

## **Employee Ownership Australia “Best ESOP” Awards – 2019**

### **1. Best Performance in Fostering Long Term Employee Share Ownership (More than 1,000 employees)**

- GHD Group

GHD Group Limited is an employee-owned multinational technical, engineering and professional services firm which employs more than 10,000 people, operating in over 200 offices across 5 continents. GHD has been an employee owned company for more than 90 years. GHD’s core purpose is that “Together with our clients we create lasting community benefit”. Key to the success of its strategy and culture has been the company’s philosophy to invite and enable employees with the opportunity to acquire and build an equity stake in the organisation. Individuals are invited to acquire shares directly in GHD - GHD Shares - or alternatively, if they live in North America, they may acquire shares in GHD Holdings (Canada) Inc, which mirror the economic and legal rights of a GHD Share and are exchangeable for GHD Shares (Exchangeable Shares). All shares are acquired at board determined market price and participation is by invitation only, targeting approximately 25% of GHD’s 10,000 employees. Employees are nominated to receive an offer based on their commitment to the company’s values and ongoing contribution to the business. As they reach threshold levels of shareholding, owners are recognized as Associates and Principals. The program currently has around 2,500 employee shareholders across Australia, US, Canada, New Zealand, UK, Philippines, Qatar, UAE and Chile. Employees benefit from the contribution they make in the company and participate in the benefits of share ownership including quarterly dividends, voting rights and the opportunity to realise gains from growth in their investment over time. Buy back provisions come into effect in certain circumstances allowing employees to divest their investment or providing a means for the company to successfully manage intergenerational change and reacquire shares when an employee is transitioning in their employment or contribution with the organisation. GHD’s share program is an enviable example of employee ownership working at its best in an unlisted organisation. The objective of GHD’s ownership program is to build a sustainable community of owners who as employees and shareholders shape the future direction of GHD and share directly in the Company’s value creation through distribution of profits and sustainable capital growth.

### **2. Best Performance in Fostering Long Term Employee Share Ownership (Less than 1,000 employees)**

Independence Group NL

**Independence Group (IGO)** is an ASX listed diversified mining and exploration company currently producing gold, nickel and copper, zinc and silver from mining operations in Western Australia. Currently it has approximately 250 employees. IGO implemented a salary sacrifice employee incentive plan in 2018 and in the first year, the take up rate was 32.76% of employees. In the second year, IGO wanted to increase the take up so decided to make the plan more favourable by increasing the matching ratio. In 2018, employees received one share for every two Salary Sacrifice Shares purchased while in 2019, employees received one share for each Salary Sacrifice Share purchased. This resulted in the take up increasing by 15% to 46.52%. The IGO Salary Sacrifice Plan allows eligible employees to acquire up to \$5,000.00 worth of IGO shares from their pre-tax salary with employees receiving one IGO share (at no cost) for each Salary Sacrifice Share purchased. Salary Sacrifice shares are restricted for 1 year while the matched shares are restricted for 2 years.

### **3. Best new employee share plan –**

AMP

AMP is a wealth management company that was founded 170 years ago and has 7,500 employees worldwide. AMP have not offered an all-employee share plan in over 15 years and decided to launch two new employee share plans in 2019 as part of their 'renewal program' for the company. What makes this interesting is the context in which AMP has launched their plan. Following the Australian Royal Commission into the banking, superannuation and financial services industry, AMP had significant challenges to its operations, new market pressures, a reduction in FY18 profit and dividend, and the loss of CEO, Chairman, three directors and several senior managers. Despite the challenging environment, AMP saw the opportunity to launch the plans to coincide with the commencement of a new CEO. This signalled that share ownership in the organisation will support renewed employee engagement, as well as better aligning employees to the new strategy and change mindset. AMP launched the 'Exempt Gift Plan' in Australia, and included the offer of \$1,000 worth of shares to employees in New Zealand, India, Ireland, Luxembourg, UK and US. 5,700 employees have received shares under the gift plan which has significantly increased the number of employee owners in the company. As well, a deferred salary-sacrifice share plan has also been offered to eligible employees in Australia.

### **4. Most Effective and Innovative Communications Program**

Coles

Coles is a leading Australian retailer, with over 2,500 retail outlets nationally. Founded in 1914 in Victoria, Coles was acquired by Wesfarmers in 2007 and spent 11 years under Wesfarmers ownership until they were demerged in November 2018. While under Wesfarmers ownership, Coles employees were offered shares under the Wesfarmers Exempt and Deferred salary-sacrifice plans, without a company match. On demerger, Coles management were keen to continue with broad-based share plans in the newly listed Coles Group with an objective of increasing staff participation. To encourage employees to become a Coles owner, the "Team Member Share Offer" was introduced by the CEO to all staff with the quote "As definitely another example of the "Good Things happening at Coles". The "Team Member Share Offer" was launched in May, 2019 to over 70,000 eligible employees and achieved the objective by doubling the percentage of employees participating in the plan, resulting in adding over 7,000 employee shareholders to the Coles register. A take-up of over 10% of employees for a company in the retail sector where no company match is offered with the plan is an excellent result. For staff communications on the share offer, the company established a dedicated "Myshares" web-site which contained all the information about team member eligibility and Q&As, as well as explanatory booklets which detailed the terms of the offer. This was combined with regular updates and newsletters to all employees on the progress of the "Why not own a slice of Coles" share offer.

### **5. Best International Employee Share Plan –**

Aristocrat

As a rapidly growing successful Australian business, the team at Aristocrat Leisure Limited (ASX: ALL) decided that it was time to provide additional benefits to their employees, in an effort to align them with shareholder and organisational objects, and ultimately, to reap the benefits of being a shareholder. With a large contingent of employees being based outside of Australia, Aristocrat management knew that they would have to venture outside of the conventional norms associated

with standard Australian 'tax deferred' salary sacrifice schemes, as the USA based employees especially were familiar with different US tax qualified share plans. After months of analysis, review and planning, the Aristocrat SuperShare plan came to fruition. The inaugural offer occurred in March 2019, with eligible participants in 21 countries, including Australia, USA, UK, France, India, Czech Republic, Singapore, Philippines and Macau. The SuperShare plan allows employees to contribute a maximum of 20% of their base salary post tax and up to 100% of annual short term incentive bonuses. To reward employees for participation, the company would match shares on a 1 matching right for every 3 purchased shares basis, with matching capped at a maximum of \$5,000.00 per annum. Matching shares would vest into fully paid ordinary shares 2 years after acquisition. Shares acquired through the plan could also be sold at any point in time, without triggering the forfeiture of matching rights so long as the employee remains employed. As long as the employee remains employed, they would receive their matching shares in 2 years time, regardless of whether they still held the associated purchased shares. International participants are able to contribute in their local currencies, with the share plan administrator arranging the conversion to AUD and subsequent purchase of shares and a calculator which allowed employees to gain an understanding of the potential benefits of participating in the plan.

## **6. Best SME/Succession Plan**

### **Make Architects**

Make Architects is a different kind of architecture practice. It has always been 100% employee-owned. When setting out to form a new practice in 2004, Make founder Ken Shuttleworth wanted to do something different. He imagined a democratic workplace where everyone's opinions mattered, ideas were free-flowing and decisions were made together. He quickly landed on the 'John Lewis model', in which every employee is an owner, receives an annual profit share and has a say in how the business is run. In adopting the John Lewis model of holding shares in an employee-owned trust for the benefit of all employees, this ensures that there are no succession issues. Employees – also known as 'partners' or 'Makers' – receive shares only when they join and give them up if they leave, meaning there's no need to buy partners in or out. Other benefits include pre-empting disagreements over profit distribution and guaranteeing job security, as Make can't be bought or sold without the consent of all employees. From a pure business standpoint, employee ownership drives Make to improve its performance and productivity. Nearly all profits are distributed to employees, usually twice a year, with only money for investment held back. Everybody, no matter their pay grade, receives the same percentage of their salary as a bonus, from architectural assistants to the boss himself. This creates a culture where people are personally invested in the success of the business. Today Make has more than 150 people employed in London, Hong Kong and Sydney offices providing architecture, interior and urban design services from concept to completion. Since every Maker is a partner, they're also 100% dedicated to the success of the company.