

Stakeholder Engagement:

Time to Step Up



Complying with the Financial Report Council’s new requirements.

Why is this important?

The Financial Reporting Council (“FRC”), through its new UK Corporate Governance Code and associated “Guidelines on Board Effectiveness” (applicable from 1st January 2019) is placing ever more focus on a company’s stakeholder engagement obligations:

“An effective board will appreciate the importance of dialogue with shareholders, the workforce and other key stakeholders, be proactive in ensuring that such dialogue takes place and that the feedback is taken into account in the board’s decision making”

While the FRC re-iterates the need for companies to foster strong relations with its shareholders, engagement with investors is now a fairly well established process. It is in the area of engagement with other stakeholders – particularly employees – that companies have been seen to be lacking. The FRC does not shy away from providing directors with a pointed reminder of their legal obligations under section 172 of the Companies Act to *“promote the success of the company for the benefit of its members as a whole”* and, when doing so, having regard to the interests of key stakeholders such as employees, suppliers and customers.

What must companies do?

The FRC is clear in stating that a company must develop strategies to engage with its stakeholders in a meaningful fashion. Indeed, reflecting the importance placed on employee engagement – referred to as the *“employee voice”* – the new Corporate Governance Code requires Boards to establish a formal method for gathering the views of the workforce, suggesting three possible approaches i.e. (i) a director appointed from the workforce, (ii) a formal workforce advisory panel, or (iii) a “designated NED”.

In addition, the FRC gives examples of how companies can roll out an effective engagement programme for the workforce and customer/suppliers:

Workforce engagement	Customer/ Supplier Engagement
Annual and ad hoc “pulse” engagement surveys	Customer complaints and satisfaction surveys
Focus/ listening groups	Supplier feedback surveys
Hosting talent breakfasts/lunches, town halls and open	Bespoke engagement activities with trade unions, special interest groups, the local community
Employee AGMs	



By adopting these (and other) processes, companies should be in a position to answer positively some crucial questions the FRC are encouraging Boards to address, such as:

- What are the key concerns of our workforce, our suppliers and our customers, and how are we addressing them?
- Have we sought input from enough stakeholders to be comfortable that we have a rounded view?
- Have we listened properly to the stakeholder voice and what impact has this had on our decisions?
- How well are our values and expected behaviours embedded in our HR policies?
- Are we treating our people as a strategic asset?



Performance”™ tool to assess how engaged and enabled employees feel, and then analyse and communicate the results. Backed by over four decades of experience and one of the world’s largest databases of employee opinion, we apply proven solutions to help organisations act on these results

- Our **Executive Pay & Governance practice** helps our clients ensure that their governance policies and practices not only reflect the ever-changing regulatory environment, but are also communicated externally (including to shareholders) in the most positive manner possible
- Our **Board & CEO Services practice** understands that, when built effectively and run efficiently, corporate boards are a strategic asset and a source of continuous competitive advantage. We provide a full range of Board services including (i) evaluation and enhancement of current board competencies (ii) effectiveness of makeup, oversight, and culture, and (iii) strategic alignment.

Should you wish to discuss how we may be able to help, please contact execpayandgovernance@kornferry.com.

How can we help?

Korn Ferry’s blend of expertise makes us uniquely placed to assist companies in designing and implementation an effective engagement strategy that will not only reflect the FRC’s new requirements, but will also allow the Board to operate effectively and “set the tone” for the organisation as a whole:

- Our **“Surveys & Listening” engagement practice** uses our proprietary “Engaged

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.