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Stakeholder Engagement and Reporting

Engaging with stakeholders in challenging times

The approach companies take now to engage with their stakeholders, may well impact their reputation for years to come

In our paper [‘From rhetoric to reality!’](#) we talked about the importance of engaging with key stakeholders, including employees, due to the new UK corporate governance reporting requirements.

In these challenging times brought about by COVID-19 companies are, understandably, having to make some very difficult decisions, including temporary closures and cost cutting strategies, resulting in employees being laid off, projects and business development plans being put on hold or even cancelled. With the urgency of the situation and the speed at which decisions are being made, stakeholder engagement may not be on the minds of Boards and senior executives. However, given that stakeholder engagement is fundamentally a process to involve people and organisations who may be affected by the decisions a company makes, or can influence the implementation of its decision; it poses the question as to how much engagement is, or should, be taking place at this time. The approach that companies take now to engage with their stakeholders may well influence how they are regarded in the future. A negative approach could potentially result in poor media attention, loss of revenue and damage to brand reputation.

Public companies will undoubtedly be communicating with their investors and shareholders as key stakeholders, on how they are managing the COVID-19 situation and their plans to protect investments, revenues and reduce other financial costs as best they can. With many 2019 Annual Reports already published, these will be based on their results pre COVID-19. Those companies will also be considering

how to manage their Annual General Meetings - which may now have the added challenge of being held virtually, with on-line proxy voting.

Thinking about when we come out the other side of this situation, companies who have managed to survive are likely to be judged on how they handled COVID-19; not only by their shareholders, but also other key stakeholders such as customers, employees and suppliers. This includes their engagement and communication process throughout this period, as well as how they have managed their responsibilities. Some companies have already been highlighted in the media as acting irresponsibly, either by the treatment of employees or continuing to open their premises during the government-imposed lockdown, thereby putting their employees and customers at risk. Other organisations, for example the supermarkets, despite taking initial criticism, are now seen to be communicating well with their customers through their CEOs.

The analysts from the various corporate benchmarks / investor indices who inform the investment community, will almost certainly want evidence of the strategy that a company took to reduce its financial risk, as well as how it upheld its corporate responsibility in relation to environmental, social and governance matters (ESG). We know from recent research, including the Aseoria [2019 Investor Survey ‘Corporate Governance – what investors think’](#) that ESG is increasingly important to investors and the COVID-19 situation is likely to enhance this further.

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If we consider how the Dow Jones Sustainability Index (DJSI) and other sustainability indices incorporate themes such as engagement with customers, communities, supply chain and workforce, then quite possibly the key rating agencies will become a stronger force. This could be an opportunity for a company to demonstrate the positive actions it has continued to make during this challenging time, as well as how responsibly they have behaved.

The Media and Stakeholder Analysis (MSA) which is an integrated part of the DJSI's Corporate Sustainability Assessment (CSA), looks at the consistency of a company's behaviour and management of crisis situations. The results of these checks can affect the overall analysis in a positive or negative way and therefore, potentially having an impact as to whether they are included in the index.

As we continue to fight the rapid spread of COVID-19 with people having to stay in their homes and radically altering the way they move around, live and work, it leaves many of us wondering what life will be like when this is all over. It is anticipated there will be negatives both economically and socially, as well as positives such as communities and organisations working closer together. We are already seeing this through the national efforts of 750,000 people who have signed up to the NHS as volunteers.

In terms of the global environmental impact, there are also likely to be positive outcomes in how CO2 emissions have significantly reduced as a result of the decrease in our usage of vehicles and other forms of transport such as air, rail and shipping. A potential downside, however, is that industries including the airlines, may well suffer great losses or go out of business.

Visioning the future, the world of business could look very different – organisations are likely to change the way they manage their day-to-day operations and supply chains. Some such as the larger supermarkets and technology companies, by the very nature of their business, are likely to thrive in the short-term, whilst others may not weather the storm so well, if at all.

An increase in home working may be the future using ever evolving technology for virtual meetings, rather than by traditional means. Whilst many workers will view this positively, companies will be required to carefully and effectively manage issues such as health and safety and physical and mental wellbeing, continual communication and constructive interventions.

In these uncertain times where increasingly things become more unpredictable, it is an important time for companies to be recognised as acting responsibly in the eyes of their employees and other key stakeholders, maintaining continuous, open and honest dialogue.

It has long been accepted that stakeholder engagement is integral to an organisation's business sustainability and success. The key activities to take at this challenging time are to continue to **Engage** stakeholders, **Listen** to their views, take **Action** where appropriate and **Communicate** effectively!



If you have any comments, or would like to discuss further, please do not hesitate to contact me, **Caroline McCarthy-Stout, Director of Stakeholder Engagement and Reporting at:**

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