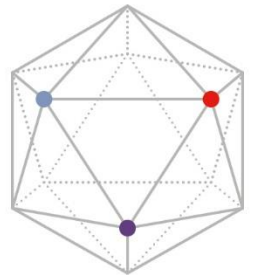




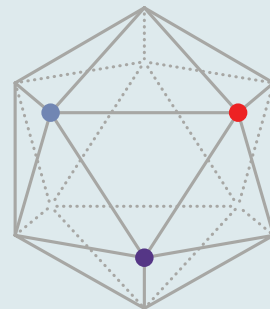
EQ

Employee Services Forum 2018

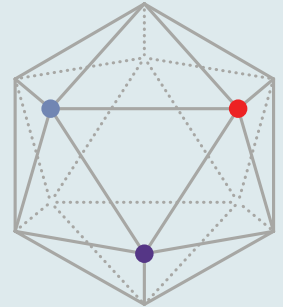


Chris Stamp
Prism Cosec

Sally Chandler
Prism Cosec

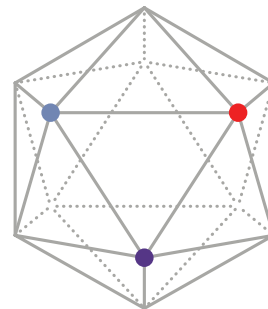


Employee Engagement in the Boardroom



AGENDA

- Introduction
- Setting the scene - Companies Act and 2018 UK Corporate Governance Code
- Options for employee engagement and straw poll
- Consideration of options – table discussion and feedback



SECTION 172(1) – COMPANIES ACT 2006

Directors must “act in the way (s)he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole” having regard to:

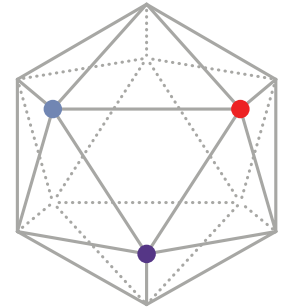
- The likely long term consequences of their actions
- **The interests of employees**
- The need to foster business relationships with suppliers, customers and others
- The impact on environment
- The desirability of maintaining a reputation for high standards of business conduct
- The need to act fairly between members



BEIS, CORPORATE GOVERNANCE REFORM GREEN PAPER, NOVEMBER 2016

“Many companies and their boards recognise clearly the wider societal responsibilities they have and the enormous benefit they gain through wider engagement around their business activities.

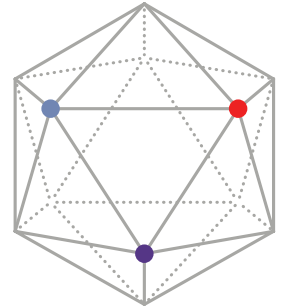
However, ... companies **need to do more to reassure the public that they are being run... with a recognition of their responsibilities to employees, customers, suppliers and wider society...**”



BEIS, GOVERNMENT RESPONSE: CORPORATE GOVERNANCE REFORM, AUGUST 2017

EMPLOYEE AND STAKEHOLDER VOICE SPECIFICS

- Secondary legislation on reporting
- Introduction of a new UK Corporate Governance Code
- Guidance on Stakeholder Engagement

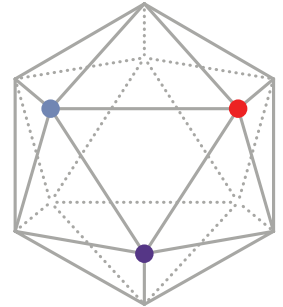


UK CORPORATE GOVERNANCE CODE PROVISION 5

“The board should understand the views of the company’s other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making....

The board should keep engagement mechanisms under review so that they remain effective.”

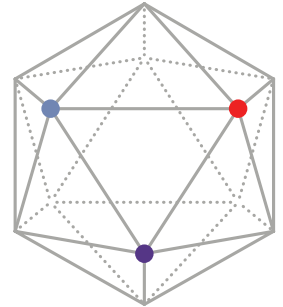
NOTE: CODE PROVISION 6 ALSO EXPECTS BOARDS TO HAVE A PROCESS TO REVIEW WORKFORCE CONCERNS



UK CORPORATE GOVERNANCE CODE OPTIONS

For engagement with the workforce, one or a combination of the following methods should be used:

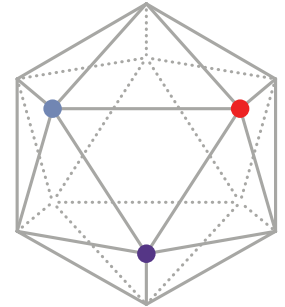
- Option 1: A director appointed from the workforce
- Option 2: A formal workforce advisory panel
- Option 3: A designated non-executive director



POLL

WHICH OF THE FOLLOWING OPTIONS IS YOUR COMPANY CONSIDERING?

- A. Option 1: A director appointed from the workforce
- B. Option 2: A formal workforce advisory panel
- C. Option 3: A designated non-executive director
- D. A combination of one or more of the above
- E. Don't know/the board had not considered any of these yet

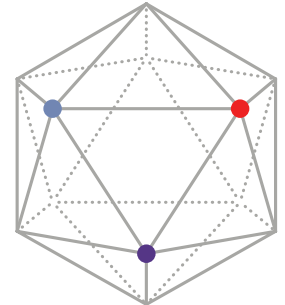


GUIDANCE ON WORKFORCE RELATIONS

- Clarity about different sections of the workforce
- Informal and formal channels encouraged
- The Code should not displace established channels of communication and consultation arrangements on pay
- For a director appointed from the workforce, training and support will be critical
- Other methods of communication are valid provided that they deliver meaningful, regular dialogue and are explained clearly
- Non-executive directors should consider ways of increasing visibility among the workforce



Source: FRC Guidance on Board Effectiveness

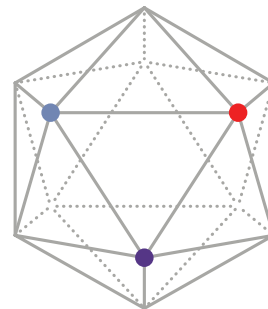


GUIDANCE ON WORKFORCE ENGAGEMENT ACTIVITIES

- Hosted breakfasts/lunches/town halls
- Listening groups for frontline workers
- Focus or consultative groups
- Meeting groups of elected representatives
- Social media updates
- Regional and overseas visits
- Inviting colleagues to board meetings
- Mentoring by NEDs
- Employee AGMs
- Surveys
- Digital sharing platforms



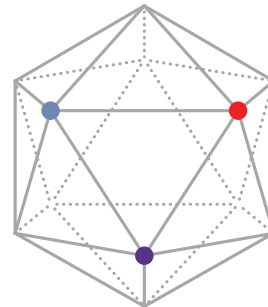
Source: FRC Guidance on Board Effectiveness



SOME CONSIDERATIONS

Workforce director

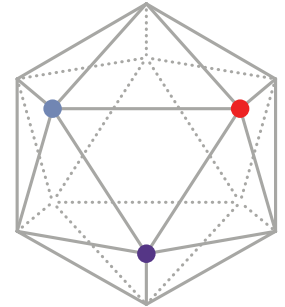
- Recruitment/election and appointment mechanisms
- Training and support
- Clarity about the role (what it is and what it is not)
- Time commitment



SOME CONSIDERATIONS

Advisory panel

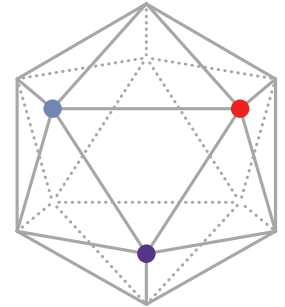
- Recruitment and constitution
- Administrative support (roles of Secretariat and HR)
- Communication channels
- Agenda setting
- Interface with other legal consultation mechanisms



SOME CONSIDERATIONS

Designated NED

- Time commitment
- Programme design
- Cultural understanding, especially for overseas businesses
- Support from human resources

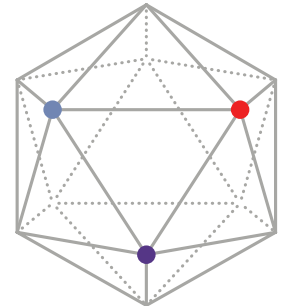


FEEDBACK AND CLOSING REMARKS

Further reading

FRC 2018 Guidance on Board Effectiveness

The Stakeholder Voice in Board Decision Making - ICSA / Investment Association



Thank you

