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it's our business

newspad of the Employee Share Ownership Centre

Centre urges chancellor to tear up EMI rules

The Esop Centre is urging chancellor Rishi Sunak to reboot the share options based Enterprise Management Incentive (EMI) by tearing up its archaic and increasingly irrelevant rule book.

An expert Centre ad hoc committee drew up a list of major changes it would like to see implemented, in order to expand access to the tax-advantaged EMI to thousands more gazelle-type smaller UK companies.

In a covering note, the Centre warned Mr Sunak that unless changes to EMI were implemented shortly, the EU's growing high-tech gazelle company sector, now state-assisted, could easily make up further ground, at the UK's expense, in the planetary race for technological supremacy.

The Centre's main recommendations for change - in what is already the UK's most popular tax-advantaged employee share scheme ever - are:

*Remove completely the current **£3m** limit on the total unrestricted market value at grant date of qualifying EMI share options in any one company. *The committee said the limit served no real useful purpose and should be abolished. Occasionally, extra options were mistakenly awarded, taking total outstanding options beyond £3m, leading to the disqualification of everyone else's EMI options in that company. In addition, the arbitrary £3m limit sabotages the desire of some qualifying companies to award EMI options to a wider range of employees, not just to five or six high-fliers.*

*Increase the qualifying Gross Asset Value (GAV) test from £30m to **£75m**. The Centre pointed out that the £30m limit had not been changed for almost 20 years, during which time retail prices had risen 66 percent. Hence, even if GAV were raised to £50m, that would only restore the EMI qualifying limit to the same level it stood at (*in real terms*) in 2002. So the committee proposed raising the new GAV limit to £75m in order to attract far more growing young companies. *Committee members cited cases in which EMI user companies had outgrown the GAV limit and who therefore were unable to incentivise newer key employees with EMI options. "You can imagine a poisonous workplace atmosphere developing in companies where some colleagues have benefited hugely from EMI option vestings, whereas newer employees of equal standing and competence are denied them because their employer no longer qualifies for EMI status,"* warned the committee.

*Remove or replace the Working Time Declaration

From the chairman

The precipitate exit of Yorkshire Building Society from share scheme administration came as a shock to all, not least the employees involved.

But it comes at a time when the business model of share scheme administration is in need of new thinking, given its dependence on the artificiality of government incentives and their link to times when more people were employed in quoted companies and when deposits were interest-bearing.

UK government favour has been displayed in financial incentives rather than in nudge theory which would be cheaper and more effective. The pensions world has been swifter to adapt to the new times of the redefined gig economy.

At the same time international companies are showing less interest in replicating UK conditions and more in giving priority to pure objectives.

It will be interesting to see how KKR deals with its acquisition of John Laing, given it is such an advocate of employee financial participation.

All the major share scheme administrators in the UK are now international in scope and ownership. The Yorkshire shock can tip the balance and help lead to rapid reappraisal of the UK's specific needs.

Malcolm Hurlston CBE

(WTD) because it involves too much wasteful data and paperwork. If it must be retained, the declaration need only be required on exercise of EMI options and should only apply for the first three years after grant.

*Remove or replace the 92 day reporting requirement for new qualifying EMI options. *The committee said that many small companies who could not afford professional advice didn't realise that the 92 day reporting requirement was policed rigidly by HMRC, with the result that many of them lost the tax advantages after missing the deadline. Furthermore, such companies did not realise that they had to obtain a screen shot at the time they made their report, because it was impossible to re-enter the HMRC website to get one later.*

*Amend the Disqualifying Event rules for eligible employees who leave the company with its blessing. Currently, those leavers who retain their EMI options risk discovering that all subsequent rises in value of their options do not qualify for tax relief.

*Introduce a *Green Exception* for leasing companies who are currently among the activities, such as financial services, excluded from EMI qualification. *The committee said that leasing would play an increasing role in carbon reduction in the future. Clothes could be leased as an alternative to the Buy and Throw Away culture. Tier Mobility hire electric scooters, as a green transport alternative, were currently excluded too.*

*Modify the Independence Test for subsidiaries and private equity backed companies.

Currently, EMI rules state that a qualifying company must not be a 51 percent subsidiary of any other company, or under the control of another company. The committee said: "We cannot see any difficulty in principle with extending tax relief to sub-groups that are independently on an arm's length basis." Current rules mean that many venture capital and PE backed companies can cease to qualify because the investors may be technically connected.

The EMI committee comprised leading advisers: Damian Carnell, director of Corporate Growth Ltd; David Craddock, founder & director of David Craddock Consultancy Services; Colin Kendon, partner and head of incentives at Bird & Bird and tax barrister and employee share scheme doyen, David Pett of Temple Tax Chambers. It was chaired jointly by Malcolm Hurlston, founder of the Esop Centre and by Alderman Professor Michael Mainelli, executive chairman of **Z/Yen**, which operates the Centre.

At present, roughly 11,500 UK smaller companies were signed up to the EMI scheme by April 2019. However, an average of only 3,500 or so of these companies actually award EMI options each year, according to HMRC statistics. During the tax years 2015-19, EMI options were granted to 117,000 employees, but only 27,000 employees exercised their options during the same years. Although the financial rewards of EMI participation are often substantial (*around £85,000 per head from option exercises last year)* many option holders never get to cash in, either because their EMI was an Exit Only EMI (*e.g. predicating a company sale or change of control)* or because the option holders had moved on to other jobs, in search of fresh motivation. In a few cases, their employer's business had collapsed.

The Centre delivered its paper to the Treasury after Mr Sunak issued a *Call for Evidence* on whether and how more UK companies should be able to access EMI to help them recruit and retain the talent they need to scale up. Agnes Chauvet, a senior policy adviser at HMRC and Alexandra Craig, Head of Enterprise Investment at the Treasury, asked the Centre to send proposals and urge our members to help shape the future expansion of EMI.

Readers can review the Centre's submission to the Treasury in full on the Centre website at: www.esopcentre.com/news/

The chancellor sought evidence-backed views on: *Whether the current scheme is fulfilling its policy objectives of helping SMEs recruit and retain employees *Whether companies which are ineligible for the EMI scheme because they have grown beyond the current qualification limits are experiencing structural difficulties when recruiting and retaining employees *Whether the government should expand the EMI scheme to support high growth companies and how best to do this. *Whether other forms of remuneration could provide similar benefits for retention and recruitment as EMI for high-growth companies.

Centre members have long been asking: *How is it you can use a Company Share Option Plan (CSOP) but not an EMI if your business is in financial services (not to mention market gardening)? It makes no sense for successful growing businesses to be carved out from a tax efficient, flexible share scheme just because they work in a particular sector. *In a gig economy, is the working time requirement for EMI now redundant? *Once a business has got too big for EMI, it will need to go to the "next size up" in terms of share schemes – the CSOP. By this time, it's not unusual for businesses to have obtained external investment and developed a "grown up" share structure – only to find out that multiple share classes can make using CSOP difficult or impossible. *Given that EMI and CSOP are both discretionary option schemes, why do the rules have to be so different? It's confusing, limiting, and means unnecessary extra costs and administration for companies having to move from one scheme to another as they grow.

Centre member **RM2 Partnership** added*: "These are valid points that have been asked many times before. The Office of Tax Simplification's report into tax advantaged share schemes, produced almost a decade ago, mentioned every one of them*."

Some believe that companies with up to 499 employees should qualify for EMI (up from 249 at present), in order to help UK's tech start-ups attract top global talent. Given the difficulty of matching Silicon Valley stock option based pay, widening access to share options could make it easier for fast-growing start-ups to attract talent.

YBS to exit share plans administration

Yorkshire Building Society is winding down its substantial employee share plans administration division after 41 years in being.

From last week *(May 26*) YBS Share Plans has not been accepting any new clients, the Society announced via a media release which took even staff by surprise.

However, existing share plan operations and schemes and Sharesave schemes will continue to be managed by YBS Share Plans up until their maturity. All Sharesave deposits are protected under the Financial Services Compensation Scheme.

Almost 30 jobs are at stake, although YBS said it was consulting *impacted colleagues* based in Bradford about their futures. YBS Share Plans national sales manager Darren Smith told **newspad:** "*We are hoping to minimise job losses by redeploying as many of the impacted colleagues to other roles within the Society."*

Staff will focus on supporting clients and helping them transfer their share scheme administration to alternative providers.

A YBS Share Plans spokesperson added: ''These proposals have *not* been influenced by the short-term changes in client behaviour that we've seen as a result of Covid-19. *They're being made in line with longer-term considerations and trends in the way our clients want to do business with us. Balances from our YBS Share Plans business have remained static historically and we are now seeing balances decline with this forecast to continue. Over the last year Share Plans has struggled to remain competitive.*

"We understand these proposals might be disappointing, but like all businesses, to remain relevant and competitive in today's market, we must continue to evolve. By withdrawing from the share plans market, we will redirect our focus towards our core savings business – ensuring we meet our goals of passing back value to our members and building financial resilience."

Although YBS Share Plans is known mainly in the employee equity community for its expertise in managing SAYE-Sharesave plans, it administers various Share Incentive Plans (SIPs) and executive share plans too.

Irish Finance Minister Paschal Donohoe announced last October that YBS could continue *(together with Barclays*) administering the SAYE accounts of up to 10,000 employees of Irish companies post Brexit Transition and this will continue until their schemes mature.

YBS director of savings, Tina Hughes, delivered the sad news to clients: "I am writing to you about YBS Share Plans deposit taking and administration services provided to you. *I want to let you know that YBS Share Plans will be exiting the share plans market. YBS Share Plans has been a key part of Yorkshire Building Society since 1980 and so our decision has not been taken lightly. It means that we will no longer be accepting new share plans clients*. Your YBS Share Plans relationship manager will be in contact with you to discuss this announcement in more detail and share key next steps," she added.

In the run-up, on May 1, the YBS Share Dealing service was taken over by Jarvis Investment Management which previously provided the service on its behalf.

EVENTS

Pro Bono Economics ceo to address members

Matt Whittaker, ceo of Pro Bono Economics will make a keynote address at our third members' webclave on Wednesday June 9 2021 at 11:00am.

His talk: "Measuring what we value: looking beyond GDP to build back better", will examine the true value of the charity sector and the post pandemic agenda – which links to worker autonomy and issues around share ownership.

Matt was director of the Resolution Foundation before taking on the leadership of Pro Bono. Earlier in his career he was a star member of the Hurlstons team and on the staff of the House of Commons library.

'Webclaves' are online conclaves: private, invitation-only meetings to bring Centre members together to discuss areas of common interest. Discussion topics and speakers to be announced.

Centre webinar
Esop Sofa: *newspad* review – Tuesday July 13 at 11:00am. We hope you will join us for our regular panel discussion when guests, Mike Cheesley, senior share schemes manager at *newspad award* winner **Reckitt Benckiser**, Colin Kendon, partner at **Bird & Bird** and a share schemes expert from **Clifford Chance** chew over the pick of issues raised in this and next month's editions of *newspad*.

Webinar report
Eso and sustainable goals: The role of employee share schemes in achieving the UN Sustainable Development Goals was highlighted in a Centre webinar by **David Craddock**, the independent share schemes consultant, who explained the role of employee share ownership (Eso) in macroeconomics; its application to any national economy; its economic credentials; the analogy between the company economy and the national economy; and why Eso recommends itself in support of the UN Sustainable Development Goals in both developed and developing countries. The particular development goal that this webinar addressed was Goal 10: "*Reducing inequality within and among nations,*" but other goals interact, especially Goal 8, which calls for sustained economic growth worldwide and the solutions that Eso schemes offer are integrated in their impact on a range of sustainable development goals, said David. A pillar of Eso's contribution in this arena was the fact that participation in employee share schemes encouraged the development of personal responsibility. Research in both the UK and US over the past 40 years had shown that Eso encouraged personal responsibility within employee groups. There was a strong case for putting Eso in discussion halls alongside the great economic variables, such as employment, interest, price and stock exchange levels. He aimed to transpose Eso micro economic thinking within a company to the national economy. Eso offered itself as a supportive mechanism for company development and a stable economic environment generally. It had been shown that Eso worked best when it aligned with (say) profit-sharing, working with trust structures, decisions taken by works councils, pro-active approaches to training and performance management.
He praised work of the late Harvard economist Prof Martin Weitzman, who said that having Eso, or a near equivalent like profit or enhanced revenue sharing, in companies helped them cope better with up/down business cycles, in which fluctuating reward levels were inevitable. In these circumstances, Eso helped produce fixed and variable returns which, in turn, created more flexible labour costs and so the need for redundancies in a downturn was then less pressing. Eso helped produce productivity rises in many workplaces too, especially when aided by co-operative working patterns, said David. Furthermore, Eso had the capacity to unite employees in multinational companies because their employee share schemes in different subsidiary companies were kept as similar as possible. Former UK chancellor Gordon Brown, who had introduced both the Share Incentive Plan (SIP) and EMI, had made it clear to share scheme practitioners that he had seen Eso as re-distributive of wealth, but not through hand-outs, rather through hard work.

MOVERS AND SHAKERS

On the move
*Almost 1,300 investment funds and sub-funds are administered in **Guernsey** and the current value of funds under management and administration on the island is ***£324 bn***, revealed Channel Islands based trustee **Carey Olsen**.
*Oxford-based law firm **Hedges Law** announced that its 40 employees had become part owners of the business through an employee ownership trust. All employees are eligible to become beneficiaries of the trust after six months of employment, with ten percent of the organisation's distributable profits to be shared equally among all staff. The firm said it intended a further majority shareholding to be sold to the employees in two years' time. Hedges Law said it was advised on the legal aspects of employee ownership by law firm Stephens Scown, which is employee owned. Nikki Poole, md of Hedges Law, said: "*The team has been absolutely incredible and as we powered through the pandemic, I knew the best way to say thank you was to take the step to move to employee ownership . Employee-owned businesses promote fairness and economic resilience; things that we need now more than ever as we recover from the challenges of the pandemic. This will enable employees to share both the responsibility and the rewards of the business. It will increase employee engagement and therefore productivity and profitability, and equally importantly, employee ownership is known to increase the happiness of the company's clients, as they interact with employees who are happy in their work by virtue of being informed, engaged, trusted and well rewarded.*"

Pinsent Masons restores staff salaries

Law firm and Centre member **Pinsent Masons** is restoring the salaries of the 98 percent of staff who opted into its *Together Plan*, which involved reducing pay and hours during the first quarter of 2020 in response to the economic slowdown. Lost pay is being reimbursed. Pinsent Masons announced that promotional pay rises, previously withheld due to the pandemic, would be back-dated and that it would increase its allocation for salary increases, after a pause in the review process last year. In addition, bonus payments will be increased after the firm topped up its bonus pot to £13.7m - double its usual size, in recognition of the hard work and dedication delivered by staff throughout the crisis. The firm confirmed the repayment of the government furlough money it received last year, as its financial position at the end of the financial year in April exceeded expectations. Senior partner Richard Foley said it was vital that the firm's success was shared with everyone who helped achieve it. He said: "*I'm immensely proud of the team spirit that colleagues have demonstrated throughout such a demanding year. We place great value on having a team that is motivated and empowered to deliver their best for each other and for our clients, even under the most challenging circumstances and so it is only right that the business has sought to ensure they get the recognition they deserve.*"

UK CORNER

Import US Esop, urges Foundation

The US Employment Stock Ownership Plan model should be brought to the UK, with employee ownership trusts (EOTs) having an option to become Esops, where shares are allocated to individual employees rather than held in a collective pool. Embracing EOTs and Esops as part of entrepreneur succession planning could help widen employee ownership over time, said the **Social Market Foundation (SMF).**

There may be a case for a new hybrid employee ownership model in the UK, bringing together the benefits of direct ownership plans such as SAYE and SIP plans, as well as the benefits of the EOT model (such as creating organic growth in employee ownership through succession planning) said an SMF report (*A stake in success*) on employee share schemes in the post-Covid economy.

In practice, this could be an ownership model similar to US Esops in which distributions from an Esop are based on vesting, which computes how much of the stock the employee owns. Before an employee's stock can be 100 percent vested, the employee must work with the company for a defined number of years. Allowing EOTs to migrate over to the Esop model would help widen the number of individuals with an individual stake in the company that they work for, said the SMF.

Another consideration for policy should be incentivising the creation of employee-owned start -ups in the UK, particularly in productive, high growth sectors on the economy. The government recently expressed an interest in creating a *British Silicon Valley* with unicorn start-ups valued at more than $1bn. There was scope for employee ownership to be part of this drive to create innovative, dynamic start-ups in the UK, including encouraging university spin-out companies.

The report accused Tory, Coalition and Labour governments of being lukewarm over their commitment to employee share ownership over the long term. It claimed that continued institutional support for Eso had never been developed in the UK. "*If the UK government is serious about making a success of employee share ownership policy, it is going to require necessary advice, training and communication available through either creating new bodies with sufficient resources or bolstering those available to [working in conjunction with] existing non-government groups promoting employee ownership*," said the report. Perhaps the last time government rhetoric had been especially enthusiastic about employee share ownership was in 1999, when the then-chancellor Gordon Brown had said: "***Share ownership offers employees a real stake in their company… I want, through targeted reform, to reward long-term commitment by employees. I want to encourage the new enterprise culture of teamwork in which everyone contributes and everyone benefits from success.***

The SMF warned "*Despite the majority of academic literature pointing to benefits from Eso, in terms of corporate performance, business rollout of such plans remains limited. This is despite the tax-advantaged nature of the SAYE,* *SIP, EMI and CSOP plans. This suggests that there is likely to be a pervasive lack of awareness of – or scepticism over – the case for developing employee share ownership policies within businesses.* ***If companies widely understood that share ownership boosts worker productivity, reduces absenteeism and encourages innovation, presumably more companies would pursue ownership policies of their own accord.*** *Another issue may be lack of awareness of benefits among employees. Share plan rollout, with high participation rates, will be limited if employees are sceptical of the claims that such plans can help them accumulate wealth. Some workers might be suspicious of a share plan rollout being linked to concessions elsewhere, such as on pay.*"

Barely three percent of employees in small UK companies (up to 50 employees) hold either shares or share options, reported the By contrast, 11 percent of employees in large companies (more than 250 employees) hold either shares or share options, said the SMF.

It attacked the "harsh" accounting treatment of SAYE-Sharesave, which had deterred some Eso-friendly companies: "*One particular cost issue that arose in our discussions with stakeholders was the way share plans are treated for accounting purposes*" it said. "*Since 2009, amendments to accounting standards, under International Financial Reporting Standards 2 (IFRS 2), have seen harsh accounting treatment of SAYE option plans. Under IFRS 2, companies have to estimate the value of SAYE options on grant and spread the cost over the period until they vest. Employees may stop making their monthly contributions for a variety of reasons resulting in the SAYE options lapsing.*

"Logic might suggest that if an employee stops saving under an SAYE savings contract say two years into a five year option with the result that the connected share option lapses, the company should be able to write back two-fifths of the estimated costs that it has taken against profits. However, under ISRS2, the company cannot reclaim the two-fifths and has to expense the other three-fifths of the costs immediately, even though no shares will ever be issued.

"The UK Accounting Standards Board declared that this accounting treatment was "harsh, if not penal" in relation to savings related share option plans, although these objections were not reflected in the final position of the International Accounting Standards Board."

The SMF report said that another challenge facing employee share plans in the 21st Century was the changing nature of the labour market. The rise of the gig economy, outsourcing and the demise of a "job for life" had all served to undermine the appeal of - and access to - share plans for a significant proportion of the workforce. With gig economy workers treated as self-employed rather than employees of a company, they were unable to benefit from all-employee share plans. *Even for employees, share plans might have become less appealing. With staff spending less than five years in a job on average, the five-year holding period for share plans such as SIP and some SAYE contracts was likely to be of limited appeal for those who thought it unlikely that they would spend so long in a job.* It recommended that Gig economy workers should be given access to employee share ownership schemes.

Furthermore, all-employee SAYE and SIP plans made a distinction between "good" and "bad" company leavers. *Good* leavers were those who left because of injury, disability, retirement or redundancy, whereas *bad* leavers left voluntarily or were sacked with good cause. Bad leavers who failed to complete the period of their savings contract lost their right to exercise SAYE share options, but could keep their accrued savings. Good leavers can exercise their options, to the value of their accrued contractual savings and, if they do so within six months of leaving, will not pay tax or NICs. "*In our view, it is worth debating whether the current definitions of a good leaver and a bad leaver are the right ones*," said the report. A company may still wish to reward an employee who leaves voluntarily, and indeed may derive benefits from an amicable departure of an employee – for example if the ex-employee goes on to recommend the employer to potential customers. A growing number of companies recognise the benefits of maintaining an "alumni" network of ex-employees. Given this, and the need to broaden the appeal of share ownership, there may be a case for treating those who leave voluntarily as "good" leavers, or have a separate status that is neither "good" nor "bad". Having said that, we note that employee share plans are used by some companies as a means of retaining talent, and such a redefinition may serve to undermine employee incentives to stay with an employer, it said.

Convert Covid loans into employee shares

SMEs who took government *Bounce Back Loans* to save their businesses should be able to convert their loans into employee shares and write off the repayment amounts, said the Federation of Small Businesses (FSB) and the Ownership at Work organisation.

Under the FSB plan, struggling SMEs could convert their *Bounce Back* loans into shares to be held in employee ownership trusts (EOTs), leaving bank lenders to call in their state repayment guarantees.

Emergency pandemic debt could be assigned to an EOT in return for the trust getting preference shares in the business of the same value, plus an option to acquire ten percent of the business when there is a future change of control. Turning Covid debt into shared ownership would move the debt off the company's balance sheet, added the FSB.

Nigel Mason, an Ownership at Work fellow, said: "*Replacing unaffordable debt with an employee ownership stake can protect smaller companies in a way which ultimately benefits everyone involved.*"

He told *The Telegraph* that loss of taxpayers' cash implied by the loan conversion scheme would be more than offset by including in the equation the loss the Treasury would suffer, were these SMEs to close, from lost tax revenue and increased unemployment benefits.

Although more than 1.5m loans worth £46.5bn **were made using the scheme**, the Office for Budget Responsibility estimates that realistically only 60 percent of them are certain to be repaid.

Martin McTague, vice chairman of FSB, said that if it were left to the banks to collect the loan debts, thousands of SMEs would go bust, inflicting severe damage on local working communities: "*We're saying there is another way – give those who are cash strapped the option to swap debt for employee equity, which would protect livelihoods, spur productivity and pave the way for an SME led recovery as we try to emerge from the deepest recession in modern history*."

The chancellor has increased the *Bounce Back* repayment limit from six to ten years and is allowing borrowers to suspend repayments, or make interest-only payments, for up to six months.

More than 400 UK companies are categorised as employee-ownership SME businesses, collectively worth c.£23bn, employing almost 200,000 people.

Man United owners back fan share ownership

Manchester United's executive co-chairman Joel Glazer said he supported fan share ownership of the UK's most famous soccer team following the anti-Super League protests that forced the re-scheduling of United's Premier League game against Liverpool. Thousands of fans descended on Old Trafford, with numbers breaking onto the pitch. The teams were unable to leave their hotels as supporters gathered outside.

Mr Glazer wrote a letter in response to United fans in which he suggested speeding up talks about the club being part-owned by supporters. He plans to attend a fans' forum, which would, in theory, allow supporters to ask him questions directly rather than through prepared statements.

Joel, one of the three Glazer brothers, was reacting to a letter from Manchester United Supporters Trust (MUST), which claimed the Glazers had never engaged with it during their 16-year ownership and outlined a four-point plan. These were to "*rebalance the current ownership structure* in the favour of supporters and engage [with] and promote the government initiated fan-led review of football"; immediately appoint "independent directors"; apply a "*share scheme accessible to all*" and "offer no opposition to the Glazer shareholding being reduced to a minority or being bought altogether; and "commit to full consultation with season-ticket holders on any changes, including competitions we play in".

Mr Glazer wrote back to MUST: "*To highlight some specific points, as one of the few European football clubs listed on the public markets,* ***we believe in the principle of fans owning shares in the club.*** *We have previously engaged with the Manchester United Supporters' Trust on fan share ownership and we want to continue and accelerate those discussions, together with provisions to enhance associated fan consultation. We recognise that the government-initiated, fan-led review of football is a positive opportunity to explore new structures for fan engagement and influence. I can assure you that we will willingly and openly engage in the review, with the aim of putting fans at the heart of the game and ensuring their interests are advanced and protected.*"

However, cynics point out that the five million shares co-chairman Avram Glazer sold into the US market last March were Class A shares, which possess ten times *less* voting power than the Class B shares which the brothers continue to hold. It is Class A shares which Man United fans are being invited to buy.

Roadchef's long-suffering ex Esop participants are complaining that they've received no update so far this year from the EBT trustee in their struggle to receive their High Court awarded compensation. "*We've received no communications whatsoever this year from the trustee, who is supposed to be arranging our compensation payments*," one ex-participant in the Roadchef motorway services chain Esop told *newspad.*

"*We're getting nowhere, which is totally disheartening - it's just not right,"* added the former Roadchef employee.
The trustee, Mr Christopher Winston Smith, last year insisted that he was still talking to HMRC in an attempt to get most, if not all, of the tax liabilities removed from the beneficiaries' individual compensation pots. He has threatened to take their case to the tax tribunal if HMRC refuses to scrap the normal tax charges.
He told the beneficiaries by letter last year that if he accepted HMRC's intention to tax the compensation pots, then in some cases, their net payments would be next to nothing. Huge legal and case financing charges – some say in excess of ***£5m*** - piled up in order to get a successful High Court ruling in their favour in January 2014.
The Roadchef Esop was one of the earliest in the UK. Its definition of the key term '*beneficiary'* was too loose, as a result of which there are around 4,000 so-called beneficiaries, mostly subsequent Roadchef employees who never even participated in the Esop and who therefore suffered no financial loss!
A second mishap was that the amounts of the original share awards to employees apparently depended upon several factors, including years of service. However, in the UK, employee share schemes cannot enjoy protection from Income Tax and NICs unless the shares are offered to all qualifying employees ***on equal terms.***

Free share awards in vogue
Games Workshop's 2,500 employees are each being given £5000 worth of free shares in the company under a bonus scheme after it recorded a profit surge during the pandemic. Homebound tabletop games fans ordered 30 percent more items than normal during the lockdown as Nottingham-based Games Workshop was forced to close temporarily many of its retail outlets. Nevertheless, its pre-tax profits in the year to ended May 30 were set to double to at least £150m, compared to the previous trading year, the company said. Its shares award to all qualifying employees was in recognition of their contribution to the impressive results, a spokesman said.
*Online furniture retailer **Made.com**, was expected to push the button in early June on a near-£1bn flotation, which will mean a multimillion-pound pay-day for backer Brent Hoberman, founder of *Lastminute.com*. Around 650 rank-and-file staff, who were each handed hundreds of free share options last Xmas, will be major gainers as well. All Made.com staff apart from senior management received the same number of share options which will vest in equal tranches over the next three years. The share options were already worth £10,000 each at the end of last year for employees in a showroom, customer service or warehouse. Collectively, management and staff own between ten and 15 percent of Made.com's equity, equivalent to up to £150m at current valuation. Employees can sell the shares at the same time as other investors in the private equity-backed company. Ceo Philippe Chainieux said the three-year scheme had indicated a future financial transaction, for example the sale which has now been lined up. Made.com was founded in Shoreditch, east London, by Ning Li and Chloe Macintosh, who set up the company by working directly with designers and manufacturing products only when there were sufficient customer orders. Mr Chainieux said: "I have been delighted by the way in which everyone at Made has pulled together as a team during this unprecedented time. There have been many challenges for the retail sector this year, but I am proud to say that thanks to the structure of our business and the tireless efforts of our people, we have emerged from the crisis in a very strong position. *The share options are a way of saying 'thank you' to colleagues for their past efforts but also a way to give them a stake in the exciting future we see for our brand,"* he added.

New platform for pre-Exit employee share sales
Allowing employees at high growth private tech start-ups to sell their shares ahead of a liquidity event, such as an IPO or a trade sale, is a tricky thing to get right. The big problem is that any solution needs to oversee three things: buyers, sellers and the management at whatever start-up's shares they are hoping to promote, said an article in the FT supported website *Sifted.* Getting management's sign-off to let staff sell their shares is particularly tricky — ceos and cfos won't bother wasting their time unless they can be shown evidence of significant demand from both buyers and sellers. Efforts to solve this puzzle are increasing. Equity crowd-funder **Crowdcube** has launched Cubex, a secondary market to allow retail investors to buy and sell shares in high-growth private firms in Europe, and not just those who have raised cash through the platform. Crowdcube has done secondary transactions before (more than £16m worth), notably for BrewDog, Revolut and most recently for Freetrade, the share trading app. The Freetrade sale, managed via the next Cubex marketplace, could have made six early Crowdcube shareholders into millionaires (*had they sold up*) as the start-up's valuation now stands at £265m. Cubex aims to support secondary sales for thousands of start-ups. Crowdcube teamed up with

data platform Crunchbase to display information about these companies in the Cubex marketplace. The idea is that investors can study the list and express an interest in buying shares and once enough demand has been registered for a given start-up's shares on Cubex, Crowdcube will approach the company about running a secondary. "We recognise that the best way to get secondaries, and primaries as well, is to get the company involved and the approach that we're taking is to have company-led transactions," said Darren Westlake, Crowdcube's ceo. What Crowdcube is hoping to bring to the table is buyers. But Christian Gabriel, founder and ceo of share management platform Capdesk, thinks sellers are by far the hotter commodity. Capdesk has a secondaries product of its own. The platform, which at its core allows start-ups to manage their cap table and shareholder register, offers several ways to run liquidity events at the touch of a button. Therefore, they're always dealing with "cfo-approved sellers" — which Gabriel considers a big advantage in a market overweight buyers. It is having some success. Capdesk recently ran a £2.7m secondary for a well-known London-based mobility firm. That transaction was staged as an online auction with the help of Asset Match, which specialises in auctioning off secondary shares and debt.

In June 2020, the firm partnered with the UK's other big equity crowd-funder Seedrs to allow its users — which had collectively raised more than £15bn as of January 2021 — to sell shares via Seedrs' secondary market. Seedrs has, to date, facilitated £25m in secondary share sales, including £5.5m in the first three months of 2021 alone. That amounted to more than 34k secondary share transactions.

MORE COMPANIES

*More than **60** percent of voting shareholders in **Rio Tinto** revolted against its decision to award a generous pay deal to its former boss who was ousted over the blowing up of the sacred aboriginal Juukan Gorge caves, in order to expand an iron ore mine. The Anglo-Australian miner claimed that it understood the "*sense of outrage that people feel*" as its *remuneration report* was rejected by well over half of those voting at its twin agms in London and Perth. Jean -Sébastien Jacques agreed to step down from Rio last year after the destruction of the 46,000 years old rock shelters last May caused a huge backlash. The huge rebellion against the board demonstrated how environmental, social and governance (ESG) issues are now influencing the voting behaviour of both institutional and private investors. Rio penalised Jacques by docking bonuses worth about £2.7m. However, his overall reward still rose by 20 percent to £7.2m last year, the highest earnings of his tenure. In addition, Jacques held onto an LTIP said to be worth almost £20m and he looks set to collect a further £1.1m *golden goodbye* later this year.

As the rejected remuneration report vote was purely advisory, Rio Tinto, now nicknamed ***Rio TNT***, went ahead with the payments anyway. Only if a UK company's remuneration ***policy*** report is rejected by the majority of voting shareholders is it forced to tear up its original executive pay policy and come back with a new one. However, as Rio Tinto is listed in Australia as well as in the UK, if its executive pay packages are rejected next year too, then the board could face a shareholder vote to remove them, under Aussie corporate governance rules.

*Almost 40 percent of **AstraZeneca's** voting shareholders gave the thumbs down to the board's plan to award its ceo, Pascal Soriot, a big increase in bonuses, as three investor advisory groups urged shareholders to vote against the remuneration policy. Pirc, Glass Lewis and Institutional Shareholder Services (ISS) all flagged concerns over moves to raise the maximum share bonus Soriot can receive under a long-term plan (LTIP) from 550 percent of his £1.3m base salary to 650 percent. In addition, AZ, the Anglo-Swedish pharma giant plans to hoist Soriot's maximum annual bonus to 250 percent of salary from 200 percent, depending on performance targets being hit, raising his potential maximum reward to £18m. The shareholder advisory groups had recommended investors vote against the pay policy at the agm. The rebellion by shareholders was even more significant because almost 75 percent of its shareholders actually voted. Many did not buy the argument that, as AstraZeneca's Covid vaccine was helping to save millions of lives worldwide, its boss was entitled to an exceptionally high reward in recognition of his role in the anti-Covid battle. AstraZeneca has faced criticism over supply shortages of its Covid vaccine and, in rare cases, a potential link to blood clots. It has, however, pledged to supply the vaccine on a not-for-profit basis during the pandemic and lost money making it in the first quarter of the year. Moreover, its vaccine is easier to stock than most of the others and is being used widely in poorer continents, such as Africa, southern Asia and Latin America. Neville White, the head of responsible investment policy at EdenTree Investment Management, which holds AstraZeneca shares, described the proposed bonus increases as *"obscene"* and he voted against them. He added: "*It is obviously tricky, because Pascal is both a hero and an anti-hero at the moment.*"

Mr Soriot has been paid more than £15m in each of the last two years, after overseeing a turnaround as he rebuilt AstraZeneca's drug portfolio. It said that the pension contributions of Soriot and other executives would be cut to the same level of the wider workforce, at 11 percent of base pay, under the new policy. An AZ spokesperson said: "*We link the remuneration of our executives to successful delivery of our strategy and shareholder returns. AstraZeneca has delivered a total shareholder return of close to 300 percent over the last eight years, significantly ahead of our global pharmaceutical and FTSE 100 peers.*" The AZ high command, which will have to negotiate with leading shareholders over the ceo's reward package, fears that if Soriot gets very miffed over the situation, he could jump ship.

***BAE Systems** saw off an investor revolt over a 13 percent pay rise and £2m retrospective windfall for its ceo. Just over three-quarters of its voting shareholders backed the FTSE 100 company's remuneration report at its agm, although 24 percent voted against it. The pay deal includes a "*golden handcuffs*" arrangement to keep Charles Woodburn after he was approached about being the boss of Rio Tinto, the miner. Woodburn's treatment at the hands of BAE shareholders is being seen as a litmus test for other executive payouts during the pandemic. BAE, whose Typhoon fighter jets are the backbone of the RAF, disclosed in its annual report and accounts that it was working on its long-term succession strategy covering senior executives, in accordance with the UK Corporate Governance Code.

***BP** launched a £360m share buy-back scheme after recording better than expected profits via the global economic recovery.

***BT** ceo Philip Jansen bought more than £2m worth of shares in his own company after it announced a drive to connect 25m UK homes with fibre broadband by 2026. He bought 1.25m BT shares at £1.63 each. Mr Jansen has so far invested almost £10m of his own money in BT shares.

*Almost 35 percent of voting shareholders in **Cairn Energy** were against a 26 percent pay rise for ceo Simon Thompson, who was awarded a compensation package worth £1.5m, up from £1.2m in the previous year, thanks to an increased bonus.

*Shareholders revolted too over top executive reward packages at **Cineworld** agm. More than 26 percent of recorded votes went against its remuneration *policy* and more than 25 percent voted against its remuneration report. An incentive scheme will allow senior Cineworld executives to collect £104m and £208m, depending upon where the share price will stand in three years time. Ceo Mooky Greidinger and his brother and deputy, Israel, are in line to cash in up to £65m each.

*Caterers **Compass group** returned £25m of furlough cash to the government as its revenues started to recover from the pandemic. Compass, which improved the quality of its school meals after criticism, returned all its furlough support cash in the six months ended March 31 and has claimed no more in this new fiscal year.

*The new chairman of **Credit Suisse (CS)**, Antonio Horta-Osorio, bought £870,000 worth of shares in his new employer to demonstrate his confidence in being able to improve the fortunes of the troubled banking giant. His purchase represented almost one quarter of his expected annual compensation at CS, which has ties with Greensill, the collapsed finance firm which was advised by ex PM David Cameron. The Swiss banking giant was then pummelled by the fall of the US hedge fund, Achegos.

***FirstGroup** sparked off a row with transport unions after announcing that it would resume dividend payments, while rail employees are being subjected to a two-year pay freeze. FirstGroup is giving shareholders little more than a tenth of the 3.3m it got by selling its US operations recently, while it pays down debt and partially fills a hole in its retirement fund.

*Shareholders staged a rebellion at **Glencore** over plans to pay its incoming ceo up to $10.4m a year. More than a quarter of investors who voted at the mining and trading group's agm rejected its new remuneration policy. Ivan Glasenberg, Glencore's long-serving ceo, is due to leave in the next two months and will be replaced by Gary Nagle. Glasenberg, 64, drew an annual salary of $1.5m and did not take part in bonus schemes as his position as Glencore's second largest shareholder entitled him to hundreds of millions of pounds in dividends. The new pay policy gives Nagle, 46, a base salary of $1.8m plus bonuses and restricted share awards.

*Former PM David Cameron has not denied reports that he made several million US dollars by cashing in vested stock options issued by **Greensill Capital**, now in administration with 5,000 jobs under threat. Other than telling Treasury committee MPs that his salary at Greensill had been 'generous' and far higher than what he had earned as PM, Mr Cameron did not reveal how much he had been paid.

***John Laing Group** (JLG) is the latest UK-listed company to sink in the flood of US private equity cash flowing into the British corporate scene. Centre member **Kohlberg Kravis Roberts (KKR)** pounced after stalking John Laing's share price, which has been trading below its net asset value during the pandemic. JLG is an international originator, active investor and manager of infrastructure projects, but has just 155 employees worldwide. Its business is focused on major infrastructure projects awarded under governmental public-private partnership (PPP) programmes across many markets. A takeover approach at 403p a share, a level not once achieved during John Laing's six years on the stock market, valuing the group at £2bn was an offer the board could not refuse. JLG directors have recommended the offer which is at a 26 percent premium to the 320p net value of its assets, as reported at the end of last year.

***London Stock Exchange Group (LSE)** suffered an investor rebellion at its remote agm after raising its ceo David Schwimmer's salary by more than £200,000 after LSE's £20bn takeover of data provider **Refinitiv.** Almost a quarter of voting shareholders, including major investors, voted against the LSE's remuneration report in protest. They complained that the significant salary rise could well translate into multiples of that number in future bonus payments.

*The Treasury netted £1.1bn by selling 580m **NatWes**t shares – five percent of its holding–-at 190p each, cutting the taxpayers' stake in the bank to just under 55 percent.

***Pendragon**'s battle with its shareholders continued after **42 percent** of votes cast at its agm were against its remuneration report for the year ended December 31. More than 41 percent of votes were then cast against the re-election of MD Wright, the director in charge of remuneration policy, after a major row over the company's executive bonus bonanza during the Covid-19 crisis. However, the car retailer appeared to indicate that it would once again ignore investor anger, reported *The Times.* Leading investors including Anders Hedin, a 13 percent shareholder, and City institution Legal & General had concluded that Pendragon's payment of a £413,000 bonus to Bill Berman, chairman and ceo, taking his reward package to £923,000, was way too high. Both shareholders said the payout should have been lower because it was made during a year in which Berman axed 1,800 employees and took £52m of taxpayer furlough support cash. Mr Berman himself was slapped in the face by shareholders – 21 percent of those who voted opposing his re-election as a director.

*The vast army of **Royal Mail (RM)** employee shareholders must be pleased to see their employer fight its way back into the FTSE index of the top 100 quoted companies after a two-year exile. RM's share price has soared since April last year when it stood at 124p to just shy of 600p as this issue went to Press. Postal employees hold c. 11.5 percent of the company's equity – via its Share Incentive Plan and its EBT trustee.

*UK private equity firm Cinven said that Centre member **Sanne Group**, the alternative assets and corporate services business, had rejected its *£1.35bn* buyout offer. Cinven said it was considering its options and had until June 11 to make a firm offer or walk away. Last month, Cinven proposed 830p per share to Sanne, which provides out-sourcing services to clients across the Americas, Europe, Middle East, Africa and Asia Pacific. Cinven investments are focussed on business services, financial services, consumer, healthcare, technology and industrial in North America and Europe. The buyout firm said its proposal allowed eligible Sanne shareholders to retain the right to collect the company's final dividend declared in March.

*Former **Tesco** ceo Dave Lewis cashed more than £13m of share options last October after leaving the group, as he exercised bonuses awarded during his six years at the helm, reported *The Guardian*. The payments were part of more than £30m in total reward for Lewis since he joined Tesco in 2014, not including up to 1.6m further share awards, valued at £3.7m, which Lewis will be able to cash in over future years, subject to the group's performance. He did not receive any payoff when he left the company and will not receive a final annual bonus for 2021 as the company missed profit targets, according to the group's annual report. He received £1.6m for his final seven-month stint at the retailer, down from £6.3m for the previous year, which was the biggest annual pay award for a Tesco executive in a decade.

Tesco's remuneration committee did not adjust the profit target to enable an annual bonus payout for executives despite the pandemic. The board's non-executive directors said that after much debate they had decided not to "apply any discretion" despite the pandemic, which had led to millions of pounds in additional costs to support safety measures and staff in stores. Tesco's decision to hand back business rates support to the government and bad debt at the group's banking operation hit profits. Neither did the group's directors adjust performance measures for the LTIP payouts this year – which applied to former fd Alan Stewart, who left in April. He received only 23 percent of the maximum long-term bonus or £433,000 in cash and shares, taking his total payout for the year to £1.4m, down from £3.6m a year before. Total directors' pay almost *halved* to £5.9m from £11.7m a year before in the light of the bonus miss and a handover to new ceo, Ken Murphy, and new fd, Imran Nawaz.

The decision on bonuses came after Tesco shareholders delivered a major protest vote against pay last year with investors representing 67 percent of Tesco's equity voting not to back the group's remuneration report. Shareholders objected to a late change in an executive bonus scheme, which handed an additional £1.6m to Lewis and £900,000 to Stewart. While directors did not adjust the targets for the two bonus schemes which were due to pay out this year, they *did* adjust targets for long-term bonus schemes which kicked off in 2019 and 2020. Murphy received £992,000 for his first five months at the helm, including £363,000 in compensation for income forfeited at his previously employer, the owner of health and beauty retailer Boots. Murphy's signing-on fee was eclipsed by that for Nawaz, who received £644,600 in compensation for loss of stock awards and for "*commuter support*" from his previous job at Tate & Lyle. Nawaz is lined up to receive further compensation payments in the year ahead on top of his £700,000 annual salary.

Meanwhile, Tesco UK shop floor staff are to receive a bonus equivalent to *two* percent of annual salary in June. The payment comes on top of £130m paid out in bonuses last year, comprising ten percent extra on monthly salaries for frontline staff in April, May, June and December in recognition of the difficulties of working through the pandemic. Tesco's decision on directors' annual bonus was in contrast to action at smaller rival Morrisons where the ceo David Potts increased his pay to £4.2m last year. The supermarket's board awarded him a full annual bonus despite missing profit targets.

***WPP** is clawing back up to £600,000 worth of long-term share awards made to ex ceo Sir Martin Sorrell in 2016-17, before he left over allegations that he breached the terms of his contract by leaking confidential information to the media. Sir Martin left the global advertising group he built up for 33 years amid claims of misconduct, which he denied, and set up a successful rival in **S4 Capital.** WPP disclosed in its annual report that it was withholding his remaining payments "*under the terms of the [plan] to make malus adjustments*". The awards will lapse as a result of Sir Martin Sorrell's alleged disclosures, said WPP. Sir Martin condemned the move by his former employer and pledged to fight it in the courts, if necessary.

ESG corner:

Boohoo is linking a £150m bonus scheme for top managers to improvements in working conditions at the factories it uses. The company said that the board would have the power to reduce the pay of up to 15 key managers, including co-founders Carol Kane and Mahmud Kamani, if the group's *Agenda for Change* programme was not implemented in full. The changes include establishing a whistle-blowing system and responsible sourcing plan as well as publishing the names of all factories used by Boohoo worldwide. Under the controversial scheme introduced last year, Kamani and Kane are both due to receive *£50m*, a third each of the total bonus, if Boohoo's £4bn market valuation reaches £7.5bn by June 2023. Boohoo admitted that it had been wrong to implement the expensive bonus scheme without seeking approval from shareholders, a move which broke the UK corporate governance code. While there was no requirement to seek approval, the remuneration committee said: "*With hindsight, we recognise that it would have been more consistent with our philosophy of transparency and shareholder openness to seek shareholder approval before implementing the plan*." A separate bonus scheme for the ceo John Lyttle, under which he will receive a £50m bonus if the company's market value reaches £6bn by 2024, and directors' annual bonus scheme is linked to improvements in dealings with suppliers. Boohoo's remuneration committee said that comments from shareholders had been "*instrumental in informing the changes that we have made*" and it would continue to keep remuneration under review. Boohoo promised to improve conditions in the supply chain feeding its online retail empire last year after revelations about poor pay and conditions particularly in Leicester where the group sources about 40 percent of its fashions. The overhaul of Boohoo's supply chain is being monitored by advisory firm KPMG and retired judge Sir Brian Leveson.

***Ocado** suffered a serious shareholder revolt over the board's lack of *gender diversity,* which grew worse late last year after the resignation of Claudia Armey to take up the role of chair at Deliveroo in the run-up to its public listing. Ocado's dissenting shareholders chose as their target on this issue director Andrew Harrison and 23 percent of those who voted went against his re-election. In response, the board promised at least one new female director appointment shortly. It issued a statement saying: "*During the year the nomination committee undertook a review of the board's composition (including its gender balance). The nomination committee recognises that the composition of the Board today falls short of its objectives in this regard.*"

However, Ocado easily beat off a threatened investor backlash over alleged 'excessive' reward for its ceo Tim Steiner, who seems to have trousered almost £7m *last year*. City advisory firm Glass Lewis (GL) accused Ocado of 'poor remuneration practices' and urged shareholders to vote against the remuneration report at the recent agm. In the event, only 12.7 percent of voting shareholders gave it the thumbs down.

Glass Lewis had strong reservations about a bonus scheme whose pay out is linked with rises in Ocado's share price, which has risen by 676 percent in the past five years to 21. GL said that there was too much focus on shareholder value creation and not enough on the underlying performance of the business and management. Ocado awarded Mr Steiner a *£58m* reward packet in 2019 and is likely to give him a bonus of £100m over five years if the shares continue to rise in value.

*Britain's biggest City fund manager piled pressure on **Shell** after joining a shareholder rebellion over the oil company's carbon-cutting plans, claiming that they lacked credibility and the ambition required to combat global heating. At its recent agm, a shareholder resolution calling for Shell to do much more to tackle the climate emergency by setting binding carbon emissions reduction targets received 30 percent of votes.

Legal & General Investment Management (LGIM) was among investors behind the significant shareholder vote against Shell's climate transition targets. LGIM told *The Guardian* that it had joined activists demanding faster progress because it did not believe the Anglo-Dutch company's plan was credible. Although acknowledging progress was being made by the company's management to boost low-carbon investment, LGIM said: "We remain concerned that the strength of interim targets (up to 2035) and disclosed plans for oil and gas production fall short of the level of ambition required for the company to credibly claim alignment with a 1.5C pathway." The result forces Shell to consult shareholders and report on their views within six months. The resolution was put forward by ***Follow This***, a campaign group that uses activist investment to put pressure on oil companies into de-carbonising in line with the limits set by the 2015 Paris climate agreement.

Shell put forward a vote on its own "energy transition strategy" to reduce carbon emissions. The resolution passed, with 88 percent of votes cast in favour. However, despite expressing some reservations over both votes, LGIM turned against the management strategy in favour of *Follow This*. LGIM has been increasingly vocal about the climate crisis: Last October it announced it was expanding its engagement activities in this area and would "systematically hold companies accountable through voting and investment sanctions". Its ceo, Michelle Scrimgeour, said the pandemic had "underscored the importance of tackling looming threats – like that of a climate catastrophe – before it is too late".

Troughing rewards

The Royal Institution of Chartered Surveyors (RICS) faced anger over the decision to hand its ceo a six-figure bonus, despite axing many jobs and claiming government furlough money. The 153-year-old professional body, which sets standards and qualifications in the property industry, defended bonus awards to ceo Sean Tompkins worth more than £263,000. A RICS remuneration report showed that he was awarded £73,911 in January this year for the group's 2019–20 plan and an additional £189,720 as a deferred element in the plan, payable in 2022. Mr Tompkins received an annual salary for the year to the end of July 2020 of £254,341, a reduction of 2.1 percent compared to the previous year, after he took a 15 percent pay cut for a six-month period. Since the outbreak of Covid-19, RICS has introduced swingeing cost-cutting measures, making more than 100 employees redundant. It claimed taxpayer-funded furlough money for 30 percent of its UK staff during the pandemic. Commenting on Tompkins' bonus, one former RICS executive told *Property Week*: "*It shines quite an unattractive light on the mismatch between the impact on ordinary people in the business and the reward provided to the chief executive. There is much made of his having sacrificed 15 percent of his basic remuneration for a short period but it's been more than compensated for by his very generous bonus award. It's enormously disappointing and shows a cavalier disregard for members' concerns and even-handedness and fairness between senior leadership and the ordinary rank-and-file employees of the organisation.*" RICS said that its remuneration committee believed the payout was "appropriate and defensible".

*Britain's best-paid university vice-chancellor is among 15 colleagues who have had their six-figure salaries quietly returned to normal levels after accepting pay cuts during the pandemic. Leaders at some of the UK's leading institutions sacrificed a percentage of their remuneration packages as hundreds of staff were made redundant in a drive to curb costs during the crisis. Alice Gast, of **Imperial College**, is one of 15 vice-chancellors whose pay is back to normal, according to data obtained under freedom of information law. Critics said the cuts had been a "*mere PR exercise*". Ms Gast took a pay cut of 20 percent in May last year to £287,000 but her base salary then returned to £359,000 in November. Before the pandemic she earned more than any other vice-chancellor.

Pensions

The head of the UK's pension regulator has called on gig economy companies to recognise the employment rights of those who work for them and set up workplace pensions. Charles Counsell, ceo of the Pensions Regulator, said the government-backed body was already working closely with Uber on a workplace scheme after a supreme court ruling found the ride-hailing group's private-hire drivers should be classed as employees, with rights to minimum hourly pay, holiday pay and a pension. At present, most couriers for companies operating in the gig economy, including Deliveroo and Uber's food courier business, UberEats, as well as most of Just Eat's couriers in the UK, are classed as self-employed contractors without key workplace benefits including a pension. After the supreme court ruling, Uber agreed that its 70,000 UK private-hire drivers would be recognised as workers with minimum hourly pay and a pension. "*I am going to call on other organisations in the gig economy to start to recognise that the people who work for them are workers and should be eligible for a pension,"* Counsell told the regulator's TPR Talks podcast. "It is all about helping people working in the economy to have a decent standard of living in retirement and I really encourage those in the gig economy to take a stance and start putting their workers into pensions. Let's not deal with this on a case-by-case basis," he said.

***Pension claw-back condemned**: Sharon McGeough-Adams will start receiving her state pension in 2023, but she is already a central figure in a fight to ensure that pensions from HSBC are not reduced by up to £2,500 a year. She started working for Midland Bank, which was subsequently taken over by HSBC, in 1976 and retired in 2013. When she reaches 66, Sharon fears she will suffer an almost £200 monthly reduction in her company pension because of *pension claw-back*, which enables the bank to *reduce* some former staff members' payments. The controversial practice is condemned by former and current staff and has been labelled as being discriminatory against women, who are particularly badly affected. Now the bank is under pressure to abolish pension claw-back, which *allows employers to deduct the state pension from contributions made for its employees.* Claw-back, or *pension integration* or *state pension deduction* – involves cutting a former employee's company pension on the grounds that they receive the state pension too! Often the first time people become aware of it is when they reach state pension age – which may be years after they start receiving their workplace pension – and discover that their company pension income has been reduced. It is estimated that *50,000* former HSBC employees are affected. The banking giant defends the policy, but campaigners criticised it as "*unjust and unfair*". Deductions vary widely: for example, for someone with ten years' service, who left in 1995, it is £376 a year, while for an employee with 34.5 years' service, who left in 2015, it is £2,552 a year. HSBC calls the practice *state deduction* and is not alone in the corporate sector in enforcing the cuts, which are perfectly legal. The formula is based on length of service *(though it does not apply to benefits built up after June 2009*) and the basic state pension when an individual leaves the bank's service. HSBC introduced the deductions in 1975 and the policy applies to scheme members who joined between then and June 1996.

WORLD NEWSPAD

*The **Australian** government announced new plans for major reforms of the employee share scheme at a cost of A$550m (£302m), in order to bring Australia's employee share schemes "in line with the rest of the world". The planned reforms would see an employee no longer taxed on the shares as soon as their employment at the company ends. This rule has often led to the employee being forced to sell their shares to meet the tax liability. In addition, the government plans to remove regulatory requirements for the issuing of employee share schemes where the employer doesn't charge or lend to the employees they are offering the shares to. If the employer does do this, there will be streamlined requirements with a cap of $30,000 (£16,488) per employee per year, up from the current cap of $5000. "This measure will help Australian companies to engage and retain the talent they need to complete on a global stage, which is consistent with recommendations from the *Global Business and Talent Attraction Taskforce,*" the budget papers said. The Coalition government first announced plans to significantly reform the employee share scheme three years ago when it revealed plans to increase the cap on employee share schemes to $10,000 and to introduce new exemptions for start-ups and SMEs from reporting requirements and disclosures. However, despite launching a number of inquiries into these plans and broader employee share schemes, the government did not implement the proposed changes, which will be superseded by the 2021-22 budget plans, which in many cases aim to take the reforms further.

*Chinese tech giant **Tencent** faced a £1bn fine for its alleged failure to report acquisitions for anti-trust reviews and anti-competitive practices, reported *Reuter.*

The penalty, from China's State Administration of Market Regulation, focused on the Tencent Music Entertainment division, which has exclusive music rights and precious music streaming apps.

***Post Brexit landscape** It seemed unlikely that any announcement on equivalence decisions would be forthcoming in the short-term, particularly given the recent comments made by the EU Commissioner for Financial Services, Mairead McGuiness, that there was "no rush" to do so. Furthermore, Ms McGuiness noted that any decision to grant full regulatory equivalence to the UK would depend upon the UK aligning to the EU's regulations on a forward-looking basis. In light of various indications from the UK government that it would seek to diverge from EU rules over time, it seemed inevitable that this issue would prove a key stumbling block to full regulatory equivalence being achieved by the UK, said lawyers *William Fry*.

*Much has been made of the alleged small number of FS roles shifted from the City to the EU mainland since the 2016 referendum rising to only 7,700, far fewer than originally forecast. However, these are only ***direct*** job losses, which economists normally multiply by three, to cover consequent ***indirect*** service job losses (e.g. *sandwich bars, boutiques, beauty shops, hairdressers, restaurants et al*), to get the true impact. Reducing that multiple to a conservative 2.5, suggests that at least ***19,000*** City jobs have gone already by this count. JPMorgan Chase bought a second building in Paris housing up to 450 employees, as it transferred its euro-related trading operations out of London due to Brexit. The US's largest bank by assets said the move was part of its strategy to continue to serve European-based clients seamlessly from major cities across the continent. The French government unveiled €8bn worth of inward investments from companies such as AstraZeneca and Coca Cola. HSBC was moving up to 1,000 jobs to Paris from Canary Wharf and the world's largest asset manager, BlackRock, made Paris its new base to provide "alternative" investment services across Europe and Asia.

France:

***Elis SA** a French-based company launched an '*Elis For All,'* an all-employee share purchase plan offered to 40,000 of its 50,000 worldwide workforce. Employees were subscribing for Elis shares at a 30 percent discount through the FCPE mechanism (*Fonds Commun de Placement d'Énterprise*), which is an indirect form of share ownership. Elis sells services in the image, hygiene and well-being sectors, including the rental and maintenance of flat linen, professional clothing, as well as hygiene appliances.

*Leading automotive technology company **Faurecia** launched a non-dilutive Esop following the distribution of Faurecia shares held by Stellantis. The *Faur' ESO* (*Faurecia Employee Share Ownership*), is designed to strengthen employee engagement and involve employees closely in the group's future development and performance. This first operation involves a maximum of two percent of Faurecia's share capital and will be deployed in 15 countries, targeting 90 percent of the group's 114,000 employees. Ceo Patrick Koller stated: *"This plan reaffirms our ambition to associate our employees even more closely with Faurecia's transformation to meet the new challenges of mobility. Once this operation is completed our employee shareholders will comprise up to 2.6 percent of shareholders".* The shares were subscribed by the beneficiaries either directly or through an employee shareholding fund (FCPE), depending on their country of residence. The offer included two formulas for which the subscription price will benefit from a 20 percent discount on the reference price *as well as a matching contribution paid by the Group.* *A "classic" formula in which the subscriber is exposed to fluctuations in the Faurecia share price, while the discount and the matching contribution minimise the potential losses and increase the potential gains. *A "multiple" formula in which the subscriber receives at maturity at least the amount of his or her personal contribution plus either a guaranteed return or, if higher, a multiple of the performance of Faurecia's share price. In some countries, the mechanism of the multiple formula could be achieved via the allocation of Stock Appreciation Rights (SAR*)*. The initial reservation period ended ten days ago. The purchase price will be fixed on June 22 with delivery of shares on July 28. The Faur'ESO offer will be paid for through a capital increase, but to neutralise the dilutive effect, the board authorised a budget dedicated to a share buyback programme.

*The California-based **National Center for Employee Ownership** estimates that are ca.10,000 Esops in place in the US, covering 10.3m employees. However, fewer than 2,500 Esop companies are 100 percent owned by their employees.

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