WHICH EUROPEAN POLICIES FOR EMPLOYEE SHARE OWNERSHIP? INTENTIONS AND EXPECTATIONS

REPORT OF THE EUROPEAN CONFERENCE

BRUSSELS 19 MAY 2016

EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

WHICH EUROPEAN POLICIES FOR EMPLOYEE SHARE OWNERSHIP? INTENTIONS AND EXPECTATIONS

ABSTRACT

The mass development of employee share ownership brings better motivation, productivity, profitability, higher growth, more and better jobs. This is good for all. But it depends on policy will to initiate the virtuous circle through appropriate fiscal incentives. However the political imbalance widened between European countries since the financial crisis. After 2008, some European countries took negative decisions, removing or decreasing fiscal incentives, which led to a decline of the number of employee shareholders. Some other European countries took the opposite way, applying new or higher incentives, which led to a higher number of employee shareholders. Much more has to be done for the European convergence of employee share ownership policies. There is a need for a European Action Plan to raise awareness in order for Member States to act through adequate legislation and incentives.

EFES - European Federation of Employee Share Ownership
Avenue Voltaire 135, B-1030 Brussels
Tel: +32 (0)2 242 64 30 - Fax: +32 (0)2 808 30 33
E-mail: efes@efesonline.org Website: www.efesonline.org

June 2016

ISBN: 978-2-930903-03-3

Opening Speech

Marc Mathieu, Secretary General, EFES

The new "Annual Economic Survey of Employee Share Ownership in European Countries in 2015" shows the exact picture of employee share ownership through the European crisis

- This Tenth European Meeting of Employee Share Ownership[1] will be the place for political questions: Which European policies for employee share ownership? Which are the intentions of European representatives, Commission, Parliament? Which are the best policies in European countries in 2016? Which are the expectations from practitioners?

- It is known that the mass development of employee share ownership depends mainly on incentive policies. The mass development of employee share ownership brings better motivation, productivity, profitability, higher growth, more and better jobs. This is good for all. But it depends on policy will to initiate the virtuous circle through appropriate fiscal incentives.

- Tremendous success: Even through the European crisis, the average savings of the 8 million of employee shareholders in Europe was doubled from 2009 to 2015, from 12.500 to 25.000€ in shares of their company (45.000€ when including top executives). Employee share ownership was never so high in Europe, in terms of assets held as well as in percentage (367 billion € in 2015 and 3.09%).

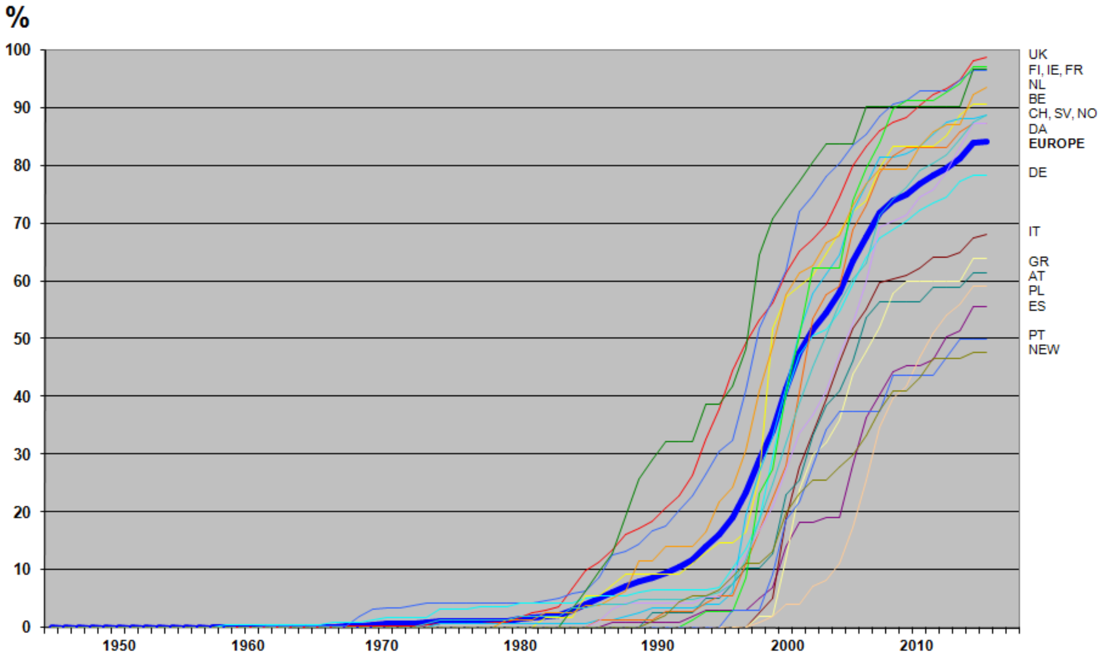
- However, a slight decline of the number of employee shareholders occurred from 2009 to 2014, following negative policy choices in several European countries.

- Above all: The political imbalance widened between European countries since the financial crisis. After 2008, some European countries took negative decisions, removing or decreasing fiscal incentives, which led to a decline of the number of employee shareholders. Some other European countries took the opposite way, applying new or higher incentives, which led to a higher number of employee shareholders.

- This is in contrast with the convergence that can be observed in companies' behaviours. The graph hereby shows the development of employee share plans in large European companies from 1945 to 2015. We start at the bottom with 0% of companies having employee share plans and we go to 100% at the top, all European countries appearing in various colours. Companies show the same behaviour in all European countries. Companies appear to be the agents of European convergence in this matter.

---

[1] The Tenth European Meeting of Employee Share Ownership took place in Brussels on May 19-20, 2016. All materials of the Meeting are available on page http://www.efesonline.org/2016/Tenth%20European%20Meeting/EN.htm

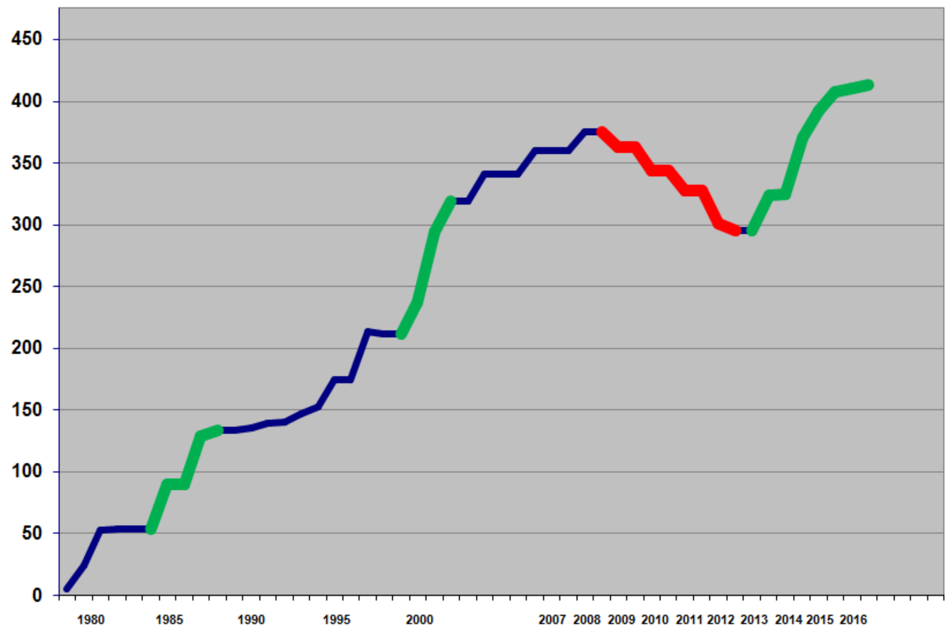


- However, the lag is about 30 years between the first and the last countries. This is enormous, much too long. Think about technology, a lag of 30 years means that the first countries would be busy with implementing the 5G standards while the last ones would be just discovering the fax!

- Much more has to be done for the European convergence of employee share ownership policies. 30 years between the first and the last countries, means that they are all losers. Companies of the first countries cannot extend their share plans to their employees in all European countries. Employees of the last countries cannot enjoy the benefits of employee share ownership.

- All policy decisions in various European countries, in a positive or a negative way, can be summarized through a single dedicated tool. This is the reason of the setting up of the EFES "Barometer of employee share ownership policies in European countries".

BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPE



- Before 2009, the barometer showed a continuous increase, practically all policy decisions being positive. A negative phase occurred from 2009 to 2013. Since then, most policy decisions are positive again. Most typical case of recent changes: Denmark. One of the first deeds of the new Danish government in 2011 was to remove all fiscal incentives for employee share ownership; one of the first deeds of the new Danish government in 2015 was to restore them, - il will be done on July1, 2016.

- By 2016, 14 European countries do promote employee share ownership through incentive policies, compared to 11 countries in 2015.

- What do we want now? Whereas we are rather satisfied with EU level policies under the CMU initiative such as the Prospectus Directive and others, the developments at the Member State level are still not sufficient. More can be done from Brussels to encourage Member States on this way. There is a need for a European Action Plan to raise awareness in order for Member States to act through adequate legislation and incentives. This was the conclusion of a Pilot Project in 2014. The next step we call for is a Preparatory Action for the organization of this European Action Plan.

Keynote Speech

Sven Gentner, Head of Unit Asset Management, DG FISMA replaced by Ulf Linder, Deputy Head of Unit

- Commissioner Jonathan Hill is very supportive of employee share ownership. So what should be the next round of action?

- Within the framework of the CMU action plan, the first round of action by the European Com-mission was rather technical with safe and transparent securitisation being on top of the FISMA agenda.

- Modernising the prospectus directive was also an important achievement as well as making Venture Capital more attractive again. A specific Venture Capital fund was set up to support social ventures.

- Commissioner Hill launched a call for evidence to obtain feedback on the current state of affairs and to assess the impact of more recent financial legislative initiatives.

- ELTIF funds were established to encourage retail investors to invest in the long term with reasonable returns.

- Some legislation will see the light in 2016 and 2017, but Commissioner Hill believes it is only good to legislate when this is the best solution, preferring cooperation instead.

- Regarding employee share ownership, the EC is acutely aware that Member States are protective of their consumers, tax regulations and fiscal independence.

- The United Kingdom leads in matters of employee share ownership.

Questions from the public

Q: Disclosure of past performance has been excluded from the Key Information Documents for PRIIPS, unlike for UCITS. Does the European Commission have the intention to look into changing this back?

A: UCITS already have a KIID. But PRIIPS covers all complex products, so other products as well. So should UCITS keep its own KIID? The EC believes there is a compromise: UCITS will continue to use the KIID as it is now. An evaluation will follow of the new PRIIPS KID to see whether it should apply to UCITS in long run? The issue of the disclosure of Past Performance has been subject to months of discussion and contact with stakeholders, but the current solution seems to be the preferred one.

Q: DG MARKT (not FISMA) in the past had an ambitious goal aimed at the harmonisation of accounting standards of all Member States. What is DG FISMA's view on this?

A: Indeed, how can we contemplate a CMU without the harmonisation of fiscal rules? But Member States remain very cautious. TAXSUD is trying to loosen opposition to fiscal harmonisation.

European Parliament

Evelyn Regner, Member of the European Parliament, S&D Group

- The European Parliament believes it is crucial to use every possibility to remunerate employees.
- The European Economic and Social Committee, Trade Unions, the European Commission and the European Parliament are in favour of financial participation by employees. The European Parliament calls the European Commission to reduce barriers to this end.
- Companies lack information.
- The gap between rich and poor can be bridged by employee financial participation.
- It can also contribute to a better identi--fication between companies and employees.
- Countries with innovative programmes in place (such as *Sociedades Laborales*) and employees with voting rights and the right to a fair share of the income of a company have reduced inequality such as is the case in Greece, Spain, Portugal and Italy.
- Employee Voting Rights is the key point.

Renate Weber, Member of the European Parliament, ALDE Group

The message from Renate Weber was strong:

- ALDE would like for the European Commission to put in place a follow-up on the Pilot Project for the Promotion of Employee Ownership and Participation.
- ALDE deposited the amendment requested by the EFES (which does obviously not necessarily mean that it will be adopted).
- More means should be made available to inform Member States about employee share ownership.

Best of European Policies in 2016
Panel 1

Two panels take a look at best practices in terms of employee share ownership policies in six European countries (UK, Austria, Spain, Italy, France, Poland).

MODERATOR: JÉRÔME DEDEYAN, EXECUTIVE DIRECTOR, ERES GROUP, FRANCE

Eres Group is the French leader of independent providers of profit sharing, retirement plans and employee share ownership.

DAVID PETT, EXECUTIVE DIRECTOR, PETT FRANKLIN, UK

- What's the difference between companies owned by employees and employees owning part of a company?
- The 1980s witnessed the employee shareholder movement. As part of the wave of privatisations and the restructuring of companies, tax laws were developed in favour of employee share ownership.
- Two models: Collective ownership: Shares owned by a trust to the benefit of employees, managed by independent trustees or employee and management representatives. Direct Ownership: employees are the direct owners of shares.
- Largest Trust: John Lewis Partnership (the Holding Company of Waitrose) is owned by a trust on behalf of all its employees who have a say in the running of the business and receive a share of annual profits, which is usually a significant addition to their salary. There is no direct voting participation, only by trustees and employee representatives on their behalf.
- New employee share ownership rules were introduced by the Conservative-Liberal government: All investors who sell their part to such a trust will do so completely tax free, and bonuses can be paid out to employees up to £3.000 without taxation.
- So far only smaller companies have opted to be owned by a trust.
- Companies have accepted that it is good practice to share ownership with employees.
- Employee share ownership plans in the UK:
  - Save As You Earn (SAYE) is a savings-related share scheme where you can buy shares with your savings for a fixed price. You can save up to £500 a month under the scheme. At the end of your savings contract (3 or 5 years) you can use the savings to buy shares. The tax advantages are that the interest and any bonus at the end of the scheme is tax-free and that you don't pay tax on the difference between what you pay for the shares and what they're worth. You might have to pay Capital Gains Tax if you sell the shares, but not if you put them into an Individual Savings Account (ISA) or pension as soon as you buy them.
  - Under a Joint Share Ownership Plan (JSOP) an employees' trust acquires a given number of shares on the terms of a joint ownership agreement. By the terms of the joint ownership agreement, when the jointly-owned shares are sold, the proceeds of sale are split between the joint owners. The ownership of the shares is structured such that the employee pays a small upfront payment and is entitled to the subsequent growth in value of the shares which will be subject to capital gains tax.

- What does the future hold? Progress needs to be made to encourage, through generous tax treatment, independent companies to develop employee owned structures (joint share ownership), thanks to generous tax treatment.

- Some hurdles in the UK:

  - How to evaluate the value of a non-quoted company? This has not been addressed. HMRC defines the value of non-listed company shares, but these remain difficult to determine.
  - In the "rights for shares" plan, in exchange for tax breaks, employees are encouraged to give up some employee rights in exchange for tax breaks on shares. This is not an ideal situation.

QUESTIONS FROM THE PUBLIC

Q.: There are strong intermediaries in the UK, such as the trustee system. How is the governance of these trustee funds?

A: There is no blueprint; each company establishes its own individual governance model.

MAX STELZER, CHAIR OF VOESTALPINE MITARBEITERBETEILIGUNG PRIVATSTIFTUNG, AUSTRIA

- Austria, with Voestalpine in the lead, is developing employee share ownership models for its companies. There is no strong tradition in this field in Austria.

- The idea is to promote strategic ownership by the employees.

- In order to do so, the aim would be to set up a plan where individual share ownership is allocated to employees combined with a system of bundling of voting rights (combining trustees foundation with individual ownership).

- National collective bargaining agreements are helpful.

- The aim is to roll these plans out internationally, based on classical share matching plans.

- To enforce financial participation, Austria introduced a new tax regulation in 2013, doubling the tax benefits for employee share ownership, all political parties being supportive.

- Austria is looking to eliminate obstacles in Corporate Governance law, to improve tax incentives and how to bring SMEs into these schemes.

- Austria is becoming a European example. Voestalpine is optimistic that such schemes have a fairly bright future in Austria and will continue to promote employee share ownership, especially co-shareholding.

QUESTIONS FROM THE PUBLIC

Q: Why the preference to use foundations?

A: A *Privatstiftung* is a transparent body that isn't owned by anybody – it's self-owned – that handles all the shares for the employees. The Board is nominated and composed half by the management, half by employee representatives.

AINHOA AIZPURU MURUA, DIPUTADA, DIPUTACIÓN FORAL DE GIPUZKOA

- Gipuzkoa, a province of Spain and a historical territory of the autonomous community of the Basque Country, has developed *Sociedades Laborales* (employee-owned companies).
- In 2015 the Spanish parliament adopted a new law, modernising the concept of *Sociedades Laborales*, a type of enterprises owned by their workers.
- In Gipuzkoa one employee out of three is part of a workers' cooperative or a *sociedad laboral*.
- Such structures favour individual development as well as business development and foster social, economic and environmental development as well as promoting a sense of belonging and retaining talent locally.
- Gipuzkoa tax system in this regard is independent from the Spanish one and as such constitutes an attractive employee ownership laboratory for all of us.

JOSÉ HERNÁNDEZ DUÑABEITIA, DIRECTOR OF ASLE/CONFESAL, SPAIN

- In *Sociedades Laborales* the majority of the capital belongs to those working there. Nobody can hold more than 1/3 of the capital.
- The first *Sociedad Laboral* was established in 1979.
- A legal provision ensured that employees made redundant could immediately touch 2 years' worth of unemployment benefits and use this sum to join a *sociedad laboral* as partner.
- What is participation? Employees are part of the management, the profits and the ownership of the company.
- Participation in management is well established, but to achieve participation in the capital and decision making, it is important to change the cultures of companies.

- Participation is independent from whether there is a crises or whether the economy is going to a period of growth. It's a cultural change: from a culture of dependence to a culture of property. A business is much more than a heap of shares.
- It is very difficult to ascertain whether a company is participative since no precise identification or listing exists.
- What is needed to move ahead with employee share ownership in Spain is a tax system to promote participation, an adapted financial programme, and consultancies with methodologies on on how to design and implement companies' own models.

Best of European Policies in 2016 Panel 2

Kris Ludwiniak, President of the Employee Ownership Foundation, Poland

- There is a long tradition of employee ownership in Poland. Already in 1912, 46% of Gasolina was owned by employees, which later inspired General De Gaulle in France.
- Employee ownership plans were an important part of the privatisation law in Poland. Assets of 2.000 privatised companies were redistributed this way.
- Recently Vice-Prime Minister Morawiecki showed interest to develop employee ownership in Poland as a piece of its long-term development plan and asked for Ludwiniak to write a report with recommendations, including new laws and the establishment of an educational process to address a lack of knowledge and develop an employee share ownership culture.
- Work is being done to develop educational tools, including a documentary.
- Poland is looking at 3 different models of employee share ownership tools : Austria, France and US.
- Austria puts forth the option of a foundation with interesting tax structures. Employees become members of the foundation and are represented on the supervisory board, with the management remaining in the hands of professionals. Employees retain influence on tactical issues and only the day-to-day running of the foundation will be left to professionals.
- The most important elements when considering setting up a structure for the promotion of employee share ownership are taxation and governance.
- Employee share ownership is one of the 5 main axes that the Polish government is looking at to turn the country around, with employee share ownership going hand-in-hand with reindustrialisation.

QUESTIONS FROM THE PUBLIC

Q: Would there be a restriction on the ability of the employee owners to sell the company to ensure continued independence?

A: This is a strategic decision, if the employees want to sell the company it's their right to do so. Companies will be partially owned by employees and partially by private shareholders and perhaps under partial state ownership, etc.

Q: The conductor of the panel asks about the *Poste Italiane* privatization:

GUIDO ANTOLINI, PRESIDENT OF THE EFES, ITALY

- The partial privatisation of the *Poste Italiane* (40% of share capital, the largest IPO in 2015 in Europe) was successful with over 300.000 individual investors plus 26.000 employees investing in their reserved quota of shares; the overall offer was oversubscribed.

On the employee share ownership side the lack of fiscal incentive and no provision for continuity did not translate into a successful employee share plan. 1,2% of the total capital were dedicated to an employee share plan and not even 25% of the 130.000 employees took up on the offer, undersubscribed by 50%. The Italian Government should learn from this experience that employee ownership plans should have a more concrete shape, in view of the ambitious project of incoming IPOs.

- On another hand one should look to past experiences in the banking sector. Nearly all banking employees were shareholders in Italy because the variable pay was automatically paid in shares with a generous Company's incentive, free of taxes up to € 2.065,00. This stopped in 2005/2006, while fiscal incentives have not been touched.
- Trade Unions are not promoting employee share ownership, since they fear market risks, or to lose influence, or to change their negotiating DNA; the only Union explicitly favourable to Participation is CISL.
- The most important aspects towards the promotion of employee share ownership in Italy are governance, promotion and tax incentives.
- Nowhere does the Italian law forbid employee share ownership schemes nor for the possibility of having employee representatives on company boards. Italy just allows for it, on a voluntary basis. Anyhow no significant Company adopts a Statute in that sense. Business Association opposes against any participative development, conceiving only profit sharing as a participative tool
- Is it desirable to shift from a market economy to a participative economy? In my opinion YES, that's why we are here.

MICHEL BON, PRESIDENT OF FONDACT, FRANCE

- The number of employee share plans and profit sharing agreements is going down, number falling, although participation is going up as well as stock.
- Michel Bon is impressed by the discussion on funds and the idea that there is a shift from commercialisation to distribution. Will Europe switch from selling to retailing?
- Employee share ownership is good for growth and represents the values of Europe, but is extremely difficult to establish across borders…
- Where is the EU unity on this matter?
- Europe is not exactly doing nothing since 8 million (3.2%) of workers are on employee shareholder schemes, although this is a shamefully low figure.

Expectations from Practitioners

Moderator: Stanislas de Germay, Executive Director, Assembly Conseil, France

Assembly Conseil is a consultancy firm specialized in employee share ownership, employee savings plans and pension savings plans. We collaborate with a wide variety of companies, from the CAC 40 such as unlisted small & medium sized companies. Assembly Conseil provides a complete range of services: plan design, project management, communication, IT (project steering, data collecting, acceptance process), training [2].

- Phil, what is stopping British issuers and providers extending their offers to foreign countries? And what for French issuers, Pierre?

Phil Ainsley, Managing Director, Equiniti Employee Services, UK

- Equiniti is a leading provider of technology and solutions for complex and regulated administration, serving blue-chip enterprises and public sector organizations in the UK. They provide share registration services to 50% of the FTSE 100 and are the largest administrator of UK tax advantaged share plans, providing accounts to 1.3 million employees and share plan services to over 60% of the FTSE 100. They are also the largest execution only broker for cer--tificated stock in the UK, manage processes for 8 million pensioners and support over 1.700 clients with various Specialist Business and Technology Services.

- Rather than just give you my views, I thought I would ask our clients themselves why they haven't extended their plans. In terms of representation we look after some or all elements of share plans for around 70% of the FTSE 100. So, I was trying to get their views about those that do extend their plans even though they don't extend them to all countries and what were the key things that held them back.

- Certainly, the large majority of them talked about tax and tax treatment recognize the problems for tax equalization across Europe and we have to be aware of that but it does make it very difficult, particularly when UK listed companies are offering things like the Share Incentive Plan (SIP) where you have money that is invested out of gross salary. Effectively, your marginal rate of tax is the discount that you get on the share price. This does make it difficult when you're extending that overseas to provide a similar benefit without incurring additional costs to individuals. So, probably tax is the largest issue. Also tax treatment where it's considering whether awards are taxed on award, or whether they're taxed on vest, or whether they're taxed on sale. That is obviously an issue for people.

- Administration generally, certainly trying to look at some of the different protection laws and how they apply in the different jurisdictions.

[2] Thanks to Assembly Conseil, the full transcription of the roundtable is available here in both French and English versions

- And regulation, red tape, I don't think you can ever win with corporates when it comes to the levels of administration. They are always seen as a burden rather than a protection. But certainly a lot of the directives which have been coming out of the EU, different things like the MiFID 2; the market abusive directive; the savings directive and a number of other different directives have impacted on the administrative and therefore have impacted on the clients as well.

- And something which I think a lot of people look at in terms of the higher-rate-tax payers and the directors is around global mobility. Global mobility now is very much an issue for all-employee share plans too. So we're seeing a lot more movement of labour around Europe and trying to effectively track and report back to the relevant authorities with something which has been validated.

Pierre Schereck, Member of the Executive Committee, Amundi, France

- Amundi is the No.1 European Asset Manager and in the Top 10 worldwide with assets under management of close to €1,000 billion worldwide as of 31 March 2016. Amundi has developed savings solutions to meet the needs of more than 100 million retail clients worldwide and designs innovative, high-performing products for institutional clients which are tailored specifically to their requirements and risk profile. The Group contributes to funding the economy by orienting savings towards company development. With over 48 Billion Eur Assets under Management and 100 000 client companies, Amundi is a leader in Employee Retirement Services. More than 3.8 million employees have their accounts managed by Amundi's account manager services. In addition to France, our services are already implemented in 50 countries on behalf of 400,000 shareholders. Amundi provides a comprehensive range of investment products, including pure, profile, diversification, protected and SRI funds, managed by funds managers devoted to employee savings.

- I think what our clients are expecting is really simplicity. The wish is there, the benefit without a doubt however the real basic matter is simplicity, the visibility. They want it deployed across the board and rapidly. This implementation is carried out on a worldwide scope and the paradox in which we find ourselves now is that it's easier to propose a FCPE to an employee based in Hong Kong than to those located in certain European countries. Frankly, it's a pity.

- We have just mentioned the subject of the AIFM Directive and the help that the French regulator, the AMF, gave us to help simplify crossing borders. But to provide some context, Amundi has worked closely with 300 operators on a global scale over these last ten years, that's to say, roughly thirty per year and of an international size. Our clients are concerned about being able to cross the borders in an extraordinarily simple way. There isn't any "commercialization", it's simply about allowing an employee wherever he or she may be, at least in Europe, to be able to buy the shares that are proposed by their company via a vehicle, possibly collective, which is transparent and in which there are only shares.

- What we could finally come to is a European recognition, a sort of “European label” of this notion of employee shareholding and the vehicle itself. The pension fund directive today enables extremely swift, flexible cross-border facilitation. We have done this for the social and solidarity-based economy funds and I’m very pleased about the way it’s gone. Why is it that we cannot apply this way of doing things to employee ownership? That would simplify life enormously as having visibility is fundamental for an issuer.

STANISLAS DE GERMAY

- Phil, what do you think about this "European label"?

PHIL AINSLEY

- I think there are always cultural differences, and the cultural differences which are exacerbated, not just by different languages but by different understanding. Certainly people will look at the fact that under a UK Share Incentive Plan there is a trustee and they will not quite understand that the trustee actually works very similarly to an FCPE or a collective fund. The SIP trustee in the UK has no discretion, the trustee has to act in accordance with the underlying beneficiary’s wishes. So, if an individual wishes to vote for or against a particular motion then that is what the trustee will do.

- To have a similar kind of body or entity within the EU, I think would be a great idea. I think there would be some concerns if it had a collective voting power. I think that would be something that some of the UK companies would be concerned about. Share plans are generally put in place in order to create a number of different things and one of them is obviously to get the active engagement of the individual shareholder. I think just about every one of our Share Incentive Plans does allow, encourage and promote voting by the individual underlying beneficiaries.

PIERRE SCHERECK

- Maybe another point is tax. Since there is still something quite strange when you wish to cross the European borders, depending on if you manage the funds locally or from another country, there is in addition a difference in taxation: if it’s not managed in the country where the employee lives, an additional tax can be added if applicable, let’s say 0.20% per year of the assets that you manage. There again, if we want to construct Europe, at a given time, it’s also necessary to make it free-flowing, so that crossing borders is done in the simplest way. As once again, it’s much simpler to export to non-European countries than to Europe itself !

MARC MATHIEU

- It’s striking that you don’t give the same reply. I hear « tax » and « tax treatment » from the British side and then other things, and you Pierre, it’s simplification and then…. And then… “tax” somewhere. Why such a big difference ?

PHIL AINSLEY

- I probably haven’t covered all the feedback that I’ve had. Simplicity was another of the things that UK companies would want in order to extend their share plans more than they do at the moment but the overriding factor that they did cite was tax and tax treatment. I think any company that is looking to put in place a total reward package for their employees will look at all the different methods they’ve got and what advantages it brings them. They will want to look at the cost of implementation and they will look at the benefit to those individuals. If they see that the cost is disproportionate to the benefit that is being given to the individuals, then it doesn't make sense for them commercially to extend it to a wider audience.

- Another point I'd like to mention is that many companies do take an altruistic view about share plans even though there are many obstacles and there may not be the same tax advantages in different countries in order to deploy them. They have tried to put them in place and for a number of different reasons, sometimes it is tax, they haven't had the participation rates that they would have wanted and therefore they have in future years thought "well we won't be launching there again because we don't get the participation rates and staff don't see it as a benefit for whatever reason and therefore we won't do it anymore".

PIERRE SCHERECK

- As far as we are concerned, I think that the starting point that characterizes the French companies operations, which again are global, thus European, is the legislation that allows offering advantages when entering, at the starting point, such as the discount (20% for example, it's quite normal, or 15%), the matching contribution, the free shares… Obviously, in each host country where the employees to whom the operations are proposed reside, the taxation will be local, it will depend on the host country. We would prefer that there were zero taxation everywhere as in France, while we're at it. However, I'm not sure that we'll manage to get a harmonization of zero on this straight away… Of course, the beneficiaries pay taxes but the taxes are calculated on the advantages, thus the operation is financially a winner when entering the scheme, even if once again, the less taxes you pay, the more the final return will be in any given country.

- Our issuer clients' concern is first of all and above all that the regulatory process is extremely simple so that you do not need to negotiate locally each time, authority by authority, to ensure that the operation can cross the border. That's really the point. Again, if we have a very favorable taxation rate, the same everywhere, fine. But at least, simplicity.

PHIL AINSLEY

- I do think it would be useful to have some kind of agreed recommendation for a structure of share plans within Europe. It's interesting that ever since the Share Incentive Plan legislation was enacted in the UK a lot of French companies have put that in place. I was interested to see that they have also put in place a free share SIP for its UK employees and it is something which is adaptable. A lot of US companies have also used the SIP legislation. I think there is a structure of a plan, some kind of pro forma that will work for all European countries that they can use for their own equity tool kit. I think that would be a first step towards encouraging more countries to go down that route.

MAX STELZER

- I'd like to underline what Pierre said because when running an international plan, the most important problem is to be aware about national legislation. So taxation is one point. Also from the western experience, more taxation benefits promote all share plans but it's not the most important problem when running international plans as we have seen by looking at different boards.

- So for example, you mention running share purchase plans in the UK because you want to benefit from the tax advantages but we have to install a UK trustee for the UK tax authority. You speak about the French who think they have a lot of tax benefits but they are tied to very strict French legislation. For example, to install a fund, a fund is not a traditional Austrian share incentive plan fund, or for example when they speak about going to France the problem is we are then informed that we have to use the French financial bank or institute. So there is a lot of legislation which represents major obstacles for us to get through the door. So taxation is not the only point.

- Maybe we can learn from each other, from different taxation-benefit systems from the different countries. Also in Austria we are trying to instore a new type of share plan foundation system. So I think there are reasons and conditions for national government but we need international development too. My proposal is that we need one simplified model. So this simplified model is to run and not to be forced to set up a UK trust or to use a French institution. So it's very complicated and very expensive. I think we need a different model, a good one but maybe a simple one. And simple application means that in some countries we have to speak about tax benefits for price reduction, in other countries to speak about tax benefits for bonuses and in others to speak about how to manage shares in a collective scheme or to handle voting rights. I think we need a simplified model for international companies abroad because it's too expensive to do all the analysis country by country. So we need simplification.

PIERRE SCHERECK

- That's what I meant through the "European label" of employee ownership.

PHIL AINSLEY

- Certainly one of the big pluses of recent years has been the ability to passport all the European countries under the Prospectus Directive. That has been a very big advantage for us. Something on similar lines in other areas.

STANISLAS DE GERMAY

- Ok, and apart from an evolution of the European rules, what can we ask for, I mean education or helping informing companies?

PHIL AINSLEY

- What we do need I think is a lot more communication, a lot more education as well as trying to break down some of the barriers that I think we see in the different institutions that are made in Continental Europe and the UK around encouraging employee-share plans. I think the difference appears wider than it actually is. I think that if we could just get past some of the promotional jargon people see in the different vehicles, they'll realize that the reason people want to put in place equity participation is for exactly the same reasons. It's to have a company that's attractive for people to join and to stay with, it's to try and motivate them and to reward them for what they do and it's to try and engage them with the company and make them proud of who they work for and feel that they've got some "skin in the game".

Sylvie Lucot, member of the AMF college, France

- It's more a comment perhaps than a question. Contrary to Marc, I'm rather struck not by what differentiates us, not by that you don't give the same answer to the questions. I was struck by the diversity which was demonstrated here.

- I was very impressed by what was said during the different round tables, by an extremely large diversity of models which weren't just for me linked to the diversity of states and countries in terms of regulation, laws, but we've seen, we've heard the views of listed companies, unlisted companies, big multinationals, small sociedades laborales, there you are, employee share ownership that is forthrightly described in terms of governance, intermediation by the trustees, by professionals, competent of course, well I'm struck by all this.

- At the same time, I was wondering what we could learn from this discussion. What we can retain, on the one hand, is, looking at the wording: "une action" is called a share in English which means to share and "une action" means "action" that's to say, to act in French. And how to act together, to share these models, for me, it's something very very important what's coming out of these round tables.

- Actually, we need to work each time that we're in an international structure, for example, the big internationals, it's more or less the same, they're the same problems in all the European countries, the listed companies which try to distribute the models that work in a capital markets union for those that are listed, I'm absolutely convinced. And from that, let's try to find some regulations that can really be transversal, simpler and let's draw on best practices from such or such a country, but furthermore, let's take note of what our Basque friends have been showing us.

- What stands out for me as a common point is that everyone has spoken about commitment, and for me commitment is a real characteristic of employee share ownership. What I mean by that is the capacity to engage over time. And I just wanted to raise the point that we are all representatives of what we call today the "patient capital". Since we know that "short-termism" finally dominates finance, but not only, it also rules the governance of states, it rules the governance of companies, finally in the worst cases, and it rules our individual behavior due to the Internet, due to all of that. And so, I think we need to bear in mind this concern that we have the long term patience which contrasts somewhat to the air of impatience that surrounds us.

CLOSING REMARKS

GUIDO ANTOLINI, PRESIDENT OF THE EFES, ITALY

- It is important to realise that being European means that we have to give something up in the name of something we want really badly.
- We still don't know how to be European. Do we need a 29th regime? No, if employee share ownership is promoted under the existing national frameworks, which are familiar to domestic professionals and entrepreneurs, it would have no effect. And, if not, why should an external framework do any better ?

- At the end of the day it is not only a fiscal issue. It's the essence of participation. Looking to UK and French successful models, Trust and FCPE are the way employee shares are managed… But these models, both satisfying, become obstacles in spreading cross-border employee ownership in large companies, as long as their existence is a prerequisite for national fiscal incentives. We should urge EU policy makers in harmonizing companies' fiscal base with regard to employee ownership: when the same thing will have the same name all over Europe, then fiscal helps become more transparent and easily manageable by multinational Companies.
- Large Companies are different from SMEs: SMEs are 99% domestic affairs, they collectively count for a large majority of employment, and their owners are becoming old and close to retirement . It should be a European priority to guarantee continuity for those SMEs and their staff through employees takeover.
- So why shouldn't we launch an initiative in favour of it by asking the EU to allocate European unemployment funds to employee's full or partial takeovers?
- European Parliament's setting of a Preparatory Action leading to the European Action Plan can be the concrete instrument to verify the will of our policy makers in leading Europe in a new and largely shared participative dimension.

in partnership with

RÉGION DE BRUXELLES-CAPITALE
BRUSSELS HOOFDSTEDELIJK GEWEST
BRUSSELS CAPITAL-REGION

Amundi

eres

Assembly Conseil

RAPPORTEURS:

Arnaud Houdmont, Stanislas de Germay, Guido Antolini, Marc Mathieu
Pictures: Michel Dvorak

ORGANIZATION:

Marc Mathieu
Secretary General
EFES – European Federation of Employee Share Ownership
FEAS – Fédération Européenne de l'Actionnariat Salarié
Avenue Voltaire 135, B-1030 Brussels
Tel/fax: +32 (0)2 242 64 30
E-mail: efes@efesonline.org
Web site: www.efesonline.org

ISBN: 978-2-930903-03-3