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First Friday Lunch and Learn

5th March

12noon - 1pm



Swansons is now employee owned!

Highland food wholesaler Swanson's Fruit Company, is the latest successful business to join Scotland's increasing number of employee-owned firms.

The firm's owner, Magnus Swanson, had started several businesses and was beginning to think it was time to move on. There had been an offer from a larger wholesaler to buy the business. It was an attractive offer, but led Magnus to consider what was really important about Swansons. The company has a loyal, hardworking staff – who really have gone the extra mile throughout the pandemic making sure customers received their products.

Swansons prides itself on serving the Highland's local communities – a larger company may well have stopped that as uneconomic.

Magnus was aware of other employee owned businesses in the Highlands. There is the Priory Hotel and also Aquascot, both customers of Swansons, and Highland Home Carers just around the corner. He decided to find out more and had a word with his accountant, Donald Forsyth of Saffery Champness. Donald pointed Magnus in the direction of CDS and Ownership Associates and the company started the process, completing the transaction on Thursday 4th February.

The company operates from a base in Inverness with outlets in Nairn and Elgin and serves customers throughout the Highlands and Moray. Magnus believes he made the right choice. "We're lucky to have superb, loyal staff at Swansons and it felt right that they own the company. The process was relatively straightforward and the move to employee ownership means that we have a stable model."

The news was very well received by both employees and customers. Pauline Fiddes, Regional Sales Manager has been appointed as one of the three employee Trustees. She says "We are truly blessed to have Magnus as our mentor and MD. I love my job and wholeheartedly believe in the company and that's down to the man who built the business from scratch. He has handed us a tremendous opportunity and we are so thankful to him for that."

Stuart Hutton of the employee-owned Priory Hotel congratulated Swansons on the move.

"It's just great to see another employee owned business in the Highlands. Employee ownership has worked well for us and I'm delighted that such an important company as Swansons is now in employee ownership."

Collective Architecture

Sustainable and inter-generational living



Collective Architecture is delighted that their innovative regeneration project at Powderhall In Edinburgh, reaches another major milestone as planning application is submitted for phase 2. The proposals include an intergenerational facility which combines an Early Learning and Childcare Centre for 128 children with 27 older person's independent-living homes. This facility will offer health and wellbeing benefits for the residents, and new learning and social opportunities for children attending the nursery.

Designed to meet the Passivhaus standard, the building will provide high-quality spaces that are comfortable, healthy and consume minimal energy. Passivhaus is a rigorous energy efficient design standard where houses maintain an almost constant temperature. Passivhaus buildings are constructed to retain heat from the sun and occupants requiring very little additional heating or cooling.

The building has been designed with balconies

and integrated window seats providing sheltered external areas for residents to socialise and creates a visual connection to the nursery gardens below. Further residents' areas include a shared roof terrace and communal garden with sensory planting.

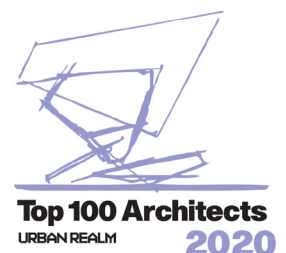
Community consultation has been at the heart of the project and has helped shape the proposals from the earliest opportunity. Collective Architecture worked with the local community, stakeholders, and the council to collaboratively develop a place brief for the wider site before any design work had commenced. The place brief acts as a set of guiding principles for the whole site and has underpinned Collective's masterplan strategy and their subsequent proposals for phases one and two.

**COLLECTIVE
ARCHITECTURE**



Well done, Page\Park!

Page\Park has been named number one in the Urban Realm Top 100 Architects in Scotland.



OAK Matters —

Great start to the year! By the time you read this, we'll have added another three businesses to Scotland's number of employee-owned businesses and there are several more to follow before the end of March. The Swansons' project was a great one to work on. Magnus Swanson genuinely wanted to do the right thing for the loyal staff and for the customers. Despite a challenging year adapting to the Covid restrictions and the resultant downturn in the hospitality sector, he decided to press ahead with the move to employee ownership. I hope to be able to bring news of some more newly employee-owned businesses in the March newsletter.

As you will read below, Targeting Innovation is no longer employee-owned, having been bought over by start up specialist Elevator. Of course, those of us in the employee ownership community are sad to lose one of our number but it's good to think that the employees did well out of the deal. At the time of writing, the number of employee-owned companies owned and headquartered in Scotland is 96 so we are getting very close to the magic 100 benchmark!

The US conference I mentioned last month went very well and there was so much interest in Scotland's progress! We're currently exploring ways for the international contingents to keep in touch with each other and share ideas. One of the attendees is looking at an online platform to keep employee owners linked up. I'll share more ideas as we develop them.



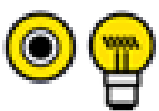
On the topic of keeping in touch, one of the outcomes of our January Trustee training was the set-up of a Slack group. Huge thanks to Tom Warren of Collective Architecture for this and it's good to see several members already. Get in touch if you want the link to join.

February First Friday was lively – the hour passed very quickly! We spent a bit of time talking about remuneration policy, and in particular, we talked about employee benefits. It was a good discussion which we will probably revisit. Should employee owned businesses take a different approach to salaries and perks? The general consensus was that salaries should recognise the different levels of skills and responsibilities, but other benefits should be on a level playing field for all. We also heard how Collective Architecture went about hiring their first Independent Trustee, and the positive impact that has had on the Trust.

Take care everyone.

- Carole

Targeting Innovation Takeover

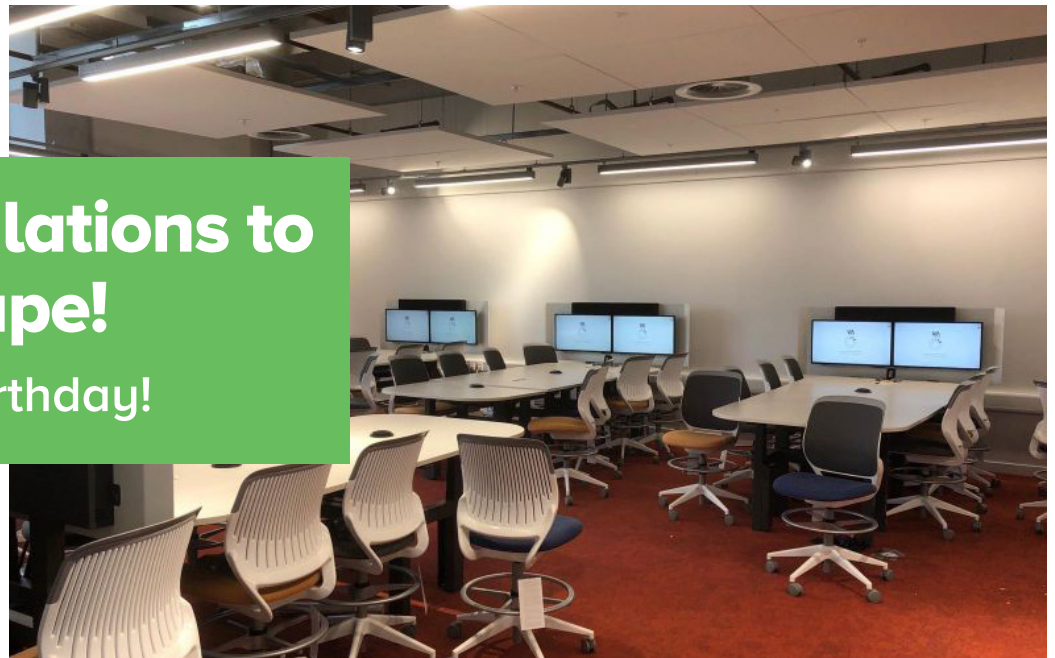


**TARGETING
INNOVATION**

Glasgow based technology consultancy, Targeting Innovation Ltd, was recently taken over by start-ups specialist Elevator. The Glasgow based firm became employee-owned in 2013, was bought in what was referred to as a "six figure deal". Targeting Innovation started as a university spinout, involving a collaboration of 4 Scottish universities. The company is now no longer in employee ownership.

Congratulations to Mediascape!

Happy 3rd Birthday!



Glasgow based audiovisual company, Mediascape, celebrated their third EO birthday in January. The team deliberately chose to complete their transition to employee ownership to coincide with Burns Night so that no-one would forget the date. The birthday was marked by a Zoom Burns' Night where Engineering Manager Steve Moffat leveraged his showbiz contacts and arranged for

some excellent singers and musicians to play. A great night had by all – a significant amount raised for the Chest Heart and Stroke charity and more than a little alcohol consumed.

The business had a busy start to the year completing work on the state of the art technology enhanced active learning rooms (TEAL) at Glasgow University's James McCune Smith Learning Hub.



Keep Garden Centres Open

Employee-owned New Hopetoun Gardens is urging people to support a move to reopen garden centres.

The Scottish Government has mandated all garden centres as non essential retail and the centres have had to close. The centres are

making a strong case that properly managed procedures will mean that garden centres are a safe environment, but also that gardening contributes much to mental and physical health, as well as encouraging people to stay at home. Last year was a devastating year for the sector and the prospect of a similar 2021 is unthinkable. Please sign the petition [here](#).



Palmer & Harvey

Case Study Discussion

Our February training session followed the revised format where we looked at the role of the Trustee in the first hour, and explored a case study in the second hour. This time we looked at Palmer & Harvey, which was one of the UK's largest employee-owned businesses before its demise in 2017. It's an extreme case, but gives some insight into what can happen when there is a lack of scrutiny and accountability at leadership level.

The group agreed that the executives ran Palmer & Harvey as if it was their own business, and were not accountable to anyone.

Key learning points we took from the case:

- There is a need for clarity in governance and in the reporting procedures in order for the Trustees to provide proper scrutiny of the Board of Directors.
- The composition of the Trustees is paramount. Independent Trustees serve a useful purpose and it's important that these individuals are truly independent.
- Quality of information is so important and Trustees must be provided with support in interpreting information provided.
- We recognised that the former owners would often assume trustee positions while there was money outstanding and this could lead to a conflict. However, it was noted that employee-owned companies rarely go awry when the previous owner is still involved.
- All Trustees do not have to be expert in everything; but should have the required skills in the group. They do need to be brave enough to speak up.
- There has to be training and support available for Trustees and they must be able to operate without fear of compromising their employment.
- Inviting executive directors to present their information can be helpful and Trustees can insist on full explanations of facts and figures provided.
- It was felt that there was generally a lack of understanding of the Trustee role, not only amongst Trustees themselves but also with Directors and employee owners.
- Trustees must be aware of their role as set out in legislation and also in the company documents
- Some employee Trustees expressed a concern that twice-yearly meetings over a three-year term isn't sufficient to get fully up to speed on the role, or gain the knowledge required to be truly effective.

The next Trustee Training session will take place on Thursday 18th March 9.30 – 11.30 and will follow same format. Join for the first hour if you're new to the role, or want to refresh your knowledge, or join from 10.30 for the case study discussion.

Director Duties in an employee owned business



Maeve Wright

After an unprecedented year for businesses following the outbreak of COVID-19, many company directors have found themselves having to make difficult decisions. In these circumstances, it is important for directors to remind themselves of their fiduciary duties.

In an employee owned business, the board of directors will be held to account by the trustees of an employee ownership trust (EOT).

The role of a director

Generally, the board of directors will be in charge of managing a business and making strategic decisions. A company's articles of association will set down the number of directors required to form a quorum at a board meeting and regular meetings should be held to ensure that decisions about the future of the company are made collectively.

A person may have different roles within a business. For example, in an employee owned business an employee elected director may sit on the board and they, as an employee, will also be a shareholder. It may also be the case that a trustee of the EOT is also a director. If a person is acting in multiple capacities, it is important to distinguish between the different roles and to "wear the right hat for the job".

Duties of a company director

A director owes certain statutory duties to a company and these are set down in the Companies Act 2006.

- **Duty to act within powers and in accordance with the company's constitution**

Directors must comply with the rules set down in the company's constitution. The most important part of the company's constitution are the articles of association. These will set out the rules for the company. In employee-owned businesses, directors must also consider the employee ownership trust deed and the "trust purpose" contained within it which articulates what the Board should be striving to achieve.

- **Promote the success of the company**

Directors have a duty to promote the success of the company for the benefit of its members as a whole. In an employee-owned business, directors must therefore consider the impact of any decision in the long term and the interests of the current and future employees of the company as a whole.

- **Exercise independent judgement**

A director should not simply implement the views of others. A director may ask for advice where appropriate, however, ultimately a director

(continued)

should develop their own informed view and exercise their own independent judgement.

- **Exercise reasonable care, skill and diligence**

Directors have a duty to apply reasonable skill, care and diligence to their role. Directors with specific training or skills (for example a lawyer or accountant) may be held to a higher standard in issues relating to their area of expertise.

- **Avoid conflicts of interest**

Directors may find themselves drawn in more than one direction. If this is the case, a director must declare any potential conflict of interest to their fellow board members, who will then decide how to manage or approve the conflict. The articles of association of the company may also detail whether or not a director may vote on a matter in which they have an interest.

- **Not to accept benefits from third parties**

A gift from a third party may influence a director's judgement and as a rule, directors should therefore not accept these kind of benefits. There may, however, be situations where directors accept, for example, certain

corporate hospitality to maintain good professional relationships with customers or suppliers. It can be helpful for companies to have a written policy to clarify the circumstances in which certain 'benefits' are acceptable.

- **To declare any interest in a proposed transaction or arrangement**

If a director has an interest in a matter put before the company, they have a duty to declare this before any transaction or arrangement is entered in to.

Keeping a record

It is important that directors keep appropriate minutes of board meetings to show that the directors have considered their statutory duties. In an employee owned business, this is particularly important as the trustees of the employee ownership trust will hold the board to account. Being able to refer back to minutes of past meetings helps to build transparency and honesty between the board and the trustees, which is key to the success of an employee-owned business.

Employee Ownership in South Africa

It was good to catch up with Tendani Nelwamondo, recently. Tendani heads up the Southern Africa Employee Ownership Association. (SAEOA).

The Broad Based Black Economic Empowerment Act was introduced in 2003 with the aim of reversing decades of economic exclusion of black people under apartheid. The act brought in certain incentives for employers to encourage employee equity ownership and corporate social investment. For example, the 8000 employees of Coca Cola had a 5% stake in the company. Last week, the company announced this was to increase to 15% and there will be two workers appointed to the company's board. and in addition allocated a further £4m for government localisation initiatives.

The country's Trade, Industry & Competition Minister, Ebrahim Patel, believes

the move will foster greater partnership and cooperation whereby workers can bring their insights in the area of corporate governance. He encouraged other businesses to follow the same route and establish more inclusive firms.

Tendani is hopeful that this will lead to more discussion on how the employee ownership model can be promoted.

The SAEOA is keen to see an introduction of a Trust model such as the EOT which has been so successful in growing employee ownership in the UK. However, the current tax landscape is not favourable for Trust ownership.

