



WE EXIST TO BUILD
GREAT THINGS

A MATTER OF TRUST

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

What is happening?

Pacific Building will become an Employee-Owned business and you will become beneficiaries of an Employee Ownership Trust which will own Pacific Building Ltd on behalf of all employees now and in the future.

When

We're aiming to complete all of the legal processes by the end of January 2019. We've done lots of work in the background, so we believe this time scale is realistic.

Why

This shift to Employee Ownership will herald the start of a vibrant new chapter in the Pacific Building story, in which we will all move on to a more dynamic footing. Research has shown that a combination of shared ownership and employee participation results in a business that is more engaged, innovative, productive and sustainable. A "win, win" for everyone.

What does this mean for you?

In terms of the day-to-day running of the business, it is important to stress that nothing will really change. However, you will now be "Employee Owners" and we will be exploring how we can reward you all for your contribution to Pacific's success, find ways of keeping you better informed and encourage you to find ways to improve our business.



PROFESSIONAL



AMBITIOUS



CONSIDERATE



INNOVATIVE



FLEXIBLE



INTEGRITY



COURAGEOUS

Questions & Answers

You will have lots of questions regarding the move to Employee Ownership, so we have attempted to answer what we believe are the obvious questions that can be answered now. We haven't covered everything and more detail will follow between now and January 2019.

Will I individually own shares in Pacific Building?

No. All of the company's shares will be acquired by an Employee Ownership Trust (EOT). The EOT will hold these shares, for as long as Pacific operates, for the benefit of all employees now and in the future.

Will I receive dividends if the company is profitable?

No. The model of employee ownership we have chosen means that employees don't receive dividends but employees will receive a profit share so long as the company continues to operate profitably.

Why can't I own shares?

For three key reasons: **1)** We don't want employees to need to find money to invest and have different levels of investment. **2)** We want all employees to benefit from this ownership structure in the same way – everyone will be equal. **3)** We want a system in which all future employees can benefit without needing to "buy in".

Will all of the annual profits be distributed to employees?

No. The profits that are generated will be needed to cover: **1)** Working capital requirements (paying for wages, materials, etc). **2)** Paying for the shares that are sold to the EOT. **3)** funding new projects. **4)** Rewarding owners (ie paying a bonus to employees).

The directors need to make sure that they are able to balance all of these needs and, as a result, it isn't possible, or sensible, to use all of the profits to pay bonuses.

If Brian no longer owns the company, who does and how do they exercise control?

Pacific will be owned by an Employee Ownership Trust (EOT). While the EOT will not interfere in the day-to-day running of Pacific, they will want to be sure that Pacific continues to be commercially successful, financially viable and is developing a culture in which employees think, feel and act like owners. The typical way for an EOT to check whether these requirements are being met is by meeting with the directors of Pacific twice yearly and asking them to report on these areas.



Do employees have any say in what happens on a day-to-day basis in an Employee-Owned business?

Yes. We want to encourage employees to identify ways of improving the business. That could be ways of communicating better, finding cost-savings, improving processes, etc – and we want to find effective ways of keeping all employees informed about how well the business is doing. We're not developing a structure in which employees will be consulted on every single decision. The directors will continue to manage the business in the same way as they did previously.

Who will be the directors going forward?

No final decisions as yet, but probably Brian Gallacher, Christopher McGuire, Mark Wanless and Douglas Brown.

Will employees have a say in what happens overall?

We must ensure that employees have a voice at the highest level of Pacific – after all, it will be your company. To achieve this, we will appoint one or two employees as Employee Elected Trustees to work alongside an equal number of Appointed Trustee Directors from the Pacific board. These elected and appointed directors will work alongside an Independent Trustee and collectively they will manage what the EOT does.

What determines whether a bonus is paid?

Our intention is to pay a bonus to all qualifying employees – a reward for your contribution and being employee owners. Payment of the bonus is linked to our future profits – the more profit we can generate, the more profit we are able to consider using for bonus, or for repaying Brian sooner.

What rules apply to the bonus?

A key benefit of being owned by an EOT is that we can pay you a bonus that is free of income tax. The rules for paying this "income tax-exempt bonus" are set by government. In simple terms, all employees with 12 months' service will be eligible and the bonus must either be the same for all employees, or can be varied based on length of service, hours worked or the level of remuneration received. We haven't had any discussions on how we will apply these rules yet.

Am I liable for any of the company's debts, or money owed to Brian?

No. You will have no liability whatsoever for any of the debts that Pacific has to its creditors or to Brian.

Will my contract of employment change?

No. All that is happening is that the ownership of Pacific Building is changing. This change of ownership will have no impact on your terms and conditions.



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