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it's our business

newspad of the Employee Share Ownership Centre

Shell wins Esop Award for Best International Employee Share Plan

Shell International - advised by Computershare - was this year's main Esop Awards winner for having launched and maintained the 'Best International Employee Share Plan' in companies with more than 1,500 employees.

Almost 70 members and their clients, who attended the Centre's third annual awards black-tie dinner at the Oriental Club W1, applauded warmly as Shell International's share plans manager Pam Roffe and Helen Attwood received their framed award certificate from Guest of Honour, Lord Newby.

Shell's employee equity plan adviser, Computershare, was represented by Iain Wilson, Martyn Drake and Frances Mancktelow, who came forward to share the limelight. Shell's plan – described by one of the judges as "Sharesave without the option" operates across more than 60 countries for 41,000 eligible employees. Participants have to save for a minimum two years and then get a discount of 15 percent at the end of the year. If the share price goes down, then their savings buy more shares in the market.

The judges' panel, chaired by Malcolm Hurlston, Centre chairman, said that the excellent communications system for the Shell employee equity plan, based around a paperless system and coping with 14 languages, was the crown jewel of the scheme. The scheme simplified the leavers' process, allowing them to keep accrued shares; made January the start/end of year and provided excellent phone & internet communications to resolve problems. This reduced the HR burden significantly. Take-up increased from 20 percent in 2008 to 27 percent in 2009 and to 44 percent this year. The judges said that this high participation rate was largely achieved by providing the best benefits available for worldwide staff, rather than by adopting an approved scheme for its tax benefits and then rolling that out globally.

The runner-up, highly commended by the judges, was BT, advised by Equiniti. BT was represented at the awards dinner by Anna Watch, who received BT's certificate of commendation and Equiniti by Andrea Hasell and John Daughtrey. BT's new UK Sharesave invitation was made last year so that existing contracts would count towards the £250 savings limit even if cancelled early. This, coupled with a further drop in the share price, meant the launch was so successful they had to scale back savings applications by ten percent. International schemes were altered due to weak sterling. Participants could have their savings returned and keep share options (topping up savings balance with their own money). Now participating employees save in local currency, which offers more protection to overseas savers against adverse currency movements. Local champions were picked overseas and there are annual surveys. The invitation was translated into seven languages, using personalised emails, brochures, e-chat, BT TV, multi-lingual help-line. Challenges included migration to a new administrator (Equiniti), lack of bonus on the three-year scheme and higher options prices. Overall participation increased, though it fell in the UK - but still achieved a 36 percent take-up – which the judges said was good, considering the economic challenges.

The third finalist was Invensys, advised by YBS (Yorkshire Building Society). Invensys was represented at the dinner by Rachel Spencer and Jessica Wildgoose and YBS by Michael Taylor and Darren Smith. As the last invitation under this plan was made more than six years ago, it was offered as a new incentive. The take-up rate of more than 15 percent exceeded all expectations. The plan was

From the Chairman

Not sure what tweets you follow but my favourite is Tim Weber of the BBC. I loved his extract from a PwC analysis: "Most CEOs get small salary compared with the market cap of their firm." In reply to which he quipped "and I weigh very little compared with the building I work in." This came out in the same week that the Boston Globe compared annual reports with filings and showed a high proportion of quoted companies getting their ceos salaries wrong. It wasn't even massage in most cases, just fat fingers.

Malcolm Hurlston

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offered to 11 countries, which mirrored the UK three-year approved plan. Tailored versions were implemented in Australia, China, France & US, including a phantom arrangement in China, due to legal complexity, explained YBS. Overseas participants can save in a bank of their choice given regular audits. There was a four-tier communications structure with local co-ordinators and a participant portal. The plan promoted the five Invensys values: innovation (portal), agility (different overseas plans), integrity (on time & to budget), meritocracy (available at all levels) and courage (take up levels show faith in company).

Mr Hurlston told diners that it had proved extremely difficult to separate the finalists in terms of the very high quality of their entries.

Lord Newby, the Lib-Dem's Treasury Spokesman in the House of Lords, praised the Centre's lobbying work – led by Mr Hurlston - in Whitehall and elsewhere to protect employee equity plans from a threatened over-large increase in CGT rates, but belts were being tightened across the board and Esops had to compete with all other tax incentives to prove their worth.

"Supporters of employee share ownership cannot afford to rest on their laurels, even with government support. This year you have seen interest rates on SAYE three-year options fall to zero for the first time ever, the days of surging share prices seem to be over and the industry faced a testing time when CGT rates were under review," said Lord Newby.

"It is testament to the popularity and versatility of employee ownership that it forms a pillar of three very different governmental policies. It is at the heart of David Cameron's Big Society and my BIS Ministerial colleague Edward Davey has held discussions with your chairman over what role co-operatives, mutuals and employee share schemes could play in this. Esops are also crucial for our plans for the economy. Entrepreneurs are going to have to provide the impetus for growth as we move out of the recession. If this is to happen, Enterprise Management Incentives will play an important role in attracting the required talent to SMEs.

"Although tax incentives are being reviewed, I am sure that EMI is safe. The cost of the scheme is in a way self-regulating, as when the economy stutters the value of the share options and therefore the relative cost to the taxpayer falls. Conversely, when the economy picks up the extra revenue provided by fast-growing SMEs means that the scheme pays its own way," he said. "I understand that the Centre now proposes a unified structure for the HMRC-approved schemes, which is immediately attractive in that it helps the government in its cost-cutting aims. At the same time this would allow quicker comparison of the relative benefits of the schemes for those coming to the matter with fresh eyes."

He noted that Tory MPs Mark Hoban and David Gauke had extolled the virtues of Esops from the same platform in previous years. "Having spoken at your awards ceremony, they are now both Treasury Ministers, so I now expect that it is only a matter of time before I get a call from Downing Street.

"I know that the Centre welcomed the announcement from Vince Cable that at least ten percent of the shares in any privatisation arrangement for Royal Mail would be allocated to the postmen themselves – a key promise in the Liberal Democrat manifesto. I know that you would prefer these that shares should be held in trust combined with individual awards to provide an attractive dividend to all Royal Mail staff, providing a fair model for any future privatisations. I am pretty agnostic about how it's done. The key is to use the employee share distribution to recognise that RM provides a social service as well as being a business and encourage all its staff, managers as well as rank and file, to maintain that broader public ethos.

"Once again the Esop Centre is playing a most constructive role in preparing for change. Your think-tank has brought all sides together and can play a valuable role in the future. I hope the CWU and Royal Mail will draw on your expertise, knowledge and unique ability to act as honest broker," said Lord Newby.

"This is the third year that the Esop Centre has hosted its awards dinner at the Oriental Club. I think we can now put the event into the category of 'established' and rest assured that there will be more to come."

Mr Hurlston thanked David Geake, husband of Janet

Cooper, global head of employee incentives at Linklaters, for having enabled the Centre to host the champagne reception and dinner at one of London's most august clubs.

The Centre chairman said that although Esops were not the universal panacea for problems in the workplace, there was now a considerable body of evidence that, over time, they could make a major contribution to the productivity and loyalty of many employees in companies, both large and small.

Most large UK corporations now had employee share schemes of one sort or another, and often operated several simultaneously, but in the SME sector it was a different story. A major push was necessary by all in the Eso industry to ensure that broad-based employee share ownership could spread its roots deeper into the fabric of UK commercial and industrial life, especially at local level.

The Centre was pleased to be playing a unique role in bringing together employers and trade unions in the Royal Mail in order to persuade them that Eso was the way forward for a new-look national organisation, added Mr Hurlston.

This year's Esop Institute 'Student of the Year' award for excellent coursework and exam results was Anne-Louise Flowers, formerly of the Sanne Group. Her award, a Mont Blanc pen, was presented by Francesca Wilson of the Centre member Cyril Sweett group, which generously sponsor the award.

The Post Office may be given a mutual structure in which employees and sub-postmasters get a big say in how the company is run, Buiness Secretary Vincent Cable told MPs when introducing the second reading of the UK Postal Services Bill. He said: "I am concerned that the current structure of the company is holding the network back. It seems to me that the Post Office is ideally suited to a Co-operative Group style structure - where employees, sub postmasters and communities get a greater say in how the company is run. The Bill therefore includes a provision that would allow for a possible future mutualisation of the Post Office. No firm decision on such a mutualisation has yet been taken and there would be a full public consultation before any move to a mutual structure. In the meantime, I have asked Co-operatives UK to explore options for how a mutualised Post Office would work best."

Killk and YBS get together

Executive share plan specialists Killik Employee Services and YBS Share Plans have joined forces to create All2gether Better, a collaboration that brings together executive and all-employee share plan administration services. All2gether Better is a partnership that combines KES's expertise in supplying bespoke, customer-focused share plan services for companies' executives with Yorkshire's knowledge and experience of much larger all-employee plans, the new partners said.

Both YBS and Killik emphasised that the collaboration was not a merger or takeover of their respective share scheme divisions.

Killik said in a statement: " The partnership enables our organisations to benefit from the best of both worlds. Share plan participants will benefit from increased contact with knowledgeable and attentive administrators, whilst streamlined administration will create economies of scale resulting in greater efficiency. Many organisations run executive plans as well as all-employee plans. However, share plan administrators are typically set up to manage one type or the other; call centres cater for the larger plans, for example, while executives are looked after by small, dedicated teams. Until now, employers looking to secure specialists in both areas would have required the services of two separate share plan administrators, which can prove overly-complicated. All2gether Better is different. It allows for both types of share plan to be administered at the same time, all under the banner of the KES/Yorkshire Building Society partnership."

KES md, Martin Osborne-Shaw said, "All2gether Better was created out of a mutual ambition to provide a superior share plan administration service. Corporates, and their employees, can now benefit from the distinctly different, yet complimentary, skills of two specialist administrators rolled into a single, streamlined package, without compromise."

All2gether Better harnesses the combined technologies of KES and the Yorkshire to ensure organisations can take advantage of share plan software and advanced online election facilities. In addition, participants are able to exercise options and sell their shares in a timely fashion, and without initial outlay, via direct access to stockbrokers and a cashless exercise facility.

YBS's Head of Share Plans, Jill Evans, said: "With this partnership we're bringing together the Yorkshire's leadership in all-employee plans together with Killik Employee Service's expertise in discretionary plans in a seamless way, to offer companies and their employees a world-class share plan service. Launching All2gether Better is a natural extension of both of our strategies, which is to enhance the customer experience by helping them access consolidated share plan information more quickly and efficiently."

BNY Mellon Shareowner Services, a unit of Bank of New York Mellon Corp. and UK based **Equiniti** said they were discussing the formation of an alliance that would enable the companies to provide enhanced product offerings to clients of both organisations. The alliance between the two companies would be able to provide BNY Mellon Shareowner Services' multinational clients with share registry, employee stock plan, and corporate action solutions in the UK, with Equiniti's client base enjoying access to Jersey City-based BNY Mellon Shareowner Services, which is the leading provider of corporate equity solutions and employee share plan administration in the US. Equiniti is a leading provider of share registration services, employee share plan administration and business process outsourcing solutions, serving 54 percent of FTSE 100 clients.

Transfer pricing and share awards: new HMRC guidance

HMRC have updated the guidance in its International Manual on how employee share awards should be treated for transfer pricing under the cost plus method. It insists that, when calculating the P&L costs to which the mark-up should be applied, employee share and option awards should be included, even if the attributable costs are not actually recharged to the UK subsidiary (say) by the foreign parent. The guidance says explicitly that the cost base may, provided it is done consistently from year to year, include an option vesting or exercise spread as an alternative to a P&L charge under FRS20. Where other methods are used, HMRC may enquire to see if there is a loss to the UK Exchequer. See **http://tinyurl.com/2uqdnr5**

UK pensions tax regime tightened

The Government has announced that the annual allowance for tax-privileged pension saving will be reduced from £255,000 to £50,000 (gross) from April 2011, and in 2012 the lifetime allowance will be reduced from £1.8m to £1.5m. Transitional reliefs from 2006 will be maintained. The government's Autumn budgetary forecast and statement will be made on November 29.

CONFERENCES

Guernsey: November 19

A Treasury threat to the tax status of certain EBTs used as wrap-arounds for equity-based remuneration awards will be discussed at the Centre's joint *Share schemes for Trustees* conference with STEP (Society of Trust & Estate Practitioners) Worldwide on **Friday November 19**. The Treasury consultation document *"Restricting pensions tax relief through existing allowances: a summary of the discussion document responses"* at first sight seemed irrelevant to Eso, but lower down it referred to remuneration delivered via employee benefit trusts (EBTs). Tax experts said it seemed inevitable the Bill would include provisions that attack the existing treatment of EBTs and other intermediary vehicles being used to disguise remuneration and to avoid, reduce or defer payment of tax.

Thirty-five delegates have already booked to attend this half-day event, centred on latest employee equity developments affecting trustees, at the **Saint Pierre Park Hotel, Guernsey**. The speakers include: **Malcolm Hurlston**, Esop Centre Chairman, **Alison MacKrill**, STEP Guernsey/Carey Olsen, giving a Channel Islands & trusts update; **Philip Le Pelley**, Collins Stewart Wealth Management, on investment trends for trustees; **William Franklin**, Pett Franklin & Co. LLP, speaking on JSOPs, which he co-invented, and flowering shares; **David Craddock**, David Craddock Consultancy Services will address the use of Long-Term Incentive Plans with case studies and **Helen Hatton** former Deputy Director General of the Jersey Financial Services Commission (JFSC), now of Sator on whether the standard financial services concept of risks fits Esops. These presentations will be followed by luncheon in the hotel. Admission costs £295 for Centre members and STEP Practitioners or £425 for non-members. Delegates should register soon as seating capacity is limited. The half-day conference and seminar will earn all attendees 3.5 hours CPD credits. Contact dpoole@hurlstons.com asap to reserve your place.

Davos: Feb 3 & 4, 2011

A joint presentation about Shell International's award winning international Eso plan (see front page) will be one of the many highlights at the World Centre's 12th annual Global Employee Equity Forum, which takes place in the five-star Steigenberger Belvedere Hotel, Davos Platz**, on Thursday February 3 and Friday February 4.** Pam Roffe, Shell's share schemes manager, will be joined at the podium by Shell's advisers, Iain Wilson and Martyn Drake of Computershare. Recent developments in the evolution of executive reward in both Europe and the US will be explained by Alasdair Friend of Baker & McKenzie. Another point of interest will be the first ever presentation by a Norwegian company, Norse Solutions. A record 17 speakers will address delegates**: Arne Peder Blix** of Norse Solutions**; Justin Cooper** of Capita Registrars**; Alasdair Friend** of Baker McKenzie LLP**; Mike Landon** of MM & K**; Kevin Lim** of RBC CEES**; Professor Jens Lowitzsch** of Berlin University**; Martin Osborne-Shaw** of Killik Employee Services**; Maoiliosa O'Culachain** of Global Shares**; Adrian O'Shannessy of** Greenwoods & Freehills Ltd (Australia); **David Pett** of Pett, Franklin & Co. LLP**; John Pymm** of Towers Watson**; Pam Roffe** of Shell International**; Michael Sterchi** of KPMG AG (Zurich); **Iain Wilson and Martyn Drake** of Computershare**; Julie Withnall** of Britvic plc and Centre chairman **Malcolm Hurlston** have all booked their slots**.**

Download the full Davos programme and logistical info in the 'events' section of the Centre website: **www.hurlstons.com/esop**. The Belvedere's superb facilities can be viewed at: http://www.steigenberger.com/en/Davos The Centre practitioner (service provider) member delegate price for the two hotel nights (on a half-board basis) + conference + cocktail party package deal is an unbeatable **£899** and no VAT charged. Non-member practitioners pay £1250 for the same package deal. Delegates from plan issuer member companies will pay only **£475** for the same package deal, or £615 for non-members. Confirm your delegate places with Fred Hackworth at: **fhackworth@hurlstons.com**, or register online at: **www.hurlstons.com/esop** and click onto 'events.' Davos 2011 qualifies for 11 hours of CPD credits.

Private company valuations & Eso

Increasing numbers of private companies are using Eso schemes to help focus employee attention on building shareholder value ahead of a sale or flotation of the business, said Centre member RM2. These incentives involve a degree of dilution for the proprietors, so there is a trade-off between the cost of dilution and the benefits of creating greater value in the company for the benefit of shareholders as a whole. The way in which the company share valuation is undertaken is crucial. Give away too many shares too cheaply, and equity is wasted. Offer an incentive that is too limited in scope, and equity could be wasted again: dilution is incurred but the incentive may not have the desired effect Here, fortunately, HMRC often comes to the aid of private companies. The value HMRC will agree for small holdings of private shares is usually conservative - perhaps a quarter or a fifth of the value that might be expected for such shares if they were quoted on a stock exchange. This means that companies offering share schemes can offer an immediate endowment of benefit to the participants. Looked at another way, they can provide a targeted level of benefit at a much smaller cost in terms of share capital dilution. How does this work? Suppose that if a company offering a share option, under an Enterprise Management Incentive scheme, were sold tomorrow it would fetch £1 per share. HMRC may or may not have agreed earlier a 'fair market value' for the unquoted shares of around 20p to 25p, mainly on the grounds that they were unquoted and that there was little or no evidence of their real value at that time. So if the options are granted with an exercise price equal to HMRC's fair market value, the employee has the opportunity to acquire shares at a discount of 70 to 80 percent. Different valuation considerations may apply in individual cases. Even if there is no increase in the company's value prior to the exit event, the employee stands to make a substantial profit from an option granted at fair value. Alternatively, the company can provide a given level of benefit at a much lower cost in terms of dilution than would otherwise be the case. Normally, gains on employee share options are subject to income tax and NICs, which leave a nasty dent in the net proceeds. However, the scheme being used - the EMI- is Govt approved and any gains realised are subject to Capital Gains Tax, not income tax. The gains are free of NICs, both for the company and the employee. All the gains made by the employee in excess of the low fair market value agreed with HMRC benefit from this treatment. For some companies, this means that employee share schemes can be offered as a partial or complete replacement for cash. For example, one client offered its key employees a choice: a £20,000 cash bonus now, subject to income tax at the highest rate and NICs, or a share option with an embedded value of £20,000 - the difference between the exercise price at fair value and the likely value of the shares. Employees who opt for the option will get a much lower rate of tax on their rewards. They have the chance to benefit from any increase in the value of the shares over the period prior to exit. However, employees considering the share option alternative must be aware that their rewards will be deferred until the exit is achieved and that there is a risk the shares might fall in value. If you would like to discuss this in greater detail, please contact RM2 on 0800 043 8150 and ask to speak to any of its advisers.

Moving On

Fleur Benns joined the Bird & Bird employee incentives and benefits team in October as a senior European consultant. Team leader Colin Kendon commented: "We have seen a sharp increase in corporate deal work over the summer when we would normally expect to be quiet. Fleur joined us in August to provide holiday cover, she was very impressive and I am delighted she has now joined us permanently". Fleur added: "The quality and variety of the deals that I worked on during the summer meant that I was delighted to join Bird & Bird on a permanent basis and very much look forward to working with Colin and his team". She can be contacted at fleur.benns@twobirds.com 0207 415 6114

Ian Mackintosh is the new vice chairman of the International Accounting Standards Board (IASB). Ian has been chairman of the Accounting Standards Board (ASB) for the last six years. Financial Reporting Council chairman Baroness Hogg said: "I warmly congratulate Ian on his appointment. This is a critical time in the development of a single set of high quality global accounting standards and I know that Ian's wealth of international experience will be of enormous value to the IASB. His commitment, drive and intellect will be sorely missed and we look forward to working with him and the IASB Chairman in their new roles." The FRC expects to appoint an interim ASB Chairman in the near future.

Tamara Murray Head of HR, Human Resources has left Invista Real Estate Management and is joining Actis - a private Equity firm - on 8 November. "Over the last four years I have thoroughly enjoyed being a member of the ESOP centre, especially the events that are held and having the opportunity to network with peers in the industry," she told *newspad.* Tamara is determined to see her Centre friends again in Davos next February.

Bonuses will depend upon safety, says BP boss

Bob Dudley, the recently appointed ceo of BP, sent an email to all employees stating that staff bonuses would depend solely on safety. The energy company has been concentrating on a new management system for operational safety over the last four to five years, affecting all sites and employees across the organisation. Dudley's initiative of safety-dependant bonuses are the next stage of this, and all 80,000 employees have been told they won't receive a bonus for the fourth quarter of 2010 if they don't meet the set requirements. A BP spokesperson said that the new rewards structure was "a direct result of the [oil] spill" that occurred earlier this year, in the Gulf of Mexico.

Euro regulators crackdown on bonuses

European regulators have backed tougher than expected draft rules on bankers' pay despite pressure from the UK and France to water down the restrictions. If the draft rules are implemented, it would cap the amount of a bonus able to be taken in cash to a maximum 30 percent. The measures were passed by the Committee of European Banking Supervisors, made up of financial watchdogs from the EU's 27 members. London argues that the new regime will make the EU uncompetitive. The European Parliament has already cleared the proposals, which limit the cash payout to about 30 percent of standard bonuses, and a fifth of bumper ones. The CEBS was meeting in London to discuss how to interpret the planned cap, amid pressure from the UK and France for the organisation to take a less strict reading. An EU official said that draft regulations would be issued within the next few days, followed by a one-month discussion. The new rules would apply to the worldwide operations of banks and subsidiaries operating within the EU.

Key points of the proposals include:

*Cash element of standard bonus capped at 30 percent, and at 20 percent for large bonuses;

*New watchdog for European banks to define what is a big bonus;

*40 percent of normal bonuses deferred or paid over several years, while 60 percent of big bonuses postponed;

*A clawback mechanism, meaning a star banker might not receive the full payout if investments unravel. The proposals go further than US rules, and if implemented are likely to prompt a wholesale restructuring of pay policies at financial institutions.

Despite the clampdown, City bankers are expecting to receive £7bn in pre-tax bonuses this year, almost the same as they were awarded last year, according to surveys by eFinancial Careers and Morgan McKinley. This prompted Richard Lambert, director-general of the Confederation of British Industry to warn banks that they would be seen to be arrogant and out of touch if they continued to pay 'excessive' bonuses at a time when the public sector faced huge cutbacks. He urged the banks to seek a "global cease-fire" to stop driving up pay and bonuses payment levels. "This exceptional combination of circumstances will require very sensitive handling, preferably with the major global institutions acting collectively when it comes to compensation matters," Mr Lambert told a Bloomberg conference.

Business Secretary Vincent Cable warned bankers against embarking on a "self-indulgent bonus round" as he put soaring executive pay and potentially destructive takeovers at the heart of a new government review into the way the City operates.The business secretary's plea at the CBI conference followed an attempt by Bob Diamond the incoming ceo of Barclays to defend the banking industry against criticism that it does not lend enough to small business and has grown too big. Diamond, who regularly tops the Guardian's executive pay survey and runs the investment banking arm of Barclays, told delegates that the bank knew "compensation continues to be contentious." But he made no promises to control pay, other than to say: "We recognise that and we continue to try and balance our responsibility to manage pay with the need to be both commercial and competitive. Diamond added: "Measures to address this issue have to ensure a level playing field on a global basis."

Cable said his new review – *'A long-term focus for corporate Britain'*– would also look at executive pay. Responding to a warning by Mr Lambert that business leaders risked looking like "aliens" if they kept awarding themselves big pay deals, Cable said: "It is time to return to planet Earth." He added: "The best way to achieve this is surely to strengthen the relationship between shareholders and the managers they are paying. It is, after all, their money." He said bosses' pay between 1999 and 2008 had risen 15 percent each year while the FTSE 100 had fallen three percent during the period, at a time when average earnings growth had been four percent. "We want to ask whether shareholders are being told enough about the basis on which managers are paid and whether they should have a binding vote on practices that may be against their interests."

Maybe they're worth it after all…..

A new study of executive compensation has indicated that the pay received by the majority of UK chief executives ***does*** match the performance of their companies. Mark Farmer, a lecturer in finance and accounting at Kingston University, analysed the remuneration reports of 200 large firms taken from 2003 to 2007. He discovered that most ceos received pay packets that reflected how well their organisation performed on the stock market, as well as being determined in relation to shareholder value. His research found that, on average, only 38 percent of ceos' earnings were received automatically, regardless of their companies' performance. The remaining 62 percent of the pay packets Farmer analysed, which included bosses of 200 big firms such as BA, BT, GlaxoSmithKline, Tesco and WH Smith, had a strong link to either an annual bonus or a longer-term, share-price-based bonus. So the majority of the ceos Farmer analysed were paid more if they did well and presided over a share price rise, or paid less if the reverse was true The former City pay consultant admitted that this finding may be unpopular, given the ongoing debate regarding excessive pay packets and bankers' bonuses in particular. However, banking was one sector that did not feature in Mr Farmer's research. He said a valid investigation of the industry's pay levels for ceos was not possible due to the limited number of British banks. The recent annual remuneration report from Deloitte revealed more than 50 percent of FTSE 350 companies have frozen the salaries of their executive directors this year.

Britain's bosses were accused of ignoring economic reality after boardroom pay leapt by 55 percent during the past year, according to Incomes Data Services. FTSE 100 directors saw their total earnings soar in the 12 months to June, thanks to sharp rises in bonuses and performance-related pay. The average FTSE 100 chief executive now earns a total £4.9m a year, or almost 200 times the average wage.

Unions reacted angrily to the report. "Don't they know that this is meant to be austerity Britain?" said TUC general secretary Brendan Barber. "These mega-pay rises blow away any claim that we are all in this together. While the poor and those on middle incomes lose out from cuts and pay squeezes, top directors continue to take home telephone number salaries without being overly troubled by tax," Barber added.

He called on shareholders and the government to get a tighter grip on executive pay, at a time when ordinary employees have seen their pay kept in check by the economic downturn. IDS said bonuses paid to directors of FTSE 100 companies increased by 34 percent, while basic pay rose by 3.6 percent. The value of reward waiting to mature from long-term incentive schemes soared by 73 percent, to a total of £259m and share option gains leapt by 90 percent. By contrast, the FTSE 100 index of leading share prices rose by less than a fifth over the same period. Steve Tatton of IDS said the report suggested that companies returned to 'business as usual' once the recession ended. "It seems the days of earnings restraint were short-lived. It is as though the recession never happened," Tatton warned. "This time last year a number of companies actually reduced their bonus ceilings. Twelve months later it appears as if these measures have been reversed, with around 40 companies reporting higher bonus scheme maxima," he added. Several of Britain's biggest companies faced shareholder anger this year over their executive pay awards. Tesco suffered one of the biggest revolts in years when nearly half its investors failed to back its remuneration policy at the company's AGM.

Wolseley ceo Ian Meakins picked up £1.94m in salary and bonuses during his first full year in charge of the heating and plumbing giant, which posted pre-tax losses of £328m in the year to July. The firm, which is moving its tax base to Switzerland to cut costs, spent £1.19m in pay-offs to former directors Rob Marchbank and Steve Webster after a boardroom clearout earlier this year.

The **US Securities and Exchange Commission** moved to implement a financial-regulation provision that gives investors more power to express disapproval of pay packages awarded to corporate executives. Shareholders would get to vote on salaries and bonuses planned for top managers under proposed rules released by the SEC. The vote would be non-binding, meaning investors' wishes could be ignored by a company's board of directors, the agency admitted in a statement. The SEC is required to give shareholders so-called *say-on-pay* under the Dodd-Frank regulatory overhaul enacted in July. Congress included the provision in response to public outrage over bonuses paid to executives at Wall Street banks that received taxpayer bailouts after Lehman Brothers collapsed during the credit crisis in 2008. Under the SEC proposal, shareholders would decide whether they want a vote on pay every year, every other year or every three years. Investors would be able to contest so-called golden parachutes, payments to ceos when firms go private or merge with another company.

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