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it's our business

newspad of the Employee Share Ownership Centre

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From the life president

Employee ownership in China received a serious blow last week when its leading advocate, Pony Ma of Tencent, was left off the list of delegates to National People's Congress. The Congress is effectively China's annual parliament.

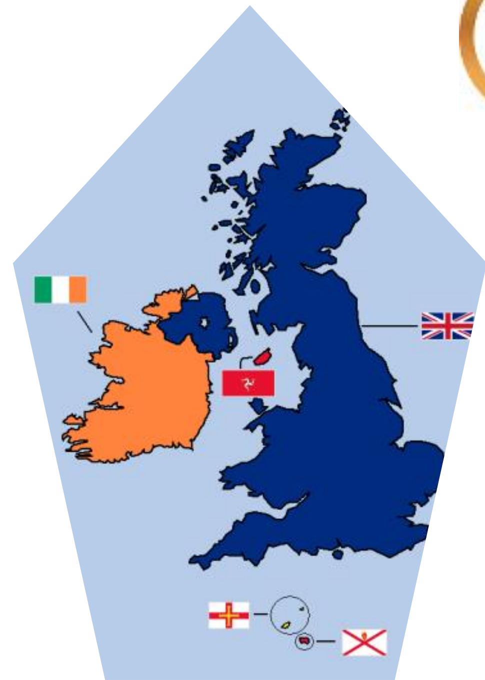
On one occasion Pony Ma gave shares to all employees, not from the company but from his personal holding, for which the Centre recognised him at its annual awards. His omission sends a danger signal to the rest of the financial world. Alibaba's Jack Ma has already taken refuge in Japan to distance himself.

There was better news for newspad's indefatigable campaign on behalf of Roadchef employees. It received a boost last month when Esop barrister David Pett took over leadership from our former editor Fred Hackworth. In the biggest blot on employee share ownership on this side of the Atlantic, loyal employees await recompense from a diminishing pot while British justice fiddles and others are recompensed.

Too much writing in our sector is sycophantic. We shall keep you up to date in these columns with Pett's progress.

Malcolm Hurlston CBE

British Isles symposium 2023



The Centre's Sixth British Isles Share Plan Symposium will be an in-person event at **Macfarlanes**' London offices on the afternoon of **Thursday, March 30 2023**. The event will comprise four panel debates, running from 13:30 to 17:20 followed by a reception, at which the *newspad Award* winners for 2022 will be announced. The speakers' presentations will be pre-recorded and form the background material for what we hope will be lively panel and delegate discussions.

A keynote from Investec economist, Ellie Henderson, will set the scene with an overview of the current domestic and global economy. Then, in the first three panels on **Global Economics And Share Plans**; **Regulation & Governance**; and **The Future Of All-Employee Share Ownership Plans And Share Plans In SMEs**, panellists will discuss presentations on share plans and inflation; Global share plans and whether US Esop transactions can be adapted for use in the UK; Global and UK updates on regulation and market developments; private company governance issues in relation to EMI and CSOP plans (including recent HMRC guidance on the exercise of board discretion); the future of SAYE including maturing "Covid" plans and how CGT affects them; incentive arrangements for smaller/private companies, with focus on the use of EMI in conjunction with an EOT; and potential employee share plan reform.

Thank you to our Esop Centre British Isles Employee Share Plan Symposium 2023 host:

MACFARLANES

Panel four will be dedicated to a **plan issuer case study** looking at post-IPO plan launches including UK SIP, ESPP & Approved & Unapproved executive option plans; how they launched, how they're performing, what the future looks like for the company's equity compensation.

The symposium will hear from speakers representing Achilles Therapeutics; Baker McKenzie; CMS; Computershare; David Craddock Consultancy Services; Doyle Clayton; Equiniti; Investec Bank; Sixti; Tapestry Compliance and symposium host Macfarlanes.

Please review the event brochure for up-dated programme details and booking form.

Centre conferences are celebrated for their level of speaker expertise and equally for the quality of their networking opportunities.

Admission rates:

*Delegates from **plan issuer companies** will be admitted **free** of charge.*

Practitioners: Members: £425; Non-members: £625
Trustees: Members: £360 Non-members: £560

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

**All prices are subject to UK standard rate VAT*

(Thanks to the generosity of our host **Macfarlanes**, we have been able to keep prices low).

To register a delegate, email: events@esopcentre.com, or phone the team on +44 (0)207 562 0586.

The opportunity for remote attendance will be available.

EVENTS

Webinar

Esop Sofa – newspad review webinar rescheduled to April 27 from Feb 23.
With apologies to everyone who registered, our next Esop Sofa-Newspad Review panel will now be at 11:00am on Thursday, April 27. Share schemes experts will discuss their pick of articles featured in recent editions of "It's Our Business", newspad of the Esop Centre. Registration is open. You are welcome to take part.

MOVERS & SHAKERS

Colin Kendon all set for retirement

After 17 years at Bird & Bird and 33 years of specialising in employee incentives, Centre member and conference speaker, Colin Kendon has decided to retire. He told *newspad*: "I bought a 64 acre farm near Tunbridge Wells a couple of years ago and I moved in permanently with my wife and two children last year. I have already planted an orchard, set-up no-dig vegetable patch and have done a couple of seasons of hay for horses but I am looking forward to expanding operations (not too much as we will be travelling too)."

UK CORNER

Reorganisations, demergers & share transactions

What is a company reorganisation or reconstruction? What tax reliefs apply to a company reorganisation, a share for share exchange, reconstruction or other transaction involving shares? You can reorganise or separate company activities and different subsidiaries using a variety of different methods.

Ross Martin has provided practical tax guides within its transactions index, which outline the tax treatment together with step by step guides, case studies and tax clearance templates.

Alternative ways to deal with the cost of living crisis

Salary increases are often an excellent way for businesses to support their employees through a cost of living crisis. The latest ONS figures show that many employers have already awarded salary increases to their teams, with pay increasing at an annual rate of 6.7 percent between October and December 2022, the fastest growth rate for 20 years.

However, many businesses won't have the resources to award pay increases every six months or battle with increased costs. HR Magazine's latest SME survey found 51 percent of employers predicted rising costs would be a major challenge for them in 2023, closely followed by a recession (46 percent).

As an alternative to salary increases or one-off bonuses, the magazine suggests that employers can be much more creative when it comes to pay and rewards. By implementing initiatives to support employees and support revenue growth, businesses will be in a stronger position in the long term.

Options for employers to consider are:

⇒ Share-save schemes - Its recent survey found that 50 percent of employers believed employee retention would be the most important aspect of people management in the next 12 months.

⇒ Employee incentives - introducing incentives to staff members, who aren't just in sales, encourages them to think creatively, present alternative solutions, and deliver an excellent customer experience.

⇒ Rewards platforms - incentivising employees through shares, bonuses or discount platforms.

English football is a global leader – so why is the government proposing to sabotage it?

Friend of the Centre, Professor Len Shackleton, writing for CapX, questions the need for an FCA-style regulator with powers to require detailed business plans and regular financial updates from football clubs, when this requirement is not imposed on other parts of the economy with far greater problems.

The government's endorsement of the proposal for an Independent Regulator for English professional football has been welcomed by many football fans and commentators. But faith in regulators suggests the triumph of hope over experience. In sectors such as energy, finance, water supply, the railways and education, they have rarely covered themselves in glory.

The government has previously said that regulation should only be imposed on an industry if it is necessary and proportionate. We would normally regulate an industry if there was evidence of misuse of market power or substantial external costs imposed on society. Neither is the case in relation to football. The emphasis in Tracey Crouch's 'Fan Led Review' of nearly 18 months ago, which set out the proposal, was on financial risk, homing in on the weird economics of professional football. Financial disasters for individual clubs certainly occur from time to time, but they almost all survive, or are reincarnated at a lower level. The impact on the rest of the football pyramid remains minimal. In reality, football clubs have remarkable longevity and resilience

Slater Heelis gives staff a financial stake

Law firm Slater Heelis has launched an employee benefits initiative that will offer staff the opportunity to acquire shares in the business for the first time. The Share Incentive Plan aims to democratise ownership structures within the firm and encourage greater accountability, offering additional financial support to employees in the face of the cost-of-living crisis. Through the scheme, Slater Heelis' 200+ employees are set to benefit from the firm's future success. All employees who have worked continuously at Slater Heelis for six months will receive free shares, with the additional opportunity to purchase partnership shares – each purchased share being matched by the firm.

Sopra Steria launches 'We Share 2023'

We Share 2023 is being offered to approximately 96 percent of Sopra Steria Group employees, in 14 countries: Belgium, Denmark, France, Germany, India, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, Switzerland and the United Kingdom. On December 31 2022, investments managed on behalf of Group employees represented 6.4 percent of the share capital and 8.1 percent of voting rights, positioning Sopra Steria as one of the leading listed French companies when it comes to employee share ownership. At February 24, after adding the shares held directly in registered form by current and former Group employees, these proportions amount to nearly 10 percent of the share capital and 13 percent of voting rights.

The new plan is in keeping with Sopra Steria's continuing aim to give employees the opportunity to share in the success of the Group's corporate plan and performance over the long term. "With this new plan, we want to recognise the commitment of our employees to the business and reaffirm our aim of being an independent Group, combining our entrepreneurial DNA with our collective force," said Pierre Pasquier, chairman of Sopra Steria Group's Board of Directors.

Exec reward

FCA turns attention to linking executive pay to sustainability

The Financial Conduct Authority (FCA) is continuing to back the climate transition in UK financial services by asking the industry for feedback on linking remuneration with sustainability outcomes.

On February 10, the UK regulator released the discussion paper *Finance for positive sustainable change: governance, incentives and competences in regulated firms* in which it asked for feedback on best practice within sustainability-related governance, incentives and competencies.

"We increasingly expect firms to assess and integrate material sustainability risks, opportunities and impacts into their operations and financing activities," the paper said.

"We also expect firms to be accountable for their sustainability-related claims and commitments, linking their governance arrangements and incentive structures to their stated objectives, and building relevant skills and capabilities across their organisations."

Specifically, it asked firms to feed back how governance incentives and competencies align with their integration of sustainability-related considerations and demonstrate "their commitments to positive change".

Linking executive pay to sustainability goals

Research shows that organisations that adopt a long-term incentive scheme for their executives display more "long-termist" behaviour such as investing in innovation and stakeholder relationships. But while the efficacy of tying incentives to long-term outcomes is well established, many organisations are still dragging their feet and failing to incorporate such incentives into their executive's pay packets. Five questions that can serve as a helpful starting point for companies to develop sustainable compensation programmes. What is the goal? What ESG targets are material to the organisation's performance? What weighting will sustainability-linked measured be given over what timeframe? What are the targets? And what disclosures will be made to the investing community and other stakeholders?

On The Beach Group's exec remuneration approved with low shareholder support

On The Beach Group reported in late January that a resolution regarding the directors' remuneration policy has passed with low shareholder votes for in the annual general meeting.

Exec reward *more*

The UK online retailer said that resolution number two was approved despite receiving 20.66 percent of the votes against.

The board said that the rejection relates to the introduction of the 2023 long-term incentive plan, and that the remuneration committee has previously carried out an engagement process with shareholders before the agm, which resulted in the simplifying of the initial proposal.

"The remuneration committee believes that the 2023 LTIP will enable the company to retain key talent by providing management with greater visibility over long-term remuneration outcomes in a very challenging market, while addressing the difficulties faced in setting long term performance targets in the context of the volatile UK travel sector," it said.

Shares at January 30 2023 were down 6.4 pence, or 3.5 percent, at 175.2 pence.

Executive pay rises should not outstrip staff salary bumps, Aviva warns

Aviva Investors has warned company directors that it would be “inappropriate” to award themselves bumper pay rises and urged them to recognise that record high inflation puts far greater pressure on the budgets of their frontline staff.

In a letter to the 1,600 firms in which it has stakes, including many in London, the fund management arm of the FTSE 100 insurance company said directors should not expect to receive increases higher than the average employee.

In the letter, reported on by *The Sunday Times*, ceo Mark Versey wrote “it would be inappropriate for highly paid executives to be fully insulated from the impacts of inflation. We expect any increases to executive base salaries to be below the average for the wider workforce.”

He said executive pay was a “barometer of corporate culture”, arguing companies “must engage with trade unions in good faith and seek a balanced outcome, recognising the impact of high inflation on real wages and the… toll the pandemic has had on frontline workers.”

Barclays docks execs' pay by one million pounds over regulatory failures

Barclays has docked the pay of some top executives by a combined one million pounds ($1.2million) following regulatory missteps and a costly overissuance of billions of dollars’ worth of investment products in the United States.

According to Reuters, the British bank said in its annual report it had cut the 2022 bonus for chief executive CS Venkatakrishnan by £403,000, while finance chief Anna Cross saw her compensation docked by £166,000.

Exec reward *more*

Some long term awards have also been clawed back, the bank said, including from ex-finance chief Tushar Morzaria.

Barclays' overall bonus pool dipped to 1.8billion pounds for 2022 from 1.9billion the previous year, as a plunge in investment banking fees soured its finances and sent its shares sharply lower.

The annual report also disclosed that former ceo Jes Staley - who is being investigated by regulators over how he characterised his relationship with sex offender Jeffrey Epstein - was paid £2.3million in fixed pay and other allowances in 2022.

Barclays said the bonus cuts for executives also reflected a fine from US authorities over the use of unauthorised communication channels by staff, after a wider regulatory crackdown on bankers' use of platforms such as WhatsApp for sharing market-sensitive information.

Zoom ceo will take a 98 percent pay cut

Zoom, which became a hallmark of the Covid-19 pandemic, is the latest tech company now turning to layoffs as it looks to navigate life after it.

The company is laying off some 1,300 employees, or about 15 percent of its workforce, ceo Eric Yuan announced Tuesday in a note to staff. He did not specify the breakdown of US and non-US employees.

"As the world transitions to life post-pandemic, we are seeing that people and businesses continue to rely on Zoom," he wrote. "But the uncertainty of the global economy, and its effect on our customers, means we need to take a hard — yet important — look inward to reset ourselves so we can weather the economic environment, deliver for our customers and achieve Zoom's long-term vision."

Yuan explained that Zoom — which he founded in 2011 — had scaled up rapidly to manage the demand of the pandemic, tripling in size within 24 months. But he also acknowledged it didn't spend enough time assessing whether that growth was sustainable or "toward the highest priorities."

Yuan took responsibility for those mistakes and said he would "show accountability" by reducing his salary for the coming fiscal year by 98 percent, as well as forgoing his 2023 corporate bonus. Members of Zoom's executive leadership team will reduce their base salaries by 20 percent for the year and forfeit their corporate bonuses too, he added.

Exec reward *more*

Goldman Sachs slashes ceo's pay after bank's poor performance

David M Solomon earned $25 million in 2022. Though still a hefty sum but nearly 30 percent lower than a year earlier, it meant that Mr Solomon has ceded his title as the highest-paid bank chief executive to Jamie Dimon of JPMorgan Chase, whose pay for 2022 was $35 million.

Intel cut to executive, senior employee pay to preserve cash

Ceo Pat Gelsinger and other executives to get pay cuts in the double digits while senior employees will see their salaries slashed by five percent. The semiconductor giant announced the plan, which also included the suspension of quarterly profit bonuses and employee recognition programmes, in a meeting with employees on January 31.

Considerations for UK companies for the 2023 voting season

UK institutional investor bodies, including the Investment Association, Institutional Shareholder Services, Legal & General Investment Management and Glass Lewis recently published their updated guidance on remuneration practices for 2023. Investor expectations in this area remain largely in line with established principles, advocating for alignment of remuneration policies with long-term corporate strategy, the linking of senior executive pay to the long-term success of the company and ensuring the executive experience remains commensurate with that of stakeholders (including shareholders, customers and the wider workforce) and reflective of the economic environment.

A piece co-authored by former Centre steering committee member, Kate Crompton, reports that one key change in approach in this year's guidance relates to sentiment on base salary increases. In previous years, the IA considered it to be acceptable, in normal circumstances, for increases in executives' base pay to be in line with the increases given to the wider workforce. This year, the IA has advised companies to show "additional restraint," stating that current inflation in the UK economy is disproportionately affecting lower-paid workers and recommending that, if salary increases are needed, remuneration committees should consider increases below the rate of salary increases given to all employees. The IA guidance further reminds companies to justify all executive increases.

Employee ownership news

Would you sell your business to your staff?
Last month the FT's Mary McDougall reported that the number of businesses selling a majority stake to an employee-ownership trust, known as EOT, has mushroomed in recent years, which experts say is down to growing awareness, and the increasing value of key tax incentives. With the help of Esop Centre members David Pett, Garry Karch (Doyle Clayton), RM2 Partnership and Ownership Associates director, Carole Leslie, *FT Money* took a look at the rising popularity of EOTs.

Sewell Estates part employee ownership
Almost 300 people who work across Sewell Estates' seven businesses have become co-owners, and will have a greater say in how the business is run and the potential to share in any company profits.
Sewell Estates, part of the wider Sewell Group, became a partially employee-owned business, when majority shareholder and group chair Paul Sewell moved 25 percent of the company's shares into an employee ownership trust.

Sewell will continue to chair the group and business operations will remain unchanged, with Jo Barnes, Sewell Estates managing director, continuing to steer the leadership team.

People from across the group's seven estates businesses will be represented on a co-owner council. This will feed into the Trust board, which will govern the interests of the staff, with an independent chair. The new chair, former EOA ceo Deb Oxley, said: "Employee ownership is not a new model, but it's one that's growing hugely as business owners are looking for a sustainable solution to succession and ensuring their business is a force for good, not only profit.

"Sewell Estates is the perfect example of a business for whom this was a natural next step. They already have a huge amount of employee engagement and input, but this move will solidify that and give people more opportunities to influence change."

New EOTs this month:

- Recruitment specialist Livingston James.
- Music distributer Kudos Records.
- Staircase manufacturer TwoTwenty.
- Climbing and mountaineering publisher UKClimbing limited, (the company behind UKClimbing, UKHillwalking, Rockfax print and Rockfax Digital websites).
- Vet practice Archway Veterinary Centre
- Logistics specialist Burgoynes
- Auctioneer Warwick and Warwick

The top five pay priorities in 2023

Pay and HR professionals have a chance to take what they've learned in the past three years and be agile and creative in their rewards programmes.

Succeeding this year will require a different way of thinking that acknowledges that traditional pay and HR tactics are no longer as useful as they once were. Fresh thinking combined with the following five key priorities will make the difference between an organisation that thrives in 2023 and one that merely survives:

1. Inject flexibility into employee pay
2. Listen to employees, or risk losing them
3. Diversify your talent pool
4. Personalise to differentiate
5. Embrace your two new best friends: data and tech

The world has changed; rewards need to as well, the past three years have fundamentally changed rewards and the way they are developed and executed. Compensation alone isn't enough; a total rewards view is needed, keeping in mind what the workforce will value. The competitiveness of a compensation package needs to deliver a solid return on investment.

It is time to take an honest and hard look at rewards programmes and the gaps that exist there; and learn what is important to employees and see how skills gaps can be aligned with rewards offerings and employee expectations.

Canada:
New laws, incentives needed to foster employee ownership

About 550 employees at the Friesens Corp printing operation received a share of $5million in company distributions last year, on top of their regular pay. Workers get the yearly bonus because they are 100 percent owners of the company. Friesens is one of only a few dozen companies in Canada that are majority-owned by employees.

Inexplicably, Canada has never instituted the type of tax structure and incentives that encourage employee ownership as the US and UK have done, despite the fact there is overwhelming evidence it has positive results.

Jon Shell, a partner with a non-profit research group in Toronto called Social Capital Partner — whose 2020 paper, "Building an Employee Ownership Economy in Canada" kick-started the current initiative — said Friesens is a perfect example of the benefits of employee ownership.

"Friesens is still in Altona. It would have absolutely left Altona by now if not for employee ownership," said Shell.

Shell and Friesens' ceo Chad Friesen are part of the six-person steering committee of a newly formed organisation called the Canadian Employee Ownership Coalition. It will help push the Trudeau government to the finish line of establishing employee ownership structures.

French government welcomes draft agreement on value sharing

At a time when purchasing power is a central and hot topic of debate, French unions and employers have agreed on a draft collective agreement aimed at allowing greater sharing of profit with employees. The draft agreement has already been signed by most unions and has won the support of the French government, which, as stated by Prime Minister Élisabeth Borne, has proposed "a faithful and complete transcription into law" of the agreement. It contains two key measures: (1) the generalisation of profit sharing in companies with less than 50 employees and (2) the obligation to negotiate on value profit in case of exceptional results.

According to the current project, companies under 50 employees will be required, as of January 1 2025, to set up at least one profit-sharing scheme—mandatory (participation) or optional (intéressement) profit-sharing, value-sharing bonus (VSB) (prime de partage de la valeur), etc.—if they:

⇒ are incorporated as a commercial company

⇒ have a positive net tax profit of at least one percent of sales for three consecutive years

⇒ are not already covered by a profit-sharing scheme, except for the VSB, at the time they make the abovementioned net taxable profit.

According to the current draft, companies with 50 employees or more and having at least one trade union delegate and subject to the obligation to set up mandatory profit-sharing, will have to negotiate with the trade unions when they achieve an exceptional result in France. The obligation to negotiate concerns:

⇒ the automatic payment of a mandatory or optional profit-sharing supplement, the terms of which would be defined by in-house collective agreement; or

⇒ the referral to a new discussion on the payment of a profit-sharing scheme.

In addition to the two main measures mentioned above, there are several secondary measures designed to encourage the implementation of all types of profit sharing.

India: Unicorn start-ups call for simpler policies, higher tax exemptions

A majority of unicorn start-up companies want clarity on Employee Stock Ownership taxation in this year's Union Budget.

Businessline reported that Pristyn Care co-founder, Harsimarbir Singh said that the government should offer clarity on Esop taxation to benefit start-up employees and enable capitalisation of Indian start-up ventures to help them grow. "Start-ups are going to change the nation's destiny in 25 years. Therefore, the government should focus on introducing a new and simplified tax and regulatory framework along with ease of funds and regulatory relaxations to boost entrepreneurship in the country," he added.

Finland: Fiskars plans employee share savings scheme

Fiskars is launching a new ownership plan for the company's management and planning an employee share savings plan.

Its 'Ownership Plan 2023' is directed to the company's president and ceo, the Fiskars Group leadership team and certain key employees determined by the Board. In the plan, the target group (approx. 16 people) is given an opportunity to receive free matching shares for their personal investment. The rewards based on the plan will be paid after the end of the three-year matching period in 2026. It has been established to encourage the target group to invest in Fiskars shares. The aim is to align the objectives of the shareholders and the management for increasing the value of the company in the long-term, to commit the target group to the company and to offer a competitive incentive programme.

The maximum amount of gross reward to be paid on the basis of the Plan will correspond to approximately 380,000 Fiskars shares, including the cash proportion intended for covering taxes arising from the reward. On February 6 2023, the estimated total value of the Plan was approximately €6.6 million.

The share subscription period of the shares was February 9 2023 - March 3 2023. The share subscription price for the shares was €16.56 per share, equal to the trade volume weighted average price of Fiskars share on Nasdaq Helsinki Ltd during the period of January 1 2023 - January 31 2023. The shares must be paid upon subscription. The share subscription price will be credited to the company's reserve for invested unrestricted equity.

The Board is also planning to launch an employee share savings plan for the whole workforce during 2023. Participants will receive free matching shares for the shares purchased with their savings under certain conditions.

By encouraging the employees to purchase and own Fiskars shares the company aims to strengthen the connection of interests between the employees and shareholders, and to increase the employees' commitment to the company.

The intention is to offer the plan to employees of Fiskars Group in all countries where there are no legal, administrative or tax-related obstacles that would prevent running the programme.

Fiskars chairman Paul Ehrnrooth commented: "I'm convinced that having our management and employees as shareholders supports the company's transformation journey by increasing engagement and enhancing a culture of ownership. With the employee share savings plan we are aiming for broad-based employee ownership in Fiskars by offering all employees the opportunity to acquire shares on favourable terms and to finance their share purchases easily.

The aim of the ownership plan for the management, which complements the employee share savings plan, is for the management to be notable and long-term shareholders in Fiskars.

UAE: Rewarding employees with blockchain-based

According to *consultancy-me.com*, the entrance of assets on the blockchain technology has opened a whole new rulebook for professionals in the world of compensation & benefits. Synthetic equity refers to a collection of strategies and instruments frequently used to provide employees with financial advantages of share ownership without actual shares changing hands.

The favourable economic qualities of equity are embedded into synthetic equity plans, also known as equity alternatives, without the financial obligations coming from purchasing shares from the initial owner. Instead, synthetic equity programmes often develop into cash payments to the employee and a corresponding deduction for the employer.

Since synthetic equity represents compensation, the concept can easily be adjusted to handle almost any scenario.

This has been known for decades. The critical challenge in the modern business world is ensuring that innovation and productivity are rewarded equitably across an organisation. At the same time, executives must be compensated for creating these conditions.

However, rewarding innovation and equitably delivering executive-level incentives and rewards across the organisation from the top to the shop floor is the alternative made possible only by deploying smart contracts and blockchain technology — tokenising business and individual performance.

In the hands of a forward-thinking business leader, synthetic equity is a potent instrument. It may be utilised to solve the difficulty of attracting, rewarding, and maintaining top talent to create a great practice or viable business without the challenges of selling and paying for an actual ownership stake. Like full stock, synthetic equity may refocus the employee's attention and motivate them to contribute to a flourishing and profitable company.

USA: Opening the books on pay-versus-performance: Are you ready?

Many companies will shortly be making their first attempt at showing why their senior executives are worth their salt.

The newly required disclosures stem from the pay-versus-performance disclosure requirements adopted by the Securities and Exchange Commission in August. Under the new rule, large US public companies are now required to include a table within their filings that discloses the relationship between executive compensation and their organisation's financial performance.

The new disclosures are meant to make it easier for shareholders to directly compare executive compensation with their company's financial performance, but the process will pose new and significant burdens for some companies, according to a report from the Harvard Law School Forum on Corporate Governance. At this juncture, it's too soon to tell whether companies will get it right.

USA: Esop buyback worth $30million

Tredence, the Data Science and AI Solutions company, last month announced its largest Esop buyback programme worth $30million (INR 240 Cr) on the heels of a Series B funding of 175million USD from Advent International.

The buyback will include over 270 employees globally. Eligible employees will participate in the repurchase and liquidate 40 percent of their vested Esop units. At five times the book price of each unit, this programme provides liquidity options and will be a wealth-creation opportunity for the organisation's leading employees.

"Tredence embraces a transformative leadership framework we call ACE: adviser to the customer, coach-captain to the team and entrepreneur to the business. The framework aims to institutionalise a 'Founder's Mindset' among employees that provides an exploratory environment for bold innovation. The buyback programme will recognise and reward employees who strive every day to make Tredence the most indispensable analytics company on the planet," said Shub Bhowmick, ceo & co-founder.

Tredence currently employs 2,000 people, with 80 percent of the workforce in India. By the end of 2023, the company plans to expand its workforce to 3,000. Nearly 700 of new employees will be hired in India. Additionally, the expansion will create jobs in North America, Canada and the UK.

USA: SECURE Act 2.0: impact on Esops

The SECURE 2.0 Act of 2022 (SECURE Act 2.0) makes far-reaching changes to the US retirement plan system. In a recent blog, Morgan Lewis focused on provisions unique to employee stock ownership plans.

Of specific interest to Esop sponsors and Esop sellers, SECURE Act 2.0:

⇒ amends Section 1042 of the Internal Revenue Code of 1986, as amended (the Code) to permit a 10 percent tax deferral for certain sales to S Corporation Esops

⇒ amends Section 401(a)(35) of the Code to change the definition of “publicly traded” for certain diversification purposes

⇒ directs the Department of Labor (DOL) to create an Employee Ownership Initiative and release formal guidance in connection with the Employee Ownership Initiative; and

⇒ directs the DOL to release formal guidance on good faith fair market valuation standards.

The Employee Ownership Initiative - Section 346 of SECURE Act 2.0 contains the Worker Ownership, Readiness, and Knowledge Act (WORK Act), which requires the DOL to establish an Employee Ownership Initiative to promote employee ownership at the state level. The WORK Act contemplates that this programme will initially have $4 million of funding in fiscal year 2025, and the funding will gradually increase to $16 million by fiscal year 2029.

Formal Guidance on Esop Valuation Standards - The WORK Act also requires the DOL to develop “acceptable standards and procedures to establish good faith fair market value for shares of a business to be acquired by an employee stock ownership plan.” This directive from Congress is meant to fill a regulatory gap in the prohibited transaction rules set forth in the Employee Retirement Income Security Act of 1974, as amended (ERISA).

While members of the Esop community have been urging the DOL to release guidance on this point for years, the only formal regulatory activity to date has been in the form of *Proposed Labor Regulation Section 2510.3-18*, which was released in 1988 but never finalised.