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it's our business

newspad of the Employee Share Ownership Centre

Crisis looms as top UK banks snub EU over bonus cap

UK's top banks have ganged up to snub new EU bonus cap rules by awarding chosen executives massive free share awards every three or six months and, in doing so, have provoked a fresh crisis between Brussels and the City.

Barclays, HSBC, Lloyds and Royal Bank of Scotland (RBS) are all now using share award mechanisms to side-step EU rules – in force throughout the EU since last January - which limit bonuses to 100 percent of annual salaries, or 200 percent maximum with shareholder approval.

UK Chancellor, **George Osborne** is challenging the bonus cap rules in the **European Court of Justice**, amid fears that limiting bankers' reward could threaten London's position as a, if not *the,* leading global financial centre. He said: "Regulation of pay in this manner goes beyond what is permitted in the EU treaty. That's why we are challenging these rules in the European Court, to ensure the legislation respects the EU treaty and actually achieves what it's meant to – a more stable banking system that serves the economy, businesses and consumers."

Business Secretary **Vince Cable** was put on the spot by the big banks' new *Get out of Jail* card on executive reward. Only last April Cable warned the 100 biggest UK listed companies about the damage big pay deals can have on their image. "Getting pay wrong damages popular trust in business and undermines the duty to promote the long-term success of the company," he wrote in a letter to directors who chair the remuneration committees which set senior reward in major listed companies. "I think it vitally important that remuneration committees consider how remuneration policies can genuinely support sustainable value creation and avoid creating unwelcome incentives to focus excessively on short-term goals." Cable has now promised that all companies with more than 250 employees would be forced to publish the salaries of their highest earners and told to consult their employees on executive pay *if* the Lib-Dems join another coalition, after the general election next May.

Under Cable's blueprint, companies would have to publish details of median pay levels for staff too so that they could be compared with the amounts paid to the highest earners in each firm, in a bid to increase transparency.

In recent weeks, both state-owned RBS and HSBC have honed the language they are using to describe their new executive share awards, which are known in the UK banking world as 'fixed share/pay allowances' - terminology designed to bolster claims that the share payments are *not* bonuses because they are fixed - and not variable amounts. HMRC is taking a strong interest because these *fixed* share awards to senior bankers should be subject to income tax and NICs, though they may not be counted as pensionable pay.

Furious senior European Commission staff who dreamt up the bonus cap rules are not fooled by the semantics. They see the new *fixed share awards* for top employees as a collective two-fingers-up by the top UK banks. Retaliation cannot be far off, though their hands may be tied until the court challenge launched by Mr Osborne - over the legality or otherwise of the bonus cap - is resolved.

Nevertheless, The European Commission has already demanded that powers be stripped from the UK's

From the Chairman

BT is one of the great success stories of employee ownership in Britain. Helped by a following wind its five-year sharesave participants have made £1bn. Much to most commentators surprise BT employees don't take the money and run: overwhelmingly they become committed employee owners and help drive the company forward. Royal Mail became private in different circumstances but we shall hear from our international director, speaking at our EU event in Florence this month, how they can blaze a trail too. Contrast this with the travails of the Co-op, poster boy of the bienpensants, now haemorrhaging customers from its troubled bank.

Malcolm Hurlston CBE

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financial regulators and handed to Brussels, in a move that will put further pressure on the strained relationship between the City of London and the EU. The Commission called for the EU's three financial supervisors to play a greater role in regulating banks, insurers and markets, with new powers that will dilute the effectiveness of the **Financial Conduct Authority** and the **Bank of England**.

The **European Banking Authority** – an EU regulatory agency - warned last April that it may restrict *role-based payouts* for senior bankers as it seeks to close potential loopholes in rules curbing incentives for risky behaviour. Some lenders with UK operations had responded to the bonus curbs by giving employees *cash* allowances depending on seniority, known as role-based pay, to evade the restrictions.

The EBA has "concerns that these practices do not conform to the requirements" capping bonuses at no more than twice salary, the agency said in a report. "These allowances are discretionary, as they are paid to selected members of staff and in most cases only for limited periods of time," added the EBA. The regulator will decide on how to treat allowances in an "update of the EBA guidelines on remuneration policies" later this year.

Although Centre chairman Malcolm Hurlston CBE noted that the new *fixed allowances* are to be paid out in shares, rather than in cash, he added: "We are concerned that the move towards a higher percentage of fixed, as opposed to variable, pay in the banking sector will leave the banks with much less headroom to avoid substantial redundancies – instead of bonus cuts – if and when the going gets tough again in the global economic cycle."

Mainly for political reasons, Mr Osborne blocked an earlier plan of RBS to pay leading executives bonuses equivalent to 200 percent of their base annual salaries. However, news later emerged that it had given ten executives 'fixed' share awards worth a total £3.5m under a new reward scheme which effectively dodges the tough new EU rules on bankers' bonuses. Rory Cullinan, head of the new mini 'bad' bank inside RBS, was awarded £533,000 worth of shares, the equivalent of 100 percent of his salary so far this year. The fresh '*fixed share allowance'* payment came just two months after Cullinan collected more than £600,000 worth of shares in the first instalment of his £2.5m 2013 bonus. RBS, 81 percent owned by the government after its £45bn bailout during the 2008 financial crisis, lost £8.2bn last year – its sixth year of consecutive losses totalling £45bn since its rescue by taxpayers.

The Treasury block on bonuses last April meant that RBS was limited to paying out bonuses of up to 100 percent of salary – until, that is, remuneration specialists came up with their fixed share allowances rescue plan for aggrieved bankers.

Mr Osborne, said: "We made it clear that in the circumstances it was not right to increase the bonus cap. We're moving from a situation a few years ago where bonuses were out of control, banks were being bailed out, [and] our economy was shrinking, to the situation we've got now, where bonuses are down, banks are recovering, and our economy is growing."

RBS was the only big UK bank prevented from paying 200 percent bonuses. The government supported 200 percent bonuses at Lloyds, which too was bailed out by taxpayers, though it is now only 25 percent owned by the state following the sale of shares to the private sector. RBS ceo Ross McEwan had claimed that the ban was hurting the bank's ability to compete. "An inability to attract and retain qualified personnel could have an adverse impact on the implementation of the group's strategy and regulatory commitments," he said. RBS warned that it faced an "exodus of talented staff" if it is unable to match the pay levels offered by rivals. Penny Hughes, the non-executive director who chairs the remuneration committee, said: "I know it is not always easy to accept, but if RBS is to thrive we must do what it takes to attract and keep the people who will help us achieve our goals. While we are sensitive to public opinion, particularly given our ownership structure, the ability to pay competitively is fundamental to getting RBS to where we need it to be."

The new free executive shares, which are awarded for the eight months to the end of August, can be cashed in 20 percent chunks each year for the next five years. Fresh awards will be made every six months, and are not subject to Bank of England rules on clawbacks, which were designed to recoup bonuses retrospectively in the event of any wrongdoing emerging in the future.

Chris Sullivan, RBS' deputy ceo, was awarded £467,000 worth of shares. Sullivan hit the headlines in early July when Andrew Tyrie, chairing the Treasury select committee, accused him of being "wilfully obtuse" in evidence to parliament. Sullivan had told the committee that RBS' controversial global restructuring group (GRG) was "absolutely not a profit centre" but was later forced to write to Tyrie admitting, that on an accounting basis, the operation was run as a profit centre.

HSBC too has given 15 of its top bankers "*fixed pay allowance arrangements"* worth £7.1m under a controversial new pay scheme. The UK's biggest bank awarded Samir Assaf, the head of its investment bank, £1.5m worth of shares, and ceo Stewart Gulliver was given shares worth £850,000. Peter Wong, deputy chairman and head of the Asia-Pacific region, was given £760,000 worth. Iain Mackay, finance director, and Marc Moses, chief risk officer, got £470,000 worth of free shares.

All of these banks are counting the new executive share payments as fixed pay, which means banks can, with shareholder approval, pay bonuses of 200 percent of bankers' collective basic pay on top of the new allowances. The fresh money covers the first half of the year – and bankers can look forward to further payments every three months. A fifth of the shares

will vest in March 2015, with the rest locked up until 2020.

Gulliver, whose total pay and bonuses in 2013 were £8m, has said his maximum potential pay each year will fall from £13.8m to £11.4m under the new arrangements. Gulliver, who started his career at HSBC more than 30 years ago as a currency dealer, also receives £79,000 for the use of cars in Hong Kong and accommodation in the territory worth £229,000. Assaf was one of the highest paid bankers in the world in 2012, collecting £7.1m including a £4.5m bonus. His pay for last year was not disclosed. Earlier this year HSBC revealed that it pays more than 330 staff more than €1m.

Two other major UK banks are handing out massive share awards to senior executives, despite the EU cap on bonuses. In their recent annual reports, **Barclays** and **Lloyds Banking Group** said they will pay their ceos almost £1m each in shares this year on top of their salaries and bonuses. Lloyds boss Antonio Horta-Osorio is set to be paid £900,000 in shares this year, on top of a base salary that was £1.1m last year, plus bonuses and a long-term incentive scheme that could bring his total pay to £7.8m for 2014. Barclays ceo Antony Jenkins is set to be paid £950,000 in shares in quarterly instalments over the year. He may pick up as much as £6.3m during 2014.

Last chance to book for 2014 Awards dinner

The **Esop Centre's** highlight of the year, the 2014 Awards gala dinner, sponsored by **Ogier Corporate Services,** will again take place at the **RAF Club** in Piccadilly W1, on **Thursday October 30.** The black -tie event will bring together more than one hundred guests – representing UK and international plan issuer companies and their employee equity advisers – to recognise the best in employee share ownership. It is the perfect way to celebrate the achievements of the year with clients, colleagues and peers. The names of all the finalists for the award categories were announced in the July issue of *newspad.* A full list and further information can be viewed on the awards page of the Centre's website:

www.esopcentre.com/event/esop-awards-dinner-2014

This year's event is again expected to sell out and with more than 90 tickets already sold, early booking is recommended.

Single seats: members £170, non-member practitioner £225, non-member issuer £185

Tables of ten: members £1600, non-member practitioner £2000, non member issuer £1700

Prices do not include VAT.

To reserve your place and for more info, contact the Centre at **esop@esopcentre.com** or phone +44 (0)20 7239 4971. A booking form can also be downloaded from the web page.

Employee Shareholder Agreements are popular

The Employee Shareholder Agreement (ESA), regarded by most outside the Centre as the employee shareholder industry's *ugly duckling,* is proving unexpectedly popular. For ESAs, which have enabled companies to introduce a new type of employment status since September last year, are proving to be a hit with start-up businesses and private equity companies. Their participating employees expect to make substantial capital gains in the short to medium term.

By accepting an ESA, an individual acquires, free of charge, employee shares (worth at least £2,000 at the time of acquisition) in the company employing that person or in its parent undertaking. In return for the employee shares, the ESA participant forgoes limited, specific employment rights.

Many companies are identifying ESAs as a way to attract and incentivise employees to produce good results, which are likely to increase the company's value and, in turn, the value of employee shares.

One such is **Oxis Energy Ltd,** which is being advised by Centre member lawyers **Bird & Bird.** Oxis, based at the Culham Science Centre in Oxfordshire, is developing innovative Lithium Sulfu battery chemistry. "Oxis has offered employee shares to a wide employee base, not just senior management, with appropriate performance conditions applicable to incentivise employees to develop and improve its battery technology," said **Dan Sharman** of Bird & Bird.

However, anecdotal evidence suggests that not many rank-and-file employees elsewhere are being offered ESA contracts. Instead, key employees and directors in gazelle-type start-ups are being attracted to the new scheme by the capital gains tax (cgt) exemptions.

David Pett, partner at Centre member **Pett, Franklin & Co.** explained; "A key point is the fact that, unlike all other 'tax-favoured' plans and arrangements, employee shareholder shares (or 'shares-for-rights') can use shares in a company which is not independent (i.e. is under the control of another body corporate). It follows that this is of particular attraction to companies which are private-equity investee companies under the control of a corporate investor as such companies cannot, e.g., use EMI share options.

"For this reason it has been particularly popular with, and is increasingly widely used by, the private equity industry as a favoured means of allowing key management to participate in growth in share value in a tax-efficient manner. The initial equity values are typically very low, and within the statutory limits, all growth in value is free of tax," said Mr Pett.

So, using ESA, the employer can select individuals to receive offers of employee shares. They may be senior employees, or to employees in a particular team.

The main advantage for individuals joining an ESA is the fact that any subsequent gain arising from the sale of employee shares could be totally exempt from cgt. So ESAs are proving to be particularly attractive to senior or high achieving employees. **Furthermore, there appears to be nothing in the legislation to prevent a company from reinstating the employment**

rights signed away by participating employees, revealed **Bird & Bird.**
Ordure was heaped over Chancellor George Osborne when he introduced the ESA last autumn. Opposition was so intense, particularly in the House of Lords, that many of its clauses were watered down during its protracted progress through Parliament.
The ESA is available to any company with share capital regardless of its size or the nature of its business. This includes companies which otherwise might fail to meet the qualifying criteria for Enterprise Management Incentive schemes.
However, in order to take full advantage of the cgt exemption, the employee shares must be worth between £2,000 and £50,000 at the date of acquisition. Further, the employee shareholder must *not* at any time during the 12 months before acquisition of the employee shares: *hold a material interest (25 percent or more) in the employer company or any parent undertaking; *have a right to acquire a material interest in the employer company or any parent undertaking; *be connected to anyone with a material interest in the employer company or any parent undertaking.
Subject to the rules above and provided all the statutory requirements are satisfied, with cgt rates for individuals between 18 and 28 percent, the potential tax saving to employees under ESA can be high. For example: if an Employee Shareholder is issued with shares valued at £30,000 at the time of agreeing to an ESA and all the formal, statutory requirements have been met and those shares increase in value so at the time of their disposal they are worth £1,000,000, there would be a cgt saving of £280,000.
ESAs can be a good incentive for junior employees too as they can still share in the equity and success of the employer company.
The statutory employment rights forfeited as a consequence of entering into an ESA include:
*unfair dismissal (with exceptions, for instance, if the dismissal is discriminatory or linked to whistle-blowing); *the right to a redundancy payment; *the right to request to undertake study or training; *the right to request flexible working arrangements (unless such request is made within 14 days of the Employee Shareholder returning to work after a period of parental leave).
Employee Shareholders must provide extended notice if they intend to return to work early following a period of maternity, paternity and adoption leave. *However, the company may, if it so chooses, reinstate the rights that have been given up on a contractual basis in the employment agreement,* added Mr Sharman**.**
Companies cannot compel existing employees to enter into an ESA. Existing employees have additional statutory rights which protect them from detriment or dismissal on the ground that they have refused to enter into an ESA.
Section 205(A) of the Employment Rights Act 1996 sets out the formalities for ESAs and these must be satisfied in order to validate Employee Shareholder status. For example, the shareholder employee must obtain advice from a relevant independent adviser on the terms and effect of the proposed ESA (the employer company must also cover the reasonable costs incurred by the individual in obtaining such advice); and the individual must observe a seven day cooling off period before entering into the ESA. Prior to the completion of the ESA, both the employer company and the potential employee shareholder should receive comprehensive legal advice on the statutory requirements and the implications of entering into an ESA. If either party to fails to observe any of the statutory formalities, the ESA will be invalid and the potential tax benefits will be lost.
Reacting to the newspad story Centre chairman Malcolm Hurlston said - We were alone in giving ESA a cautious welcome because we hoped it might help fill the private equity esop gap, for which we had long campaigned. Now let us see good employers spreading the benefit more widely.

Massive Sharesave pay-out at BT
Almost 23,000 BT staff have cashed in on shares worth £1.1bn after a five-year share ownership scheme paid out an *average* of almost £42,000 each. The telecoms giant said the SAYE-Sharesave scheme was "one of the UK's largest broad-based employee share plan maturities ever". Staff who joined the plan saved between £5 and £225 every month until August 1, allowing them to buy BT shares at the 20 percent discounted option price of just 61p, fixed five years ago when the firm faced tough times. When the FTSE 100 closed on the fifth anniversary of the Sharesave scheme, BT shares were worth 388.5p, an enormous payout that in the main went to engineers and call centre employees. About 7,000 employees had saved the maximum £225 a month, netting them a payout of £89,705 based on the Aug 1 price.
BT said that the participants had included a number of employee couples who saved the maximum and who received a joint £179,410 windfall. The average employee saved £124 a month. The BT employees who participated in Sharesave and who make up about one third of the telecom giant's UK staff, invested £177m and received a collective payout worth £1.1bn.
BT ceo Gavin Patterson said: "I'm delighted that so many BT people are sharing in the company's success through our Sharesave plan. BT was facing tough times five years ago and this was reflected in the share price."

FATCA compliance hits trusts and share schemes
Fury has erupted over thousands of UK and offshore family trusts whose advisers are billing the settlors up to £500 each to ensure that their trusts are compliant with the US Foreign Account Tax Compliance Act. FATCA was designed solely to help the US

authorities collect tax from their oversea-based citizens, but it is turning into a £1bn nightmare for UK share scheme administrators, trust advisers and UK corporations.
It was on July 1 that the FATCA legislation began to apply to those financial service providers and trustees in the UK and Channel Islands whose clients either have business links with the US, or revenues and/or assets in the US. That meant that in order to be compliant, the providers and trustees have had to contact tens of thousands of UK based clients to check up on their US links, if any. Family trust lawyers and accountants are informing clients that compliancy checks are being carried out on their long-standing trusts and that they – the clients – will have to pay for the work to be carried out.
The governments of the UK, Jersey and Guernsey, followed by many others, signed an inter-government FATCA agreement (IGA) to implement this massive tax evasion check on behalf of a foreign government (the US). However, the fury generated by these unexpected FATCA bills is resulting in thousands of people, especially in Canada, but elsewhere too, trying to renounce their citizenship if their government has signed an IGA with the US.
The Law Society, STEP and the Institute of **Chartered** Accountants (England & Wales) issued joint guidance: "It is of importance to note that all UK trusts, even though they have no US connections, will need to take at least some level of action under FATCA. In simple terms, under the regulations UK resident trusts (which are not charitable trusts) are placed into one of two broad categories: 1. Financial Institutions (FIs) or 2. Non-Financial Foreign Entities (NFFEs). The general rule is that if an entity is not a FI, it will be a NFFE. The category a trust falls into depends on both the nature of the trust's assets and the nature of the trustees (and fund managers to the trust, if applicable). Taken together, these will determine who reports on the trust and whether or not the trust needs to register or just certify with the IRS under FATCA. While most family trusts will generally be classified as NFFEs, and so only need to certify, others may need to register with the IRS if they use a corporate trustee (s) or have appointed a discretionary fund manager or independent financial adviser who manages the trust investments." Advisers assert that up to 100,000 trusts, mainly family trusts, will be affected.

On the Move

Juliet Wigzell has been appointed head of administration at the Esop Centre in a restructure following the departure of Harry Atkinson for pastures new. Juliet joined the Centre in 2009 and has gradually assumed greater responsibilities - recognised in the new designation. **Jacob Boult,** recently graduated from Oxford with a degree in politics philosophy and economics, has joined the Centre team as researcher. Harry is now working for the Centre for the Study of Financial Innovation, a London-based think tank.
Equiniti, one of the UK's leading providers of investment services, has appointed **Huw Thompson** as business development director for **Equiniti Wealth Management Solutions**.
Equiniti delivers a dedicated wealth management service to financial institutions, wealth managers and the retail stock broking market which provides a centralised pooling of custody and business processes, as well as customer interface. Mr Thompson is responsible for delivering growth and leading client engagement – with both new and existing clients. His experience in the sector spans more than ten years. Prior to joining Equiniti, Huw worked for TD Wealth Institutional as business development manager where he helped to increase the corporate client base and manage such relationships.
Insurance giant **Legal & General**, is leaving the **Association of British Insurers** (ABI). The decision was made to allow **L&G** to be better placed to lobby for its interests outside the **ABI**'s 300 strong membership. The hiving off of ABI's investment affairs unit and subsequent merger with the Investment Management Association is believed to have been a factor in L&G's decision too. The ABI arm was responsible for engaging with companies on issues such as corporate governance. **Nigel Wilson**, **L&G'**s ceo, will step down from the trade association's board. **ABI** dg **Otto Thoresen** said: "As a trade association, of course we are disappointed by the resignation of a member, however the ABI's continuing strong membership represents more than 90 percent of the insurance sector. The great advantage of the ABI is that our members work together across the usual corporate boundaries to tackle issues that are important to consumers and to deliver an agenda for reform."
Michael Sleet starts his new job on September 8 at AIM listed **Numis Securities,** one of the UK's top independent institutional stockbrokers and corporate advisers. Numis is a major provider of capital for UK listed companies, having raised around £10bn of capital for clients since 2009 - see **www.numiscorp.com** for more background. Michael, a key member of the Centre's international committee, jumped ship from his former employer JPMorgan Cazenove during Equiniti's acquisition of JPM Caz's share broker team. He joins Numis at the London Stock Exchange building in Paternoster Square as MD of corporate broking. He told *newspad:* "My role will be very much to develop and replicate what we had back in the good old days of Cazenove & Co. I'm sure that Numis will become a firm supporter of the Centre."
John Collison formerly head of Eso at ifsProShare has been appointed to the **Lexis Nexis** advisory editorial board. John is now share plan incentives manager and administrator of Lexis Nexis, a French

company, owned by the **Reed Elsevier** group. He has been replaced at ifsProShare by Alan Scott. Scott's most recent role was company secretary at Millennium & Copthorne Hotels.

"We wanted to drop everyone a note to thank you for the phenomenal support with our fundraising for our *Ride London* challenge for **Children in Crisis** www.childrenincrisis.org , writes **Peter Mossop** of **Sanne Group.** "The challenge took place in what many of you will have experienced as utterly freakish weather as the remnants of tropical storm Bertha blew over the South of England on morning of Sunday August 10. At one point it was like riding through a volley of ball bearings being fired at your face! Thankfully the air vents in the bottom of my cycling shoes doubled very conveniently as water drainage holes. The course was shortened to a soggy 86 miles although it was still enough of a challenge. We all had a brilliant time and finished in five hours and 57 minutes. It was a real privilege to ride for Children in Crisis and with the extremely generous donations we have convincingly burst through our fundraising target of £5,000. Current sponsorship stands at an outstanding £7,012 and we still have collection tins around the office to collect and count."

Sponsor the ESOP Centre website

The Centre is offering three website sponsorship packages: *premium banner under our homepage ticker, priced at £5,000 for one year min; *standard banner in the middle of our home page priced at £3,000 for one year min; *special occasions banner replacing our banner priced at £500 per day for up to five days. For further information about any of the website sponsorship packages contact Jacob Boult at jboult@hurlstons.com, or call on 020 7239 4971.

SME appeal for Eso help

Kidderminster based **Beakbane Ltd**, an employee owned manufacturing business, has appealed to the Centre for help in motivating its employees. "We hope you might know of how we can go about finding potential candidates to help in the leadership on an existing employee trust. Perhaps the Esop Centre can help in some way?" said Tom Beakbane. "My brother Henry and I are 'family' and now minority owners. The theory, as stated on your website, is that "by acquiring shares in their company, employees effectively become co-owners of their company" and one would hope, more engaged. However, in our case the engagement is lacking. We are hoping to find an individual with leadership and communication skills who can join the board of trustees as chairperson and help make the theory come true. We are hoping to find someone who has played a leading role in the management, and success, of an employee owned company. Do you have any suggestions?" asked Tom. Website ref: **www.beakbane.co.uk** .

Zero Hours contracts exclusivity ban clause

Although many employers pressed for a code of practice rather than legislation, the government announced that it intends to legislate to ban exclusivity provisions in zero hours contracts. The relevant provision is Clause 139 of the newly published Small Business, Enterprise and Employment Bill, said Centre member law firm **Lewis Silkin.** "Clause 139 is relatively short and has a broad definition of zero hours contract work, covering all arrangements where there is no certainty that any work will be required of the worker (many situations can be envisaged in which the provision of work is highly probable, but not necessarily certain). In these circumstances, any provision of a zero-hours contract prohibiting the worker from working under another contract or under any other arrangement, or prohibiting the worker from doing so without the employer's consent, will be void and unenforceable. As drafted, the bill gives the secretary of state wide powers to make further regulations to ensure that zero -hours workers are not prevented from working for another employer. These include extending protection to other types of contract (eg, contracts which guarantee a very limited number of hours). Such regulations could also impose financial penalties on employers or require them to pay compensation to workers, although the bill does not specify in what circumstances," said Lewis Silkin.

"A lively debate kicked off about the position of professional footballers, who have no certainty that they will be picked to play in any particular match. Clause 139 could arguably cause difficulties in other professions – for example, it would enable a skilled designer working on a zero-hours contract for one employer to work for any competitor with impunity. The provision appears to render any non-compete provisions void in such circumstances. However, confidentiality provisions may still provide the initial employer with adequate protection, so it could be crucial to ensure that such restrictions are well drafted. Despite these understandable concerns, this proposed ban on exclusivity is likely to be widely welcomed, particularly by low-paid workers – not least on the basis that it would help to prevent 'cowboy' employers from undercutting quality services."

For further information on this topic please contact Russell Brimelow at Lewis Silkin by telephone +44 20 7074 8499, fax +44 20 7864 1200 or email russell.brimelow@lewissilkin.com . The Lewis Silkin website can be accessed at www.lewissilkin.com .

CONFERENCES:

GUERNSEY: October 3 2014

This year's annual ESOP Centre/Society of Trust & Estate Practitioners (STEP) Guernsey seminar boasts a strong speaker line-up. This event takes place at the **St. Pierre Park Hotel** (St. Peter Port) on **Friday October 3** from 9am-1pm, followed by lunch.

It presents an excellent learning and

networking opportunity for people with an interest in share schemes and employee benefit trusteeship. Expert speakers will be sharing their knowledge and insight across a range of topics as part of this CPD accredited course. The programme to date includes:

- Employee share schemes: the flexible solution to commercial challenges (David Craddock, David Craddock Consultancy Services)
- Consultation update - employee share holding vehicle, marketable security and internationally mobile employees (Stephen Woodhouse, Pett Franklin & Co. LLP)
- Funding share and share option awards: should companies change their policies**?** (Mike Landon, MM&K & Andrew Cooper, RBC)
- The new Employee Ownership Trust (Graham Muir, Nabarro)
- Legal update for trustees (Alison MacKrill, Carey Olsen & STEP Guernsey)

Visit the event webpage at http://tinyurl.com/qxlsu8p for further programme details and to view speaker biographies. Registration opens at 8:30am and the presentations will take place between 9am and 1pm. Morning/mid-morning refreshments will be provided and the presentations will be followed by a networking lunch.
Attendance prices:
Centre/STEP Members: £295 Non-Members: £425
To make a reservation, or for further information, please email **esop@esopcentre.com** with delegate names and contact details or call +44 (0)207 239 4971.

DAVOS: February 5 & 6 2015

The choppy waters, most notably increased regulation, being faced by some EBT trustees will come under the microscope at the Centre's **16th Global Employee Equity Forum,** which takes place at the **Hotel Seehof,** in **Davos Dorf,** on **Thursday February 5** and **Friday February 6** next year.
In a joint presentation, **Katherine Neal** of **Ogier Legal** and **Donna Laverty** of **Ogier Fiduciaries** will discuss with delegates issues raised by: **Employee benefit trusts - are the structures being undermined?** *(New challenges for offshore trusts – with case studies)*
Other prospective speakers and conference sponsors should contact Centre international director Fred Hackworth asap to discuss the slots still available for this two-day event. Our new host, the four-star **Hotel Seehof** is only 100 metres from the Parsenne funicular and ski lifts. The Seehof boasts a Michelin starred restaurant.
The new deal obtained from the Seehof has enabled the Centre to *reduce substantially* attendance prices next year for early-bird bookings – for example, speaker package deal prices will be **£100 cheaper** than last February's, while the high standard of facilities and hospitality that members have come to expect from Davos are being maintained. The smallest bedrooms we will offer in the Seehof will be 25m^2.
Davos early-bird package fees: (no sales tax payable)
Speakers
Service providers £**855** Plan issuers £**575**
Centre member delegates
Service providers £**975** Plan issuers £**645**
Non-member delegates
Service providers £**1,475** Plan issuers £**695**
The Davos 2015 early-bird package is available until October 1 and includes two nights' accommodation (February 4 & 5) with breakfasts and lunches in the Hotel Seehof (www.seehofdavos.ch) plus admission to all conference sessions, the annual cocktail party and a bound delegate handbook. There will be an optional pre-conference informal delegates' dinner in a Davos restaurant on Wednesday evening. Contact Fred to register your interest in attending: fhackworth@hurlstons.com. After October 1 prices revert to 2014 levels, so no increases for anyone.

ROME: June 4 & 5

The Centre's 27th annual conference will again take place at the **Residenza Di Ripetta** in central **Rome** on **Thursday June 4** and **Friday June 5**. This excellent hotel is part of the Royal Demeure Luxury Hotel group. A conference and accommodation package rate will be offered.

New delivery service for Red Tops

The Investment Affairs Directorate of the ABI has merged with the Investment Management Association (IMA). To mark the merger, the IMA will change its name to The Investment Association from the beginning of 2015. The Institutional Voting Information Service (IVIS) and the ABI's corporate governance and engagement team, including work on remuneration consultations have all transferred to the IMA. This includes the well-known Centre conference speaker Patrick Neave, formerly of the ABI. New contact details are available at www.ivis.co.uk/contact-us . The following co-ordinates may be useful for the Governance & Remuneration and the Institutional Voting Information Service (IVIS):
Andrew Ninian 020 7269 4612
andrew.ninian@investmentuk.org
Patrick Neave 020 7269 4611
patrick.neave@investmentuk.org
Phineas Glover 020 7269 4607
phineas.glover@investmentuk.org

HMRC published its long-awaited changes to the Employee Share Schemes Users Manual (ESSUM) to reflect the new online registration and self-certification regime which came in on April 6, said Centre member **Linklaters**.
"Visit **www.hmrc.gov.uk/manuals/essum/index.htm** for the revised ESSUM, **http://tinyurl.com/kk7267c**

for a summary and comments on the main changes. There are no great surprises: most of the changes reflect the new regime and in many places the legislation is simply being re-stated. There are still many references to the system of prior HMRC approval both of plans and in specific situations. It is to be hoped that these inconsistencies will be smoothed out in the rewriting of the whole ESSUM which we understand will take place later this year. Many companies have been waiting for the revised guidance before registering and self-certifying. They may wish now to go ahead; indeed, in its latest Bulletin at:
www.hmrc.gov.uk/shareschemes/erss-bulletin-17.pdf HMRC has included again the suggested registration timetable and said it will shortly start contacting 'A to E' companies to remind them to register." For further info, contact either **Graham Rowlands-Hempel**, or **Mirit Ehrenstein**.

Consultation over further crack-down on offshore tax evasion

HMRC published two consultation documents seeking views on options either to make offshore tax evasion a criminal offence or extending the scope of existing fines and other civil sanctions to increase deterrence against offshore tax evasion, reported **Deloitte.** Although HMRC has recovered more than £1.5bn from offshore non-compliance during the past two years, it says far more needs to be done. The first consultation - **http://tinyurl.com/lh9b5gr** - "tackling offshore tax evasion a new criminal offence", proposes making offshore tax evasion a strict liability criminal offence, under which *mens rea* (state of mind of the tax evader) would not apply. Criminal prosecutions could result in a six month jail sentence, loss of anonymity, disqualification from the financial sector and demands for restitution. "I accept that it is a tough sanction, and rightly so," said Treasury Financial Secretary, **David Gauke MP**. "Offshore tax evasion has been a blight for too long, and it is time that those who exploit offshore arrangements to avoid paying their fair share face the consequences of their actions. Our message to taxpayers is clear: if you are hiding undeclared income offshore, HMRC is closing in on you. So come forward now before we come to you."
In parallel, download the second related HMRC consultation from website:
http://tinyurl.com/mdunnut - "tackling offshore tax evasion strengthening civil deterrents", which proposes increasing existing fines as an alternative to creating a new criminal offence. This potential new measure covers three broad categories: *extending the scope of the existing penalty regime for offshore non-compliance; *deterring taxpayers from deliberately moving offshore assets to continue evading tax; and *updating the existing offshore penalties regime to reflect the new global standard in tax information exchange. A summary of responses will be published later in 2014. Comments are invited by October 31 2014.
Email responses to:
consult.nosafehavens@hmrc.gsi.gov.uk
or via post to:
(Consultation 1) Chris Walker, HMRC Centre for Offshore Evasion Strategy, Room 1C/26, 100 Parliament Street, London SW1A 2BQ or (C2– civil remedies) Amit Puri Centre for Offshore Evasion Strategy at the same address.

Reward inequality attacked

Ceos of Britain's 100 biggest listed companies are earning on average 143 times more than their staff, according to data that exposes the growing imbalance between how the nation's workforce and its business leaders are rewarded.
The pay gap is widest at Rangold Resources, where ceo Mark Bristow was paid £4.4m last year, nearly 1,500 times that of his average employee, many of whom work in the company's African mines. The study, published by the left-leaning **High Pay Centre**, singled out marketing giant **WPP** and the retailer **Next**, both companies with large British workforces. WPP founder, Sir Martin Sorrell, received almost £30m last year, 780 times the £38,000 earned by his average worker. At Next, Lord Wolfson received £4.6m, while his staff, most of whom work on the shop floor, typically took home £10,000 – about 459 times less than their boss. The disparity at Next would have been greater had Wolfson not chosen to waive a £3.8m bonus and share the sum among the company's 20,000 staff**.** At **Compass Group**, which employs many cooks, cleaners and security officers, the average £13,000 annual salary is among the lowest in the FTSE 100 index of Britain's biggest listed companies. However, ceo Richard Cousins took home £5.5m last year – 418 times more than his rank-and-file employees. The gap is still widening, according to the High Pay Centre. In 1998, a FTSE 100 boss was typically paid 47 times more than average employees. Analysis of six major UK companies in 1980 showed that senior executives were paid between 13 and 44 times more than their staff.
"When bosses make hundreds of times as much money as the rest of the workforce, it creates a deep sense of unfairness," said High Pay Centre director, Deborah Hargreaves.
The typical FTSE 100 ceo was paid £4.7m in 2013, according to pay consultancy **Manifest/MM&K**, an increase from £4.1m the year before. The typical FTSE 100 employee earned around £33,000. When measured against the average UK annual earnings, which stood at £27,000 last year according to government data, the comparison is even more stark – the top 100 executives earn 174 times more.

The arrival of contract security group **G4S** in the FTSE 100 in 2007 had a dramatic impact on pay figures. Wages at G4S were so low that the average salary at Britain's biggest companies fell from £31,000 to £26,000. A decade before, in the late 1990s, FTSE 100 chief executives took home around £1m a year, 60 times the average annual earnings in Britain. By then, high pay was already the subject of heated debate.
In 1994, trade unionists grabbed headlines by bringing an 18-stone saddleback pig to the British Gas agm, where it was fed treacle-covered £5 notes to demonstrate against a 75 percent pay rise for chief executive Cedric Brown. That year, Brown's £475,000 in pay caused national outrage but 18 years later, in 2012, Sir Frank Chapman earned nearly £6m in his final year running BG Group, the successor company to British Gas.
Data from the **Office for National Statistics** revealed Britain's economic recovery is not dripping down into employees' pockets. Wages fell for the first time during the April to June quarter this year since the 2009 recession. Pay, including bonuses, fell by 0.2 percent, despite a fall in the jobless rate.
Measures to curb executive pay were introduced by Business Secretary Vince Cable last year. Companies must publish in their annual report a clear single figure for how much their senior executives earn each year, and shareholders have been given binding votes on pay.

Bonus corner (2)
The new ceo of FTSE 100 miner **Vedanta** has overhauled its pay structure in a bid to address an 'unacceptable' rate of fatalities. Tom Albanese, the former boss of Rio Tinto, has made Vedanta's dismal safety record his priority since taking over earlier this year. Vedanta suffered 19 employee deaths in the last financial year among its 87,700 staff. By contrast, the world's largest miner BHP Billiton, which employed 128,800 staff in 2013, lost three of its people. Albanese said Vedanta was now placing greater emphasis on safety and will tie pay more closely to its efforts to reduce the number of workplace deaths to zero. "There will be a greater effect to a person's potential bonus for poor safety performance," said Albanese. "It will be a combination of a formulaic adjustment, plus the remuneration committee will reserve its discretion for further reductions if they see fit." Safety made up just ten percent of the method used to calculate executive bonuses last year, but the reforms are expected to see that level increase. Three executive directors took home combined bonuses worth £1.23m last year, according to the 2014 annual report, achieving 44 percent of the maximum.
LTIPs will have a discretionary element linked to keeping employees safe. The changes are part of a broader set of reforms, including the deferral of 50 percent of any bonus and greater provisions to allow Vedanta to claw back extra payouts. Albanese told shareholders upon taking over at Vedanta that 'fatality rates at our operations are wholly unacceptable'. 'It is correct that everyone from the very top of the company and downwards is aligned with the safety culture,' he added. The reforms, overseen by remuneration committee chair Euan Macdonald, are set to be detailed more fully in next year's annual report.

Proposed Remuneration Code changes
The **Financial Conduct Authority** (FCA) and the **Prudential Regulation Authority** (PRA) published a joint consultation "*Strengthening the Alignment of Risk and Reward: New Remuneration Rules.*" The consultation sets out proposed changes to the Remuneration Code and seeks to address the issues raised in the final report (published in June 2013) of the **Parliamentary Commission on Banking Standards**, reported law firm *Shearman & Sterling*. The consultation was published alongside the combined consultation to implement proposals on the senior management regime. The consultation on changes to the remuneration code, which will affect all banks, building societies and PRA-designated investment firms, includes proposals: (i) to extend the deferral period for variable remuneration; (ii) to provide for an option for the claw-back period to be extended for senior managers; (iii) to clarify the presumption against payment or vesting of discretionary payments for senior managers of a bank that has failed; (iv) on the possibility of introducing rules on buy-outs; (v) to introduce a requirement for all UK-regulated firms to calculate profit by deducting a prudential valuation adjustment figure from fair value accounting profit when calculating profit for the purpose of determining the size of the annual bonus pool; and (vi) introducing a rule that non-executive directors should not receive variable remuneration (in line with current practice). The PRA and FCA confirmed that they do not intend to introduce further disclosure requirements at this time. The FCA confirmed that it will review financial incentive schemes for sales staff during its work to implement MiFID II. The consultation paper, cp14-14-strengthening-the-alignment-of-risk-and-reward is available at: **http://tinyurl.com/ocg8536**

Linklaters is to hold a breakfast briefing on **Post Vesting Clawback -** *New requirements of Corporate Governance Code for all listed companies* on **Tuesday, September 30**, registration 0830, at Linklaters, One Silk Street, London EC2Y 8HQ. The firm commented: "There has been a lot of press comment on the requirement for banks to reclaim bonuses and other variable pay. However, an amendment to the Corporate Governance Code, to come into force shortly, will require all UK listed

companies (even if incorporated outside the UK) to include provisions in all performance related pay to enable them to recover amounts already paid (or explain why such provisions are not included). For companies with December 31 year ends this will impact their 2015 share awards and bonuses."

HMRC challenging claims for lapsed share option relief

HMRC has been resisting claims for a Corporation Tax deduction for the costs of share options which are charged to profit and loss account where the options later lapse, said Centre member **Deloitte.** They have now confirmed that they are committed to litigation, as the technical issues are well known and it is the correctness of HMRC's interpretation which is contested. They consider this will need to be determined by the Tribunal, and are in the process of identifying and preparing suitable test cases to litigate. Accordingly, HMRC is now preparing to issue closure notices in all such cases. This course of action has been approved at a senior level within HMRC. For further information and advice please contact **Bill Cohen** or **Fiona Walkinshaw** at Deloitte.

EBT Settlement Opportunity to close end March

HMRC announced that the employment benefit trust (EBT) **Settlement Opportunity (SOP)** will close in March 2015. The SOP was opened in 2011 following the introduction of the new disguised remuneration rules in Finance Act 2011. Users who wish to settle will need to have notified HMRC of their intention by March 31 2015 and have entered the agreement and paid all amounts due by July 31 2015 or have a signed a Time To Pay agreement in place by that date. See http://deloi.tt/YcilgH

Changes to Liechtenstein Disclosure Facility

The UK and Liechtenstein governments published a joint memorandum on the operation of the Liechtenstein Disclosure Facility (LDF). The changes mean that, among other things, in cases where any of these circumstances apply: *the relevant person enters the LDF to settle liabilities HMRC is already aware of; or *the issue being disclosed has already been subject to an intervention that started more than three months before the date of application; or * there is no substantial connection between the liabilities being disclosed and the offshore asset held by the relevant person on September 1 2009 the person making the disclosure will not be eligible for the shorter limitation period, the fixed penalty or the composite rate option under the LDF.

HMRC has decided to make available a Single Charge Rate (SCR) at 50 percent for the 2011/12 and 2012/13 tax years in limited terms. HMRC will publish the full details of the SCR arrangement in frequently asked questions on this subject.

See http://deloi.tt/1mQ2vhd

Clawback for US civil service bonus cheats

Lawmakers from both main political parties are increasing pressure to take back performance awards for senior Department of Veterans Affairs executives who oversaw VA medical clinics which falsified their appointment records to hide treatment delays. "The VA secretary has the authority to rescind these bonuses anytime within a year of when they were paid, and I am calling on him to take this action where he deems appropriate," House Veterans Affairs Committee chairman Jeff Miller (Rep) said in a statement. Miller's remarks came less than a week after Sens. Clair McCaskill (Dem) and Kelly Ayotte (Rep) introduced legislation which would require the VA to take back performance awards for employees involved in the agency's scheduling scandal. "I'm pleased this bi-partisan legislation will hold responsible any VA employee found to have cooked the books on wait times, and will help us quickly recover bonuses and raises paid to those fraudsters with taxpayer dollars," McCaskill said. The House Veterans Affairs Committee recently unveiled VA bonus data showing that the department awarded more than $380,000 to officials running 38 hospitals suspected of falsifying appointment records or known to have experienced extensive treatment delays. Overall, the VA paid more than $2.8m in performance awards to its senior executives.

France:

(1) Obligation to disclose details of directors' remuneration

New rules are in force in France to require larger employers to provide a database to their French works council in order to effectively consult on the strategic orientation of the company. Amongst other things this database must include a detailed breakdown of the remuneration of individual directors of the company. The measures applied from June 14 for companies with 300+ employees (and from June 14 2015 for companies with less than 300 employees). The information must cover the current year, the two previous years and the next three years – i.e. ultimately a six year period in total, reported lawyers *Herbert Smith Freehills*.

For SA (*Société Anonyme*) companies, the obligation to provide remuneration information will require providing the following details relating to individual directors' remuneration: total remuneration and benefits of any nature paid during the financial year in question to each officer, including whether by way of stock, options etc. The report must also cover details of remuneration and benefits which the officer has received during the financial year from other companies within the Group which are subsidiaries of, or holding companies of, the entity in question.

The report on remuneration must state which elements are fixed, variable and exceptional, setting out the criteria under which they have been calculated or the circumstances under which they were

established. The information must also set out any engagements entered into by the employer in relation to remuneration, indemnities or benefits due in relation to taking up the office, its termination (e.g. any liquidated damages arrangements etc.) or change in the office. The offices held by the individual in each group company must also be listed. The database of information must be put in place by the deadlines referred to above. The obligation to provide such information may be particularly sensitive for employers facing the requirement to make collective redundancies and may give rise to an obligation to carefully manage employee relations.

(2) SME obligation to inform employees two months before share sales and business transfers

France has passed legislation imposing a new obligation on small and medium size enterprises (SMEs) to provide information to employees directly at least two months before a proposed sale of 50 percent or more of the shares or business transfer, said lawyers *Herbert Smith Freehills*. A failure to comply with the obligation could result in the share sale/business transfer being held to be null and void. This will apply to transactions closing on or after November 1 this year. The law imposes an obligation on such employers to provide information every three years to the employees generally on their ability to make an offer for 50 percent or more of the share or the business. **Law n**° *2014-856 of 31 July 2014 (Loi sur l'économie sociale et solidaire – ESS) NB the Decree in relation to such law has not yet been published.*

Companies who have a works council already have an obligation under French law to inform and consult with the works council prior to the shareholder entering into an agreement to sell the shares in the company or prior to any business transfer. As a result of the new Law n° 2014-856 of July 31**,** companies without a works council, who previously did not have prior information or consultation obligations for such transactions, and other small to mid-size companies with a works council will now need to provide information directly to the employees two months prior to the proposed transaction.

The purpose of this measure is to enable the employees potentially to make an offer for the shares or the business. The background is a concern to seek to ensure the future of a number of SMEs in France whose owners or senior managers will reach retirement age in the next few years.

The new law covers:

*companies which are not currently required to put in place a works council (i.e. which have fewer than 50 employees) and

*those which have in a place a works council, but which are categorised as "PME" companies – i.e. smaller and medium sized companies with fewer than 250 employees and an annual turnover of less than €50M or a balance sheet of less than €43M.

The employees must be provided with notification of the proposal to sell 50 percent or more of the shares or the assets of the business and have two months in which to respond to present an offer to acquire the shares (or business).

The employees are obliged to keep the information confidential but can be assisted by a representative of the regional Chamber of Commerce and Industry, the regional Artisan Chambers of Commerce and other individuals to be determined by a forthcoming Decree which has not yet been published.

If a works council is in place (for companies with 50+ employees), the information to the employees must be given at the same time as the information and consultation of the works council. The information must be provided to the employees at least two months prior to the proposed transaction. However, in certain cases (and subject to conclusion of any works council information and consultation process), if all of the employees respond earlier than the two months' period to confirm that they are not interested in making an offer, the company is to complete an alternative transaction with a third party earlier than the expiry of the two months period. The sale to any third party must take place within two years of the notification to the employees – otherwise, in the event of any continuing wish to sell thereafter, the notification to the employees must be repeated. A failure to comply with the obligation could render the sale to a third party null and void. Any of the employees may bring such an action for nullity within two months from the date the employees are informed of an intention to sell.

Global CT rate race to the bottom

Spain's announcement that it plans to reduce its corporation tax rate from 30 percent to 25 percent, under a wider reform of the country's tax regime to increase the appeal to investors, is the latest in a clear scramble across the globe to ensure that economies remain attractive to multinational companies and inward investment, said *Taxand.* Similarly, Japan's Prime Minister, Shinzo Abe, recently secured approval to reduce the country's rate of corporation tax, which stands at the comparatively high level of 37 percent (subject to a company's location in Japan). Elsewhere, the UK has made plans to reduce its rate to 20 percent by 2015 and Greece is pursuing a similar agenda. It is clear that the wheels are in motion for a number of countries across the globe looking to enhance their attractiveness from a tax perspective. The escalation of the global '*race to the bottom*' exemplifies that whereas there is appetite and momentum towards global tax harmonisation, as seen through initiatives such as the OECD's BEPS initiative and Europe's adoption of a Financial Transaction Tax, increased inter-country competition for investment will prove a barrier to meaningful progress. In Taxand's recent global survey of cfos

almost three quarters of respondents said they expected tax competitiveness between countries to increase over the next five years.
The expectation of increased tax rate competition is unsurprising. As governments remain focused on addressing budget deficits and pleasing voters with promises of employment and investment, the tax *race to the bottom* will continue. However, as countries fight to go ever lower, the question remains over whether there can be a winner, said Taxand chairman Frederic Donnedieux de Vabres.

Oz government to launch SAYE?
The Australian Financial Review (AFR) said that the Abbott government will be relaxing tax arrangements around employee share programmes that have been in place since 2009, with the new proposal opting to tax employee shares only when shares are sold. The *AFR* claimed that the Abbott government was considering a model along the lines of the UK SAYE-Sharesave scheme. "To limit the cost to the federal budget and target startups and small to medium businesses, the new scheme could include eligibility rules, including taxpayer income and employer size, but will not have the punitive tax impact of the arrangements now," the *AFR* said. Minister for Small Business Bruce Billson told *StartupSmart* that the changes were one of a number of measures being considered as a part of the National Industry Investment and Competitiveness Agenda, but fell short in confirming they were going ahead. He said rolling back the harmful and damaging changes the previous Labour government introduced was a priority for him. "We've seen those changes act as an enormous disincentive for enterprising people," he said. "This change is a key priority, but all will be announced when the National Industry Investment and Competitiveness Agenda is released." Billson noted that people still needed to keep in mind what is achievable "given a very tight budget situation," and flagged eligibility and entity size as part of analysis of Esop.
The competitiveness agenda is also set to include new arrangements for research and development and the commercialisation of new products from public institutions as well as the private sector.
The start-up community has been vocal in its opposition to the current scheme, implemented under Labour in 2009 and formulated to stop executives earning more than $180,000 from minimising their tax. The effect on startups, who often trade equity to employees to attract great talent and account for low salaries, was devastating, leaving many with an upfront tax bill on shares that were yet to be realised. News of the probable changes was greeted with enthusiasm by many who have been affected under the current regime. "In a word: finally! Thank you to the government for finally removing this ill-conceived roadblock to Australia's best people working in startups," Blackbird director Niki Scevak told *StartupSmart.* BlueChilli founder and ceo Sebastien Eckersley-Maslin, who has campaigned against the current Esop scheme, was enthused by the news. "Ministers Hockey and Turnbull have been flagging changes since prior to 2013 election, so there's been more than enough time to put forward new legislation," said Eckersley-Maslin. "We're competing in a global talent market and we're unable to reward and retain the best talent in Australia without these changes. Effective Esop reform will cut the cost of early-stage startup innovation, get more innovation commercialised and help us create teams with a common purpose rather than an Industrial Age employer/employee relationship."

Eso in Macau!
Stephen A. Wynn, chairman & ceo of Wynn Resorts (casinos) personally introduced two new benefits programmes to all the non-senior executives at Wynn Macau and Wynn Palace. He invited 7,500 of his employees to become owners of Wynn Macau. Employees received 1,000 shares of Wynn Macau stock. "I consider everyone at Wynn Macau my family, and it is my fundamental belief that our amazing success should also be shared as a family," Mr. Wynn said. "The only compelling way that my colleagues can fully participate in our business success is by making each and every one of them an owner of the company with me," he said. "This is the kind of benefit that, through stock appreciation and regular dividends, will continue to work for them and their families well into the future." In the second benefits programme, employees will receive an additional bonus, on top of their 13th month bonus paid annually in the winter. The additional bonus will be given out to employees starting this July and will continue through 2017. "The stock ownership initiative, coupled with a guaranteed two months' bonus annually through 2017, is consistent with our company history of looking after our wonderful employees and our embracing of the wider Macau community," Mr. Wynn added.

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