



# Who Does What in an ESOP Company?

## BOARD OF DIRECTORS

### Who are they?

- Members usually include:
  - CEO
  - Key management
  - Outside directors chosen for desired expertise
- ESOP trustee can elect members

### What do they do?

- Hires, fires, and sets pay for CEO
- Reviews overall strategic direction
- Responds to purchase offers
- Approves financial audit and budgets
- Committees may review personnel policy corporate culture and other issues

## MANAGEMENT

### Who are they?

- Chief Executive Officer
- Chief Financial Officer
- Chief Operating Officer
- Director of Human Resources

### What do they do?

- Makes decisions about strategy, finance, culture, and other business issues
- Oversees day-to-day operations
- Hires, fires, and sets pay level for employees

## ESOP TRUSTEE

### Who are they?

- Appointed or hired by the board of directors
- Can be an individual, board of trustees, or independent professional ESOP trustee
- If inside trustee, may be one or more officers of the company and can include non-management employees

### What do they do?

- Ensures ESOP is operated exclusively for benefit of plan participants as required by plan documents
- Acts as the official shareholder for the ESOP and votes on all shareholder issues (trustee may make decisions independently, at the direction of an ESOP committee, or, in some cases, ESOP participants)
- Reviews valuation of ESOP shares to make sure the ESOP acquires shares at a fair value
- Assures plan administration is performed properly
- Works with management and the board to make sure corporate assets are not used in an irresponsible manner
- Represents the interests of the plan in the case of a serious acquisition offer or plan termination

## PLAN ADMINISTRATOR

### Who are they?

- Third party (external) administrator (TPA)
- Company HR and/or Finance team works with the TPA to oversee plan operations

### What do they do?

- Oversees all plan operations, including allocation, vesting, distributions, dividend payments, etc.
- Issues reports to plan participants
- Issues reports to federal agencies

## ESOP COMMITTEE

### Who are they?

- Usually consists of management
- In some companies, non-managers may be appointed or elected to the ESOP committee

### What do they do?

- Directs the trustee as to the voting of the shares in the plan

## ESOP COMMUNICATIONS COMMITTEE

### Who are they?

- Members may be elected, appointed or volunteer
- Primarily composed of non-management employees

### What do they do?

- Communicates how the ESOP works
- Organizes events and celebrations
- In some companies, oversees employee involvement in work-level decisions (e.g. ideas program)



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