



Applying the new Corporate Code of Governance

Giving a hard edge to the softer side of reporting: requirements around Culture, Purpose and Employee Communication

The value of values

Organisational culture, values and purpose are all gaining acceptance as levers of business performance, and are increasingly influencing investment, purchasing and recruitment decisions.

However, despite evidence of the value of employee engagement and culture, there has not been universal commitment and investment by businesses to build capability, processes and links into business strategy.

That may, finally, be about to change

The UK's Financial Reporting Council (FRC) sets the UK's Corporate Governance and Stewardship Codes.

In January 2019, the Council revised the Code and placed culture front and centre, introducing new principles that emphasise the role of purpose, values and culture in running financially and socially sustainable companies.



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Some of the keys to unlocking alignment between strategy, values and purpose are:

- Leaders with a shared vision who “walk the talk”
- A clear, consistent narrative
- Credible values that are well understood, deeply embedded in behaviours, systems and processes and that are recognised and rewarded throughout the employee experience
- Strong internal engagement linked to business strategy
- Robust measurement, reporting and action planning
- Employee voice and involvement that connects employees and employers
- Breaking down siloes and building cohesion between teams
- Non-Executive Directors with the skills and experience to challenge and direct.



The Code requires action to create a better-run company with a sustainable future, not just tracking and reporting. Applied best, the Code is about continuous improvement.

At a glance

The role of culture, value & purpose in the revised Code

Summarised below are some of the key points on culture:

Section 1 deals with board leadership and company purpose

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. (Principle B)

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable business. The workforce should be able to raise matters of concern. (Principle E)

Provisions for these principles include assessing and monitoring culture and investing in the workforce. Engagement with the workforce is seen as significant enough a task to require a new role with a director appointed from the workforce, a work advisory panel and/or a designated NED being the three proposed options.

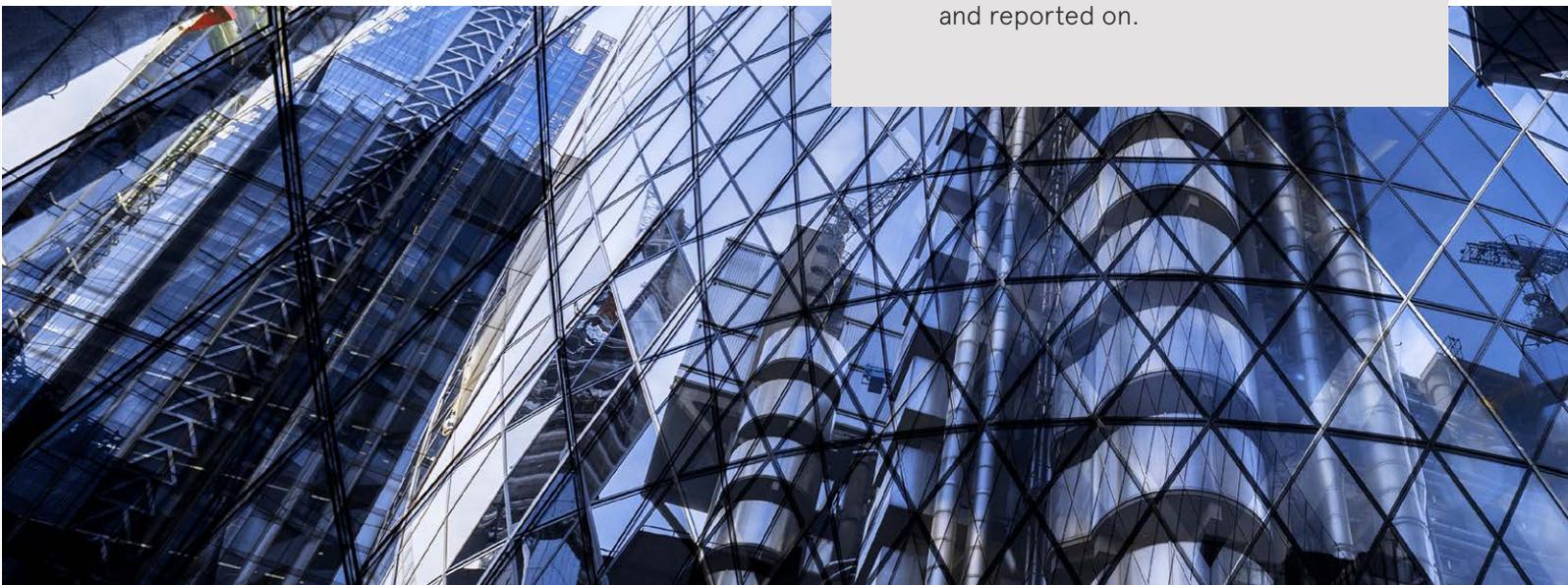
Culture comes up again in **Section 5, Remuneration**, which specifically links culture and incentive schemes.

A requirement, not an option

This is not soft advice. The introduction makes clear that: "The Listing Rules require companies to make a statement of how they have applied the Principles, in a manner that would enable shareholders to evaluate how the principles have been applied". And later, for the avoidance of doubt: "These operate on a 'comply or explain' basis and companies should avoid a 'tick-box' approach". (Provision 40).

Responding to Section 1 requires two key steps:

1. Agree how to measure and how to report.
2. Agree and carry out programmes of work to move the needle on each element being measured and reported on.



Principle B: Establish company's purpose, values and strategy and satisfy itself that these are aligned with its culture.

Recommended actions:

Articulate the company's purpose and agree a plan to fulfil that purpose

Finsbury's approach

- We take an inside-out, collaborative approach where employees and key stakeholders help to inform the purpose, increasing buy-in and advocacy and making it more likely to be achieved. This also gives companies something meaningful to say during the development stage
- We have a three-stage process to uncover and articulate a company's purpose and engage stakeholders with it through campaigning and activation

Revisit and agree values

Finsbury's approach

- Many organisations have values that have not been truly embedded. We can help to refresh these through a co-creative approach and then bring them to life through behaviours, storytelling and policies
- We have a process for reviving and embedding values that majors on employee voice

Define the strategy and engage employees with it

Finsbury's approach

- Strategies can end up as very technical and long documents that aren't meaningful to those outside the Executive and Board. We can 'translate' the strategy, create a narrative and develop a programme that helps teams and individuals understand their role in delivering, and the benefits to them and their stakeholders
- Our narrative development process helps to produce a strong story around the strategy that includes culture as a key lever

Define the current culture, desired culture and the gap to close

Finsbury's approach

- Through a series of leadership workshops, a survey and employee focus groups we will run a culture diagnostic to identify strengths and weaknesses and propose a desired future culture and behaviours, starting with leadership behaviours
- Once the future culture is agreed, we will work with the companies HR team to map out a culture programme that aims to embed the agreed behaviours



Principle E: The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise matters of concern.

Recommended actions:

Capture and review all workforce policies (HR is normally best placed to lead this)

- Map training and reward against the policies
- Review process for checking implementation of the policies
- Map values against each policy: to ensure consistency

Employee voice and raising concerns

- Review employee engagement survey: participation levels, representation of full business, regularity (companies are moving away from annual surveys)
- Map other feedback channels (including whistle-blowing as well as more informal feedback) and identify gaps. Agree how to monitor interactions at Board level
- Review Board and Executives interaction with employees at all levels
- Review and recommend the best approach to Board-workforce engagement (note there are three recommended options in the Code: we suggest the best option is a designated NED plus workforce advisory panel)

Who from the business needs to be involved?

- Human Resources Director
- Head of Strategy
- Director of Internal Communication
- Director of Engagement
- Business planning team
- IT



About Finsbury

Our Practices at Finsbury are well aligned to support clients in making the most of the opportunity that the revised Code presents.

Our Employee and Change Communications Practice works with leaders and employees to define vision, to test, articulate and embed values through behaviour, and to deepen engagement through employee involvement and activation.

Our Purpose Practice supports businesses to articulate and bring to life their purpose through actions and behaviours. And our deep understanding of **markets and transactions** means we understand the shareholder, financial and regulatory environment and the opportunity to contextualise the vision and strategy.



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