

Enterprise Management Incentives (EMI) Evaluation Survey: Use of EMI and its perceived impact

Appendices

HM Revenue and Customs

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Marked-up employer questionnaire

Enterprise Management Incentives – Employers survey Topline Data

- Ipsos MORI interviewed 926 Financial Directors (or equivalent) in UK companies that are registered as offering EMI share options to employees.
- Interviews were conducted by telephone between 11 June and 25 July 2007
- Data are unweighted.
- The base for all questions is all respondents (i.e. all 926 companies) unless stated otherwise
- Where percentages do not sum to 100, this is due to computer rounding, the exclusion of “don’t know” categories, or multiple answers
- Throughout the document, an asterisk (*) denotes any value of less than half a percent.
- Where the base is less than 30, figures (N) are present rather than percentages (%).

INTRODUCTION

Q1. **Firstly, could you tell me what your main job title is? SINGLE CODE ONLY**

	%
Financial Director/Chief Finance Officer	46
Managing Director	20
Company Secretary	9
CEO	5
Company Director	3
Accountant	2
Financial Controller	2
Operation Director/Chief Operating Officer	2
Finance Manager	1
Commercial Director	1
General Manager	1
Human Resources Manager/Director	1
Administrator	1
Chairman	1
Other	3

Q2. **UK standard industrial classification of economic activities (UK SIC 92)**

	%
Real estate, renting & business activities	44
Manufacturing	18
Wholesale & retail trade, repair of motor vehicles, motorcycles & personal & household goods	13
Transport, storage & communication	5
Financial intermediation	4
Construction	3
Health & social work	2
Hotels & restaurants	1
Electricity, Gas & water supply	1
Education	1
Agriculture, hunting & forestry	1
Public administration & defence, compulsory social security	*
Not enough information provided for detailed coding	4
Other community, social & personal service activities	4
Don't know	*

Q3. **Some companies may be described as operating in a risky market, because there is a high chance of going out of business. How do you view the level of risk in ...**
SINGLE CODE ONLY FOR EACH

	High risk %	Medium risk %	Low risk %	Don't know %
.....your company	15	47	38	*
...the sector or market in which you operate	17	51	31	1

Q4. **How many full-time equivalent staff do you employ? SINGLE CODE ONLY**

	%
None, I am a sole-trader	0
None, this is a partnership with no employees	*
1	1
2-4	2
5-9	6
10-49	49
50-99	20
100-249	15
250+	7
Don't know	*

- Q5. **How easy or difficult would you say it is for your company to attract or recruit key or skilled staff?** SINGLE CODE ONLY
- Q6. **And a similar question, how easy or difficult would you say it is for your company to keep or retain key or skilled staff?** SINGLE CODE ONLY

Base: All except partnerships with no employees (924)

	Very easy %	Fairly easy %	Neithe r %	Fairly difficult %	Very difficult %	Don't know %
Recruit	1	17	14	51	15	*
Retain	6	39	24	26	4	1

- Q7. **Why do you say it is difficult to recruit/retain key staff?**
PROMPT IF NECESSARY, SINGLE CODE ONLY

Base: All who say it is difficult to recruit or retain staff (649)

	%
Not enough applicants with the required skills	62
Too much competition from other employers	32
Not enough applicants with the required work experience	17
Not enough applicants with the required qualifications	15
Remote location/poor public transport	10
Not enough applicants with the required attitude, motivation or personality	7
Cannot offer attractive terms and conditions to potential candidates	7
Cannot offer good enough career progression/ prospects to potential candidates	2
Due to operating in a high risk sector	2
Job entails shift work/unsociable hours	1
This is a high risk company	1
Seasonal work unattractive to potential candidates	*
Other	4
Don't know	*

- Q8.a **And, in your opinion, do you think it has become easier or more difficult in the past 2 to 3 years for your company to recruit or attract key or skilled staff?**
PROMPT IF NECESSARY, SINGLE CODE ONLY

Base: All except partnerships with no employees (924)

	%
Easier	12
More difficult	41
No change	45
Don't know	2

- Q8.b **Why do you say that it has become easier to recruit or attract key or skilled staff in the past 2 to 3 years?**
PROBE FULLY, MULTICODE OK

Base: All who say it has become easier to recruit key staff (111)

	%
More established reputation	69
Less competition for staff in the industry in general	14
Company's cash flow has improved	12
The availability of a foreign workforce	3
Moved offices to a better location	2
Use of EMI	2
Use of share options generally	1
Other	11
Don't know	2

- Q8.b **Why do you say that it has become more difficult to recruit or attract key or skilled staff in the past 2 to 3 years?**
PROBE FULLY, MULTICODE OK

Base: All who say it has become more difficult to recruit key staff (378)

	%
More competition for key staff	53
Fewer applicants	43
Skills shortage	7
Company's cash flow has worsened	2
Lack of training in the industry	1
We operate in a high risk sector	1
This is a high risk company	1
Market changes	1
Other	9
Don't know	1

- Q9.a **And, a similar question, in your opinion, do you think it has become easier or more difficult in the past 2 to 3 years for your company to retain or keep key or skilled staff?**
PROMPT IF NECESSARY, SINGLE CODE ONLY

Base: All except partnerships with no employees (924)

	%
Easier	13
More difficult	24
No change	63
Don't know	1

- Q9.b **Why do you say that it has become easier to retain or keep key or skilled staff in the past 2 to 3 years?**
PROBE FULLY, MULTICODE OK

Base: All who say it has become easier to retain key staff (118)

	%
More established reputation	54
Use of EMI	12
Company's cash flow has improved	11
Less competition for staff in the industry in general	9
Offer an attractive benefits package	5
The company has become more stable	3
Better pay	3
Use of share options generally	3
We can offer a chance at career progression/Personal development	3
Other	10
Don't know	3

- Q9.b **Why do you say that it has become more difficult to retain or keep key or skilled staff in the past 2 to 3 years?**
PROBE FULLY, MULTICODE OK

Base: All who say it has become more difficult to retain key staff (219)

	%
More competition for key staff	83
Salary rates	2
Due to the growth of the company	2
Company's cash flow has worsened	1
The industry does not have an attractive image	1
This is a high risk company	1
Expectations are on the rise	1
We operate in a high risk sector	*
Other	9
Don't know	1

KNOWLEDGE OF EMI

Q10. Can I just check, does your company currently offer EMI share options to employees?

	%
Yes	74
No	26

Q11. When it comes/came to making decisions about the granting of EMI share options within your company would you describe yourself as...? SINGLE CODE ONLY

	%
a)...the main decision maker	18
b)... part of the decision making team	50
c)...having some input but others make decisions	24
Has/had no input into decisions about EMI (DO NOT READ OUT)	8
Involved in some other way (DO NOT READ OUT)	*

Q12. I am now going to read out some of the key features of EMI. For each feature, can you tell me whether you know about it in detail, have heard of it but don't know details, or not heard of it?

	Know about in detail	Heard of but no details	Not heard of	Don't know/not sure
	%	%	%	%
A company must have gross assets not exceeding £30m to be eligible to grant EMI options	45	24	29	2
Only companies operating in certain sectors or trades are eligible to grant EMI options	27	21	50	2
To qualify for EMI, an employee must work for at least 25 hours per week, or spend 75% of their working time at the company	77	14	8	1
Employers benefit from National Insurance and corporation tax relief on any EMI options they grant	51	26	21	2
Employees with EMI share options benefit from National Insurance and income tax relief on these options	64	22	12	1
A company can grant up to a maximum of £3million in share options in total	34	25	39	2
An employer cannot grant more than £100,000 worth of EMI share options to a single employee within a 3 year period	56	18	25	1
Share options can be granted to different employees at different exercise prices and with different performance conditions	57	26	16	1

Q13. **Where do/did you tend to go for information or advice about EMI?**
 MULTICODE OK, PROMPT FROM LIST IF NECESSARY

	%
External administrators (e.g. auditor, accountant or lawyer)	72
HMRC online or paper-based information	24
Company Accountant	11
Company Lawyer or Solicitor	5
HMRC valuation service	2
A colleague in this company (not company accountant or lawyer/solicitor)	1
Business advisory service (e.g. Business Link, Chambers of Commerce)	1
Small Company Enterprise Centre (SCEC)	1
Other companies	*
A colleague or acquaintance in another company	*
Business/tax press	*
Employer talks	0
Road shows	0
Do Not/have not needed info or advice	1
Other	2
Don't know	*

Q14. **What sort of information or advice do/did you obtain from [source mentioned] in relation to EMI? DO NOT PROMPT, MULTICODE OK**

Base: All who sought information or advice about EMI from each source

	External administrators (666) %	HMRC online or paper-based information (219) %	Company Accountant (98) %	Company Lawyer or Solicitor (49) %	HMRC valuation service (16) N	A colleague in this company (10) N
Information about company eligibility	35	29	15	18	3	2
Information about employee eligibility	36	30	12	18	3	2
Help with filling in HMRC forms	41	18	11	16	4	3
Help with valuing EMI options	42	12	20	10	11	3
Ongoing administration of EMI options	16	12	10	14	3	1
Tax advice	25	9	17	14	1	3
General information	50	63	44	41	2	3
Information about the rules & regulations of the scheme	2	4	3	2	0	2
How to set up the scheme	6	*	3	12	0	0
How to operate/manage the scheme	1	0	0	0	0	0
Compliance information	*	*	1	2	0	0
We look at/take advice on everything/all information	1	1	6	4	0	1
Legal advice	1	0	2	4	0	0
Benefits & cost	1	0	3	2	0	1
Settling/drafting the agreement/scheme	1	0	0	6	0	0
Contracts	*	0	0	2	0	0
Shares information	0	0	2	0	0	0
Other	1	1	3	0	0	0
Don't know/can't remember	2	4	4	0	1	1

Q14.cont **What sort of information or advice do/did you obtain from [source mentioned] in relation to EMI? DO NOT PROMPT, MULTICODE OK**

Base: All who sought information or advice about EMI from each source

	Business advisory service	Small Company Enterprise Centre (SCEC)	Other companies	A colleague or acquaintance in another company	Business/tax press
	(8) N	(5) N	(4) N	(2) N	(2) N
Information about company eligibility	1	2	0	1	0
Information about employee eligibility	1	2	0	1	0
Help with filling in HMRC forms	3	2	0	1	0
Help with valuing EMI options	4	0	0	0	0
Ongoing administration of EMI options	0	1	1	0	0
Tax advice	0	0	0	0	0
General information	6	3	3	1	2
Information about the rules & regulations of the scheme	0	0	1	0	0
How to set up the scheme	1	0	0	0	0
How to operate/manage the scheme	0	0	0	0	0
Compliance information	0	0	0	0	0
We look at/take advice on everything/all information	0	0	0	0	0
Legal advice	0	0	0	0	0
Benefits & cost	0	0	0	0	0
Settling/drafting the agreement/scheme	0	0	0	0	0
Contracts	0	0	0	0	0
Shared information	0	0	0	0	0
Other	0	0	0	0	0
Don't know/can't remember	0	0	0	0	0

REASONS FOR ADOPTING EMI

Q15. **Thinking back to when your company first granted EMI options to staff, was this the first time that share options had been awarded, or had other options been awarded in the past? SINGLE CODE ONLY**

	%
First time	77
Not first time – had awarded other share options in the past	20
Don't know	3

Q16. **Can you remember why your company decided to use EMI share options?**
 PROBE FULLY, MULTICODE OK

Q17. **Which of these was the most important reason that your company decided to use EMI options?**
 SINGLE CODE ONLY

	Q16 %	Q17 %
To help with the retention of key employees	44	35
Tax advantage – non-specific	28	20
To improve staff motivation/encourage people to work harder	18	11
To engender a feeling of 'ownership' of the company	10	7
To help with recruitment of key employees	6	2
Advisor (e.g. accountant, auditor, lawyer/solicitor) suggested it	3	2
National Insurance or Income Tax advantage	3	1
To improve staff morale	3	1
Capital Gains Tax advantage	3	1
To improve the overall performance of the company	2	1
Wanted to use share options and EMI available	2	1
Offered as a reward to staff	2	1
Offered to enhance salaries	1	1
Cashflow problems - lack of sufficient funds or capital to pay attractive salary/offered in lieu of higher salary	1	*
Easy to administer	1	*
Chose EMI because specifically targeted at small businesses	1	*
To reward long service/Loyalty to staff	1	1
To reward management/Senior staff	1	*
To get a 'competitive edge' (other companies offering it)	*	*
Current staff suggested/demanded it	*	*
Job applicant/candidate suggested or demanded it	0	0
Other	4	3
Don't know/can't remember	0	10

Q18. **Do you know if EMI was introduced in order to help attract key or skilled staff to work for your company?** SINGLE CODE ONLY

Base: All who did not spontaneously mention that EMI was introduced to help with recruitment (871)

	%
Yes	35
No	62
Don't know/can't remember	3

Q19. **Were there any types or levels of staff that EMI was targeted at recruiting in particular?** MULTICODE OK

Base: All who say that EMI was introduced to help with recruitment of employees (360)

	%
Senior staff	44
Not targeted/everyone	39
Board level	21
Staff with specialist skills/significant experience	9
Key technical/IT staff	5
Sales/marketing staff	2
Mid-level staff	2
Those that are seen to be instrumental in the development of the business	1
Management skills	1
Key skilled staff across the board	1
Engineering skills	1
Long serving staff	0
Junior staff	0
Consultants	*
Other	2

Q20. **Do you know if EMI was introduced in order to help retain key or skilled staff within your company?** SINGLE CODE ONLY

Base: All who did not spontaneously mention that EMI was introduced to help with retention of employees (517)

	%
Yes	85
No	13
Don't know/can't remember	2

Q21. **Were there any types or levels of staff that EMI was targeted at retaining in particular?**
MULTICODE OK

All who say that EMI was introduced to help with retention of employees (850)

	%
Senior staff	50
Board level	32
Not targeted/everyone	24
Staff with specialist skills/ significant experience	8
Mid-level staff	4
Key technical/IT staff	4
Sales/marketing staff	2
Long serving staff	1
Key skilled staff across the board	1
Those that are seen to be instrumental in the development of the business	1
Consultants	*
Scientific skills/scientists	*
Engineering skills	*
Junior staff	*
Management skills	*
Other	1
Don't know	*

Q22. **Do you think your company will use/continue to use EMI in the future?**
SINGLE CODE ONLY

	%
Yes – definitely	51
Yes – probably	27
Probably not	9
Definitely not	8
Don't know/not sure	6

Q23. **Why is it that you think your company will not use/continue to use EMI in the future?**
 PROBE FULLY, MULTICODE OK

Base: All who did not think their company will use EMI in the future (153)

	%
Company no longer qualifies for EMI	37
We have achieved what we wanted from it	10
The business has been taken over by a company with different policies & options	6
Unattractive features of EMI	6
Too expensive	4
No need	4
Too complicated	4
It didn't help with retention	3
Comfortable with the shareholding as it is	3
Management no longer feel it is needed	3
Difficult to use/more difficult to use than other share options	3
No longer appropriate as the company structure is changing	3
Don't want to dilute share options	3
It was for Directors only	2
The company is too small/not mature enough	2
We have exceeded the amount of options we are allowed to give	2
Too much administration/paperwork	2
Other benefits (monetary or non-monetary) more attractive to staff	2
We use other methods of retaining/rewarding staff	1
Main shareholder does not want to give anymore shares away	1
Can afford competitive salary now	1
The company may be sold	1
Need to expense options in accounts	1
Current business performance is poor	1
Other	10
Don't know	3

Q24. **If EMI was not available, what, if anything, would your company offer instead?**
DO NOT PROMPT, MULTICODE OK

Base: All who currently offer EMI options to staff (686)

	%
Other share option or share based incentive scheme(s)	44
Personal bonus	20
Higher salary	3
Profit share scheme	1
Pension Scheme	1
Health Insurance	*
Company Car	*
Would not offer anything else	4
Other	1
Don't know	31

Q25. **What share-based schemes or share options would you offer if EMI was not available?**
PROBE FULLY, MULTICODE OK

Base: All who currently offer EMI share options to staff and would offer other share based incentives if EMI were not available (304)

	%
Company Share Option Plan (CSOP)	28
A non tax-advantaged share scheme (unspecified)	23
A tax-advantaged share scheme (unspecified)	15
Save As You Earn (SAYE) or Sharesave	3
Share Incentive Plan (SIP)	2
Other	2
Don't know	35

EMI VERSUS OTHER SCHEMES

Q26. **Just to confirm, apart from EMI share options, does your company currently offer any other benefits or bonuses to staff?**

MULTICODE OK, PROMPT IF NECESSARY

	%
Bonuses	62
Health Insurance	43
Pension Scheme	40
Life insurance	18
Company Car	11
Performance related pay/ commission	17
Other share option scheme or share-based incentives	5
<u>More than</u> four weeks' annual paid leave	2
Sick pay <u>above</u> statutory requirements	2
Flexible working hours	1
Competitive salary	1
Company credit cards	*
Other	6
No other benefits or bonuses	11

Q27. **Apart from EMI share options, does your company currently offer any share options or share-based incentives to staff? SINGLE CODE ONLY**

Base: All who do not spontaneously say that their company offers other share options or share based incentives to staff (877)

	%
Yes	10
No	90

Q28. **Which other share options or share-based schemes do you offer?**
MULTICODE OK, DO NOT PROMPT, PROBE FULLY

Base: All who currently offer other share options or share-based incentives to staff (138)

	%
A non tax-advantaged share scheme (unspecified)	49
Company Share Option Plan (CSOP)	31
A tax-advantaged share scheme (unspecified)	7
Save As You Earn (SAYE) or Sharesave	6
Share Incentive Plan (SIP)	3
Share Purchase Plan	1
Other	9
Don't know	3

Q29. Why does your company use this scheme/these schemes?
MULTICODE OK, DO NOT PROMPT

Base: All who currently offer other share options or share-based incentives to staff (138)

	%
As an alternative to EMI for ineligible staff	29
To help with the retention of key employees	25
To top up EMI	20
To encourage people to work harder	11
To help with recruitment of key employees	6
Tax advantage	4
Easy to administer	4
To create a feeling of ownership to all employees	4
To improve the overall performance of the company	1
We have no other choice	1
Advisor (e.g. accountant, auditor, lawyer/solicitor) suggested it	1
Cash flow problems - lack of sufficient funds or capital to pay attractive salary/offered in lieu of higher salary	1
Current staff suggested/demanded it	1
Offered to enhance salaries	1
Competitors offering it	0
Job applicant/candidate suggested or demanded it	0
Other	10
Don't know/can't remember	3

Q30. Was EMI brought in as a replacement for any share options that you had used in the past? SINGLE CODE ONLY

Base: All who had used other share options before EMI was introduced (214)

	%
Yes	34
No	60
Don't know	6

Q31. Do you view EMI share options more or less favourably than other share options or share-based incentive schemes your company has used? SINGLE CODE ONLY

Base: All who currently or have previously used other share options or share based incentives (188)

	%
More favourably	84
Less favourably	2
About the same	12
Don't know	3

Q32. **Why do you say that?**

Base: All who view EMI more favourably than other share-based incentives (157)

	%
EMI has more generous tax treatment – general	76
EMI has more generous Capital Gains Tax treatment	10
EMI has more generous National Insurance/income tax treatment	9
EMI is simpler to set up in the first place	5
EMI is simpler to administer	5
Limits are less restrictive on EMI	3
Other	8
Don't know	1

Q32. **Why do you say that?**

Base: All who view EMI less favourably than other share-based incentives (4)

	N
EMI is more complicated to set up in the first place	1
EMI more complicated to administer	0
EMI's £3m company maximum option value restrictive	0
EMI's £100k individual employee maximum option value restrictive	0
Other	3

Q33. **Do you think that your current employees, or those applying for jobs at your company, expect to be offered share options? SINGLE CODE ONLY**

	%
Yes	24
No	72
Don't know	3
Refused	*

Q34. **Is that specific to your company, to the sector in which you work, or true more generally?**

SINGLE CODE ONLY

Base: All who think that employees expect to be offered share options (223)

	%
Yes – company specific	24
Yes – sector specific	39
No – true generally	35
Don't know	3

USING EMI

Q35. **Thinking back to when your company first granted EMI share options, can you remember how easy or difficult it was to set things up in order to be able to do so?**
SINGLE CODE ONLY

	%
Very easy	8
Fairly easy	38
Neither nor	10
Fairly difficult	24
Very difficult	7
Don't know/Can't remember	13

Q36. **Why do you say that it was difficult?** MULTICODE OK

Base: All who feel that EMI was difficult to set up (284)

	%
Rules difficult to understand	37
Forms difficult to fill in	31
Cost of paying for external advisors or specialists	22
Difficulty getting the shares valued	19
Information difficult to understand	13
Staff time required	12
Information difficult to get hold of	11
The inefficiency of the external advisors made it more difficult	4
The legal implications are too complicated	2
Time consuming	2
Too much paperwork	2
Compliance	1
It was not set up properly	1
Took a long time to obtain approval	1
Tailoring the scheme to suit employees	1
Other	10
Don't know	1

Q37. **Why do you say that it was easy?** MULTICODE OK

Base: All who feel that EMI was easy to set up (429)

	%
Help from external advisors or specialists	69
Rules easy to understand	17
Forms easy to fill in	15
Information easy to understand	11
Advice/information easy to get hold of	7
Straightforward getting the shares valued	6
Previous experience	2
Other	4
Don't know	2

Q38. **Just to confirm, did your company get help from external advisors or administrators when you first granted EMI share options? SINGLE CODE ONLY**

	%
Yes	93
No	5
Don't know	2

Q39. **Approximately how much, if anything, did your company pay the external advisor, specialist or administrator who helped when you first granted EMI share options? READ OUT IF NECESSARY, SINGLE CODE ONLY**

Base: All who used external advisors when first granting EMI share options (865)

	%
Less than £500	2
£501-£1,000	8
£1,001-5,000	40
£5,001-10,000	18
£10,001-20,000	8
More than £20,000	3
Don't know	20
Refused	*

Q40. **And do you currently use an external advisor, specialist or administrator to help you with EMI? SINGLE CODE ONLY**

Base: All who currently offer EMI share options to staff (686)

	%
Yes	62
No	38

Q41. **In a typical year, approximately how much, if anything, does your company pay this external advisor, specialist or administrator to help with EMI-related tasks? READ OUT IF NECESSARY, SINGLE CODE ONLY**

Base: All who currently use external advisors to help with EMI-related tasks (422)

	%
Less than £500	30
£501-£1,000	20
£1,001-5,000	29
£5,001-10,000	4
£10,001-20,000	1
More than £20,000	1
It varies too much to say	5
Don't know	9
Refused	1

Q42. **Since your company first decided to grant EMI share options, how easy or difficult would you say it has been to use EMI? SINGLE CODE ONLY**

	%
Very easy	17
Quite easy	44
Neither easy nor difficult	15
Quite difficult	9
Very difficult	2
Not applicable as have not used EMI since options first granted (e.g. no more options granted or no options have been exercised)	11
Don't know	1

Q43. **Why do you say that it was easy? PROBE FOR DETAILS, MULTICODE OK**

Base: All who feel it has been easy to use EMI since it was first set up (569)

	%
Forms easy to fill in once done first time	58
Rules easy to understand once explained first time	41
Had help from external advisor/administrator/specialist	22
Required very little administration	5
Have not used it much/Have not used it at all yet	1
Helpline was helpful	1
Don't have a large volume of share options to deal with	1
No issues apart from tax return	1
There has been no/Not a lot of movement	1
Other	6
Don't know	4

Q44. **Why do you say that it was difficult? MULTICODE OK**

Base: All who feel it has been difficult to use EMI since it was first set up (97)

	%
Forms difficult to fill out	53
Rules difficult to understand	36
Lots of work because lots of options granted	15
Evaluation process is time consuming/Complicated	13
Too expensive	9
Too much paperwork	7
Feel restricted by employee limit	5
Feel restricted by company limit	4
Lots of work because lots of options exercised	3
Rules change too frequently	3
Too complicated to do it by ourselves needed external help	3
Other	13

Q45. **Can you think of any improvements that could make it easier for you to administer EMI? PROBE FULLY, MULTICODE OK**

	%
More simplified/easier to fill in forms	15
Online forms/option to submit forms electronically	8
More HMRC advice or support	5
Easier/More transparent share valuation process	4
Better information for employers	3
Better information to pass on to employees	1
Improve/Simplify the annual return process	1
Less bureaucracy/red tape	1
More help setting up at the start	1
More admin support in my company	1
Other	9
None	56
Don't know	5

Q46. **Thinking of all the employees who have been granted EMI options across the company, what would you say is the average total value granted per employee? Please use the market value of the shares at the time the share options were granted for your calculation. SINGLE CODE ONLY**

	%
Less than £500	6
£500-£1,000	5
£1,001-10,000	31
£10,001-30,000	21
£30,001-50,000	10
£50,001 - £100,000	11
More than £100,000	3
Don't know	14

Q47. **Do you know what value of EMI options in total is currently outstanding, i.e. has not been exercised? Again, please use the market value of the shares at the time the share options were granted for your calculation. SINGLE CODE ONLY**

	%
Less than £100,000	51
£100,000 -£250,000	14
£250,001 - £500,000	8
£500,001 – less than £1m	4
£1m – less than £2m	2
£2m - £3m	1
More than £3m	*
Don't know	19

Q48. You may remember that I previously mentioned that there are limits on the total value of EMI options that can be granted. For example, each eligible company or group of companies can only have a maximum of £3m worth of shares under EMI options at any one time.

How close in the next 3 years might your company come to hitting this £3m limit?

SINGLE CODE ONLY

Base: All who currently offer EMI share options to staff (686)

	%
Very close	2
Quite close	7
Not very close	23
Nowhere near	64
Already reached limit	1
Don't know	3

Q49. Similarly, companies who qualify for EMI can only grant £100,000 of EMI share options to an individual employee within a three year period.

How close in the next 3 years might any single employee come to hitting this £100,000 limit? SINGLE CODE ONLY

Base: All who currently offer EMI share options to staff (686)

	%
Very close	11
Quite close	15
Not very close	20
Nowhere near	39
Some have already reached limit	13
Don't know	2
Refused	*

Q50. Would you say that EMI share options are/were used in your company mainly as a supplement to salary or in lieu of a higher salary?

SINGLE CODE ONLY

	%
Supplementary	48
In lieu	15
A mix of both for all employees	4
A supplement to salary for some employees, in lieu of a higher salary for others	2
None of these	31
Don't know	1

Q51. **How many employees, in total, have been granted EMI options by your company? Please include all present and past employees.**

	%
None/no answer	*
1 to 5	44
6 to 10	19
11 to 20	16
21 to 50	12
51 to 100	5
101+	2
Don't know	2

Q52. **Are/Were EMI options offered to all eligible employees, or only some?**
SINGLE CODE ONLY

	%
All	30
Some	69
Don't know	1

Q53. **Which criteria are/were used to decide which staff are/were awarded EMI options?**
PROMPT IF NECESSARY, MULTICODE OK

Base: All who only offer(ed) EMI share options to some eligible employees (637)

	%
All staff at a particular level of seniority offered EMI	66
Award of EMI is based on individual performance	22
EMI options are linked to length of service	14
All staff with particular skills offered EMI	12
Key skilled staff	8
Skills related to the delivery of the company objectives	6
Not targeted/everyone	2
Management decision	1
Loyalty of the staff	*
Other	2
Don't know	3

Q54. **At what point are/were staff granted EMI options?**
 PROMPT FROM LIST, MULTICODE OK

	%
No particular point/once they had been in their post for a while	42
On successful completion of a probationary period	27
When they meet personal performance targets	14
Immediately on taking up their post	9
When the company meets particular performance conditions (e.g. target sales growth, launch of new product, floated or sold)	3
When flotation or company sale is expected	1
Other	7
Don't know	1

Q55. **Are/Were employees able to exercise their EMI options (or buy the shares) at any time, or are/were there any company or personal performance criteria, or time limits attached? Performance criteria might include the successful flotation or sale of the company, achieving target sales growth, meeting personal targets, etc. Time limits are sometimes referred to as 'vesting periods'.**

MULTICODE OK EXCEPT FOR MUTUALLY EXCLUSIVE OPTIONS

	%
All EMI options have a vesting period attached	51
All EMI options have company performance criteria attached	30
All EMI options can be exercised at any time	17
All EMI options have personal performance criteria attached	7
Company performance criteria attached to some, but not all, EMI options	5
Vesting period attached to some, but not all, EMI options	2
Personal performance criteria attached to some, but not all, EMI options	2
Don't know	4

Q56. **To date, have any of your employees exercised any of the EMI options they have been granted? SINGLE CODE ONLY**

	%
Yes	35
No	65
Don't know	*

Q57. **And has your company ever bought back any of the shares acquired by employees through the exercise of their EMI options? SINGLE CODE ONLY**

Base: All whose employees have exercised EMI options (321)

	%
Yes	16
No	82
Don't know	2

Q58. **Thinking about the last EMI shares the company bought back, or re-purchased, how long after the exercise of the EMI option did this happen? SINGLE CODE ONLY**

Base: All whose employees have exercised EMI options and the company has bought back shares (52)

	%
Less than 1 month later	29
1 to < 3 months later	8
3 to < 6 months later	6
6 months to a year later	12
More than a year later	44
Don't know	2

IMPACT OF EMI

Q59. Earlier you told me why your company decided to start using EMI. These reasons included...

How much, if at all, do you think that EMI has helped you to meet this/these objective(s)?

SINGLE CODE ONLY FOR EACH

Base: All who previously mentioned each factor as an objective of EMI at their company

		Helped a lot	Helped a little	Not Helped at all	Too early to say	Don't know
a. To help with the recruitment of key or skilled employees	(360) %	43	38	14	5	1
b. To help with the retention of key or skilled employees	(850) %	47	35	10	6	2
c. Cashflow problems - lack of sufficient funds or capital to pay attractive salary/offered in lieu of higher salary	(7) N	4	1	2	0	0
d. Offered to enhance salaries	(12) N	6	3	2	0	1
e. To improve staff morale	(27) N	11	7	3	4	2
f. To improve staff motivation/encourage people to work harder	(166) %	34	43	15	6	2
g. To engender a feeling of 'ownership' of the company	(96) %	58	33	5	2	1
h. To improve the overall performance of the company	(16) N	8	6	1	1	0
i. To get a 'competitive edge'/match other companies offering it	(2) N	0	1	1	0	0

Q60. To what extent, if at all, has EMI helped your company recruit key or skilled staff?
READ OUT, SINGLE CODE ONLY

Base: All who did not mention recruitment of staff as an objective of EMI at their company (566)

	%
Helped a lot	5
Helped a little	17
Not helped at all	73
Too early to say (DO NOT READ OUT)	2
Don't know (DO NOT READ OUT)	3

Q61. In what ways has EMI helped your company in recruiting key or skilled staff?
PROMPT IF NECESSARY, MULTICODE OK

Base: All who feel that EMI has helped with recruiting key or skilled staff (415)

	%
Company is more attractive to new recruits/more candidates apply	73
Better quality candidates apply	28
Fill posts quicker	7
Reduced recruitment costs	5
Other	6
Don't know	8

Q62. To what extent, if at all, has EMI helped your company retain key or skilled staff?
 READ OUT, SINGLE CODE ONLY

Base: All who did not mention retention of staff as an objective of EMI at their company (76)

	%
Helped a lot	21
Helped a little	33
Not helped at all	45
Too early to say	0
Don't know	1

Q63. And, another similar question, to what extent, if at all, has EMI helped your company motivate staff or encourage them to work harder? READ OUT, SINGLE CODE ONLY

Base: All who did not mention staff motivation as an objective of EMI at their company (760)

	%
Helped a lot	37
Helped a little	43
Not helped at all	18
Too early to say	1
Don't know	2

Q64. And now thinking more broadly, to what extent, if at all, has EMI helped your company improve its overall performance? READ OUT, SINGLE CODE ONLY

Base: All who did not mention company performance as an objective of EMI at their company (910)

	%
Helped a lot	24
Helped a little	47
Not helped at all	25
Too early to say	2
Don't know	3

Q65. How has EMI impacted upon the overall performance of the company?
 MULTICODE OK

Base: All who feel that EMI has helped to improve the overall performance of the company (654)

	%
Improved profitability	48
Improved productivity	47
(Increased) sales growth	41
Helped retain staff	6
Improved staff morale/Motivation	4
Helped with recruitment/Attracting the right calibre of staff	2
Improved performance	1
Generally positive	1
Improved quality	*
Other	8
Don't know	13

Q66. **How (else), if at all, do you think that EMI has helped your company?**
DO NOT PROMPT, MULTICODE OK

	%
Engendered a feeling of 'ownership' of the company	13
Improved staff morale	8
Given the company a 'competitive edge' over other companies/helped keep up with other companies	3
Improved staff retention	1
Helped with recruitment/Recruitment of better quality staff	1
Helped to overcome cashflow problems - lack of sufficient funds or capital to pay attractive salary/offered in lieu of higher salary	1
Allowed company to offer enhance salaries	1
Achievement of flotation or sale of company	*
Not helped at all/in any other way	68
Other	5
Don't know	5

COMPANY PROFILE

Q67. **How long has this company been in business? SINGLE CODE ONLY**

	%
1 to 2 years	2
3 to 5 years	12
6 to 10 years	33
11 to 20 years	30
21 to 30 years	14
31 to 50 years	4
51 to 100 years	3
Over 100 years	1
Don't know	*

Q68. **Was the company listed at the time EMI options were first granted to staff i.e. were its shares listed on the London Stock Exchange, AIM or PLUS (formerly known as Ofex) markets or equivalent? SINGLE CODE ONLY**

	%
Yes	10
No	89
Don't know	1

Q69. **Is this company a ...**
MULTICODE OK FOR CODES 2& 3 ONLY

	%
...stand-alone company? (that is, not part of a group of companies)	61
... company which has subsidiaries?	30
...subsidiary of another?	10

Q70. **Is your company UK or foreign-owned? SINGLE CODE ONLY**

	%
UK owned	95
Foreign owned	4
Don't know	*

Q71. **And finally, can you please tell me the approximate turnover of your company/the group as a whole, in the past 12 months? DO NOT READ OUT, SINGLE CODE ONLY**

	%
Less than £60,000	3
£61,000 - £99,999	1
£100,000 - £249,999	1
£250,000 - £499,999	2
£500,000 - £999,999	5
£1m - 1.9m	11
£2m - £4.9m	25
£5m - £9.9	18
£10m - £19.9m	15
£20m - £49.9m	10
£50m - £99.9m	3
£100m - £299.9m	2
£300m - £499.9m	*
£500m or over	1
Don't know	2
Refused	1

Marked-up employee questionnaire

Enterprise Management Incentives – Employees survey Topline Data

- Ipsos MORI interviewed 1,189 employees across the UK who had been granted EMI share options
- 1,006 questionnaires were received through the mail, and 184 interviews were completed online between 20 June and 25 July 2007
- The base for all questions is all employees (1,189) unless stated otherwise
- Where percentages do not sum to 100, this is due to computer rounding, the exclusion of “don’t know” categories, or multiple answers
- Throughout the document, an asterisk (*) denotes any value of less than half a percent.
- Data are weighted to reflect the known age profile

Q1. What is your current employment status? SINGLE CODE ONLY

	%
Employed full time (30 hours or more per week)	87
Employed part time (less than 30 hours per week)	5
Self employed	3
Unemployed and seeking work	1
Long term ill or disabled	*
Carer/home maker	1
Retired	1
Full-time student	*
Other	1
Not stated	*

Q2. How long have you worked/did you work at the company named on the front page? SINGLE CODE ONLY

	%
Less than 2 years	8
2 to less than 5 years	32
5 to less than 10 years	39
10 years or longer	20
Don't know	*
Not stated	1

Q3./ Q4. Standard Occupational Classification SINGLE CODE ONLY

	%
Managers and senior officials	36
Professional occupations	17
Associate professional and technical occupations	12
Administrative and secretarial occupations	6
Skilled trades occupations	2
Personal service occupations	-
Sales and customer service occupations	1
Process, plant and machine operatives	1
Elementary occupations	1
Not stated	26

Q5. **Some companies might be described as operating in a risky market, because there is a high chance of going out of business. Thinking again about the same company on the front page of this booklet, how do/did you view the level of risk in... SINGLE CODE ONLY**

	High risk %	Medium risk %	Low risk %	Don't know %	Not stated %
...the company	17	48	31	3	*
...the sector or market in which that company operates(ed)	14	48	33	4	1

Q6. Which, if any, of the following played a role in your decision to work for the company named on the front page? MULTICODE OK

	%
Interesting work	77
Good basic salary	72
Level of job responsibility	49
The people	49
Opportunity for career progression	49
An opportunity to gain useful experience	48
Convenient location	40
To increase my job satisfaction	37
Opportunity to earn bonuses or commission	31
Pension scheme membership	29
Worthwhile work	25
Offer of Enterprise Management Incentives (EMI) share options	21
Level of job security	21
Healthcare scheme membership	21
Working hours	18
Training programme/development opportunities	18
Offer of other share options or shares	13
Number of days' holiday offered	13
I started it/my business/I funded it	1
Company reputation/good company	1
Offer of employment/I needed a job	1
Secure employment	1
Had been made redundant	1
Opportunity to develop the company	1
Shareholder	*
Family company	*
Opportunity/excitement of building a new company	*
Flexible working/working from home	*
Casual/relaxed/stress free working	*
Previous experience of company/familiar working environment	*
Travel/International travel	*
Wanted to move from previous employer	*
Relatives/friends worked there	*
Something else	5
Don't know	*
Not stated	*

Q7. **And which of these was the most important factor in your decision to work for the company named on the front page? SINGLE CODE ONLY**

	%
Good basic salary	20
Interesting work	15
Opportunity for career progression	12
An opportunity to gain useful experience	8
The people	7
To increase my job satisfaction	5
Convenient location	5
Level of job responsibility	4
Offer of Enterprise Management Incentives (EMI) share options	3
Working hours	2
Opportunity to earn bonuses or commission	2
Offer of other share options or shares	2
Level of job security	2
Worthwhile work	1
Training programme/development opportunities	1
Healthcare scheme membership	*
Other	5
Don't know	1
Not stated	4

Q8. **How much, if anything, would you say you know about share options in general? SINGLE CODE ONLY**

	%
Know a great deal	6
Know a fair amount	29
Know a little	58
Heard of but know nothing about	5
Never heard of them	1
Don't know	1
Not stated	*

Q9. **Would you expect to be offered share options when applying for a job? SINGLE CODE ONLY**

Base: All who have at least heard of share options (1,167)

	%
Yes	30
No	58
Don't know	11
Not stated	*

- Q10. Which, if any, of the following share options or share-based incentives have you been offered by your current or a previous employer? For example, can you remember which, if any, of the following you were offered by the company mentioned on the front page of this booklet? MULTICODE OK

Base: All who have at least heard of share options (1,167)

	%
Enterprise Management Incentives (EMI)	70
Company Share Option Plan (CSOP)	23
Save As You Earn (SAYE) (also known as Sharesave)	13
Share Incentive Plan (SIP)	4
Other	5
Have not been offered share options	2
Don't know	10
Not stated	*

- Q11. How much, if anything, would you say you know specifically about Enterprise Management Incentives (EMI) share options? SINGLE CODE ONLY

Base: All who have at least heard of share options (1,167)

	%
Know a great deal	3
Know a fair amount	18
Know a little	44
Heard of but know nothing about	15
Never heard of them	13
Don't know	7
Not stated	1

- Q12. For each of the following features of EMI, please indicate how much you know about them. SINGLE CODE ONLY

Base: All who have at least heard of EMI share options (941)

	Know about in detail	Heard of but do not know in detail	Haven't heard of	Not sure	Not stated
	%	%	%	%	%
Employees with EMI share options benefit from National Insurance and income tax relief on these options	16	40	26	14	3
EMI options can also benefit from more generous Capital Gains Tax treatment	20	34	29	14	3
Each employee can be granted up to £100,000 in share options	13	22	45	17	3
To qualify for EMI an employee must work for at least 25 hours per week or spend 75% of their working time at the company	21	35	28	12	3

Q13. **Who would you go to for information or advice about EMI share options?** MULTICODE
OK

Base: All who have at least heard of EMI share options (941)

	%
The finance department at work	43
Senior management at work	40
General internet search	30
A personal financial advisor/accountant	26
The HR department at work	26
HM Revenue & Customs	22
Colleagues	15
Friends or family	9
Another source	6
Don't know	*
Not stated	3

Q14. **At what point were you made aware that your employer offered or would be willing to offer EMI share options?** SINGLE CODE ONLY

Base: All who have been granted share options (824)

	%
Before applying for the job	10
On application	10
On joining	7
Once in my post for a while	62
On promotion	4
Don't know	2
Not stated	5

Q15. **At what point were you first granted EMI share options by the company named on the front page? SINGLE CODE ONLY**

Base: All who have been granted share options (824)

	%
When scheme started/first introduced	13
On the company reaching certain targets	12
At some other point in time	12
Once a certain anniversary had been reached (e.g. after being with the company for 2 years)	10
Immediately on joining the company	10
After a probationary period	9
When company was bought/taken over/management buy out	5
On promotion	5
At an annual pay review	4
On meeting certain personal performance targets	3
After I joined the company/some years after I'd joined the company	3
When company became a PLC	1
On resignation/because senior partner/director wanted	1
On completion of securing funds	1
Company flotation	1
Before sale of company/when management decided to sell	1
When growth of company realised	*
Company converted my existing option to EMI/replaced an older scheme	*
Don't know	2
Was not granted any e.g. declined offer	*
Not stated	4

Q16. **What is the total value of the EMI share options you have been granted by the company named on the front page? SINGLE CODE ONLY**

Base: All who specify when they were first granted share options (768)

	%
Less than £1,000	18
£1,001-10,000	28
£10,001-30,000	14
£30,001-50,000	6
£50,001 - £100,000	10
More than £100,000	4
Don't know	15
Prefer not to say	5
Not stated	1

Q17. **Have you exercised any of your EMI share options? By exercised we mean, have you bought or obtained any of the shares over which EMI options were granted?** SINGLE CODE ONLY

Base: All who specify when they were first granted share options (768)

	%
No, I have not exercised any of my EMI share options	66
Yes, I have exercised some of my EMI share options	6
Yes, I have exercised all of my EMI share options	26
Don't know	2
Not stated	*

Q18. **Are you free to exercise your EMI options at any time, or are there personal or company performance conditions or time limits attached to them? Performance conditions might include the successful flotation or sale of the company, achieving target sales growth, meeting personal targets, etc. Time limits are sometimes referred to as 'vesting periods'.** SINGLE CODE ONLY

Base: All who have not exercised any EMI share options (501)

	%
Yes, I am free to exercise all my options at any time	10
No, there are performance conditions attached to some or all of my options	25
No, there is a vesting period attached to some or all of my options	35
No, there are both performance conditions and a vesting period attached to some or all of my options	17
Don't know	10
Not stated	2

Q19. Please can you let us know why you have not exercised your EMI share options?
MULTICODE OK

Base: All who have not exercised any EMI share options (501)

	%
Waiting for the sale of the company	34
Vesting period not yet expired	27
Performance conditions not yet met	22
Waiting for a higher share price	9
Left company/left company before vesting period	9
Current share value is below the exercise price	6
Options invalidated/forfeited	5
Sale of company shares worthless/expired	3
Waiting for maximum Capital Gains Tax taper relief	2
Company folded/went into administration	2
Made redundant/redundancy	2
Company sold at low price shares had no value	1
Another reason	6
Don't know	3
Not stated	1

Q20. How long after being granted EMI share options did you exercise them? SINGLE CODE ONLY

Base: All who have exercised any EMI share options (254)

	%
Within a year of them being first granted	12
After 1 but within 2 years	17
After 2 but within 5 years	50
After 5 years	9
Don't know	3
Not stated	9

Q21. Why did you decide to exercise your EMI share options when you did? MULTICODE OK

Base: All who have exercised any EMI share options (254)

	%
Company was sold/bought out/taken over	32
Had to wait to exercise options until company performance conditions were achieved (e.g. successful flotation or sale)	19
Had to wait to exercise options until time limit or vesting period had come to an end	16
Compulsory sale/we were told to	9
I was leaving the company	7
I waited until I could benefit from maximum capital gains tax taper relief	5
The shares had reached a good price	4
To benefit from dividend	3
Had to wait to exercise options until personal performance conditions were achieved (e.g. personal sales target reached)	2
Advised to/advised by accountant/tax specialist/financial advisor	2
Had cash available/could afford it	1
Company restructure	1
Another reason	7
Don't know	2
Not stated	6

Q22. And have you sold any of the shares you obtained after exercising any of your EMI share options? SINGLE CODE ONLY

Base: All who have exercised any EMI share options (254)

	%
Yes, sold all my shares	62
Yes, sold some of my shares	9
No, not sold any of my shares	20
Don't know	2
Not stated	7

Q23. **Thinking about the last shares that you gained from exercising your EMI share options, how long after obtaining those shares did you decide to sell them?** SINGLE CODE ONLY

Base: All who have sold any of the shares gained from exercising EMI share options (177)

	%
Within 1 month	66
Between 1 and 3 months later	1
Between 3 and 6 months later	4
Over 6 months but less than a year later	3
Over a year later	19
Don't know/can't remember	5
Not stated	2

Q24. **Thinking again about the last shares you sold, why did you decide to sell them when you did?** MULTICODE OK

Base: All who have sold any of the shares gained from exercising EMI share options (177)

	%
The company was sold/listed	71
The shares had reached a good price	7
I needed the money for another purpose	7
I was leaving the company	6
I needed the money to invest in other shares, investments, savings or pensions	3
Some other reason	9
Don't know	*
Not stated	*

Q25. **How do/did you view EMI share options in relation to your salary? Do/did you see them as...** SINGLE CODE ONLY FOR CODES 1 AND 2

Base: All who specify when they were first granted EMI share options (768)

	%
An added bonus	67
In lieu of a higher salary	11
As an incentive to remain with/build up the company	6
Share in the company/give me a stake in the company	2
Reward for work done/growing the company	2
Largely irrelevant/of no real value	2
Opportunity to make money/big gain	1
Opportunity to benefit on sale of Co/would only benefit on sale	*
Investment	*
Form of equity/equity participation	*
For company to secure funds	*
Able to share in the company's financial gains	*
Something else	5
Don't know	2
Not stated	2

Q26. **Thinking about your EMI share options, to what extent do you agree or disagree with the following statements?** SINGLE CODE ONLY

Base: All who specify when they were first granted EMI share options (768)

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	No opinion	Not stated
	%	%	%	%	%	%	%
I would consider working for a company that did not offer EMI share options	32	33	22	7	3	1	1
Being granted EMI share options makes me work harder	11	30	29	15	14	1	1
Being granted EMI share options means that I am more likely to stay at a company longer	25	41	16	9	7	*	1
Share options are pointless without tax relief	19	28	26	14	4	8	1
Being granted share options makes me feel like I have a stake in the company	36	47	8	6	2	*	1
Being granted share options compensates me for working in a risky company or sector	15	20	29	19	13	4	1

Q27. **What aspects of EMI share options, if any, do you think could be improved?**

Base: All who have at least heard of EMI options (941)

	%
Less complex scheme/use plain English/make it easier to understand	6
Provide more information about what they are/the benefits/provide information packs/booklets	6
More/simplified information on taxation issues	4
Increase £100,000 limit/value that can be issued	3
Better tax treatment/higher tax relief	3
Should not become worthless if I leave/am made redundant	1
Simplify forms/paperwork	1
More information on value of shares/cashing them in	1
Options should not be weighted against safe/flotation of company	1
More/clearer awareness on exercise options	1
Qualification criteria	*
Too disproportionately weighted to managers/directors/higher ranks	*
Increase Capital Gains Tax threshold	*
All share options should be time limited	*
Employees should be given free shares/should not have to buy them	*
Should be available to part-timers/those who work less than 25 hours per week	*
Relax time limit for exercise	*
There should be a sensible minimum period that options can be granted	*
Other	6
None/they are fine/no improvements needed	2
Don't know enough to comment	52
Not stated	17

Q28. Which, if any, educational or professional qualifications have you obtained?
MULTICODE OK

	%
GCSE/O-Level/CSE	74
Vocational qualifications (equivalent to NVQ levels 1 and 2)	12
A-level or equivalent (equivalent to NVQ level 3)	59
Bachelors Degree or equivalent (equivalent to NVQ level 4)	52
MBA	3
Masters or equivalent	12
PhD	7
No formal qualifications	3
Professional qualification	28
Other	6
Don't know	*
Not stated	1

Q29. How old are you? SINGLE CODE ONLY

	%
18-24	2
25-34	30
35-44	35
45-54	22
55-64	10
65+	1
Not stated	1