

## SUBMISSION FOM ACCORD ENERGY SOLUTIONS LIMITED

### **Background**

Accord was formed in August 2010 to provide a truly independent, specialist hydrocarbon-accounting resource base for the international oil and gas industry. The company provides engineering, scientific and consultancy services to oil and gas operators.

The founders (Alan Spence, Phil Stockton and James Arthur) had considerable experience in traditionally structured organisations and had developed a successful business model based on openness and inclusion.

They were keen to develop the model further through employee ownership and in establishing Accord, founded the first “from start-up” employee owned company in Scotland.

The Accord ownership model is based on individual employee share ownership through an HMRC approved share incentive plan (SIP) and indirect employee ownership through an employee ownership trust (EOT). The company provides funding to the SIP and EOT to enable them to purchase shares from the founders. The SIP distributes shares to employees in accordance with HMRC SIP rules.

Employees are annually awarded free shares (up to a value of £3,600) and can purchase partnership shares (up to a value of £1,800). For each partnership share purchased employees are awarded two-for-one free matching shares. Share held within the SIP for more than five years can be sold free from tax and NI.

Non-founder employees currently own 20% of the company through the SIP and 15% through the EOT. The long-term intention is that non-founder employees will own 30% through the SIP and 51% through the EOT with the remainder held by the founders.

To reinforce its stewardship role and over-arching responsibility for ensuring that employee ownership remains firmly embedded within the company, the EOT also holds a preference (golden) share. This ensures that prior to the EOT holding a majority of the ordinary shares no changes can be implemented that could lead to the sale of the company against the wishes of the employees.

The SIP trustees comprise one founder, one employee and one external trustee.

The EOT trustees comprise one founder, two employees (elected by their peers) and two external trustees (nominated and agreed by the internal trustees).

### **What This Means in Practice**

Accord’s employees are the company. Each employee has responsibility for ensuring the company’s success and shares in the rewards of its success. A number of practices have been embedded in its operations to ensure this happens.

## Informing

Sharing information is essential if employees are to fully understand how the company works and contribute to its vision, direction and operation. Information is provided in a number of ways. These include:

- Staff meetings are held monthly with employees attending in person or joining by conference call and desktop sharing. Employees share information about every aspect of company operation such as:
  - Financial performance (full management accounting information)
  - Marketing and business development
  - Quality, health and safety
  - New and future work
  - Employee ownership
- A company intranet has been developed to provide employees with web-based access to a wide range of company information including:
  - Meetings and events
  - Minutes of meetings (e.g. management meetings, EOT meetings)
  - QHSE documents
  - Capability matrix and CVs
  - Documents and templates
  - Survey results
  - Project folders
  - Reference documents
  - Forums

## Consulting

Employees are consulted on key changes, their feedback is shared and their ideas and suggestions inform decisions. Consultation takes place in a number of ways including discussions at staff meetings, at the annual company “away day”, through email and web surveys and through employee focus groups.

Typical subjects covered have included:

- How bonuses are calculated

- How employee performance information is shared and individual goals set
- How the company shares its success with the community
- The type of organisation we should aspire to be

### Empowering

Employees are encouraged to take responsibility for the operation of the company. The company has two employee directors who are elected by their peers and serve a two year period on the board. As mentioned previously there are also two EOT employee trustees and one SIP employee trustee who are again elected by their peers.

Each employee has a personal training budget (currently £1,800) that can be used for any training or development that the employee feels would contribute to their personal and/or professional growth.

Wherever possible, employees are empowered to develop, introduce and implement new business processes and changes to existing processes. This is consistent with the company's flat structure and the belief that processes work best when they are designed by the people that will operate them rather than dictated by "management".

The company takes a long-term view and recognises the importance of being a good neighbour within the communities in which the company operates. To this end, employees have established a company funded charity budget that is used to assist local and national charities. Employees nominate and elect four major recipients for annual donations (2015 - £2000 each) and, as individuals, can nominate charities for a donation (2015 - £230). The company also provides sponsorship and prizes for local groups that are nominated by employees (e.g. cub scouts, children's football team, riding club, cricket club etc.)

### Rewarding

Accord is keen to ensure that employees are fairly rewarded for their efforts and share in the success of the company. This is achieved by paying competitive salaries, having a generous, family-friendly benefits package and distributing profits through annual bonuses. In addition to these, the SIP described above enables employees to build a significant, tax efficient stake in the company.

Accord is committed to ensuring our employees receive a fair salary and the spread of salaries across the company reflects the flat structure of our business. As such, we are an accredited Living Wage employer with a normalised (37.5hr) salary multiplier of x4 covering all employees.

Our employee benefits package includes:

- Company personal pension scheme with employer contribution of 8% of salary

- Private medical insurance (including optical and dental) for the employee and their family with premiums paid by Accord
- Death in service insurance (5x salary)
- Income protection
- Childcare voucher scheme
- Cycle scheme

Working hours are flexible to enable employees to meet family commitments and employees are able to work from home as required.

Accord operates an annual bonus scheme with all employees being awarded a bonus calculated as a percentage of their annual salary. The same percentage is awarded to every employee. Over the past five years, bonuses have ranged from 8% to 13%.

### **Has it Worked?**

When the company was established in 2010 the founders had a number of goals and aspirations. They wanted to:

- Develop their established business model based on openness and inclusion to incorporate employ ownership as a key component
- Be a financially successful company
- Attract and retain the best people so they could offer the company's clients a consistent, high quality service for the long-term
- Treat employees fairly and reward them for their contribution to the success of the business
- Take a long-term view and become recognised as an innovative contributor to the oil and gas industry and a supporter of the communities in which the company operates

There can be no doubt that these goals have been achieved and that employee ownership has made a significant contribution towards this. Highlights include:

- Employee ownership fully embedded and working well
- No external shareholders, no loans
- Working for a wide range of clients in the UK, Europe and Internationally
- Turnover in excess of £6M

- A range of new and innovative allocation techniques developed and implemented
- 35 employees and 14 associate consultants, many recognised as experts in their field
- Happy stable workforce with only 3 leavers in five years
- Significant contributions to a range of local and national charities
- Support for community groups and clubs and sponsorship of local events such as Run Garioch, Ride the North and the Aberdeen Open Curling Championship

### **What of the Future?**

These are difficult times for the oil and gas industry and the people who work in it and Accord is affected like everyone else. We are seeing a significant reduction in work levels and considerable pressure on rates. Many companies have immediately responded to the current downturn by cutting jobs but at Accord we view that as a last resort. We have built a great team of employee owners who we want to retain until conditions becomes more buoyant. We owe it to them and our customers.

As we have no external share holders driving us towards short-term thinking and short-term returns, our long-term perspective has seen us build capital to help us through this type of downturn. By doing this we believe we can come through this period in good shape to take advantage of the new opportunities that will arise. We aim to avoid the scramble for people and the escalation of rates to unrealistic levels that characterise the traditionally cyclical nature of this industry.

Everyone at Accord has a vested interest in making it through the downturn and a say in how we go about it. The company is driven by the power of its people.