Most companies only operate one type of scheme. For example, in the tax year ending 2024, 99 percent of companies operating EMI did not operate any other tax advantaged schemes. A much smaller number of companies run two or three schemes, with just ten running all four schemes. These patterns are similar to those seen in tax year ending 2023.

Chart shows the total value of options granted (shares awarded for SIP) by tax-advantaged schemes, tax year ending 2024.



Comparisons: SAYE schemes have the highest total value of options granted for the tax year ending 2024 at £2.09 billion, an increase of six percent on the tax year ending 2023. However, the average value of options per grant is much lower for SAYE than for EMI at £6,070. SAYE has a large number of participants. The average value of shares awarded for SIP, the other scheme available to all employees alongside SAYE, is much lower at £220 per award. Employees using SIP may, however, receive multiple awards per year. For CSOP, the value of options granted in tax year ending 2024 increased by 52 percent compared to tax year ending 2023. This is most likely because the scheme's option limit rose from £30,000 to £60,000 at the start of tax year ending 2024.

PISCES and implications for employee share plans

The Esop Centre particularly welcomes the government's commitment to the PISCES initiative and its potential for creating a practical route for employee share plan participants and secondary investors to trade shares in private companies.
HMRC's recent guidance provides helpful clarity on how the usual rules on Income Tax, NICs, and CGT apply when employees trade using the PISCES platform. It outlines the implications for tax-advantaged plans such as EMI, CSOP, SAYE and SIP

Importantly, the new guidance supports flexibility in amending EMI and CSOP agreements to include PISCES trading events as exercisable moments, once legislation permits later this year.

The Centre encourages unlisted companies operating share plans – or considering new ones – to review this development and its relevance to liquidity, valuations and long-term incentive design. A briefing note on the implications for employee share plans is available via this link.

Optio acquires share plan platform from Investec

Optio Incentives, a Nordic fintech specialising in employee equity and incentive programmes, has acquired the share plan software platform – Centre member Vu Live Share Plans - from Investec. The transaction supports Optio's global expansion and accelerates its annual growth trajectory. It gives access to long-standing client relationships, a scalable infrastructure, and the experienced team behind the platform.

"With this acquisition, we're expanding our product offering in the UK and South Africa, significantly strengthening our global footprint," said Christoffer Herheim, ceo and co-founder of Optio Incentives. "We're also bringing on board the skilled team behind the platform, ensuring continuity, client knowledge and deep domain expertise from day one."

Centre speaker joins Harneys as it opens new office in Jersey

Centre conference speaker Katherine Neal started a new position as Jersey head of trusts and private wealth at international law firm Harneys this month.

Formerly of Centre member Ogier, Katherine will be working with Nicola Roberts and Imogen Thomas, helping to build Harneys in Jersey.

UK CORNER

City sends SOS to fix London markets

Trading platform IG is the latest firm to sound the alarm over the "crisis unfolding" on the London bourse. The FTSE 250 firm has launched a "Save our Stock market" initiative – which it calls the SOS campaign – which serves as an "urgent rallying cry to policymakers" to reverse the market's decline. The demands to increase capital flows include scrapping the stamp duty on shares, which IG labelled a "self-inflicted wound" that "unfairly penalises UK investors", *City A.M* reported.

Financial services firms turn away from green finance

The financial services industry is dumping green finance and diversity policies, *City A.M.* reported. More than half of UK senior financial professionals believe their leadership will place less focus on environmental, social and governance policies in the coming years, according to business information system CRIF. Over half believe diversity, equality and inclusion commitments will become less of a focus in the near future.

UK to slash green levies on business

The government is to slash green levies on thousands of businesses. This comes as part of an effort to bring down sky-high energy costs for firms and boost the manufacturing sector in Labour heartlands. More than 7,000 businesses could have their energy bills reduced as the government removes levies such as the renewables obligation, *the Guardian* reported.

Government's £4.4bn gain on 'shares tax' puts investors on edge

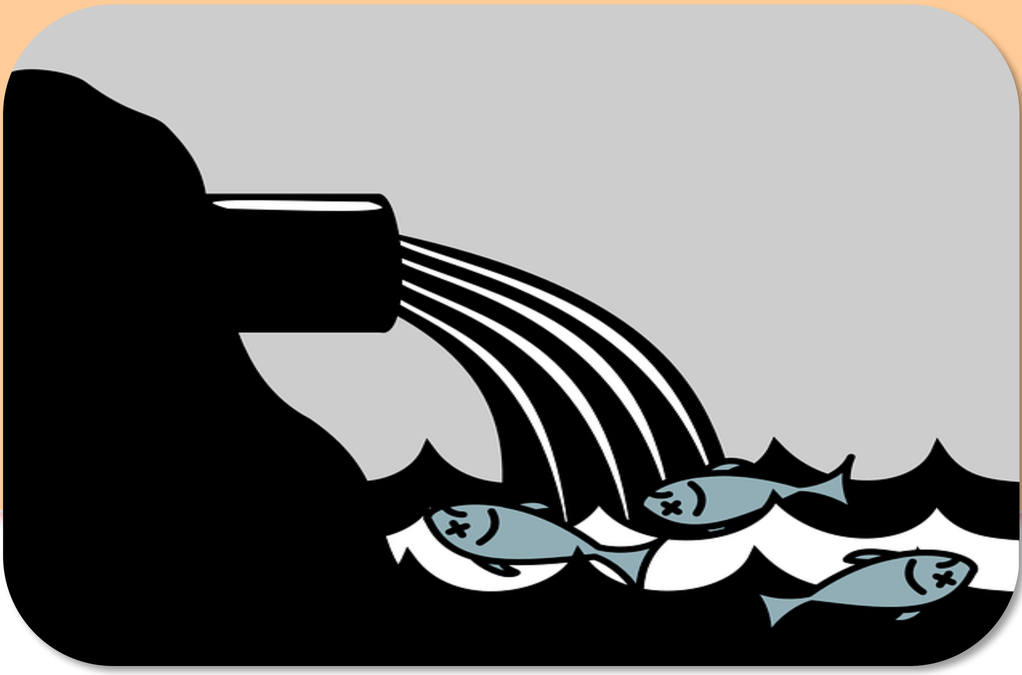
According to *City A.M*, investors suggest the government opt for a cheap fix after receipts from the 'share tax' grew to £4.4bn. The government currently applies a 0.5 percent tax when investors buy shares, including for stocks and shares ISAs. Investment giants fear that a rounding error by the government is harming London Stock Exchange's attractiveness.

AJ Bell research found a tax exemption would only cost the government £120m based on calculations of total stamp duty paid by customers over the last 12 months. It suggested the government review the impact of stamp duty on UK shares and suggested that a specific carve-out for ISAs might better support the retail investing drive "at a fraction of this cost".

Six water companies banned from paying bonuses

Six major UK water companies — Thames Water, Yorkshire Water, Anglian Water, Wessex Water, United Utilities and Southern Water — have been banned from awarding bonuses to senior executives for the 2024/25 financial year. The crackdown comes as part of new rules under the Water (Special Measures) Act, which took effect on June 6 2025. Under the legislation, firms that breach environmental, consumer or financial resilience standards, or commit criminal offences, are barred from executive bonus payouts. If companies under ban issue bonuses anyway, Ofwat has authority to recover the funds.

Some firms, like Thames Water and Southern Water, had already faced intense public scrutiny, with past bonuses coinciding with rising customer bills and serious pollution incidents. In 2024, England saw approximately 450,000 sewage discharges. Thames Water was recently fined £122.7m — the largest penalty in Ofwat's history. While the ban is not permanent and could be lifted for 2025/26 if firms meet standards, the government warns against inflating base salaries to bypass the rules. Environment Secretary Steve Reed said the move delivers on the government's promise to clean up UK waterways. Campaigners welcomed the action but called for stricter oversight to prevent backdoor executive pay rises. Some executives, including Yorkshire Water's Nicola Shaw, have voluntarily declined bonuses, acknowledging poor environmental performance. Critics argue that genuine reform requires governance that prioritises public benefit over profit.



Wizz Air ceo's bonus soars as profits and shares fall

Despite a turbulent year for Wizz Air, ceo Jozsef Váradi received a total pay packet of €3.8m (£3.2m) for the year ending March 31 2025, a sharp rise from the €1.3m (£1.1m) earned the year before. This spike largely results from a controversial one-off restricted shares award worth €2.3m (£1.9m) granted in October 2024, a move that triggered a significant shareholder backlash - nearly 35 per cent voted against the deal. The bonus represented 300 percent of his prior £710,534 salary, and Wizz Air has announced plans for a further share-based reward in 2026, potentially amounting to 500 per cent of salary.

The airline defended the payout, citing "black swan" events such as the Russia-Ukraine conflict and the Israel-Hamas war as factors hampering performance. Yet despite record passenger numbers (63.4 million), Wizz Air's annual operating profit fell 51.7 per cent to €167.5m (£141m), missing analyst expectations. Revenue rose slightly to €5.3bn (£4.47bn), but shares plummeted from 1,674p to 1,077p. Váradi's base salary increased by nine per cent, though no further raise is expected this year. The sharp contrast between executive pay and declining company performance continues to fuel debate about corporate governance and shareholder alignment.

BioNTech ceo tops big pharma pay rankings with $113m payday

The landscape of ‘big pharma’ ceo compensation shifted in 2024, with BioNTech’s Ugur Şahin surging to the top of *Fierce Pharma*’s annual rankings after cashing in a stock option windfall worth $113m (£88.5m). His earnings outpaced industry giants and marked a rare European lead in a list typically dominated by US-based executives. Eli Lilly’s David Ricks came in second, continuing to benefit from the company’s booming diabetes and obesity drug sales, including Mounjaro and Ozempic. Pfizer’s Albert Bourla returned to third place, rebounding from last year’s slump despite post-Covid revenue challenges and activist investor pressure. The list included newcomers such as Bristol Myers Squibb’s Chris Boerner and AbbVie’s Rob Michael, earning $18.8m (£14.7m) and $18.5m (£14.5m) respectively.

Vertex’s Reshma Kewalramani remained the only woman on the list, as GSK’s Emma Walmsley, despite leading a top UK pharma, fell short again. Her 2024 remuneration dropped 16 percent to £10.6m ($14.3m). Fierce Pharma’s rankings only included ceos of commercial pharma companies with market capitalisations over $25 billion.

Could employee ownership be right for your business?

As the number of employee-owned businesses in the UK surpasses 2,300, employee ownership is gaining momentum as a viable succession option — particularly relevant in Scotland, where, according to research by STEP, 69 percent of family business owners lack a succession plan. Recent HMRC reforms — including new rules on trustee independence and extended clawback periods — aim to ensure EOTs are set up for genuine employee benefit rather than tax avoidance. While EOTs may not suit founders seeking a large lump sum at sale, vendor-financing and growing third-party lender interest have strengthened the model's long-term viability. Employee-owned firms often enjoy enhanced reputations, especially in their local communities, as they demonstrate commitment to staff and continuity.

£100,000 boost for employee ownership in Northern Ireland

Employee Ownership Ireland has secured a £100,000 funding boost from the Northern Ireland Executive to promote awareness and assist businesses exploring the transition. The funding was announced by Economy Minister Dr Caoimhe Archibald during a visit to Newry-based S&W Wholesale—an employee-owned trust since January 2023 - on June 20. The funds will be used to provide feasibility studies and support services. Currently, Northern Ireland is home to 16 employee-owned businesses, with over 1,000 employee-owners. EOI aims to reach 10,000 by 2030. Northern Ireland economy minister Dr Caoimhe Archibald praised employee ownership for its economic alignment, noting that such businesses often pay higher wages, invest locally and are up to 12 percent more productive. S&W Wholesale's ceo Anthony McVeigh credited employee ownership with driving recent business growth and deeper workforce engagement.

Gusto Group launches employee ownership

Family-owned Gusto Group has awarded growth shares to all 150 employees as it begins its transition to an Employee Ownership Trust, planned for completion by March 2027. The move was announced at Gusto Fest 2025, the company's annual staff event, where each employee received a symbolic "Gusto Employee Owner" hat to mark the shift.

Shares were issued under the Enterprise Management Incentive, with new hires included and future joiners eligible within a year. Founded in 1992, the East Midlands-based company spans construction, manufacturing and architecture, and includes B Corp-certified firms such as Gusto Construction, Rototek, and Studio G. Chairman Steff Wright said the aim is to reward staff for building the £25m business and to foster unity and accountability by aligning benefits with responsibilities. Employees will have a role in governance through a trust board, to reinforce the company's culture and long-term commitment to shared success.

Record turnover for Barnfield Construction following EO transition

Lancashire-based Barnfield Construction has marked a strong return to pre-pandemic growth, achieving a record turnover of £82.4m for the year ending December 31 2024 — a 12.6 percent increase year-on-year and the company's highest figure since 2019. The firm, which became an Employee Ownership Trust in October 2024, reported a 201.4 percent rise in operating profit, reaching £5.3m, with profit before tax at £5.8m and a gross profit margin of 11.5 percent. A dividend payout of £5.2m was made, more than doubling the previous year's figure.

Founded in 1976 and still partially owned by the founding Webber family, the move to employee ownership — with 60 percent of shares transferred to the trust — was described as a key milestone aimed at securing long-term stability and enhancing staff engagement. Around 90 percent of the workforce participated in training and development initiatives over the year. The firm's £70m order book, together with anticipated contract wins, has set the stage for continued turnover exceeding £80m in 2025. Financially sound, the company maintains cash reserves of £12m and holds just one secured loan of £673,411, remaining compliant with all conditions.

Operating in industrial, commercial, residential, and public sectors, Barnfield is focusing on four core growth areas: tenders, homes, development and joint ventures. Chairman Tim Webber said the EOT came with cultural and commercial advantages, and could boost both employee motivation and overall company performance.

Construction leads growth in employee ownership

Construction is the fastest-growing sector for employee ownership in the UK according to the Employee Ownership Association. Around one in seven EO businesses are in construction. Since 2014, the number of employee-owned construction companies has soared by 6,580 percent, contributing to a total of 2,470 EO businesses employing over 358,000 people nationwide. Fiona Bell of RSM UK attributes the surge to benefits such as improved employee engagement, profitability, and retention, and the appeal of enabling business founders to exit on favourable terms.

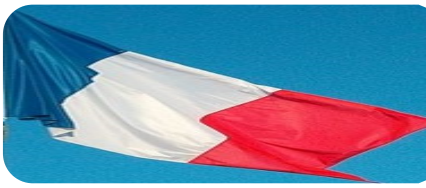
However, she warns that construction faces added risks, being the most insolvency-prone sector owing to tight profit margins, labour shortages and the impact of fixed-price contracts. Bell cautions that poorly managed transitions—particularly where businesses are overvalued—can exacerbate cash flow pressures. Despite this, she remains optimistic about the sector's future, citing increased infrastructure and housing projects over the next decade as likely drivers of continued growth.

EOT round-up

- Apprenticeship provider Cambrian Training Company
- Supplier of decorative PVC wall and ceiling panelling Ceiling2Floors
- construction equipment provider Chepstow Construction Equipment
- IT services provider Orbits IT
- Management consultancy BFY Group

WORLD NEWSPAD

France



L'Oréal expands Esop to 62 countries in fifth global offering

L'Oréal Groupe has launched its fifth global employee share ownership plan, offering eligible staff across 62 countries the opportunity to invest in the company at a discounted rate. The 2025 plan will offer up to 300,000 shares—25,000 more than in the previous edition—available through a 'classic' subscription model with a 20 percent discount on the reference share price. Currently, over 45,000 employees—nearly half of L'Oréal's workforce—are already shareholders, a figure the company hopes to increase through yearly offerings.

This move aligns with broader trends in employee ownership as a tool for retention and motivation.

India

SEBI ushers in major overhaul to modernise India's capital markets

In a sweeping set of reforms announced at its latest board meeting, the Securities and Exchange Board of India (SEBI) has approved wide-ranging measures to ease capital raising, enhance investor protection and streamline compliance across India's financial ecosystem. Among the key changes, SEBI now permits converted securities (from instruments such as debentures) to be sold via Offer for Sale (OFS), and allows institutional investors to contribute towards minimum promoter holdings in IPOs. Startup founders may retain Esops post-listing if granted at least one year before the draft IPO filing. To strengthen transparency, demat holdings are now mandatory for key IPO stakeholders beyond just promoters. The Qualified Institutional Placement (QIP) process has been simplified with trimmed disclosure requirements. For government-owned PSUs with over 90 percent state ownership, SEBI has introduced a fast-track delisting route at a premium.

Alternative Investment Funds (AIFs) can now offer co-investments through structured schemes, and Foreign Portfolio Investors (FPIs) investing solely in government bonds will benefit from relaxed compliance norms. SEBI has revamped disclosure documents for portfolio managers, allowing static and dynamic sections for clarity. Investment advisers and research analysts may now use liquid and overnight mutual funds for compliance deposits. Additionally, reforms targeting the Social Stock Exchange have broadened eligible entities and eased impact assessment criteria.

Clarifications were issued for REITs and InvITs on unit-holding norms and taxation, while procedural changes, including faster certification for intermediaries, reflect SEBI's commitment to regulatory efficiency and market inclusion.

Darwinbox completes third Esop buyback in four years

Darwinbox, a leading global provider of AI-powered HR technology, has successfully completed an ₹860m (£7.4m) Employee Stock Ownership Plan buyback, the third such program in just four years. Over 350 employees spread across the company's 11 global offices in India, North America, Southeast Asia, and the Middle East, benefited from this buyback round.

This marks Darwinbox's third buyback in just four years, building shared success as it scales globally.

USA

Empaths at the gate

Centre member KKR is collaborating with psychological experts to assess leadership potential. The results highlight an interest in qualities beyond technical skills - specifically, the ability to understand and relate to others.

This approach aligns with KKR's broader efforts around employee ownership. When employees hold equity in a company, the dynamics between leadership and staff can shift, making communication, trust and engagement more relevant. Leaders who can connect with employees on a human level are likely to be positioned to support this model.

KKR's strategy suggests that effective management in ownership-driven structures requires a skill set that includes empathy and interpersonal awareness as well as operational ability. A Bloomberg article "Empaths at the Gate" may well presage a wider involvement of private equity in employee share ownership.

Growing momentum for Esop transactions as market matures into 2026

Employee Stock Ownership Plans are increasingly gaining attention among mergers and acquisitions with interest accelerating throughout 2024 and into 2025. According to legal experts, Esop-related deals are no longer niche, but part of a growing segment of corporate transactions, especially appealing to business owners aiming to preserve company culture, reward employees and reap tax benefits.

Attorneys from firms including Faegre Drinker, Taft, Barnes & Thornburg, and Krieg DeVault report a rise in both acquisitions of Esop companies and Esops themselves acquiring other firms. Nationwide, approximately 6,548 Esops operate in 6,358 companies, with Publix Super Markets the largest by employee count. While the total number of Esops has remained relatively stable, M&A activity is expanding, with over 827 acquisitions by major Esop companies from 2020–2024, adding roughly 72,000 new Esop participants. Experts cite enduring political and economic uncertainties as drivers for private owners seeking succession options or diversification. Influencers such as KKR's Pete Stavros and major firms like BDO are also helping elevate Esop visibility. Though such transactions often require longer timelines than traditional deals, legal professionals expect strong momentum well into 2026, buoyed by generational transitions and steady bipartisan support for employee ownership.