

SUBMISISON FROM SCOTT & FYFE LIMITED

This submission comes from Scott & Fyfe Limited, Tayport in order to identify the changes in employment practices since 2010 and more specifically the benefits of employee ownership observed since the acquisition of the company by the Scott & Fyfe Employee Benefits Trust in January 2013.

In 2009 Scott & Fyfe was a family-owned traditional industrial textiles company with long-term conservative management (three family members on the board of six and no non-executive representation). The recession of 2008 had disguised the structural loss of two significant profitable product sectors, there were two overseas loss-making subsidiaries servicing single product/single customers and total employment numbers of 330 leading to a fragile and vulnerable business.

In 2009 a new chairman (non-executive) was appointed and a short-term recovery plan was put into action whereby it was agreed that the two overseas subsidiaries would be closed and the Kilmarnock plant (20 people) would be integrated into the two Tayport plants which in turn would be reduced from a total of 150 to some 100. In early 2010 a new chief executive joined the company which accelerated the plan for change including utilization of the Glasgow School of Art to embed innovation in a meaningful and sustainable way, closure of one of the Tayport plants and integration into the remaining one and the introduction of improved communication together with an effective pay freeze for all. Current total employment is c 90 with some 5 vacancies still to be filled.

In 2011 conversations started between the chairman and the family about the future strategy and ownership direction which led to the acquisition of the family's equity by a newly-formed Employee Benefits Trust, funded in its entirety by the company's cash balance as at 1.1.2013. It is important to note that this transition was carefully planned and implemented in order to ensure that there was no misunderstanding on the owners' objectives including a detailed and extant website (www.tayportworks.com). This move was accompanied by significant moves on the pension front in order to ensure that employees would have a state pension, a company pension (with mitigation of the disparities between defined benefit and defined contribution schemes) and an equity pot on retirement.

The benefits of this move have been significant (and have been discussed as part of a third party audit by EckosGen on behalf of Co-Operative Development Scotland).

The employees are represented by an employee-elected employee director who has full rights on the board (and is Companies House registered). There is an employee forum that monitors employee terms and conditions but not pay and considers and recommends changes with particular emphasis on hygiene factors. The trades union involvement has diminished since the transition because of the transparency of all communications (salaries are the only secrets) and the understanding that all employees are now owners. Since then the employees have acquired rights to c 7% of the equity directly.

Amongst the changes becoming real are:

- Flexibility of shift patterns
- Flexibility on holidays i.e. as required by customer demand
- Flexibility between machines and between departments
- Recognition that short-term working and laying off may be required
- Pay increases only when the company can afford them (following a pay freeze applicable to all employees including directors)
- Readiness to undertake additional training to support such flexibility
- Recognition that opportunities are available (many internal promotions)
- Reduction of the “us” and “them” mentality
- Full awareness of sales performance and profitability on a monthly basis with easy access to the chief executive
- Self-monitoring and control of revenue expenditure e.g. spare parts, energy utilization, waste, health & safety.

The emerging benefits to the workforce are:

- Greater acceptance that there is a job for them as they buy into the concept of employee ownership
- Fairer pension treatment: this included the defined benefit scheme members accepting an increase in contribution from 6%/6.5% to 10% over a period of years to ensure continued membership
- Enhanced company contributions to the defined benefit scheme well ahead of the obligatory auto-enrolment state scheme
- Free shares (£500) on the transition for all employees
- Opportunity to subscribe to a share purchase scheme with tax benefits
- Opportunity for all to earn shares based on profit share scheme
- All employees are invited to the AGM and vote on the report and accounts and on the appointment of directors (restricted to two year terms)
- Enhanced training opportunities (both in-house and externally).

The company has seen improved productivity, a more collaborative working environment and greater job satisfaction accompanied by enhanced individual autonomy and influence on operational decision-making. All salaries have been increased recently (2.5% in 2014 and 1.5% in 2015 after a nil increase

in 2013). Nobody has left the company for reasons of pay and conditions in the last two years. The company has recruited since late 2014 at all levels except director and, while textile pay is not high, there is nobody earning less than the living wage (including interns) and no utilization of zero hour contracts.

We would be happy to provide further explanation to the Committee in person.

Nick Kuenssberg

John Lupton

Non-executive chairman

Chief executive

12 September 2015