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it’s our business

newspad of the Employee Share Ownership Centre

Z/Yen Group Limited t/a The ESOP Centre

1 King William Street, London EC4N 7AF

tel: 020 7562 0586 e-mail: esop@esopcentre.com www.esopcentre.com

WELCOME

In this issue

From the life president

The responsibility of trustees has come into the spotlight as part of the ongoing Roadchef scandal. The Trustee Act 2000 was widely agreed to be inadequate, not least in imposing an adequate obligation on trustees to keep their beneficiaries regularly informed about developments which could affect them.

Centre expert David Pett takes the view that best practice would be for trust deeds of an employees' trust to include an obligation on trustees to report annually to current and past employees on trust assets and on payments made and other consequences of the exercise of the trustees' powers to provide benefits.

Trustee members of the Centre will have an opportunity to contribute from their position of expertise.

At the Ministry of Justice I understand this is more a ministerial than official matter. We shall consider how best to carry that forward in current complex circumstances. The Centre and its members shouldn't miss this opportunity to pursue the general good while keeping focus on the hapless Roadchef beneficiaries.

Malcolm Hurlston CBE

Roadchef: Justice in the Dock

Now that the Roadchef Esop beneficiaries have at last received compensation of sorts for the removal and subsequent sale of their employee shares, attention is shifting towards the disastrous process they suffered.

Why, they ask, were the compensation payments they have received so low - a maximum of only £13,000 - when they were led to believe that, dependent upon length of service and position, some would get around £50,000?

Why are they yet to receive from the Roadchef EBT trustee any detailed breakdown of the costs incurred during the long years of preparing the High Court case, on behalf of the employee beneficiaries, and the subsequent ten-year wait, post the judge's ruling, for their meagre payouts? Esop beneficiaries are demanding more transparency from the EBT's lawyers in the case and from their trustee, Christopher Winston Smith. Smith and the lawyers say they are bound by a confidentiality agreement made with ex-ceo and chairman Tim Ingram Hill as the counterpart for his compensation payment - the amount of which is still undisclosed. However, will this secrecy blanket last until all the parties are dead, it is being asked?

It took more than a decade after Mr Ingram Hill sold Roadchef to Japanese investors for the employees' lawyers to find the financial backing to mount the High Court case against him. Only after a change in the law could Harbour Litigation Funding could be brought in, at a heavy price, to hire the legal expertise needed to prepare the case.

The court ruling in the employees' favour was followed by lengthy out of court negotiations, as a result of which a deal with Mr Ingram Hill to pay compensation - for his removal of their Esop shares from one trust to another, which he controlled - was reached.

Unfortunately the term 'beneficiaries' was loosely defined in the Roadchef Esop trust deed and the EBT had to accept that subsequent Roadchef employees, who had no connection or stake in the Esop were entitled, bizarrely, to 30 percent of the compensation pot!

Then, to cap it all, the trustee had to fight a long battle with HMRC, which demanded a share of the compensation payments in tax. Mr Winston Smith secured a repayment of some millions for the beneficiaries of the sum (perhaps as much as £10m) which Ingram Hill had paid to HMRC as 'tax' on his £27m profit from the sale of Roadchef shares, including those which had been in the Esop. However, the Esop beneficiaries have not been told whether any tax was pre-paid on their compensation.

Former Roadchef employee, Ms Redmond told *newspad* in January that she was feeling totally deflated by the treatment of the beneficiaries; maintaining that there was too much secrecy; a substantial amount of money had been lost and no one could tell her where the money went; she asked too: "*Where did the interest go?*"

Before then, the last update she had received was in May 2023. "*The beneficiaries are being told nothing, and the information on the Menzies' website is not helpful*," Ms Redmond explained. She and other beneficiaries had been pressing their MPs, they are unable to ask questions and are getting no answers.

"*Treatment is shocking and the case has never been about us* [the beneficiaries]." She added that it would be good to be able to get in touch with other beneficiaries to find out how they feel about it.

More broadly, the Roadchef scandal has thrown up urgent questions for the trustee community:

⇒ Why was there so little precision in the Trustee Act 2000 about any obligation of trustees to keep their beneficiaries informed regularly about developments which could affect them financially or otherwise?

⇒ A beneficiary safeguard was introduced - a statutory duty of care which applies to trustees when exercising their powers/ authority - as defined by the Act - which had been preceded by a long fight among leading lawyers over trust reform - but was this enough?

⇒ Furthermore, these powers can only be exercised in so far as the terms of the trust document permit and most clauses in the Act concern either the investment powers and duties of trustees in financial management trusts and the like. Thus it did not focus on the rights of beneficiaries to be kept informed regularly of developments affecting their trusts and it left a number of legal anachronisms in place, so much so that the Law Society Gazette said it hoped there would be another Trustee Bill soon……(but there wasn't).

⇒ Some specialist trustee law firms refer habitually to 'check lists' of actions and responsibilities trustees should bear in mind…. one of which is considering the interests of the beneficiaries, but there are many grey areas, including the regulatory apparatus which supposedly guides the trustee sector.

What do Centre trustee members think?

Finally, why is there no mechanism by which high profile High Court cases like the Roadchef Esop, which affected hundreds of people directly and two thousand others indirectly, can be given urgent priority for accelerated court hearing? Why did it take so long for the proposed Roadchef compensation scheme to be validated finally by a High Court judge? Is anybody looking at this at the Department of Justice?

SCENE FROM "TRIAL BY JURY," AT THE ROYALTY THEATRE.

British Isles Share Plan Symposium - April 25

Book your place now for the Centre's seventh British Isles share plan symposium in London on Thursday April 25.

Under the ambitious heading: *Employee Share Plans – Beyond the 1%*, the 2024 Symposium will focus on increasing productivity through an uplift in the percentage of total equity in employee ownership. If at least 10 percent of equity were in the hands of employees, this should boost productivity and benefit all investors.

Delegates will hear share plan experts from: Baker McKenzie; CMS; David Craddock Consultancy Services; Deloitte; EQ; Global Shares; Macfarlanes; MM&K; RM2; Tapestry Compliance; Wealth at Work; and host **White & Case**.

The programme will include interactive panel sessions on: global share plans; the executive remuneration landscape; employee share/share option plans in SMEs; and the future of all-employee share/stock ownership plans. All sessions will be based on content accessible in advance online.

For details, please view the preliminary programme.

The event will take place on the afternoon of Thursday April 25, at the offices of White & Case in central London.

The popular ***newspad* awards** presentation will close the symposium, followed by a **celebratory reception.**

Lead co-sponsor is **Vestd**, the share scheme and equity management platform.

REGISTER HERE

Admission rates:

Delegates from **plan issuer** companies may attend **free of charge**.

Practitioners:

Members: £450; Non-members: £800

Trustees:

Members: £400; Non-members: £650

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

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

There will be limited opportunities to attend remotely for international delegates not able to travel to London.

Should you have any questions, contact the team at events@esopcentre.com or phone +44 (0)207 562 0586 .

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WHITE & CASE

Lord Mayor's Coffee Colloquy success

On Tuesday February 13 more than 80 people joined the Esop Centre and City of London representatives in Mansion House for a Coffee Colloquy, part of a series of workshops on the UN's Sustainable Development Goals.

Organised by the Centre, the colloquy addressed Goal 10: Reduced inequality within and among countries. Our panel of nine experts considered how inequality might be addressed by raising productivity with employee share ownership. Factors that contribute to this include ground-up volunteer-led initiatives, and the practical steps individuals can take to contribute to closing the gap between the haves and have-nots.

The power-packed event on employee share ownership produced a fertility of ideas, with a diversity of contribution around support for the main themes, original thinking expressed from the podium and inquisitive questioning from the audience.

Malcolm Hurlston CBE, president, said of the Centre's contribution to the UN Sustainable Development Goals debate: *"It was five years ago when the Centre was the first to spot the relevance of Esops to attaining the United Nations Development goals, goal no 10 in particular. We highlighted it when we were invited to give a presentation in Brussels at a colloquy hosted by the European Trades Union Confederation on January 24 2019*.

"Our plan was supported by a paper which Deloitte wrote jointly for Business in the Community. We explained that employee financial participation could help to achieve in particular SDG 10 - with its aim to reduce inequalities of wealth both nationally and internationally.

"Many of our international members rewarded equally round the world which made a big difference in small countries with weak currencies. I suggested an SDG working party - ideally led by Deloitte with Linklaters and CMS. The overall picture was that MNCs and business generally saw the advantages at the time of being engaged but were not quite sure how.

"We highlighted the opportunity, which has since been followed through by members. In particular I asked David Craddock to write a paper for us."

MOVERS & SHAKERS

New expert will champion small businesses across government

Shirley Cooper OBE, former member of the Ministry of Justice board and chair and president of the Chartered Institute of Procurement and Supply, met Parliamentary Secretary Alex Burghart for the first time as Crown Representative for small businesses last month.

They discussed priorities for the next 12 months, with a focus on the implementation of the Procurement Act in October, which will see further benefits for start-ups and small businesses wishing to work with the government. These include simpler processes, greater transparency and access to opportunities, as well as payment terms which will maximise value for money and innovation in the government market.

Ms Cooper will lead on the overall relationship between the government and small businesses, making sure the government gets best value from small and medium-sized enterprises, and that they in turn have the best possible opportunity to work with the government.

Centre speaker joins Postlethwaite

Centre symposium speaker Robin Hartley, formerly of member Doyle Clayton, has joined Postlethwaite Solicitors as a partner.

Over his 16-year career Robin has become recognised for his expertise in structuring Employee Ownership Trusts for SMEs, with a commitment to creating financially viable and equitable solutions. He has a particular focus on the financial aspects of employee ownership, using financial modelling to inform decisions on the transaction structure, group reorganisations, and how to balance the interests of all stakeholders.

Opening up share schemes could give UK a £2.4bn boost

Experts are calling on the chancellor to widen employee share schemes in order to generate a £2.4billion boost to the UK economy. After Sir Graham Brady and some of Britain's biggest listed companies put pressure on the chancellor to unlock a "new wave of employee share ownership", Ifty Nasir, founder and ceo of Centre member **Vestd**, is spearheading a campaign to enable more businesses to grow.

In last year's Spring Budget, the Treasury launched a consultation on the Save As You Earn (SAYE) and the Share Incentive Plan (SIP) to "improve the schemes and expand their use by making it easier for businesses to set them up and offer them to staff."

Vestd's analysis shows that 250,000 more businesses setting up share schemes could generate a £2.4billion boost to the UK economy. Mr Nasir said: "The government is looking to re-create a culture of equity ownership in the UK and employee share schemes are one of the easiest ways to drive this investment.

"Just 16,000 businesses currently operate one of the four share schemes backed by the government and there are a number of easy changes that the chancellor could make in his Spring budget to drive increased participation."

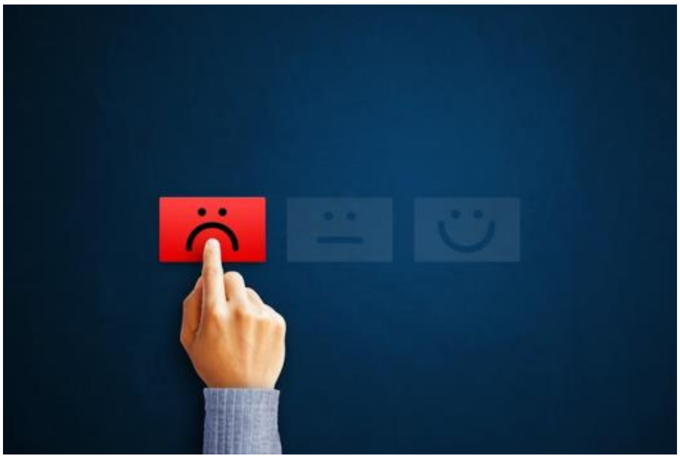
Business leaders and Tory grandees have already called for the chancellor to slash the five-year 'holding period' in the schemes, and Ifty is calling for wider reforms. "The chancellor will be looking for opportunities to cut taxes and a one percent corporate tax cut to businesses that create a share scheme would be a huge incentive.

"The Enterprise Management Incentive (EMI) is the most popular share scheme by far, but it's currently restricted from part-time workers and contractors, as well as being eligible to businesses with less than 250 employees or £30 million of assets.

"The economy is currently plagued by low productivity and struggles to recruit talented staff, and widening access to these schemes would offer a huge boost – giving people a stake in the company their work for is an incredibly powerful motivator."

HMRC customer services at all-time-low

Customer service levels at HM Revenue and Customs have sunk to an "all-time low", parliament's spending watchdog has said. Users regularly encounter long call-waiting times as the tax department apparently struggles to cope with demand, a report by the cross-party public accounts committee (PAC) has found. As demands on HMRC grow, the authority has not been given the resources needed to staff its phone lines, the *Guardian* report said.



Government consults on options to reform tax administration

The government has published a call for evidence on HMRC's enquiry and assessment powers, penalties, and safeguards.

The document explores 22 potential opportunities for reform over three areas: HMRC's enquiry and assessment powers; penalties; and safeguards. On safeguards, the consultation focuses solely on the processes in place for taxpayers to make use of alternative dispute resolution (ADR), statutory review and appeal to the First Tier Tax Tribunal.

The opportunities for reform include the following:

- HMRC's enquiry and assessment powers
  - Aligning enquiry and assessment powers across the various taxes HMRC administers;
  - enabling the tax consequences resulting from non-compliance in relation to one tax to be corrected across all affected periods and tax regimes; and
  - modernising how HMRC sends statutory notices to taxpayers and agents (including the use of digital and self-serve options) while providing alternative provision for those who are digitally excluded.
- Penalties
  - Increased alignment across different tax regimes, especially in relation to penalties for late filing, late payment, failure to notify and inaccuracies;
  - simplification of the calculation of penalties, which includes removing the impact of the behaviour of the taxpayer in determining the size of penalty;
  - use of penalty suspension for the first non-deliberate or careless failure by a taxpayer;
  - regular uprating of fixed penalties (eg every five years);
  - setting fixed penalties with reference to the taxpayer's income; and
  - the role of penalty escalation for continued and repeated non-compliance.
- Safeguards
  - Aligning the processes for direct and indirect tax appeals to ADR;
  - expanding access to statutory reviews and ADR;
  - mandating use of statutory reviews in certain circumstances (eg in cases relating to late filing penalties);
  - withdrawing the availability of statutory reviews where, for example, there is no reasonable grounds for appeal or where the dispute involves an avoidance arrangement; and
  - making greater use of digital appeal routes.

The call for evidence has been made as part of the government's tax administration framework review. Responses are required by May 9 2024.

FCA to name and shame

The Financial Conduct Authority (FCA) plans to name companies it's investigating seriously. Its aim is to deter firms from breaking the rules and strengthen its enforcement action on the City. The FCA hopes this will encourage witnesses and whistleblowers to come forward, *City A.M* reported. Moreover, greater transparency will "drive greater accountability for us as an enforcement agency," it said.

Questions raised over lenders "debanking" SMEs

Big banks closed just under 142,000 UK small business accounts last year, according to the Treasury Committee watchdog, as MPs raised questions over lenders' reasons for "debanking" risky customers. The Treasury Committee found that eight major banks closed nearly three per cent of 5.3m small and medium-sized business (SME) accounts between them in 2023. Common reasons given by the banks for the account closures included risk appetite, a lack of information sharing, and financial crime concerns.

Net zero economy growth

The UK's net zero economy grew by nine percent in 2023, contrasting with the 0.1 percent growth seen in the economy overall. A report by the Energy and Climate Intelligence Unit and the Confederation of British Industry said thousands of new green companies were founded in 2023. Overall, the sector was responsible for the production of £74bn in goods and services and 765,000 jobs. However, it warned strong future growth from green businesses was being put at risk by government policy reversals, lack of investment and competition from the EU and US.

London Stock Exchange owner to double chief executive's pay

The London Stock Exchange Group is planning to double the maximum pay package for its ceo David Schwimmer amid concerns that high-paying US rivals are luring City bosses away. Schwimmer's pay could rise to £6.25m under proposed changes, up from his current maximum of £4.7m including bonuses and long-term incentives. The revised structure would increase his annual bonus to 300 percent of base salary from 225 percent.

LSEG is consulting major shareholders on the move. LSEG ceo Julia Hoggett warned last year of the disparity between UK and higher US executive pay packages, arguing this "lack of level playing field" has driven an exodus of talent and companies from the City. Only 23 companies floated in the UK last year, down 49 percent from the previous year, according to data gathered by EY. An LSEG spokesman said: "The committee periodically reviews executive remuneration arrangements, in line with usual corporate governance practices, to ensure they remain fit for purpose and aligned to our ambitious growth strategy.

"The policy will focus on attracting, securing, retaining and rewarding the best talent in a competitive global market."

HSBC reveals record profits but takes hit from links to China

HSBC reported record annual profits of over $30bn for 2023, with ceo Noel Quinn's pay package nearly doubling to $10.6m. The bank's pre-tax profit surged 80 percent for the full year, but fell by $4.1bn in the final quarter due to a $3bn hit linked to its stake in Chinese *Bank of Communications*, as China's property sector downturn has left many developers with large debts. HSBC shares dropped around seven percent on the news, with Quinn attributing the challenges to China's real estate market but saying it is showing a "progressive and gradual recovery". He also said his increased pay reflected the bank's strong full-year performance.

Rail bosses awarded big bonuses and pay rises despite strikes

Executives at private rail firms were given bonuses up to £1m last year, despite failing to enforce new laws to minimise the impact of industrial action, according to an analysis in *the Telegraph*. The highest paid executive at Arriva was given £1,086,342 in pay and perks last year, a 61 percent rise. Bonuses of £1.3m were shared by FirstGroup's top executives, and a £540,000 bonus was paid to then chief executive of Go-Ahead, Christian Schreyer, in 2022. However, none of the 18 operators threatened by walkouts by train drivers in February and March are implementing the requirement to provide at least 40 percent of normal services, the article suggests. FirstGroup awarded its top executives £1.3m in bonuses in 2022/23, weeks before being stripped of the TransPennine Express contract and despite poor performance at Avanti.

Council's chief executive salary set to rise above £200,000

North Yorkshire Council has proposed pay rises for its most senior officers, with chief executive Richard Flinton set to receive £205,897, a 3.5 percent increase determined by the Joint Negotiation Committee. Nine other directors will earn over £100,000, though its lowest paid staff will earn £22,366, with the average being £27,334. The report of the new pay deals indicated the pay multiple has reduced to 7.5:1, better than the recommended 20:1 ratio in the Hutton Report. The council is conscious of ensuring high salaries are reasonable and consistent with its pay policy and the needs of the authority, according to the statement cited by *Yahoo News*.

Use tax policy to combat skyrocketing executive compensation

Bloomberg Law reports that executive compensation in the US has skyrocketed in recent decades, exacerbating the problem of rising income inequality. Tax breaks provided to corporations have partially contributed to this issue, as some savings from credits end up padding executive pay packages, according to the analysis. To help address wealth disparities, the article proposes tying corporate tax credits to executive compensation thresholds. Specifically, companies would only qualify for tax credits if executive salaries and bonuses do not exceed certain levels. This aims to better align tax incentives with the goal of improving equality by encouraging firms to consider societal impacts when setting executive pay. It would also force companies to re-evaluate if maximising tax savings is worth high executive costs. Linking credits to compensation could help make the tax system more equitable and ensure benefits reach broader society rather than disproportionately high-paid executives.

A start-up secret: executives' '11th-hour' pay bumps

According to a new research paper by Yale law professor Sven Riethmueller, many private companies grant executives deep discounts on stock options in the 90 days before going public. Mr Riethmueller examined 121 biotech companies and found 74 percent issued discounted options in this window, averaging 48 percent below the IPO price. Companies like Zoom, Beyond Meat and Eventbrite were among those that granted such options. The research states that companies have more leeway than public firms in pricing options and reporting them. By timing the grants right before the IPO when the price is known, executives can realise instant gains. While the SEC requires disclosures, the reporting gap between private filings allows selective information. Mr Riethmueller believes companies mislead regulators by claiming a low probability of going public when filing for options. According to the *New York Times* proper transparency around executive pay is needed to properly inform new public investors.

Singapore bank giant cuts boss' bonus over outages

Singapore's biggest bank DBS has cut the bonus of its chief executive Piyush Gupta by 30 percent following disruptions to its digital banking services in 2022, despite the bank posting record profits. The author Mariko Oi, states Gupta's variable pay has been cut by S$4.14m to S$15.4m, with his full 2023 salary to be disclosed in March. Other senior management saw bonuses reduced by 21 percent while junior staff received a one-time bonus. As reported in *BBC News*, DBS has benefited from higher interest rates even as it penalises Gupta, who has led the bank's expansion in markets like India, Taiwan and China since becoming ceo in 2009.

India: RBI raises non-exec directors' pay cap

The Reserve Bank of India has raised the ceiling on annual remuneration for non-executive directors (NEDs) in private banks from Rs 20 lakh to Rs 30 lakh. In April 2021, RBI had set the limit at Rs 20 lakh per year for NED pay. The central bank said the increase reflects the crucial governance role of NEDs on bank boards and committees and will help banks attract more qualified individuals. Banks must have board-approved criteria for granting fixed remuneration to NEDs before reviewing existing pay. Individual bank boards also have the flexibility to set a lower rate within the new Rs 30 lakh ceiling, taking into account factors like the bank's size and a director's experience. The updated instructions on NED remuneration apply to all private sector banks, small finance banks, payment banks and wholly-owned foreign bank subsidiaries. The changes take immediate effect, according to the *India Times*.

COMPANIES - EO NEWS

Employee ownership – how does it work for brokers?

Towards the end of 2023, Thomas Carroll became the latest broker to become employee-owned. In a piece for *Insurance Age*, Ida Axling looks at the benefits of the model for intermediaries and how the sale of Ten to Acrisure busted one myth that they cannot be sold.

New EOTS

- IT firm Port-P
- Manufacturer of power distribution products for the entertainment industry SES
- Architecture firm Eòlas Architects
- Communications and marketing firm Purplefish
- Clothing firm Genesis UK.Com Ltd

WORLD NEWSPAD

China

Huawei plans dividends of $10.7b on strong comeback

Chinese technology giant Huawei plans to distribute $10.7 billion in dividends to employees through its employee stock ownership plan after making a strong comeback in the smartphone market. A dividend of 1.50 yuan per share will be paid out in March or April, according to confirmation from three unnamed Huawei employees. Huawei is wholly owned by its employees through a union and founder Ren Zhengfei participates in the long-standing Esop established in 1987.

The dividend plan comes as Huawei recaptured the top spot in China's smartphone market in the first two weeks of 2024, according to a report from research firm Counterpoint. Industry experts comment on Huawei's success factors and the impact its resurgence will have on competitors. Hu Houkun, Huawei's rotating chairman, said: "After years of hard work, we've managed to weather the storm. And now we're pretty much back on track."

Huawei Technologies expected its revenue to hit 700 billion yuan in 2023, after the company made a strong comeback in its smartphone business and saw positive results in diversifying its revenue streams.

If Huawei's expectation comes to pass, that would mark a nine percent year-on-year increase in revenue from 642.3bn yuan in 2022, confirming the company's emergence from the effects of US government restrictions over the past four years, according to *China Daily*.

Denmark

Mandatory stock plan termination rules put the brakes on Tesla

Prior to 2019, the Danish Stock Option Act (the 2004 Act) included mandatory termination rules that allowed employees to keep unvested awards after the termination of employment as if they were still employees, even if the share plan rules said otherwise.

The 2004 Act was amended in 2019 (the 2019 Act) and the mandatory termination rules were revoked for share plans established on or after January 1 2019 (see our alert here). It was not clear how the 2019 Act would apply to new awards granted under a share plan that was introduced prior to 2019 but it was generally considered that the mandatory termination rules did not apply to those grants.

A recent case involving Tesla Motors has found in favour of former employees who successfully argued that they were entitled to the protection of the 2004 Act for unvested awards granted after 2019 but under an incentive plan from 2010, even though the incentive plan was replaced by an updated plan in 2019. The case was decided by the Danish Maritime and Commercial Court.

Key facts:

⇒ Three former employees of Tesla Motors Denmark had received RSUs and stock options during their employment under Tesla's 2010 Equity Incentive Plan (the 2010 plan) and the replacement 2019 Equity Incentive Plan (the 2019 plan).

⇒ The 2010 plan was replaced by the 2019 plan to comply with US rules, rather than to reflect the 2019 Act. The terms were substantially the same and employees were not told that the plan had changed.

⇒ When their employment ended, the employees had unvested RSUs granted in 2018 and 2019, with reference to the 2010 plan, and unexercised options granted in 2019 and 2020, with reference to the 2010 plan and the 2019 plan respectively.

⇒ Following termination of employment, the RSUs were accelerated, but the employees received a below market value cash payment based on an 'intended price' set by the employer, and the options were forfeited.

⇒ The Court found that the employees were 'good leavers'.

Centre member **Tapestry Compliance** commented: *This is an interesting case on the treatment of existing share plans under the 2019 Act. We have not yet heard whether Tesla will appeal against the decision. In the meantime, companies should carefully consider how the decision might apply to the share plans that they offer in Denmark. In particular, it is common for companies to operate plans that pre-date the 2019 Act and so those companies will need to take steps to ensure their position is as secure as possible. With this in mind, here are a few proposed takeaways:*

⇒ *If the company wishes to make grants under a plan that was created prior to January 1 2019, the award communications (e.g. the award agreement) should explicitly communicate to the participants that the 2019 Act applies to the new grant. This can also be clearly stated in the prescribed employer statement.*

⇒ *Companies should provide employees with the prescribed employer statement summarising the key terms of the plan, including that it is subject to the 2019 Act. This should be provided in the Danish language, although, in practice, this is usually provided with both the Danish and English text in a single document.*

⇒ *If possible, the company should obtain the participant's acceptance to the award documents, which would include the statement that the awards are covered by the 2019 Act, as noted above.*

⇒ *Note that the Danish Stock Option Act (and the mandatory termination rules) do not apply to senior management or board members of the Danish entity.*

Finland

Vaisala introduces performance share plan

Vaisala's Board of Directors has greenlighted a Performance Share Plan aimed at supporting the company's growth strategy and aligning the interests of shareholders and key employees for long-term value creation. The plan, spanning from 2024 to 2026, offers potential rewards based on Vaisala's total shareholder return (TSR) and operating results. Approximately 65 key employees, including members of Vaisala's Leadership Team, will participate in the plan, with rewards paid partly in Vaisala's series A shares and partly in cash in 2027. The board requires senior executives to retain ownership of the shares received until the value matches at least their annual gross base salary, emphasising commitment to the company's success.

Nokia LTIP and Employee Share Purchase Plan 2024–2026

Nokia Board of Directors has approved a new share-based long-term incentive plan and an employee share purchase plan under which awards may be granted until December 2026.

The share-based long-term incentive plan intends to contribute to the long-term value creation and sustainability of the company and align the interests of the executives and employees with those of shareholders. Under the Plan the company may grant eligible executives and other employees awards in the form of both performance shares and restricted shares.

Under the ESPP 2024–2026, subject to the Board commencing annual plan cycles, the eligible employees may elect to make contributions from their monthly net salary to purchase Nokia shares at market value quarterly on pre-determined dates during the applicable plan period. Nokia would deliver one matching share for every two purchased shares that the participant holds at the end of applicable cycle. In addition, the participants may be offered free shares.

Japan

Startup offers employees path to buy out small businesses

Owners of smaller firms in Japan have struggled for years to hand their businesses on to a buyer or successor. Teamshares, an American startup with backing from Mitsubishi UFJ Financial Group, is seeking to change that by offering financing for workers to become stakeholders.

Teamshares, based in Brooklyn, is bringing its employee ownership succession model to Japan in its first overseas foray. Typically, the startup will buy an entire enterprise from business owners so they can retire, then hire new management to bolster the company while giving workers an 80 percent stake over a timespan as long as 20 years.

Such proposals could help the 2.45 million small business owners in Japan who will be 70 or older by 2025, almost half of whom have yet to identify a successor. A cottage industry has emerged seeking to connect these founders with buyers, using technology as well as more traditional M&A services. Mitsubishi UFJ, Japan's biggest bank, has funded the startup through its corporate venture fund.

"We genuinely believe that our business in Japan can grow to the same size as our US business," Kevin Rikio Shiiba, co-founder of Teamshares and head of its Japan business, told *Yahoo News*. The Georgetown University graduate's family comes from Japan, giving the 35-year-old a close view of the challenges around succession in the country.

USA

Banter: staying alive through employee ownership

The breakfast and lunch chain Banter transitioned to employee ownership to keep the business afloat after the pandemic took a toll on the original owners. The owners sold 100 percent of the business to *Teamshares*, which works with 89 employee-owned businesses.

In this form of employee ownership, *Teamshares* owns 90 percent of Banter, with the staff owning just 10 percent, though this will rise to 80 percent over 15-20 years, providing stability and benefits like profit sharing dividends.

Employees received their first payout in late 2022. Employee ownership helps with retention in New York City's competitive hospitality industry, writes Gary Stern in *Forbes*.

USA

Millionaire transfers full ownership of his business to 700 employees

Bob Moore, the founder of Bob's Red Mill, transferred ownership of his natural foods company to its 700 employees before passing away. Moore launched an employee stock ownership plan in 2010 on his 81st birthday, giving ownership to the then-209 employees. By 2020, the company had grown to 700 employees who all became completely employee-owned upon Moore's transfer of full ownership.

Moore had rejected offers to sell the business because he loved the company too much. He believed in putting employees' interests ahead of owners and management. Moore cited the Bible on treating others how you wish to be treated. Despite retiring in 2018, Moore remained a board member until his death last month. Moore had a purpose beyond wealth accumulation from founding a successful business.

India

Classplus unveils second esop buyback for 150+ employees

Edtech startup Classplus has announced a second buyback offer for employees to sell vested shares issued under its Esop or employee stock ownership plan. Over 150 eligible staffers will be able to sell shares back to the company, with the average age of participants being 28, according to co-founder and CEO Mukul Rustagi.

Founded in 2018, Classplus operates a mobile-first SaaS platform helping creators monetise content and has digitised creators in 3,000 cities serving over 50 million students. The Tiger Global-backed startup, last valued at over $600 million, competes in the edtech space with Teachmint.

Will the government revise taxes on employee stock ownership plans?

Athough Union Finance Minister Nirmala Sitharaman will be presenting the Interim Budget ahead of the scheduled Lok Sabha elections in May, startups and experts feel that the government should offer clarity on Esop taxation to benefit start-up employees.

Under the Income Tax Act of 1961, Esops are taxed twice -- first when employees exercise their stock options, and again when they sell their shares. Startups have asked to change this to a single point of taxation - when shares are sold - rather than the current two-stage approach according to *Business Today*.