ifs ProShare **NEWS**

The voice of employee share ownership

November 2010

ifs *ProShare*
Annual Conference and Exhibition

The ***ifs*** ProShare Annual Conference & Exhibition was held on 13 October at the British Museum. The number of attendees surpassed levels we have seen before, with an excellent mix of issuers, administrators and advisers. Many delegates commented that this was our best conference to date and we received very positive feedback for the conference and the presentations. Our thanks go to our major sponsor, Computershare Plan Managers; our supporting sponsors, Capita, Equiniti and Killik Employee Services; our exhibiting sponsors, Baker & McKenzie, GEO, Greentarget, NatWest and ShareGift; our USB sponsor, Handle with Care; and our bag sponsor, Killik Employee Services. Their support contributed greatly to the success of the Conference. Our thanks also go to all the speakers and panellists for the time they gave to preparing and presenting for us; their presentations were greatly appreciated and enjoyed.

The keynote speaker this year was Sir Michael Rake, Chairman of BT Group. Sir Michael gave a very topical speech stressing the positive contribution of employee share plans and the need for an ongoing commitment to investment and opportunities for the future. He also shared his personal views on current and future executive remuneration arrangements, including the challenges of dealing with complex plans and regulatory and disclosure requirements.

Earlier in the year we invited potential speakers to put forward suggestions for breakout sessions. A number of excellent suggestions were received, and the task of deciding which ones to include was difficult. However, based on the feedback we have received to date, we believe the sessions were well received by delegates. Our inclusion of the panel discussion on the politics of employee share ownership was very important. It was good to hear from Lord Richard Newby, Liberal Democrat Treasury Spokesman in the House of Lords, and Matthew Hancock, Conservative MP, both of whom reiterated their parties' and the coalition's commitment to employee share ownership.

Commenting on the conference, Martyn Drake, Director EMEA, from Computershare Plan Managers, said 'We

were delighted to be major sponsor for the 2010 ***ifs*** ProShare Annual Conference. This event continues to improve and is a fantastic opportunity to network with fellow share plans professionals and to better understand the issues and opportunities we all face. As a Gold ***ifs*** Proshare Member, Computershare is proud to be associated with an event which fosters such keen development of our industry.'

ifs ProShare is proud of its longstanding and ongoing commitment to promoting wider employee share ownership. We are delighted with the success of this year's conference and will let you know the date for next year's conference as soon as it is confirmed.

ifs ProShare Head of Employee Share Ownership

We are thrilled to announce the appointment of Alexy Armitage as the new Head of Employee Share Ownership.

Alexy was previously with Mercer HR Consulting where she worked in both their London and Paris offices as a Senior Consultant. In fact, she returned to London from Paris to take up this role. As many of you will know, Alexy is a lawyer by background, qualified in two jurisdictions, and she has worked extensively on employee share plans in the UK, Europe and Asia. Alexy has over 20 years' experience in the world of employee share plans. She brings a breadth of experience and knowledge, as both a lawyer and consultant, that will be truly invaluable to us and our members. Alexy has worked with ***ifs*** ProShare in the past and was instrumental in setting up the ***ifs*** ProShare EU Focus Group; being its first chair. She led the discussions concerning the EU Prospectus Directive and attended the European CESAR open forums on behalf of ***ifs*** ProShare to push for changes in the Directive in so far as it impacts employee share plans.

Alexy's email address is aarmitage@ifslearning.ac.uk and her direct telephone number is 020 7444 7104.

House of Commons Celebratory Event

ifs ProShare was delighted to hold a Celebratory Event at the House of Commons to mark the thirtieth anniversary of the SAYE and the tenth anniversary of the Share Incentive Plan and Enterprise Management Incentives. We were very pleased to welcome over 100 of our invited members and guests to this event, which was kindly sponsored by Computershare Plan Managers, Equiniti and Killik Employee Services.

Three MPs spoke at the event, all of whom have a longstanding relationship with ***ifs*** ProShare and have been supportive of and committed to employee share ownership over many years. It was good to hear from the Rt Hon Stephen Timms (Labour), who was Financial Secretary to the Treasury when the SIP and EMI were being introduced. We also appreciated the contributions from Lord Newby, the Liberal Democrats' Treasury spokesman in the House of Lords from 1999–2010, who also spoke at this October's ***ifs*** ProShare Annual Conference, and from Greg Hands MP(Conservative), Parliamentary Private Secretary to Chancellor George Osborne.

In a show of cross-party support for a government initiative, Lord Newby said: 'The government does a lot to incentivise programmes and they don't always work. The great thing about share schemes is that they do work.'

It was reassuring to hear cross-party support for employee share plans from the politicians and we are grateful for their time, presence and support in speaking at our Celebratory Event.

The event was a tremendous success; we thank all our guests for attending and our sponsors for their valuable support.

ifs ProShare welcomes the commitment to employee share ownership in the Postal Services Bill

On 9 November 2010, ***ifs*** ProShare gave evidence to the Parliamentary Committee on the Postal Services Bill, in relation to the proposal in the Bill for an employee share scheme to hold at least 10 per cent of the equity in Royal Mail. ***ifs*** ProShare welcomes the Government's commitment to employee share ownership.

There appeared to be a lack of clear understanding about what employee share ownership is and how it differs from employee ownership. Several reports and commentators have referred to the John Lewis Partnership model but this is employee ownership, not an employee share scheme, and the Bill clearly refers to an employee share scheme. The current proposal for 10 per cent, or more, of Royal Mail shares to be allocated to an employee share scheme under the Postal Services Bill is a proposal for employee share ownership rather than a proposal for employees to acquire Royal Mail.

ifs ProShare would like to see HMRC-approved all-employee share plans, a Share Incentive Plan (SIP) and Save As You Earn (SAYE), made available to Royal Mail employees when the company is privatised. The ability to adopt one or more of these HMRC plans does depend on the type of corporate entity that acquires Royal Mail. The Government has not yet announced what form the privatisation of Royal Mail will take; there has been reference to both a trade sale and a possible IPO. Without a clear path for privatisation, it is difficult to define the terms of the employee share scheme, as a result, it would be preferable to keep the legislation, as far as it relates to an employee share scheme, flexible until the precise mechanism for privatisation has been determined.

In the evidence provided to the Committee, Alexy Armitage confirmed that SIP and SAYE plans have proved very successful at household names such as BT, BP, National Grid, Sainsbury's, Marks & Spencer and many others. This is because they are a very useful, simple and tax-efficient mechanism for employees of all income levels to acquire shares in their company; they deliver benefits for employees, employers and the wider economy.

A wealth of UK and international evidence suggests employee share ownership can lead to higher productivity and financial performance, greater innovation, lower staff turnover and improved employee advocacy. As for all businesses, these are important considerations for Royal Mail to take into account for its future success.

EU issues update

***ifs* ProShare and its EU Sub-Focus Group have sought changes to the EU Prospectus Directive in so far as it impacts employee share schemes. The EU Commission reviewed the EU Prospectus Directive, and in October the Council of Europe adopted the changes to the Directive proposed by the Commission. The UK Government is currently reviewing the implementation of the changes. In addition to widening the employee share schemes exemption, the excluded offer limits will be increased from €2.5m to €5m and the number of individuals raised from 100 to 150. *ifs* ProShare is in liaison with the FSA regarding the stock exchanges which our members would like to see included as 'equivalent exchanges' for the purposes of the employee share scheme exemption.**

***ifs* ProShare attended and presented at the IAFP, EU-Commission-sponsored Conference in Brussels on financial participation. The Conference focused on financial participation within the EU member states. The *ifs* ProShare presentation looked at best practices in the communication of employee share plans. The EU Commission has expressed its interest in supporting employee financial participation and we will keep abreast of current and future developments.**

'The new face of share plans'

By Martyn Drake, EMEA Director of Computershare Plan Managers.

The world is a fast-changing place. Thirty years ago, distributing a memo to your staff was a hand-delivered piece of paper; now it's the click of a button. Banking meant a journey into town; now it can be done from your armchair.

Most recently, the social media revolution has brought about a change in the way people access information and we have to understand how these changes are affecting us as an industry. Social media is not just a preserve of the B2C market and it's not a fad: it's a fundamental shift in the way we, as businesses, use technology and the ways in which we communicate. This shift has been touted by some as the biggest change to business practices since the industrial revolution, and I do not think this comparison is overstated.

Social media is a powerful tool that can fuel the rise or demise of almost anyone or anything. YouTube created an overnight sensation in singer Susan Boyle; and a torrent of negative comments about GAP's new logo on Facebook and Twitter caused the clothing giant to bring back the old logo after only seven days.

We all need to understand how this revolution is already affecting how share plans are run, what we need to do to support participant demands and how we can tailor our communications to deliver success. Asda's 2010 Sharesave launch achieved one of its highest-ever share plan take-ups, due in large part to the unique way in which the organisers engaged with colleagues during the Sharesave promotion – which included the use of social media.

The joined-up campaign was delivered in both traditional and new media and included:

- printed information packs;
- people manager guides;
- real-life case studies;
- online multimedia such as videos and podcasts;
- a dedicated page on the staff intranet;
- presence on Asda's Facebook page.

In the last few years, share plan technology has changed in other ways too: online and SMS text enrolment have emerged, to the extent that some of our clients, such as Vodafone, are receiving almost a third of their share plan enrolments via text.

In 2008, Logica delivered a paperless global share plan, not only setting an industry benchmark in terms of plan design, but increasing take-up substantially in almost every participating country. This goes to show that adapting to new technology can and will impact on the effectiveness of your share plan. It's not that long ago that I remember discussing whether to use the Internet to display share plan information, and whether email could be used for communicating with employees. Now we could not imagine the share plans world without these facilities. Developments in the way we use the available technology has enabled us to improve our services to clients, but we need to continue to evolve with them.

Sooner than you think, it will be impossible to imagine your organisation without a Twitter account or a Facebook page, but can we truly say that the share plans industry is keeping up? It is essential that we get on board now because tomorrow, Generation Y (those born from the mid-1970s onwards) will have invented something else to get to grips with. Brands just like yours are being made and broken over their success or lack of it, online, right here, right now. Consumers in social media take no prisoners.

It's clear that for many people these new communication methods are becoming the preferred channel of choice; one that is growing far more quickly than traditional media channels. It took radio 38 years to achieve 50 million participants; television reached that point in just 15 years; whereas Facebook acquired 200 million participants in less than a year.

What the share plans industry must do is harness the power of these new communication channels. Now is the time for companies to take a firm grasp of new media technology in order to increase participation in their share plan. Then we can reap the associated rewards of decreased absenteeism, increased retention, better staff performance, and boards that are consequently happier with the significant investment they have made in your share plan.

We all need to consider the extent to which we are engaged in social media. Our target audience is changing the way it communicates.

This article has been adapted from a speech made by Martyn Drake at the 2010 ***ifs*** ProShare Annual Conference held in October.

Views and opinions expressed in external articles do not necessarily reflect those of *ifs* ProShare.

FORTHCOMING EVENTS:

Review of 2010 - Wednesday 19 January.
Celebrating Excellence - Tuesday 8 February.