EsopCentre

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it's our business

newspad of the Employee Share Ownership Centre

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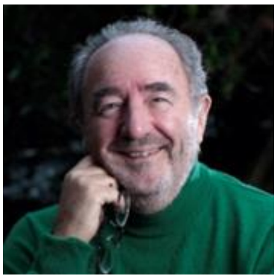
WELCOME

In this issue



From the life president

Former editor Fred Hackworth sees the planned cuts to the annual CGT exemption allowance as "disastrous". The biggest victims are SAYE schemes, in which employee participants will have their allowance cut a second time in 2024 to £3k a year.

Many SAYE option strike prices were exceptionally low in 2020-21 in the wake of Covid, so some scheme wins could be quite considerable. SIP is a different matter because gains are not subject to CGT, whereas many employees can't or won't afford to buy shares outright through SAYE.

I like Fred's suggestion that the Centre and allies should write to the Chancellor and suggest he hold back from implementing the further cut in the next fiscal year. Otherwise it is highly likely that employees will be disincentivised from taking part in SAYE again. That would be a great loss both to them and to the share plan movement. Let me know if you agree.

Malcolm Hurlston CBE

What EO is all about

In New England, employee ownership can mean the local convenience store chain has 175 workers with more than $1 million in company stock!

The number of Stewart's millionaires has expanded again, with 175 workers at the convenience store chain owning more than $1 million worth of company stock. Stewart's annual stock ownership statement last month revealed that it has made a $19 million contribution to 3,000 active employees' accounts - equivalent to 16 percent of each employee's 2022 wages.

Additionally, Esop participants' account balances grew by 12.5 percent in 2022. Stewart's Shops employees own more than 40 percent of the company through profit sharing. Now 175 partners hold a balance of more than $1 million; before, 90 employees owned more than a million dollars of company stock. In 2018, there were 67 employees with more than $1 million in company stock.

Stewart's has expanded, steadily building and adding more stores across the Capital Region, parts of Vermont and the Hudson Valley. Of the employee millionaires at the company, 70 percent started out as hourly employees.

The Esop programme is 100 percent funded by the company for anyone working at least 1,000 hours a year. After six years in the plan, a partner's balance is usually greater than a year's pay.

The company notes that the Esop plan has created stability - a competitive advantage in an era when employee shortages and recruitment challenges face many businesses.

Making investors feel loved should be a goal for companies

According to Jeff Prestridge in *The Mail on Sunday*, although dividends are a form of financial thank you for being a shareholder, far more needs to be done to ensure investors feel wanted and appreciated for their commitment to UK plc. This applies not just to listed companies, but also to platforms that allow investors to build online share portfolios.

In early April, group business editor Ruth Sunderland reported on the launch of a high-profile campaign (Share Your Voice) to give shareholder democracy a major boost.

Spearheaded by Archie Norman, chairman of Marks & Spencer – and backed by investor lobby groups the UK Shareholders' Association and Sharesoc – the campaign calls for major changes to company law that would pave the way for greater shareholder empowerment.

In a nutshell, the changes – if enacted – would trigger more interaction between companies and their shareholders and give firms the right to hold digital-only AGMs that more investors could take part in.

Peter Howells

Howell's Associates announced the passing of its founder and chairman, Peter Howells, on April 4 2023.

A larger than life character who was instrumental in the shaping of the share plans industry; Peter will be much missed for his sharp intellect and wit, sage mentorship and experience, and a mischievous side that many were lucky to share in.

Following the announcement, ceo Alexander Walsh shared his personal recollections: "We are still processing the loss of somebody who was much more than our founder and the chairman of our board at Howells. It has only been a couple of days and is still hard to believe he is gone.
"My interactions with Peter Howells would mostly be hosted at his home, or through the Board. And every time I found myself sitting in his garden, passively smoking a dozen cigarettes, I inevitably learned much more than bargained for.

"Several times, we left his company having been given a polite lecture on strengthening the balance sheet, or the quality of our management accounts, or if we might inadvertently be overlooking his contribution to our successes... However more often, Peter would speak with remarkable recall of significant moments in his business career, or the time he climbed the Dolomites, or how he helped to revolutionise the share plans industry and didn't receive enough plaudits!

"He would cheerfully share stories of his retreats to Portugal, often with members of our team, golfing, or the bizarre email he'd just sent to some captain of industry. More recently, he spoke with joy about being a grandfather.

"I'm not worried. I am quite well-informed, and we are in an enviable position!", he often said, applying his decades of experience to what we might otherwise have been tempted to imagine were real problems. They were not.
"We will miss Peter. His steady and largely invisible hand steering the company, his sharp intellect and wit, and a mischievous side that many of us saw. He was our friend and mentor – the kind of person who will be impossible to replace. For better or worse, they just don't make them like Peter anymore!

"Our thoughts are with his wife Anne, and the rest of his family at this saddest of times".

OBITUARIES

Sir Max Williams

Sir William Maxwell Harries Williams, known as Max, was one of the main architects of the Clifford Turner and Coward Chance merger into Clifford Chance.

He was president of the Law Society when New Bridge Street was formed as the first multi-disciplinary partnership. David Reid, who created the first Esop by combining a Profit Sharing Plan with an Employee Benefit Trust based in Jersey, worked closely with Sir Max. Both Clifford Turner and New Bridge Street (where Damian Carnell and Ann Tyler worked alongside the late Laurie Brennan) were founding members of the Centre.

EVENTS

Webinar

Esop Sofa – newspad review webinar June 21
Thank you to everyone who took part in last month's discussion on possible responses to the government's call for ideas on SIP and SAYE. The Centre's next *Esop Sofa-newspad Review* will be at 11:00am on Wednesday June 21. Join our panel of share schemes experts for in depth discussion of their pick of articles featured in recent editions of "It's Our Business", newspad of the Esop Centre. Registration is open

Thank you to our previous hosts of the Esop Centre British Isles Employee Share Plan Symposium

Baker McKenzie.

MACFARLANES

TRAVERS SMITH

WHITE & CASE

Share plan reporting deadline 2022/2023

The UK tax authorities' (HMRC) submission deadline for annual return filings in relation to employment-related securities for the 2022/23 tax year is midnight on July 6 2023.

Employers that have any share plans or have had any share transactions involving UK employees or directors have an annual obligation to register any new reportable arrangements and file all relevant Employment Related Securities (ERS) returns. They must report any notifiable events in relation to ERS.

Employers that operate international share plans will need to take additional care when filling their annual share plan returns as there are additional complexities to consider, particularly for internationally mobile employees. The ERS reporting requirements apply to any share options, shares and other types of security that are acquired by UK employees by reason of their employment. It can therefore apply to stock options and other kinds of share incentives that are granted by non-UK companies to UK based employees. Reporting may also be required in respect of non-UK resident employees who carry out work duties in the UK.

Reportable events:

⇒ Grants of rights to acquire share or other securities

⇒ Acquisitions of shares or other securities

⇒ The lifting of restrictions (such as risk of forfeiture) from shares or other securities.

Self-certification

Companies that introduce tax advantaged ERS plans, such as Share Incentive Plans (SIPs), Savings Related Share option plans (SAYE) and Company Share Option Plans (CSOPs) must self-certify online that the plan complies with the relevant statutory code. The company secretary (or another person authorised to make the filing for the grantor company or UK subsidiary) should complete an online form declaring certain requirements have been met at the date of registration or from when the first option or award was granted.

Changes to 2023 reporting

From April 6 2023 there are changes to reporting requirements including an increase in the number of mandatory fields in share plan returns (see 'Updates and changes to reporting requirements').

Checklist:

1. Register all new share plans, schemes or arrangements on the HMRC online platform.
2. If necessary, file a separate registration for one-off arrangements.
3. Submit the relevant annual online return for each plan registered on the HMRC system.

Share plan reporting deadline *more*

If there have been no reportable events in the reporting period, submit a nil return for all open tax-advantaged and non-tax advantaged plans.

2023 Updates and changes to reporting requirements

Increase in mandatory reporting requirements

The recently published 'Employment Related Securities Bulletin 47' from HMRC confirms changes to the end of year templates from April 6 2023. Returns submitted after April 6 2023 will now require the mandatory reporting of:

⇒ The employer's PAYE reference number

⇒ Whether PAYE has been operated

⇒ The employee's NI number or, where the employee has not been issued an NI number, a special code based on the employee's date of birth and the reason that an NI number has not been issued.

Employers should take additional care to ensure that they are operating within their data protection compliance policies both inside and outside the UK, particularly when the completion of ERS returns requires that employee's personal data is transmitted internationally.

New share plan registrations

Employers that have implemented new share plans will need to register the new share plans. Employers that have completed a corporate transaction involving the issue of new equity, rolled equity or loan notes will also need to register a new arrangement if the new rights granted or securities issued are not covered by an existing registration.

The employer must complete the plan registration on the HMRC system. Agents can provide support and assistance but cannot themselves register plans on the HMRC system.

Once the share plan is registered, the employer will be provided with a unique reference number that is used to submit the annual return.

Employers should be aware that the tax benefits available for tax-advantaged share plans only apply where the relevant plan has been registered and self-certified.

Filing the annual share plan return

Step 1 – Agent Authorisation

Employers need to provide their nominated agent with their PAYE reference and accounts office reference number in order for the agent to request a code from HMRC.

HMRC will then send an authorisation code to the employer's registered PAYE address by post.

The employer should then provide the agent with this code so they can gain access to the HMRC system.

Share plan reporting deadline *more*

This process can take up to four weeks so it is very important that the employer starts this process early.

Step 2 – Plan Registration

Once agent authorisation has been completed, the authorised agent can submit the return on behalf of the employer (returns can be submitted from April 6 2023).

The employer should provide its agent with information on all awards of rights to acquire shares, all acquisition of shares, and all relevant vestings of awards in the previous tax year.

Don't forget

Take screenshots of every stage of your end of year reporting, and for all other activity on the HMRC online site (eg the notification of EMI option grants), for your records.

Common errors to avoid

Failing to include non-UK based employees

Employees that are non-UK based but have carried out duties in the UK during the period of award should be included in the filing.

Failing to include non-executive directors

Non-executive directors should be included in the ‘other’ return for non-tax advantaged plans.

Duplication or the incorrect registration of schemes

If you’ve already registered a scheme, you should select ‘view scheme arrangements’. A common error is selecting ‘register a scheme or arrangement’, which causes duplication of the same scheme and can lead to unnecessary penalties.

Not filing in good time and failing to file nil returns

Even if there has been no share plan activity or ‘reportable events’ during the tax year 2022/2023 you must file a nil return. Failure to do so could result in penalties. The deadline for reporting Annual UK Share Plan filings is 6th July 2023.

Failing to correctly cease a scheme

To cease a scheme, select ‘view schemes and arrangements’, then select the relevant scheme and choose the option ‘End of year returns’. You must then select ‘provide a final date of event’ and enter the date. This can only be completed by the company and not an ERS agent.

ERS online access and uploading templates

Any alterations to the template, including formatting changes, deleting columns or tabs will prevent you from being able to upload the template to the gateway. You will receive an error message if this is the case.

Late notification of Enterprise Management Incentives (EMI) options

The grant of EMI options must be notified to HMRC within 92 days of grant in order for the options to qualify as tax-advantaged EMI options. Where EMI options are granted under a new EMI plan, the employer must ensure that the EMI plan is registered in good time in order for the notification of grant to be filed within the 92-day period. HMRC can take up to 10 days to approve a scheme registration, and so the registration process should be started well before the end of the notification period.

Penalties for late filing

If returns are filed after the deadline (July 6 2023), penalties may be imposed, and any tax advantages from a tax-advantaged plan for employers and employees may be lost. It is therefore important to start making the necessary preparations for annual returns compliance.

Filed after July 6 2023

£100 penalty for each outstanding return.

Filed 3 months after July 6 2023

£300 additional penalty for each outstanding return (total of £400 per return).

Filed 6 months after July 6 2023

£300 additional penalty for each outstanding return (total of £700 per return).

Filed 9 months after July 6 2023

£10 additional penalty per day for each outstanding return.

Follow link for further information.

Summary of recent/future changes

CSOP is now a viable alternative for companies that have outgrown EMI and are looking to implement a UK tax-advantaged plan. From April 6 2023, the CSOP individual limit doubled to £60,000 and share class restrictions were relaxed. These changes will be of particular interest to growth companies who do not qualify for EMI, such as those who have outgrown the EMI employee limit and gross assets test but were previously prevented from operating a CSOP due to the restrictions on share classes. This includes venture-capital backed companies and others with multiple share classes.

The process of granting EMI options has been simplified. It is no longer necessary for a company to set out details of share restrictions within the option agreement or declare that an employee has signed a working time declaration. The changes apply to both EMI options granted on or after April 6 2023 and options granted before that date but still outstanding at that date.

From April 2024, the deadline for a company to notify HMRC of the grant of an EMI option will be extended from 92 days following grant, to July 6 following the end of the relevant tax year.

Finally, the UK government is carrying out **a review of the two all-employee UK tax-favoured share plans: SIP and SAYE**. Simplification of these all-employee plans could be of benefit to companies who currently find them too onerous and costly to implement.

PAC slams government for billions lost to error and fraud

The Department for Business and Trade (DBT) is "effectively writing off" nearly £1bn paid out erroneously by local authorities on its behalf in pandemic support. Meanwhile, of an estimated £2.2bn lost to fraud and error in Covid-19 schemes, only about £10m has so far been recovered.

A report published on April 25 by the House of Commons Public Accounts Committee (PAC) says the Business Department (previously the Department for Business, Energy and Industrial Strategy or BEIS) continues to make slow progress on its counter fraud activities related to the Bounce Back Loan Scheme, and its "lack of curiosity" about lenders' performance increases the risk of losses for the taxpayer.

In its recommendations, the PAC calls on the Business Department to set out how it retains robust oversight and challenge of third parties delivering major policies and holds these bodies to account for achieving value for money and protecting taxpayer interests.

Dame Meg Hillier MP, chair of the Public Accounts Committee, said: "At a time of financial crisis, the Department for Business has lost billions of taxpayers' desperately needed funds. It shows no real signs of making the improvements that would prevent the big mistakes it has made over many years, especially during the pandemic, happening all over again."

Right to strike restrictions

Friend of the Centre, Prof Len Shackleton, writing for *CapX*, questioned opposition to restricting the right to strike. He said that left-leaning politicians and trade union leaders from around the world have signed a statement denouncing the Strikes (Minimum Service) Bill , which is currently making its way through the House of Lords. The Bill empowers the relevant Secretary of State, following consultations with interested parties including relevant unions, to issue a 'work notice' identifying individuals required to work during a strike to enable minimum levels of provision, and specifies the work that is required.

TUC General Secretary Paul Nowak argued that the UK 'already has some of the most restrictive anti-union legislation in Europe' and that the bill 'will only drag the UK further away from democratic norms'. It is likely he has in mind the idea that, as the UK is signed up to the International Labour Organisation's declaration on Fundamental Principles and Rights at Work, the courts might find against the government in a test case. But it is doubtful that the ILO would accept the argument. They recognise that there are some legitimate restrictions on the right to strike.

"We seem to accept quite happily that the police and the armed forces can't strike. How are they really any different from workers in, say, the fire service, border controls or A&E? They ought to be paid reasonably and treated fairly, with properly constituted pay reviews, but not allowed to put the public at risk or indefinitely extended inconvenience in order to screw a marginally better pay settlement out of the taxpayer, or resist organisational change which would boost productivity and economic growth," added Prof Shackleton.

John Lewis review prompts EO debate

Despite John Lewis announcing plans to review its famous partnership structure, analysis from ICAEW suggests that the employee ownership model is alive and well.

Different business models have flourished across Britain for centuries. But the employee-ownership model was thrust into the spotlight in March when the British poster child for this style of organisation, the John Lewis Partnership, revealed it was having a mid-life crisis. Or as many would have it, an end-of-life crisis.

John Lewis, an unusual business owned by an employee trust since the 1920s, is reviewing its structure because of the need to turn the business around. Chairman Dame Sharon White announced the review.

Employee-owned businesses are a broad church. According to research by left-leaning thinktank Ownership At Work (OAW), there are today more than 1,300 such businesses in the UK, and the number has more than doubled in the past three years.

"What's frustrating about the [John Lewis] debate is that it shows there is still some lack of understanding around the EO model," said Campbell McDonald, ceo of OAW. "It's treated as binary – that is, if you stop being 100 percent EO, then you no longer provide benefits to employees as owners, which is nonsense. EO is a broad church, and many businesses thrive and deliver outstanding benefits at less than 100 percent shareholding."

Demonstrating this, of those more than 1,300 EO businesses the structure varies from totally employee owned – as with John Lewis – to 25 percent employee owned – such as fragrance manufacturer Fragrance Oils. So even if John Lewis goes ahead with a reduction in the number of 'partners', it is highly unlikely that the EO model that's been in place at the retailer for more than 100 years will come to an end.

The beloved department store, like many retail businesses, is facing major business and economic challenges, not least high inflation. On March 16 the John Lewis Partnership, which includes Waitrose supermarkets, announced a worse-than-expected £234m full-year loss. Employees also missed out on their annual bonus. It prompted White to say that the business now has "catch-up investment to make"; it has tripled its costs savings target from £300m to £900m, with White also suggesting: "As we need to become more efficient and productive, that will have an impact on our number of *Partners*."

The chairman promised that no decision will be made to dilute the employee-owned model without consultation. However, the announcement has raised the question of whether mixed business models are viable.

Many lenders are still not keen on financing EO businesses but, says McDonald: "While lenders are not always familiar with the model, there is a big difference between the scale of capital required for a large retailer to execute a turnaround in a highly disrupted marketplace, and the kind of capital requirements that the vast majority in this sector has, where most of them are SMEs."

McDonald argues that John Lewis's ability to flex its structure highlights the nimble nature of the EO model: "The fact that John Lewis is in a position to say, 'We might temporarily dilute some of our shareholding in order to repair our market position and then buy it back later to get back to 100 percent' is further evidence that this can be a very agile and resilient business model, rather than that the whole thing's broken," he suggested.

EO alive and thriving

Provisional findings of an OAW study suggest that as far as business owners are concerned, rather than a crisis of confidence in the agility of the EO model, there is substantial growth.

An index for the Top 50 Employee-Owned Businesses by size, compiled by Centre member RM2 Partnership and published by the Employee Ownership Association, shows a median productivity increase of 5.2 percent. At a time when focus on UK productivity is at its greatest, given the lacklustre productivity record Britain has seen over the past decade this should be a shining light in the dark tunnel of low productivity.

Significantly, the success of EO businesses seems to be sector-neutral too, including professional services, construction, manufacturing, retail and wholesale, and information and communications enjoyed marked growth. The list of UK EO businesses includes household names such as Arup together with Unipart and Go Ape.

Photo by Klara Kulikova on Unsplash

New EOTs:

- PR agency With
- Audio-visual technology group TVD Group (encompassing TVC Technology Solutions, Mitchell & Brown TV and TVD B2B).
- Sports specialist PR agency Pitch Marketing Group
- Communications agency Absolute PR and Marketing
- Care sector specialist KWL Architects
- Creative agency Drummond Central
- Waste removal company Celvac
- Interior design specialist 4Homes Sidmouth
- Outdoor furniture supplier Bramblecrest
- Sheet metal fabrication and design services supplier RR Engineering

Exec reward

All in this together? Not if you are on a chief executive's pay

It's tough running a FTSE 100 company, and it's getting tougher. The average length of service for a ceo is falling, partly propelled by the stifling atmosphere of ESG compliance, but there's another reason. Given the size of the rewards, there is little point in working anything like the politically correct maximum 10 years at such a full -on job.

According to *The Evening Standard*, there was no evidence of a cost-of-living crisis among leading ceos during 2022. An analysis of 55 of them by accountants Deloitte concluded that the average FTSE boss enjoyed a 12 percent pay rise last year, taking (mostly his) pay to £4.15 million.

The numbers go up every year, and attempts to restrain the pay of those running our biggest companies have a long history, mostly to try and align the interest of the executives with those of the shareholders whose money is on the line.

The result is today's remuneration report, often needing more than 20 pages in the annual accounts, full of impenetrable jargon, social targets and peer-group yardsticks before the remuneration committee concludes that most, if not all, the incentive bonuses have been "earned". Perish the thought of ever awarding a "malus" or deduction from pay for particularly poor performance.

Yet look at the case of Vistry, a FTSE 250 company and one of the tiny group of housebuilders which dominate the UK's industry, previously called Bovis Homes. Its homes were so poorly built that the company changed its name to escape its past. Today, it is winning industry awards, although not every buyer is happy with her spanking new Vistrypad and not every director is happy, either. Last month two of them quit in protest against a proposal from a group of mostly US shareholders. They want to see an incentive scheme that would make chief executive Greg Fitzgerald seriously rich.

The proposal has the merit of simplicity. Should the Vistry share price hit £18 in the next three years, they want Fitzgerald's bonus to reach £60 million. Vistry shares have never been anything like that dear, and cost 750p today, half the price they were before the revelations about shoddy building collapsed the Bovis price.

The shareholding group argues that there should be no cap on rewards, and that for a ceo, the bigger the incentive, the better the performance. Should the shares get to £18 — perhaps helped on their way by another Help To Buy-type subsidy from a panicking government — there would be some happy shareholders.

This argument may get a workout at Vistry's upcoming annual meeting, but Fitzgerald still has the prospect of up to £40 million under the existing incentive scheme. So we are definitely not all in this cost-of-living crisis together. As you already knew.

Exec reward *more*

Growing ceo pay gap gives New York an extra edge over London

As New York vies with London for high-profile listings, one key difference is often left unsaid. Companies frequently tout the deep pools of capital, expert analysts and investors, and potentially higher valuations that come with a US stock-market presence. In addition, They can get paid considerably more across the Atlantic, where corporate bosses can easily make triple what their UK counterparts earn.

The median pay package (salary, bonus, stock) for those who lead S&P 500 companies rose 34 percent from 2015 through 2021 compared to a decline of 13 percent for ceos of FTSE 100 firms, the *Wall Street Journal* reports, citing data from Equilar and Deloitte UK.

The typical S&P 500 ceo made $14.5 million in total compensation in 2021 compared to about $4.5 million for FTSE 100 (biggest market caps listed on the London Stock Exchange) leaders.

Driving the difference are financial, regulatory and cultural forces, including fewer approvals required for compensation in the US and less backlash among US investors on high pay.

The structure of stock awards also drives the gap: UK ceos typically receive performance-based payouts in later years versus more immediate performance and guaranteed shares for US leaders.

“There’s always been a gap. The gap is getting bigger,” said Mitul Shah, head of the executive-compensation advisory unit at Deloitte. British regulators are weighing a loosening of constraints to attract companies to the UK, even though the validity of the comparisons are dubious.

Amazon sharpens knives on executive compensation

Amazon.com plans to reduce employee stock awards as part of its compensation plan as economic uncertainties weigh on its business.

The company decided to reduce Restricted Stock Unit awards in the final outlook year by a small amount (other years are not impacted), according to an Amazon spokesperson; while a separate report suggested Amazon.com would re-evaluate 2025 compensation in the first quarter of next year to "plan for stock variation."

Amazon was weighing the possibility of adjusting its compensation model in the future to be more balanced between base cash compensation and equity after looking at the combination of an uncertain economy and its compensation budget, the spokesperson said.

The news comes weeks after Amazon announced a second round of mass layoffs. The prolonged slump in the company's stock price has caused compensation for

Exec reward *more*

2023 to be between 15 and 50 percent lower than the projected targets Amazon gave to employees.

Amazon pays its corporate employees a large chunk of their annual salaries in restricted stock units. Historically its base-pay compensation trailed its big-tech peers but made up the difference with stock awards that vest over several years.

A February report suggested that it plans to raise one to four percent and not issue more RSUs to employees in 2023. Amazon stock has gained 18 percent YTD after losing 36 percent in 2022.

Glass Lewis urges Barclays investors to veto executive pay proposals

Proxy shareholder adviser Glass Lewis has urged investors to vote against pay proposals for Barclays' top executives following a year of scandals that has cost the bank hundreds of millions in fines and settlements, the *FT* reported.

As punishment for the scandals, the pay of top executives was reduced by a combined £1m, the bank said in February when it published its full-year results. Chief executive CS Venkatakrishnan's bonus was cut by £403,000 and that of finance director Anna Cross by £166,000.

However, Glass Lewis objected to long-term awards close to £3m that vested last year for former cfo Tushar Morzaria, who was awarded more than two-thirds of his potential pay package.

No incentive pay sends Hayward executive compensation down in 2022

The decision by Hayward Holdings Inc to not provide incentive pay to top executives contributed to a significant decline in fiscal 2022 total compensation, the pool-equipment manufacturer reported in a regulatory filing. Kevin Holleran, its president and chief executive, received $5.62 million in total compensation, which was down 12.5 percent from 2021. The biggest factor was the no incentive pay after getting $1.55 million in 2021.

Exec compensation incentives influence conforming tax avoidance, research finds

A recent paper by Mehmet Kara, assistant professor of accounting at the University of Kansas - "Equity incentives and conforming tax avoidance" - finds that the risk-incentivising component of option compensation (i.e. vega) is positively associated with conforming tax avoidance, while the value-creation component of option compensation (i.e. delta) is negatively associated with conforming tax avoidance. The paper also shows that the negative association between delta and conforming tax avoidance is predominantly driven by risk aversion rather than value creation.

Exec reward *more*

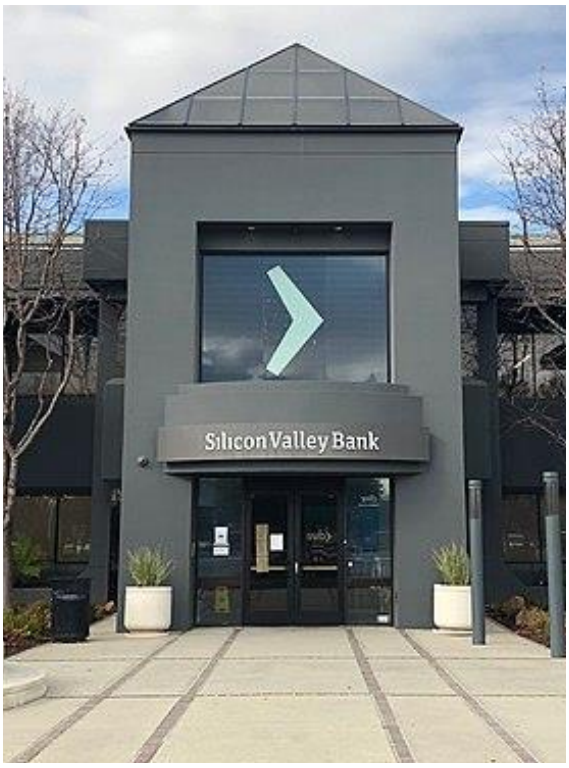
Bill to claw back exec compensation after SVB's and Signature Bank's collapses

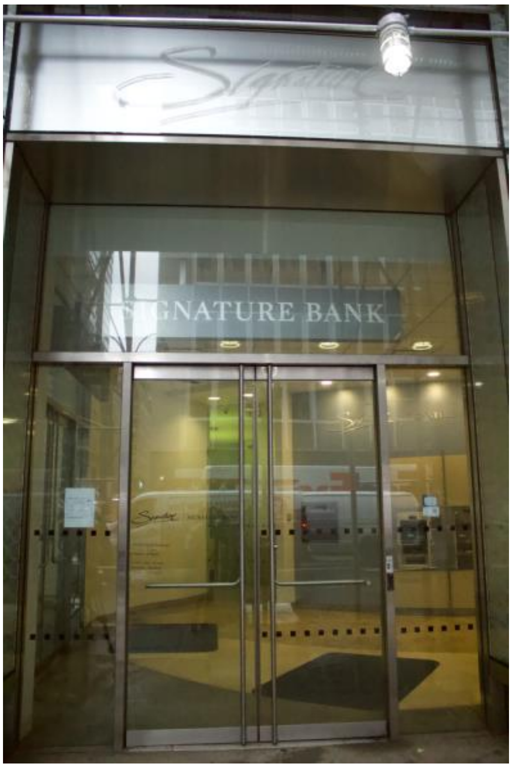
A bipartisan group of US senators introduced legislation to give regulators the authority to claw back executive compensation and bonuses from failed banks following the collapses of Silicon Valley Bank and Signature Bank last month.

Democrats Elizabeth Warren of Massachusetts and Catherine Cortez Masto of Nevada and Republicans Josh Hawley of Missouri and Mike Braun of Indiana are proposing a bill dubbed the Failed Bank Executives Clawback Act, which would mandate that federal regulators return to a bank all or part of the compensation its executives had received in the five years leading up to a bank's failure.

The measure would clarify the requirements on the Federal Deposit Insurance Corp and extend Dodd-Frank Act authorities on clawbacks to apply to banks in FDIC receivership, Warren's office said in a news release. Following the collapses of SVB and Signature Bank, the FDIC stepped in to guarantee money to the failed banks' customers.

The legislation would also ensure that when an insured depository institution affiliated with a bank holding company fails, investors in the holding company bear the losses of that institution, the release said.





USA

Rutgers Launches “Shares Laboratory”

On April 18, The Rutgers Institute for the Study of Employee Ownership and Profit Sharing announced the USA’s first academic research initiative dedicated to equity compensation. The Shares Laboratory will conduct research and policy analysis on company stock, stock options, employee stock purchase plans, and other shares in the workplace.

“A huge number of Americans receive equity compensation,” said Bill Castellano, a professor in the Rutgers School of Management and Labor Relations and Co-Leader of the Shares Laboratory. “There are many individual studies on its impact, but there’s never been a dedicated research programme until now. The Shares Lab gives equity compensation an address – a place in higher education where policy, practice, and impact will be closely monitored.”

About a quarter of all private sector employees hold company stock or stock options as part of their compensation package, totalling about 26.3 million Americans. The Shares Lab will advance understanding of shares by:

- ⇒ Monitoring the growth of equity compensation and its role in the economy
- ⇒ Analysing federal policies relating to stock, stock options, and other shares
- ⇒ Conducting scholarly research on equity compensation in all its forms
- ⇒ Proposing path-breaking innovations to extend shares to more employees, and
- ⇒ Predicting how changes in equity access will affect different parts of the economy.

The Shares Lab will be the Institute’s flagship “big data” programme, monitoring a rich array of government databases, public records, and private surveys. Its reports will overnight become the gold standard for basic research on equity compensation. In addition, the Lab has created a model of the US economy that breaks down the work force by industry, workplace practices, equity access, income, wealth, and personal characteristics. This model will enable researchers to conduct experiments on critical questions.

RUTGERS
School of Management and Labor Relations

Esop administration industry set to high growth

The Esop administration market is growing at a faster pace with substantial growth rates over the last few years and is estimated that the market will grow significantly in the forecasted period i.e. 2023 to 2030, according to a report from Global Market Vision: *The ESOP Administration Market Report*.

USA

Key trends in investor voting policies from the 2022 agm season

According to the *Harvard Law School Forum on Corporate Governance*, investor engagement has taken off. Many large investors today spend time thinking about and assessing the effectiveness of their corporate engagement. Asset owners and asset managers often formally communicate with companies through direct engagement and by voting at annual general meetings. There are other means of engagement, however, which are worth understanding. For example, investors often publish how they intend to vote on key issues at the agm.

The Deloitte Global Boardroom Programme analysed voting policies of 101 large investors to highlight investor concerns for the 2022 agm season on a selection of headline topics: environmental, social and governance (ESG), diversity, equity and inclusion (DEI), board composition and board independence, and executive pay. The analysis revealed that institutional investors across regions are seeking disclosure on environmental issues from the companies they invest in. Intentions to vote on board diversity and independence appeared more varied across geographies. And executive remuneration continues to attract considerable scrutiny from institutional investors with many adopting say-on-pay policies.

P&G declares dividend increase

The directors of The Procter & Gamble Company declared an increased quarterly dividend of $0.9407 per share on the Common Stock and on the Series A and Series B Esop Convertible Class A Preferred Stock of the Company, payable on or after May 15 2023 to Common Stock shareholders of record at the close of business on April 21 2023, and to Series A and Series B Esop Convertible Class A Preferred Stock shareholders of record at the start of business on April 21 2023. This represents a three percent increase compared to the prior quarterly dividend.

This dividend increase will mark the 67th consecutive year that P&G has increased its dividend and the 133rd consecutive year that P&G has paid a dividend since its incorporation in 1890. The company see it as reinforcing its commitment to return cash to shareholders, many of whom rely on the steady, reliable income they earn with their investment.

USA:
How Esops can drive profitable growth

Writing in *Inc.com*, Economic Engagement founder, Bill Fotsch suggests that employee ownership is often the mark of a company that truly values its people. It undoubtedly builds long-term loyalty and fosters retention. But most Esops are not incentive plans. Incentive plans, by definition, affect people's behaviour on the job, day in and day out. They encourage people to work harder and smarter, to go the extra mile, to be a team player, and to come up with new ideas to improve some aspect of the business. They then reward people for doing so.

A standard Esop doesn't have the same effect. How could it? At most companies, it means profit sharing is paid out once a year. It's management's decision, if and how much to pay. People rarely know what they must do to get it, beyond doing a "good job." When a profit-sharing cheque arrives, it means the business is doing well, but it doesn't change the way the organisation operates from day to day. It doesn't engage the employees in the economics of the company. If it helps a company increase its profits--the goal of most businesses--the effect is only modest at best.

Mr Fotsch's previous article, "*4 Flaws of Most Esops and What to Do About Them*," might leave the impression that he's opposed to Esops altogether. But, he insists, nothing could be further from the truth. At a time when the wealth divide is growing dangerously wide, employee ownership is the only way to reduce the gap. Esops represent a smart tax-advantaged opportunity to do that. The question of flaws is self-evident--the more interesting question is how to use Esops in a way that benefits everyone: owners, employees, customers, and the community.

India:
What startup employees should look for while looking at Esops

Esops have become a common compensation system in start-ups to give employees a sense of ownership in the company's growth, but mid-career professionals evaluating a start-up job should look at written Esop policies, exercise pricing, and the vesting schedule. Every Esop is taxed twice; at the time of exercise and when the shares are sold, hence employees should also look for clauses that ensure former employees are treated fairly during liquidation events.

India:
WeWork India unveils Esop liquidation scheme

Coworking giant WeWork India has announced a new initiative under which employees can surrender up to 25 percent of their vested stock options.

Touting the coworking giant's first-ever employee stock ownership plan surrender initiative, the firm said that the move was a 'token of gratitude for the employees' commitment, efforts and faith in the company.'

"… In the last six years of building WeWork India, we have had many significant milestones and are thankful to our employees for believing in our vision. As an organisation, we have always adopted an employee first approach, and the Esop surrender is yet another step towards wealth creation and empowering people," said WeWork India's ceo Karan Virwani.

The company further said that the programme Esop surrender plan was part of its commitment to double down on employee-centric approaches.

The India business stands as a stark comparison with its owner WeWork International which has been plagued by criticism of lax corporate governance norms, unsticky business model and concerns over profitability. While the post-pandemic growth has fuelled some numbers, Wework International is yet to churn net profits

Singapore:
Diversity and inclusion metrics absent from executive remuneration: How worried should we be?

The *Business Times* reports that Singapore companies are way behind the curve when it comes to incorporating diversity, equity and inclusion (DEI) metrics into executive remuneration, a study has found.

Global advisory firm WTW says that none of the companies in its Singapore sample had such metrics, whereas two-fifths have done so globally.

On the face of it, the finding is disturbing. Despite much talk about a greater recognition of diversity, in particular gender diversity, in the workplace, it would appear that Singapore companies aren't incorporating such concerns into their incentives.

But does a company's inclusion of such metrics in its incentive plans necessarily mean it is taking such issues more seriously?

France:
Technip Energies launches its first employee share offering

On April 18, Technip Energies launched *ESOP 2023*, an employee share offering proposed to circa 12,000 eligible employees in 19 countries, with the objective of sharing the long-term value creation of the group with employees.

The *ESOP 2023 Offer* is implemented in Australia, China, Colombia, Germany, France, India, Italy, Kuwait, Malaysia, Mozambique, Netherlands, Norway, Qatar, Saudi Arabia, Spain, Thailand, United Arab Emirates, United Kingdom and United States. Approximately 90 percent of the group's workforce will have the opportunity to participate.

The offer is proposed as part of Technip Energies' Group Savings Plan (PEG) and International Group Savings Plan (PEGI). It will be conducted via a share capital increase, up to the maximum of 1.5 percent of the share capital, within the limit of the total subscription amount of €30 million. New shares will bear immediate dividends entitlement and will be fully assimilated to existing shares as from their issuance.

Eligible employees will have the possibility to subscribe to the following formula:

⇒ "ESOP Classic", where the subscriber benefits from a discounted price and a matching contribution.

⇒ "ESOP Leverage", where the subscriber benefits from the protection of the personal contribution, and the greater of either (i) a guaranteed minimum return over the investment period, or (ii) a multiple of the protected average increase in the Technip Energies share price.

The subscription price of shares will be equal to the arithmetic average of the volume-weighted average prices (VWAP) of the Technip Energies share on Euronext Paris recorded over the 20 trading days preceding the date of the chief executive officer's decision setting the opening date of the subscription/revocation period, less a discount of 20 percent.

Shares will be subject to a lock-up period of five years, subject to cases of authorised early release events. Shares will be subscribed through a company mutual fund (FCPE) or, in certain countries, directly by employees.

Voting rights relating to shares held in the "T.EN Shares France" and "T.EN Shares International" FCPEs following subscriptions in the "ESOP Classic" and "ESOP Leverage" formulas will be exercised by Supervisory Boards of the FCPEs.

Voting rights relating to securities held directly following subscriptions in the "ESOP Leverage" formula for certain countries of the scope as well as for shares issued for the purposes of hedging operations will be exercised by the subscribers.

The "ESOP Leverage" offering implies implementation, management and settlement of hedging transactions by the bank that structures this formula, it being understood that such hedging transactions can take place on the market or off-market, through purchase and/or sale of shares, purchase of call options and/or any other transactions carried out at any time, in particular during the period of determination of the subscription price, and on the entire duration of the employee share plan.