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it's our business

newspad of the Employee Share Ownership Centre

CGT rise a major threat Centre delegates told in Jersey

An air of cautious optimism permeated the share schemes for trustees conference hosted by The Esop Centre and STEP Worldwide at the Royal Yacht Hotel, Jersey May 14. The conference provided the ideal forum for discussing the future under a Lib/Con government. However, the threat to employee share ownership schemes presented by the coalition government's Capital Gains Tax plans was on everybody's mind and was picked up by almost all the speakers. Even if a taper relief system is put into place, which has not been specified by the government, the negative effects could be huge. In spite of the uncertainty surrounding the plans for a CGT increase, more than 50 delegates heard that the future looks bright for the Channel Islands.

In his opening remarks, Centre chairman Malcolm Hurlston expressed his thanks for Gordon Brown's contribution to employee share ownership over 13 years and expressed regret at having lost such a staunch supporter in government. However, whatever the outcome of the CGT increase, the election had already produced a positive outcome for employee ownership in that Mark Hoban and David Gauke were appointed Financial Secretary to the Treasury and Exchequer Secretary to the Treasury respectively. Both have been vocal in their support of Esos in the past and spoken at Centre awards dinners. The Centre is using its influence to lobby against any CGT changes affecting Eso schemes.

David Craddock emphasised the usefulness of Esos and EBTs in succession planning. The speech delved into the history of employee share schemes, looking at the Kelso Model and how this gave birth to the 'wages of capital.' David outlined models which can be used to plan succession and gave a case study to put the theory into practice. The speech made clear that EBTs are an extremely attractive option with a great degree of flexibility built in over the timing and the degree of control transferred to employees. William Franklin of the newly formed Pett, Franklin and Co. LLP discussed the ins and outs of how and when to perform a share valuation with the HMRC, including an expert assessment of the recent Grays Timber case.

Kevin Lim of RBC cees and Karen Cooper of Osborne Clarke raised the spectre of an 'unfriendly' UK tax climate, with HMRC getting tougher on whatever it sees as possible avoidance, including EBTs. Karen said that it would be interesting to see the results of the Walker reforms and whether they would encourage more long-term incentives. JSOPs and EFRBS (employee funded retirement benefit schemes) were proving particularly popular options at the moment.

Amanda Flint brought home the fact that tax treatment would become increasingly relevant to employees as the 50 percent tax rate started to hit home, with salaries now lower in real terms than a few years ago. Several methods were outlined for coping with this, including salary sacrifice, bonus deferral, share incentives and EFRBS. Amanda warned the audience not to be caught unaware by the changes to EFRBS taxation starting in April 2011. She concluded that the recent budget had been a 'damp squib' and the real rules would come out in George Osborne's first budget due on June 22.

Gary Hill's look at correlation and diversification explored some of the oddities of the current financial crisis when compared to similar events in the past and gave Collins Stewart's current positions with regards to gilts and commodities, highlighting the Norwegian Krone as a good bet.

Former Tory MP Howard Flight, in a speech that lived up to its keynote billing, pointed out that the hung parliament gave the Conservatives a chance to renege on some of their manifesto promises, creating space for the truly swingeing cuts necessary to convince the markets of Britain's long-term solvency prospects. In his overview of

From the Chairman

Save the date for June 16 from six o'clock in the evening. I am delighted that Prof David de Meza has agreed to a round table with the Centre. His insights on management and reward from the perspective of behavioural economics will be revealing and shocking especially at this time of governmental pandemonium. It will be held at Towers Watson, 71 High Holborn, London, WC1V 6TP and members will have first chance of attending. There will be an admin charge of £25 to ensure places are used. I suggest you reserve now by contacting David Poole - dpoole@hurlstons.com to secure your place.

Malcolm Hurlston

the future for the Channel Islands, which took the perspective of funds, banks, fiduciaries and insurance companies, he praised the jurisdictions for coming out with a clean bill of health from the recent IMF inspection. He noted that the Channel Islands appeared to be in a good position to win new business from the BRIC economies. However, he warned that Jersey and Guernsey faced stiff competition from Luxembourg for EU business and increasingly from Malta, where administration costs are much lower. Rosemary Marr of STEP Jersey echoed these sentiments in her speech and said that, on the back of the success of this conference, a repeat event could take place with the Esop Centre in Guernsey this autumn. More details will be released on this as they develop.

The Esop Centre is asking the coalition government to confirm or deny whether an impending huge Capital Gains Tax increase would hit many UK employee share scheme participants.

The government's coalition document revealed the plan to raise the level of Capital Gains Tax on share disposals from 18 percent to 40 percent, or even higher – to be applied either retrospectively from the beginning of the new tax year last April, or from April next year.

The tax pain on gains would not end there because the Con/Lib-Dem coalition plans to reduce the annual CGT allowance which at present stands at £10,100 for each individual and £5,050 for most trustees. This allows most share scheme participants to pocket their modest gains without having to pay CGT. However the government looks set to reduce the CGT exemption allowance substantially, perhaps to as low as only £2,500 per year thus bringing tens of thousands of employee shareholders into the CGT net for the first time.

"Will gains accruing on *all* forms of employment-related securities be generally excluded from the higher CGT rates? We need a definitive answer to this key question" said David Pett Partner at Pett, Franklin & Co. LLP.

Such a savage rise in CGT – if applied to share schemes - would hit two HMRC approved Eso plans hard – SAYE-Sharesave and Enterprise Management Incentives, both of which have maturing share option grants at their heart.

At the time of writing it was still unclear whether approved employee share ownership plans would be caught in the higher CGT net or exempted. The government said that the much higher rate of CGT would be levied on "non-business assets" – which includes shareholdings and second homes. Although detail was scarce, apparently, shares in personally owned companies would escape the huge increase, according to accounting experts. It remains unclear whether the exemptions include smaller companies listed on the AIM market, or whether all publicly listed companies will have their shares subject to the new CGT rate?

In the case of Sharesave, employee participants, who had saved the monthly maximum £250 for five years, would face having to pay much more CGT in future once their gains had exceeded the annual allowance. In the case of EMI, the effect could be devastating because the whole point of the government inspired plan is to incentivise the 'big hitters' in growing companies, which often cannot afford to pay them colossal cash bonuses. Thousands of 'movers and shakers' in gazelle-like SME companies have been awarded the maximum £120,000 worth of share options and have created large gains through their hard work. Up to half of these gains now risk being grabbed by the taxman in future, instead of just 18 percent hitherto. There was already disappointment in the SME sector when the last government axed taper relief and imposed a uniform 18 percent CGT rate, but a possible rise to almost 40 percent would horrify the Eso industry and corporate ranks alike.

The Centre has written to Mark Hoban, financial secretary to the Treasury, to bring to his attention the danger of severe collateral damage.

Manifesto promises versus the coalition document

The Tory election manifesto pledge regarding public services ownership is worth quoting at length, as it received so little media comment during the campaign:

"Giving public sector workers ownership of the services they deliver is a powerful way to drive efficiency, so we will support co-operatives and mutualisation as a way of transferring public assets and revenue streams to public sector workers. We will encourage them to come together to form employee-led co-operatives and bid to take over the services they run. This will empower millions of public sector workers to become their own boss and help them to deliver better services – the most significant shift in power from the state to working people since the sale of council houses in the 1980s."

In the coalition document – Freedom, Fairness, Responsibility - the pledges survive with almost the same wording:

"We will support the creation and expansion of mutuals, co-operatvies, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services. We will give public sector workers a new right to form employee-owned co-operatives and bid to take over the services they deliver. This will empower millions of public sector workers to become their won boss and help them to deliver better services."

The Liberal Democrats said in their manifesto that they would separate Post Office from Royal Mail if they gained power. In the coalition document, the government says *"we will seek to ensure an injection of private capital into Royal Mail, including opportunities for employee ownership. We will retain Post Office Ltd in public ownership."* This will be legislated in the Postal Services Bill as announced in the Queen's speech. Esop Centre chairman, Malcolm Hurlston, welcomed the plans. The Centre reacted to the news by calling together members to consider how Royal Mail could best make use of employee ownership. Malcolm Hurlston said "this is an exciting opportunity for some of our leading lights to discuss how employee ownership can be best integrated into Royal Mail." The move follows closure of thousands of post offices in recent years and a failed attempt by Government last year to introduce a private partner to help run the business, which was fiercely opposed by the postmen's trade union and by Labour backbenchers, many of whom have now lost their seats.

As for Labour's lost intentions, its manifesto had spoken of encouraging companies to adopt a John Lewis-style partnership model that would give employees a share of ownership.

Encourage greater use of Eso, European Commission told

A European Economic & Social Committee study and report advocating the greater use of Eso within the EU is nearing completion, the Centre has learned.

Early drafts of the EcoSoc report advocating committed EU backing for employee financial participation (share schemes) provoked sharp exchanges of views, but the creases now appear to have been ironed out, for the most part.

The Centre submitted a paper - about the use of employee share ownership as a useful tool to help resolve UK business succession problems - to the EcoSoc study group, which is led by Alexander Graf von Schwerin, who represents the European trade unions and by Ms Madi Sharma from the UK, who represents Europe's employers.

Centre member David Craddock, proprietor of his eponymously named Eso consultancy, sent a case study of how a UK engineering company, faced with ageing founder-shareholders, sought an exit solution with an EBT to facilitate an Management Buy-Out, plus share option awards to key employees under the Enterprise Management Incentive scheme.

Almost 700,000 SME businesses are transferred to new ownership - or to the breakers' yard - every year within the EU as family founders surrender the reins of business ownership. If the founders' children are not interested and a trade sale is impossible the business can collapse throwing the workforce onto the dole. Even trade sales can lead to trouble, as when corporate engineering acquirers close factories that are only marginally profitable.

The final text of the report, which should be completed by August, will be referred to the European Commission, which financed the study project. There is hope that the Commission will be forced by rising anger in the wake of the economic recession to upgrade financial participation on its agenda.

Jens Lowitzsch, Assistant Professor at the Free University of Berlin, who spoke at the Centre's Davos conference last February, is one of the study group experts. He said that the largest Italian trade union was a firm supporter of employee share schemes, but he admitted that there had been requests from others for some rewriting of early drafts.

CGT increase means fall in tax revenue

A leading think tank, the Adam Smith Institute, has added its voice to those asking David Cameron to reconsider the rise in Capital Gains Tax. According to a paper published on its website (http://adamsmith.org/files/capital-gains-tax.pdf), the CGT increase would lead to decreased tax revenues, the opposite of the desired effect.

The government sees the increase as an important part of its deficit reduction package, but a growing number of voices from the Tory right see this as a concession too far to their Lib-Dem partners. The dissenters argue that the increase will hit savers and the traditional core support of the party. Replying to press suggestions that the PM could face an early revolt from within his own ranks, Cameron said, "We will listen to all the arguments. There's a budget to come and that is when the decision will be made."

The paper – "The Effect of Capital Gains Tax Rises on Revenues" – examines historic CGT levels versus tax revenues in the US and finds that the higher the CGT rate the lower the tax revenue. CGT hikes are followed by only a brief increase in revenue, which then falls sharply as investors look to avoid sales incurring a capital gains charge. It points out that CGT as a voluntary tax is easy to avoid.

It also debunks the idea that if the gap between income tax rates and CGT rate is too wide then people will shift income to capital gains, again using examples from around the world including countries with zero CGT rates, including Belgium, Luxembourg, Hong Kong and New Zealand.

The Liberal Democrats might also be surprised by the findings of the paper. The party sees CGT as a fairness tax, which will affect the rich and leave the hard up relatively unaffected, pointing out that only 250,000 people pay CGT each year. However, most savers only pay CGT a couple of times, for example upon selling a small business or upon realising a share option through an eso. The figures of the average income of those paying the tax are also skewed as the capital gains realised are added to their income for the year. The ASI paper uses examples from Canada and Australia to prove this point. Hundreds of thousands of SAYE Sharesave investors could be affected, not just the very richest.

ASI president, Madsen Pirie, said: "In intending to tax the rich, politicians, without understanding the effects of their actions, are proposing measures which will decrease the Treasury's tax take and make the deficit even worse. This hardly qualifies as sensible economic policy."

Share plan reporting deadline looms

Following the end of the old tax year, the deadline for reporting share plan activity in the year is fast approaching, said **Deloitte**. For activity occurring in the tax year ended April 5 2010, the deadline for filing Form 42, and other share plan returns, is **July 6**. As HMRC does not issue paper returns (although notices to file may be issued in some cases), the onus is on companies and advisers to identify their reporting requirements and make an appropriate return to HMRC. Share plan compliance has been identified by HMRC as a key risk area, so the level of scrutiny applied to Form 42 is ever increasing. Form 42 is seen by HMRC as a key insight into an organisation's attitude to share plan compliance risk, so inconsistencies or errors in the form may be taken as indicative of broader problems (e.g. PAYE and NI failures, lack of tracking of internationally mobile employees, and so on). In addition to a potentially onerous penalty regime (which gives HMRC the right to raise penalties on a 'per reportable event' basis where a return is not made, not complete, or not accurate), there are other risks associated with failing to complete Form 42 correctly. This is subject to stringent risk assessment by HMRC – and a combined team drawing from HMRC specialists in a number of areas participates in this process. Errors in the reporting and managing of share plan processes are therefore increasingly being exposed to a higher level of ongoing scrutiny than other payroll processes. Deloitte can help both to complete and file share plan returns in a timely and accurate manner, and more broadly to manage share plan compliance risk as an organisation.

On the move

Accounting Standards Board chairman **Ian Mackintosh** has had his term extended to the end of January 2012 and **Edward Beale** has been re-appointed for a second term. **Matthew Curtis** has been re-appointed to the Urgent Issues Task Force.

Peter Montagnon is joining the Financial Reporting Council as senior investment advisor this month. Peter brings a wealth of experience and expertise on investor, insurance and related issues to the job. He will seek to enhance the FRC's capabilities across all the areas of its work important to investors, in particular providing perspective and input into the development of the UK Corporate Governance Code and the new stewardship code for UK investors. The Centre has worked with Peter, who was Director of Investment Affairs at the Association of British Insurers for almost a decade. Prior to that, he worked at the *Financial Times*, where his assignments included a spell as Head of the *Lex* column. He is a member of the European Corporate Governance Forum, a past Chairman of the International Corporate Governance Network and a visiting professor at the Cass Business School.

David Pett, Partner**, Pett, Franklin & Co. LLP** tells *newspad:* "The professional legal business carried on under the style of David Pett & Co. from May 1, has been transferred to Pett, Franklin & Co. LLP, a newly-formed mixed-disciplinary limited liability partnership. Accordingly, I ceased, from that date, to practice as a recognised sole practitioner and now practice as a partner in the new firm, which is regulated by the Solicitors Regulation Authority (No. 534342). I am pleased to welcome William Franklin (non-lawyer, chartered accountant) as a partner in the new firm, which has a fresh website: www.pettfranklin.com As Julian Tonks is in hospital, please address all professional correspondence for Julian to me. Our accounting website www.ifrs2solutions.com continues unchanged. We very much hope that we will, in our new guise, be able to assist you by helping *share*growth." Pett, Frankin & Co. LLP is at Colmore Plaza Executive, 20 Colmore Circus, Birmingham, B4 6AT

MEMBERS' BUSINESS NEWS

Computershare Investor Services has harmonised its pensions provision after acquiring HBOS Employee Equity Solutions (EES). The firm has integrated staff from the employee share plan administrator's legacy defined benefit and defined contribution schemes into its group personal pension (GPP) plan. Of EES's 397 staff, 371 have chosen to join their new employer's GPP, which is provided by Aviva. This is up on the 329 employees who were previously enrolled in EES's legacy schemes. Employee contribution levels to the GPP, which can be made via salary sacrifice, start at seven percent. The employer matches employee contributions up to ten percent. Nick Oldfield, cfo for Computershare in Europe, said: "We got a 93 percent take-up, so we are really pleased. Of that, 69 percent are better off, receiving enhanced contributions as a result of the new arrangement." The company attributes the increase in pension take-up to a communications campaign that began in February and was carried out in conjunction with Thomsons Online Benefits. Roadshows were held at the firm's sites in Halifax, Purley and Jersey.

Centre member **Gannons** points out that the gap between the 18 percent CGT rate and the availability of up to £2m of gains benefiting from entrepreneurs' relief compared with income tax rates of up to 50 percent plus NIC means that many companies are considering rewarding employees in a more tax efficient way. One way is by issuing 'flowering shares' to employees, which allow the holders to participate in the value of the company if and when a specified performance condition is met - typically an exit. The main goal is to secure CGT treatment, rather than income tax treatment for the growth in value of the shares during the employee's ownership of them. Gannons offers advice to minimise risk of income tax liabilities, advice on the documentation to suit the commercial requirements and share valuation. The March 2010 Budget announced plans for an HM

Treasury review of the tax treatment of geared growth arrangements such as flowering shares in summer 2010, so best consider the advantages now.

Killik wins Hammerson

FTSE 100 property company Hammerson is the latest to engage Killik Employee Services and, following a successful migration phase, services went live earlier this year. Hammerson has appointed KES to provide outsourced share plan administration, share dealing services and an employee web portal for its executive share plans. Commenting on the appointment, Peter Leach a Director of KES said: "It is a big decision for any company to outsource the management of its executive share plans, especially when they had been previously managed in-house. I am delighted Hammerson has chosen KES as its preferred partner and we all look forward to working with them."

Equiniti has won a contract with **BT** to deliver the full suite of its employee share plan services. Under the deal, Equiniti will manage all of BT's UK and international plans including SAYE and SIP. Over 100,000 employees at BT participate in these schemes. Equiniti ceo, Wayne Story, said "We're delighted to further extend our longstanding relationship with BT with this employee share plan contract. To grow the BT business in the significant way across our service offerings, from share registration to esp administration, is testament to our people and the service we deliver for our clients."

Yorkshire Building Society provides the share plan market with administration, trustee and project management services for the Share Incentive Plan and Sharesave Schemes. YBS has worked in partnership with many clients to introduce SIP into their overall remuneration strategy in a way that complements their existing plans such as Sharesave. During the last three years over 40 percent of the SIPs it has acquired switched their plans from their existing provider to YBS. Being a new tax year, now is the ideal time to review clients' share plan objectives to ensure they are maximising all tax and NIC savings that are available whilst at the same time benchmarking the service they are receiving from their present supplier and the fees they are paying. YBS would welcome the opportunity to discuss this in more detail as it believes that it may be able to work with clients to reduce their NIC liability in the longer term, said Louise Drake, YBS national sales manager.

CONFERENCE

Cannes July 8 & 9: The Centre's 22nd annual conference has so far attracted 30 registrations and top-draw speaker talent: Sarah Pickering - Alvarez & Marsal Taxand; Patrick Neave - Association of British Insurers; Amanda Flint – BDO Human Capital with Jon Hather of Barchester Healthcare Homes, Justin Cooper - Capita Registrars; Mick McAteer, board member of the Financial Services Authority and adviser to the Committee of European Securities Regulators; Andrea Hassell – Equiniti with Francis O'Mahoney of BT plc; Mark Gearing and Pierre-Philippe Hendrickx - London/Brussels offices of Field Fisher Waterhouse LLP; Quentin Digby – Freehills (Australia); Leslie Moss - Hewitt Associates; Peter Leach - Killik Employee Services and Joe Saburn - Squire Sanders & Dempsey (US). Delegates from plan issuer companies have registered too. To join them, go to our website at: www.hurlstons.com/esop and click onto 'events' for more details and then book your places online. Alternatively, you can register by email to Fred Hackworth: fhackworth@hurlstons.com simply stating the name of your delegates. In addition this year, the programme will cover aspects of private client wealth management and if you wish to speak on this subject, contact Fred asap. The British Chamber of Commerce on the Riviera will be represented. As this event takes place on **Thursday and Friday, July 8 & 9,** the package deal accommodation nights in the five star conference hotel, the Majestic, on the Cannes seafront, are July 7 & 8. The conference brochure is co-sponsored by **Appleby Global** and by the **Sanne Group,** who are both Jersey–based international fiduciary services groups. Other **Cannes** programme elements can be co-sponsored too: eg the cocktail party, or one of the conference lunches, or the entire event. Contact Fred for further information.

COMPANIES

The Eircom Esot took a write down of €194m on its 35 percent stake in the Irish telecoms company in its results for the year to the end of June 2009, The Irish Times reported. This was largely behind a 64 percent fall in the value of the Esot's net assets last year, which declined to €154m from €432m in the previous reporting period. The Esot's writedown was the result of a €720m charge taken by Eircom in its accounts for the year to the end of June 2009. "The impairment charge reflected both the impact of the Eircom pension deficit and changed economic circumstances in the wake of the global financial crisis," according to a members' update circulated in recent days. The other factors were a tax-free distribution of €70m to members during the 12-month period and movements in the Vodafone share price and the sterling-euro exchange rate. The Esot, whose board is chaired by former union official Jerome Barrett, holds 2.25 million Vodafone shares in the approved profit sharing scheme on behalf of 1,896 beneficiaries. The members' update states that the Esot's borrowings declined by €13m during the period while its dividend income fell by 46 percent to €7.7 m. Its expenditure declined by 1.4 percent to €3.9m. These expenses include professional and legal fees, payments to personal representatives of deceased beneficiaries, and interest costs on borrowings. The administration costs of the Esot are borne by the company.

Bonus sacrifice

EADS ceo Louis Gallois has given up an annual bonus of more than €1m euros for a second year running, the

Airbus parent company said, leaving him significantly worse off than his top US rival. The Frenchman is paid a fixed salary of €900,000 for running the world's second largest aerospace company, after Boeing, and was due to receive an additional variable pay award of €1.14m for 2009. EADS said that Gallois had told the board of his decision to waive the bonus on March 8, when the company was about to announce a €763m net 2009 loss caused by huge cost overruns on the Airbus A400M military plane. EADS did not give a reason for the decision but Gallois had already waived a larger bonus of €1.55m the previous year after EADS posted a 2008 profit of €1.6bn.

Major investors expect the terms of executive pay packages in big companies to be rewritten to make *dividends* a crucial part of bonus awards following a breakthrough deal at **AstraZeneca.** In what is believed to be a first for a leading quoted company, the drugs giant last week won approval from shareholders for an eight year incentive scheme linking the payment of dividends to rewards for the bosses. One City fund manager said: "As companies including the big banks renew incentive schemes for executives we expect them to look at the dividend". Many incentive schemes are based on total shareholder return, a combination of dividend payment and the share price. However, investors feel this is more reliant on wider market movements than on performance. The AstraZeneca scheme - piloted by **Barclays Bank** ceo John Varley, who is head of the remuneration committee - ensures that dividend payments are made on a sustainable basis to stop executives being tempted to lift them beyond supportable levels in order to boost their own pay packages. Barclays bases its own executive rewards on total shareholder return, which does not have an explicit requirement for dividends to rise. Leading figures at Barclays including Varley and president Bob Diamond waived their entitlement to bonuses in 2008 because - even though individual performance targets had been met - the bank was unable to pay a dividend. Barclays has assumed the power to double the total pay of its non-executive directors to £2m. That could bring each of them up to £222,000 for 33 days' work. Barclays has already set aside a bonus and pay pool worth more than £1.4bn for bankers in its Barclays Capital investment banking arm, after just the first three months of 2010. The size of the bonus pot shows that BarCap, the operation run by Bob Diamond, continues to be the powerhouse of the group. Barclays, which survived the banking crisis without needing a direct taxpayer handout, reported first-quarter profits of £1.8bn. That is a rise of 47 percent compared with a year ago. The biggest profit increase was in BarCap, where profits reached £1.5bn, a rise of 62 percent. Chris Lucas, the finance director, said that 38 percent – approximately £1.4bn – of the income was being set aside for pay and bonuses but stressed that no decision would be made on payouts until the end of December. Lucas expects the bank to keep setting aside a similar proportion until the fourth quarter of the year when the percentage could be increased or cut back depending on decisions the bank makes about bonuses. He stressed the figures also included salaries. Meanwhile, **Royal Bank of Scotland** reworked its long-term incentive plan for executives after its share price climbed above the 50p mark at which some of the awards would have been triggered. About 30 percent of the three year scheme was based on that benchmark. Shareholders expressed concerns to RBS that the target had been reached so soon and the bank agreed that the figure had ended up being too easy to reach and said it would overhaul the scheme. The move came as the row over boardroom pay at **HSBC** intensified, with investors questioning the £1m a year it will pay John Thornton to chair its remuneration committee. The fee is eight times the amount paid to any other non-exec. Some HSBC shareholders are already unhappy about the £800,000 relocation package awarded to Mike Geoghegan, the ceo, for moving from London to Hong Kong, with some claiming the payment was "a pay rise by the back door". Mr Thornton was due to take over from Sir Mark Moody-Stewart as chairman of the committee that sets top pay and he will play a key role in negotiating a pay rise for Mr Geoghegan, who received £5.7m last year. Stephen Green, the HSBC chairman who reluctantly agreed to freeze Mr Geoghegan's base salary at £1m last year, is determined to push through a big rise for him because he argues he is seriously underpaid compared with other international bank chiefs.

Transocean, the Swiss company that owns and leased the doomed offshore Louisiana rig to BP, had faced safety questions before the present disaster. Transocean is the world's biggest deepwater driller and Deepwater Horizon Rig was one of 140 offshore rigs the company operated. The *Wall Street Journal* said that Transocean last year ditched its executive bonuses because of concerns about the company's safety practices. The bonuses were eliminated after four Transocean workers were killed in separate incidents in four different locations – none of which included the Deepwater Horizon rig. The company's record worsened by 31 percent in 2009 compared to 2008, according to an internal assessment of potentially dangerous accidents.

The **Swiss** government proposed tougher taxes on bank bonuses in order to shore up parliamentary support for a bill that would allow Bern to meet its obligations in last year's settlement of a tax case with the U.S. government. One proposal would compel companies to classify bonuses as a distribution of profits, rather than as personnel expenses. That way, the company would pay taxes on bonuses even if it posted a loss.

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