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Paula Hargaden: How to select a share scheme

30 May 2013 | By Paula Hargaden, senior associate at Burges Salmon

Employers can take a range of approaches in choosing what share schemes to offer their employees.

Of the four approved schemes, two, the share incentive plan (Sip) and save-as-you-earn (SAYE) or sharesave, require awards to be made available to all eligible employees, while the company share option plan (Csop) and enterprise management incentive (EMI) permit awards only to selected employees.

Sip and sharesave engage, and so are communicated to, the whole workforce, but for senior executives, an extra incentive using EMI or Csop is appropriate.

Communications to both staff and executives about approved share schemes must be tailored similarly. Care should also be taken to manage communications to encourage participation and deliver the intended incentive effect. This might involve tailoring communications and channels used to target different groups.

However, there are risks that need to be managed. Benefits are a fundamental part of the contract between employee and employer, and communications can create legally binding obligations. These affect participant communications in major corporate events such as a takeover of a listed company. Also, an employer has a duty to take reasonable care in giving advice or information to staff on benefits.

Employers must also take into account equality law, which means systems should be in place to communicate with absent staff and, at executive level, to justify different awards to staff at the same level.

Schemes, particularly larger ones involving administrators and trustees, also involve communications from parties with different legal relationships with employees and employer.

It is easy to see how, at the launch of a scheme, employers would take care in managing the information flow. Managing the flow over the life of the scheme, at the point an award matures or if an event occurs, might require more planning.

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