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**GREAT THINGS**

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# A MATTER OF TRUST

Employee ownership and what it means  
for everyone on the Pacific Building team



## LET'S FIND OUT MORE...

### What do the Trustees of the Employee Ownership Trust do?

The Trustees of the EOT are the shareholders of the company. They meet with the Board of Pacific Building Limited to understand Pacific's targets and to monitor the performance of the Board of Pacific Building.

In a normal company, the interests of shareholders are almost entirely concerned with the financial performance of the company (although not necessarily just the short-term performance). However, even in public limited companies, shareholders will sometimes intervene to make it clear that they require the Board to do some things or not do some things e.g. refrain from investment in tobacco or defence industries or, in a recent example, change remuneration policy of the directors.

### So, how does the role of Trustee of an EOT differ from a shareholder in a plc?

Trustees of an EOT (acting as shareholders) fulfil a fundamentally similar role to that of shareholders in a plc but with some crucial differences – we're interested in more than financial performance, as we want to see signs that the business is developing a culture in which Pacific employees genuinely "feel, think and act" like owners. That's not to say employees can pick and choose what they do, or refuse to do things they might not like, but we would expect to see employees' ideas listened to and implemented when this makes commercial sense or is a valid point.

### How do you hold the Board of Pacific to account?

As Trustees of the EOT, we make it clear to the Board of Pacific Building what is expected of them and hold them to account. We do this by meeting them twice yearly and assessing the financial and operational performance of the company against previously communicated plans, asking for evidence of how the Board is developing the culture of ownership within the firm and challenging any points we feel relevant. However, we have to tread a fine line, as the Trustees' role is not to get involved in day-to-day issues faced by the business or involve ourselves in problems between management and workforce, or to act as mediators or dictate details of employment practices. By the same token, we wouldn't idly stand back if we knew that issues were being ignored by the Board of Pacific.





## Why don't the EOT Trustees get involved in policy?

It's quite typical in businesses up and down the country that policies will be considered by the Board, or the Management Committee, as part of the process of managing the company. As shareholders who have to act in the best overall interest of the employees, Trustees are entitled to expect that they will be consulted if broad changes to employment practices are being considered. Trustees also have a right to say if they wish the Board to prioritise some changes over others but it is not fair for the EOT Trustees to start setting conditions that the Board of Pacific don't believe they can deliver. However, if the EOT Trustees felt that the Board of Pacific Building was, for example, ignoring opportunities to improve employees' terms and conditions and general working practices, we would want to address this with the Board and we would expect to see a change of approach.

However, the one inescapable factor for all employee owners is that we can't improve what we provide to employee owners unless we remain profitable and increase profits on a consistent basis.

## Specifically, what are the duties of EOT Trustees?

The Trustee Directors (who are the EOT Trustees) as a whole are collectively responsible for operation of the EOT. The Trustee Directors' role is to:

- 1 Exercise their powers to benefit employees and future employees of Pacific through holding the Trust property (the shares in Pacific) for the benefit of the beneficiaries of the Trust (the employees of Pacific), thereby providing a stable base for the employees to make the company successful as an independent business over the short and long term. As a business owned by the employees indirectly (through the Trust's shareholdings), these benefits include employees' ability to keep control of their own destiny, have a participative work environment and share in the profits they help create.
- 2 **Exercise their discretion:**
  - (a) For the benefit of the current employees of the company.
  - (b) In accordance with the provisions of the Deed of Trust and the Articles.
- 3 **Have regard (among other matters) to:**
  - (a) The likely consequences of any decision in the long term.
  - (b) The interests of the company's employees.
  - (c) The need to act fairly between the beneficiaries of the Trust.





## Does the Employee Trustee Director role differ at all?

No, employee Trustee Directors have the same general responsibilities to the beneficiaries and the Trustee Company as any other trustee director (i.e. the Board-appointed Trustee Director or the Independent Trustee). They are expected to perform their duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of their role and their knowledge, skills and experience. The role of employee Trustee Director is not intended to be like that of a union shop steward, whereby they constantly seek to deliver enhancements to employees' terms and conditions without considering the impact this might have on the business and whether these enhancements are actually sustainable in the short, medium and long-term.

Employee Trustee Directors are there to ensure that they bring an employee perspective to meetings and discussions and so that they ensure that someone is "looking out" for the interests of Trustees. However, this doesn't mean that the employee Trustee Directors have to carry out the wishes of every employee. It is similar to that of an MSP – someone you believe will be acting in your general best interests and everyone else's general best interests. But nobody can dictate what decisions they make to prevent them doing something you as an individual might not agree with.

## How would you like to see Pacific develop?

Pacific is a very good business with a great team of employee owners. Employee owners should seriously and actively consider what they can do to help improve the business and implement better ways of working.

It's important that employee owners understand the role of the Employee Trustee Directors and don't create a false expectation of what they do. Their role is to hold the Board of Pacific Building to account (as part of the EOT trustees) through our meetings but they don't have a responsibility to report back to the employees – that's the role of the Board of Pacific Building.



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