



The voice of employee share ownership

March 2011

ifs ProShare Celebrating Excellence



On Tuesday, 8 February we held our annual Celebrating Excellence 2011 event. **ifs ProShare** would like to extend a big thank you to the winning companies of our Annual Awards 2010, for their time in preparing and presenting at this event. Celebrating Excellence was a huge success this year attended by an audience of nearly 100 people; including **ifs ProShare** members, advisers, corporate share plan professionals and the media.

Celebrating Excellence was rounded off with a very interesting panel discussion covering the three awards for Best Overall Performance in Fostering Employee Share Ownership chaired by Stuart Bailey. We heard from a long-time supporter of employee share ownership, National Grid, who has been offering employee share ownership for over 25 years. Tesco outlined how they had taken into account their varied work force when considering their share schemes. Henderson Global Investors, no strangers to the Annual Awards, illustrated their continued commitment to employee share ownership.

The event kicked off with an update from Stuart Bailey, Chair of the Judges for the Annual Awards 2010, who spent some time going through the judging process, and how the judges measure excellence in the various categories. This was followed by the winner of the Best New Share Plan award, Global Payments UK, who gave a practical example of the process of developing and delivering

an award winning scheme, and, in their case, one that realised a massive increase in employee participation.

Telefónica, the winner of the Best International Share Plan award, communicated well the key challenges they had identified and the strong commitment to their plan that won them this category.

SSL International (part of the RB Group) took a fun approach to their communication with a light hearted touch in drawing out the features of the plan. It was clear to see how this engaging approach and collaboration with their employees had helped them enliven their communication materials to win Most Effective Communication of an employee share plan (up to 1,000 employees).

In the Most Effective Communication of an employee share plan (1,001 – 15,000 employees) category, CPP Group gave a presentation which clearly demonstrated how their strategy of consulting and engaging with employees at all levels on the communication of their plan had helped them win.

FirstGroup, the winner of Most Effective Communication of an employee share plan (15,001 + employees),

showed us how they successfully used their interactive modellers and targeted communications to achieve a significant increase in participation in their plan.

Real estate company Hammerson, illustrated how they had developed and managed their plan to win Best Commitment to Employee Share Ownership for Small Companies (fewer than 250 employees).

We introduced a new category in 2010 to recognise those organisations who excel in providing the best employee share plans outcome following a corporate transaction. The inaugural winner of the award was Lloyds Banking Group who provided a highly informative session.

Marks & Spencer, winner of the Most Effective use of Technology award, showcased the innovative technology they developed to win this category and demonstrated the positive impact that the right technology can have in simplifying the share plan and taxation process.

We are very grateful to all the winners for taking the time to share their valuable insights with our members, and also to everyone who attended this Event. We believe that providing a forum to showcase best practice whilst also giving due attention to the real issues that occur, and how they can be tackled, is a valuable exercise that gives the employee share plan industry a stronger voice.

ifs ProShare would like to thank Baker & McKenzie for hosting Celebrating Excellence. We also extend a big thank you to all our members for their ongoing support and we look forward to another high-level of competition for our Annual Awards 2011.



The Finance Bill 2011

The UK Government issued draft clauses to the Finance Bill 2011 on 9 December 2010. The draft legislation intends to counter the use of third-party arrangements for awarding remuneration in a manner that would avoid liability to income tax. The legislation is widely drawn and *ifs ProShare* is concerned about the adverse

impact the legislation could have on employee share plans and their related hedging arrangements, such as an employee benefit trust. *ifs ProShare* held a meeting for members on 17 December to review the draft legislation and discuss proposed changes. *ifs ProShare* has sent two papers to

HMRC and the Treasury, highlighting the concerns raised regarding the impact of the legislation on employee share plans and providing proposed amendments to the draft legislation to reduce any adverse impact. These papers can be found on the *ifs ProShare* website: www.ifsproshare.org.



PAYE Regulations

HMRC has announced the intention to introduce an OT code for PAYE purposes, to apply to 'standard' payments made to employees ceasing employment who have already been issued with a P45. The PAYE guidance issued in December 2010 (CWG2 for 2011) states that PAYE and NICs are due in the normal way on a 'standard' payment made to an employee when they leave or after they have left employment. HMRC's current position is that a 'standard' payment includes share-related payments. The OT code enables income tax to be deducted

at the basic, higher and additional rate of income tax.

ifs ProShare is concerned about the adverse impact the introduction of the OT code will have on share-related payments, especially those made in the context of all-employee share plans, and in particular the HMRC-approved Share Incentive Plan (SIP). *ifs ProShare* has received concerns from employers in respect of the disproportionately high administrative burden and cost that the introduction of an OT code will impose, particularly on payments in the context

of SIP. Employers have also expressed concern regarding the timing of implementation of the revised PAYE code, especially in light of the introduction of real-time information for PAYE, which current proposals indicate will be implemented for larger employers in January 2013.

ifs ProShare has prepared a formal paper in respect of the proposed introduction of the OT code. The paper has received support from a number of our corporate members and the major employee share plan administrators.

ifs ProShare training sessions and workshops

Coming soon! – 27 June 2011. Remuneration – Financial Services Seminar

Many financial services firms are having to review their remuneration structures to take into account new governance and remuneration regulations. *ifs ProShare* is arranging a special seminar presentation to provide details on:

- the overall regulatory environment that financial services firms doing business in the UK will need to consider;
- the specific requirements of the FSA's revised Remuneration Code and the implications for design and governance of the incentive arrangements.

Please visit the *ifs ProShare* website www.ifsproshare.org for details on this and all our forthcoming seminars and workshops.

EU Prospectus Directive

The EU Parliament proceeded with the Directive to amend the EU Prospectus Directive at the end of December 2010. The EU member states have 18 months in which to implement the amendments, which include the changes to the employee share plan exemption. This would allow for an implementation date of July 2012. The EU Commission has requested ESMA to provide technical assistance in determining the third-country markets that may be considered 'equivalent' for the purposes of the amended employee share plan exemption.

ESMA issued a request for interested parties to submit representations on the implementation of the amendments. *ifs ProShare* sent a formal submission to ESMA to

request that the employee share plan exemption be implemented as quickly as possible and that the 'equivalent' exchanges be determined (1) without imposing additional requirements and (2) speedily in respect of the main global non-EU exchanges.

ifs ProShare has received important support for its submission from the International Association for Financial Participation (IAFP/AIPF), the EFES (European Federation of Employee Share Ownership/FEAS – Fédération Européenne de l'Actionariat Salarié) and Irish ProShare. The submission can be found on our website: www.ifsproshare.org.



Ongoing commitment to employee share ownership

Members may have seen the recent article in the *Financial Times*, headlined 'Employees lose out on share incentives' (14 February 2011), suggesting that all-employee share schemes are becoming less popular. Although HMRC figures do show a decline in the number of companies operating all-employee shares schemes in 2008/09 this is only part of the picture.

HMRC figures show a decline by 10 per cent in the number of companies offering an all-employee share scheme in 2008/09. However, these figures do not take into account that a company may be operating more than one live scheme, that many companies offer participation on an annual basis, corporate

transactions or other consolidations. The HMRC figures show that in 2008/09 there were more employees participating in either a SAYE plan or a SIP plan:

The *Financial Times* article proposes that the decline in the number of schemes operated was due to lower share prices in 2008/09. This factor, however, may have encouraged the increased levels of employee participation: employees often join plans in order to take advantage of a low share price, which results in a low option price for SAYE options (especially where a discount is offered) and enables employees to purchase more partnership shares from their monthly SIP contribution. This assumption is

evidenced in the *ifs ProShare* 2009 SIP & SAYE surveys, which include data on employee contributions. In 2009 the average monthly contribution into a SAYE plan was £107 per month, compared with £71 in 2006, and into a SIP plan in 2009 was £78 per month, compared with £73 in 2006.

Employee share schemes remain popular with employees even during times of economic hardship, and companies remain committed to providing this valuable benefit. HMRC statistics show that the total number of tax-advantaged share schemes (including discretionary share schemes) rose to 12,140 (2008/09) from 10,840 (2006/07).

	Employees participating 2006/07	Employees participating 2008/09
SAYE	570,000	640,000
SIP (partnership shares)	3,880,000*	4,250,000*

Source: HMRC Statistics www.hmrc.gov.uk/stats/emp_share_schemes/menu.htm

*HMRC SIP figures state number of employees who are awarded or purchased shares – an employee is counted in these statistics each time they participate.

ifs ProShare Review 2010

On Wednesday 19 January, we held the *ifs ProShare* Review 2010. The updates for 2010 were provided by Francis O'Mahony of BT, with the corporate perspective, Nicholas Stretch of CMS Cameron McKenna with the legal perspective, and Phil Ainsley of Equiniti with the administrators' perspective. Alexy Armitage provided the 2010 update

for *ifs ProShare*, covering our events and the significant developments for ESO.

ifs ProShare would like to thank the speakers for presenting at Review 2010. We were pleased with the number of attendees. We thank our members for their ongoing support of our events and CMS Cameron McKenna for hosting Review 2010.

ShareComp 2011

ShareComp 2011, the virtual conference, was held on Wednesday 23 February. Alexy Armitage was the European Keynote Speaker and provided an outline presentation on the main ESO issues impacting the UK and the EU. Over 1,700 registrants attended ShareComp 2011, visiting the booths, downloading the available literature and attending the presentations. The *ifs ProShare* booth received a lot of traffic throughout the conference day, which ran from 9am GMT until close of business PCT. ShareComp 2011 remains available to visit throughout the year and participants can continue to visit the booths, submit questions and view the presentations.

GEO 12th Annual International Conference

**15–17 June
Amsterdam**

ifs ProShare is supporting GEO at its 12th Annual International Conference this June. Please see the *ifs ProShare* website: www.ifsproshare.org for further details.

ifs ProShare Training Courses and Workshops 2011

Date/Time	Course	Hosted by
13 April 10.00 – 13.00	US Share Plans This workshop has been designed to give you an insight into the issues you need to consider when launching share plans into the USA. Experts from Morgan Stanley Smith Barney and Baker & McKenzie will give attendees the opportunity to learn of current best practice.	<i>ifs ProShare</i>
17 May 10.00 – 16.00	Introduction to Employee Share Schemes – A Technical Course This course covers: the jargon associated with employee share plans, the HMRC approved plans the most commonly used share and option plans, discretionary and executive plans.	<i>ifs ProShare</i>
9 June 10.00 – 13.00	Effective Communication of Share Plans The aim of this workshop is to provide an introduction to effective share plan communication and marketing. It provides an opportunity to hear directly from Greentarget as well as the corporate perspective with a company case study.	<i>ifs ProShare</i>
TBC June 10.00 – 16.00	Introduction to Employee Share Schemes – A Practical Course This course addresses the practical issues a company needs to consider when setting up an employee share plan.	<i>ifs ProShare</i>

To book a course or workshop visit www.ifsproshare.org/events/index.cfm