First Meeting of the European Employee Ownership TOP 100 Lobby Group
Report of the 14TH June 2006 Meeting

EFES (the European Federation of Employee Share Ownership) is proposing to all widest European companies that a lobbying group is set up in order to simplify the management of multinational employee share ownership schemes and reduce costs related to these plans.

The first meeting of this embryonic lobby group has allowed participants to have a general discussion as well as expressing their expectations and defining their priorities vis-à-vis this lobbying programme.

One of the main priorities of the group is to organise an exchange of details on the experiences of participating companies. The first meeting was held at the HQ of the Dexia Group whose representatives gave a detailed account of its own employee share scheme.

1) Meeting Participants

Caroline Labregère - Schneider-Electric
Chantal Gibert-Sander - Essilor
Denis Auxenfans – Société Générale
Dominique Welcomme – Vivendi Universal
Thomas Hierlemann – EADS
Michael Masset – Dexia Group
Ludovic Wolff – Dexia Employee Benefits
Marc Mathieu – FEAS
Laurent Bellamy – FEAS
Didier Robert – FEAS

2) Meeting Agenda

- Introduction of participants
- The Dexia Case: Michael Masset, Dexia Group Share Plans Manager
- Dexia Employee Benefits solutions: Ludovic Wolff, Dexia-EB MD
- European Commission Proposals and the European lobbying situation in regard to Employee Share Plans: Marc Mathieu EFES Secretary General
- Lobby Group:expectations
- Lobby Group: priority issues
- Conclusion and details of next meeting

3) Introduction of Participants

Marc Mathieu gives a brief overview of EFES, its role as a federation and its activities as a recognised representative of companies in the Enterprises DG of the European Commission. M Mathieu outlines EFES' contacts with the Commission.

The EFES defines itself as an organisation open to all: companies, employee shareholders, researchers etc. It first undertook general political lobbying of all the EU institutions.

M. Mathieu believes that things are progressing positively at the moment and that a new stage in EFES' lobbying programme should be started: namely, a campaign to simplify and encourage the employee share ownership schemes of the largest European companies in a multinational direction.

A participant asks about the structure and financing of EFES: Are the representatives of EFES at this meeting employed by the federation and how is EFES financed?

Marc Mathieu replies that there are no EFES salaried staff. EFES is financed by subscriptions from members, individuals, companies, unions and other groups. This is too narrow a base to create a really strong and influential organisation. The EFES annual budget is in the region of 50,000€. Sponsorship and undertaking research projects for the commission or individual EU members also provide some funding but this is not recurrent. To put this into context: There are 7-8,000 organisations that undertake lobbying in Brussels with average full-time staff numbers of 2 to 3 and budgets of 250-300,000€ per annum.

Meeting participants then briefly explained their roles as managers of share plans as well as the main aspects of their companies' policies on this issue.

4) Employee share ownership at Dexia Group

Michael Masset, share plan manager at Dexia Group, explains how his company organises these schemes and how offers are structured to take account of increases in capitalisation. The company's 7th scheme was introduced this year.

M.Masset explained that Dexia was the product of a merger between French, Belgian and Luxemburg companies. One of the main aims of the share scheme was to create a sense of group identity and this has successfully been achieved.

Dexia is a resolutely international company with a presence in 26 countries, its 25,000 employees are invited to join the share schemes every year. Dexia has just made an important acquisition in Turkey which will increase the workforce by about another 5-6,000 people. The need for cohesion and group identity is a vital factor under these circumstances and participation in an employee share plan is an important means of achieving this. There is, however, a three-month wait before access to the scheme is allowed.

M. Masset's presentation is available 'in extenso' on request. Its key points follow.

The share ownership scheme is offered to employees either in a leveraged (with two stages) or a standard format. Both have a 20% discount as well as a tax free element worth 620€. Shares are locked in for 5 years.

For the leveraged offer, an annual tender call is made for a bank to operate this financial instrument.

Participation levels vary between 50 and 70% from one year to another. Employees shareholding represents about 5% of the company, which was the board's target and remains its minimum reference point (the 5% refers to the locked in shares).

There are considerable differences between countries in regard to both participation levels and amounts invested (which are limited to 25% of salary with the leveraged element taken into account). Outside of the Eurozone, currency fluctuation effects at the moment of exiting the scheme are underwritten by Dexia . The leveraged effect and the currency guarantee have had a beneficial effect on employee motivation in the area outside of France-Belgium-Luxembourg.

M Masset informed the meeting that about 92% of employees opted for the leveraged format of the scheme, the rest stayed with the standard structure.

Different types of funds have been created to manage the employees schemes: a FCPE in France, a FP in Belgium, an USA and an International fund. Each one has its own separate fund manager. Dexia has not opted for the Trust Fund format in the UK.

The multiplication of prospectuses to meet financial regulations is a problem. The EU directive doesn't offer a solution. Some national progress, Italy is an example. Relations with some supervisory authorities are difficult – the AMF for example – which gets very 'worked up' about leveraged offers but doesn't explain why.

At Dexia, we prioritise communication and dialogue with the employees in order the maximise the success of the schemes. We have steering groups and information flows from top to bottom and bottom to top which allow us to fine tune or repackage share offers in order for them to be successful.

5) Dexia Employee Benefits: its solution to the subject

Presentation by Ludovic Wolff – MD Dexia Employee Benefits.

Having organised such schemes for their own company, Dexia is now in a position to offer its skill and know how to other companies via its subsiduary: Dexia Employee Benefits.

It can offer a package that includes consultancy, financial engineering and communication programmes.

Ludovic Wolff is available to discuss with participants about his presentation as well as other aspects of Dexia EB services. He can be contacted on +32 (0)2 222 09 10

6) The EU Commission's proposals and the European lobbying situation

In the coming months the Commission will focus on the proposal for a "model plan" that could apply to schemes across the EU. In addition, the Commission will support the publication of a Top 100 list of shareholder schemes.

6.1) Model Plan

The idea of a "Model Plan" is the result of work undertaken by an experts group led by Jean-Baptiste de Foucauld. The International Association of Financial Participation (IAPF) started the research off on the subject and produced a report which was circulated to participants. Its title: "Common elements of an adaptable model plan for financial participation in the European Union".

M Mathieu made the following request to the meeting: ***Please read the report carefully. Let us know if it answers your aspirations. Is it heading in the right direction ?***

6.2) The European Employee Ownership Top 100

In 2005, EFES produced a prototype of a ranking system of companies operating Employee Share Ownership schemes.

This year, the 2006 ranking will be produced in a more complete and systematic form with the help of the EU Commission. This year's ranking will be officially presented at a major conference in Brussels: The 6th European Employee Share Ownership meeting 14 and 15th December organised by EFES.

The ranking system will raise the profile of companies operating such schemes in Europe. The introduction of annual rankings will allow for a better overview of how schemes are developing in Europe in general and in specific countries.

EFES very much hopes that companies will take advantage of the Top 100 project and use the December conference to present their schemes, ideas and share practical experiences.

The project presentation and the draft 2005 ranking are now available on the EFES website: http://www.efesonline.org/TOP 100/TOP 100 EN.htm

7) The European lobbying situation

Since its creation in 1998 the EFES has developed a lobbying programme aimed at European institutions with a view to promoting a political will that encourages the spread of employee share ownership schemes.

We have received positive responses: the European Parliament has voted several supportive resolutions; the European Economic and Social Committee issued a positive statement on the issue; the Dublin Foundation has launched several good programmes; both the Commission and the Council of Ministers have made positive statements. While this is all for the good and creates a sympathetic environment it doesn't go beyond statements of intent.

EFES believes that it is now time for a more active campaign. We need to move from intentions to practical actions. For this, a co-ordinated campaign needs to be directed towards the EU Commission and member states.

To round off this overview it needs to be understood that the Commission is an overstructured institution, whose aims and policies are not always very coherent. For example, the issue of ESO is dealt with by DG Employment,Social Affairs and Equality because the subject concerns workers financial participation.

But other DGs are also concerned to varying degrees: DG Entreprises and Industry is interested but has no responsibility for the issue (EFES is a European Business Representative Organisation for this DG and is a member of the Committee for Enterprise Policy). Other DGs that are also concerned are: DG Internal Market, DG Economic and Monetary Affairs and DG Taxation and Customs Union.

8) The Lobby Group – priorities and expectations of participants

8.1) A primary aim of participants is to exchange experiences and information

- "We all have things to bring and share with the group. We all operate in different situations where a specific experience and expertise could benefit other members of the group."
- "A website listing all this different expertise in the group would be worth setting up."
- "For example, at future meetings we would be able to deal with precise issues such as the French FCP or the English SIP. We need a British input into the group."
- "Knowing about best practice in other countries would be a valuable asset for all of us."
- "We all need to widen our understanding of the ESO situation in Europe."

All these remarks highlight the need for a creation of group dealing with information exchange and lobbying. Future meetings will therefore, like this one with Dexia, deal with a practical case study. The next meeting will be held at the Headquarter of EADS in Munich and it will present its scheme.

8.2) Priority issues for a lobbying campaign

The management of multinational ESO schemes is confronted with a huge range of constraints and changeable national rules for which managers and directors of schemes are poorly equipped and frequent use of expensive legal advice is necessary.

A lobbying campaign should seek deal not just with the rules of operation but also the potential for fiscal and control exemptions on a case by case basis.

1. Administrative Simplification particularly in respect of prospectus rules

The multiple prospectus requirement is time consuming and expensive. The EU prospectus directive does nothing to improve the situation. Acceptance of a scheme by one national financial authority should be sufficient for EU-wide recognition (subject to the availability of a translation of the scheme in all relevant languages).

When a plan is issued yearly with the same financial terms, a single notification should suffice instead of the issuing of a new prospectus.

Participants' remarked:

- "Our Italian prospectus was 160 pages long, that's ridiculous. I had to translate our entire annual report into Italian".
- "In certain cases, we don't even offer the scheme to employees in countries where regulatory requirements are too complex or expensive. If employee numbers are too small in a specific country it can be too much bother to set up a scheme."

Another important issue is that of describing ESO schemes as being public offers. It would be better to have such schemes considered as private offers or raise the funding level at which the public offers criteria were applied.

2. Mutual recognition of financial and judicial entities

This refers in particular to the contrast between the French/Latin culture producing entities such as FPEs and the Anglo-Saxon approach of trusts and SIPs.

The idea here is also to simplify procedures and institute important financial savings. European schemes require the creation of several different funds, and hence the use a number of different specific entities requiring expensive legal and financial expertise.

Participants' remarks:

- "The British SIP is very expensive."
- "Sicavas are too complex."
- "Mutual recognition should at least be sought for the EU."
- "We are always asking ourselves whether we sell our original product or adapt it to local conditions."
- "To answer your question, our experience of the UK is… continual frustration."
- "Operating in Spain is a positive experience there are no local stereotypes."
- "We need to be able to use an international fund in countries where staff numbers are small."

Two British groups were originally meant to participate at this meeting but there were scheduling problems. "The Group needs a British input."

3. Harmonisation and stability of tax regimes and immutability of tax rulings

As one participant remarked: It is more than likely that the last common European policy to be introduced will be that of tax regimes. Improvements can and should be sought for now as well.

- "In countries where tax is applied directly on discounts, there is, not surprisingly a low level of subscription to ESO schemes."
- "One of my worries is the uncertainty of tax rulings. Tax law is changing all the time and this requires continuous reference to highly expensive tax experts. How can we achieve more constancy in rulings? What do I tell an employee who will exit a scheme in three years time ? I can tell him about the tax situation now but it entirely possible that in two years time the tax rules will have changed. The need to manage continually changing situations is uncomfortable, time-consuming and expensive."
- "A common European tax system is not on the agenda immediately. But we need directives that will allow us to reassure employees who are in schemes about their future. Like my colleague has noted: the differences between the entry and exit conditions should not be allowed to widen."
- "As far as Italy is concerned, I have no real idea of how the tax situation will evolve. All I have is an unofficial tax ruling but how legally binding is that ?"
- "In Germany, a tax ruling has to be made in every Länder."

4. Managing relations with Financial Supervisory Authorities

Supervisory and Market Authorities demonstrate a rigidity and a worrying lack of communication skills. Starting up discussions with these institutions should be priority issue for the group.

Participants remarked:
- "The AMF doesn't like leveraged offers."
- "The AMF has forbidden monthly offers and we have to circumvent that with rolling funds."

5. IFRS and Accounting Standards

- "The implementation of new IFRS standards might discourage some companies."
- "The situation is much more challenging for European rather than American Companies. They are taking advantage of this."
- "We need to see what's happening with IFRIC."

CECOP, which is a member of EFES and represents workers' co-operatives, recently undertook an effective campaign dealing with IFRS standards. ***If these co-operatives – which are small or medium sized companies – can be effective in lobbying, then a campaign by larger companies should be successful as well.***

9) Conclusion

The Lobbying Group has a vocation to develop and gain influence both through the EFES organisation and through individual members of the group. A contact list will be available to you via a dedicated page on the EFES's website.

At the invitation of the EADS company, the next meeting of the Lobby Group will be held in Munich in October 2006.

Lobby Group members will shortly receive more precise details about the meeting and agenda.