

## The Wates Corporate Governance Principles for Large Private Companies CIPR response to Financial Reporting Council, September 2018

The Chartered Institute of Public Relations (CIPR) are delighted to welcome the proposed Wates Corporate Governance Principles for Large Companies (which we will from here on in we will refer to as ‘the principles’). We believe the guiding six principles largely cover requirements of forthcoming legislative reporting for large companies and we welcome this as an excellent and solid piece of governance advice, which sets out a template for best practice for all organisations, whatever their size. However, there are a number of areas we believe the guidance could go further in addressing which we will discuss further on.

It is right that business, if operated successfully, is recognised as generating “value for wider society”. The lack of trust referred to in the paper is the logical result following a number of high profile and devastating instances of corporate failure. If society relies on, and trusts, business to deliver this value, it is right and fair that a basic and common reporting structure is employed through the ‘apply and explain’ approach detailed in the paper.

### The role of PR

The CIPR is encouraged that a great deal of focus of our work is reflected within the paper through CIPR Groups such as our [Diversity and Inclusion Forum](#) and campaigns such as our forthcoming #PRPays campaign, designed to showcase the value of strategic public relations to the business community. There is, and will be, a significant role for public relations to play in embedding these principles into their organisations as well as delivering the communication required in the reporting of their practice. Much of this work is, and should be, the responsibility of a public relations team in advising their respective boards – particularly on matters concerning opportunity and risk (principle four) and building and managing both external and internal stakeholder relationships (principle six). Our [CIPR Inside](#) group, for example, leads our pioneering work on employee engagement. We will be encouraging members to adopt and employ the principles within their own organisations, irrespective of their size.

### The Principles

#### *Purpose*

The CIPR believe the six principles do address the key issues of the corporate governance of large private companies without placing onerous reporting demands on them. In practice, these principles should already be employed widely. By outlining the guidance behind each of these, we would hope to see businesses taking a more considered approach to their corporate structure and practice. However, we do feel there are some key elements surrounding the culture of businesses that are not addressed within the paper.

Identifying a company’s ‘purpose’ is a key element in addressing corporate culture. However, the aforementioned cases of corporate failures highlight the limitations of purpose alone in addressing the

circumstances in which a large company ethically fails. These failures happen when it becomes normal to operate without regard for public expectations of ethical behaviour, for example by focusing on short-term financial goals and not delivering long-term resilience. Aligning culture with public expectation, as opposed to aligning culture with purpose, should be the responsibility of a Board in bringing in the outside world and safeguarding against ethical collapse.

Further to this, the issue of 'reputation', which isn't raised in the paper, is something a Board should have ultimate responsibility for. As we identified in our '[Reputation and the Board](#)' report with the Institute of Directors, "organisations are judged not simply on the quality of a product or service, but how they are led and governed, their financial performance (and prudence) and their ethical and social commitments."

### *Composition*

A key focus for the CIPR is tackling the lack of diversity in a profession that has grown from 91% white in 2013/14 to 96% white in 2017/18<sup>1</sup>. It is encouraging to see the second principle being devoted to 'composition' although would welcome a greater focus beyond Board representation. In particular, further reference to diversity and inclusion should be included as a Board, and indeed a company, should seek to represent the publics it serves.

It is felt that a clearer understanding of what diversity is would be welcome. The paper outlines that "[d]iverse characteristics a board may consider include, but are not limited to, gender, social and ethnic backgrounds, and cognitive and personal strengths". It is the view of the CIPR that diversity should include the Protected Characteristics as listed in [Chapter 1 of the Equalities Act 2010](#):

- age;
- disability;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

Further guidance on the reporting expectations surrounding matters of diversity would be welcome.

<sup>1</sup> CIPR State of the Profession 2017 - <https://www.cipr.co.uk/stateofpr>

## Monitoring

The approach taken to address concerns around corporate governance within the paper are encouraging and welcome. Monitoring its effectiveness (question 8) will require transparency and the corresponding organisation reports should be made available on a central government website and encouraged to be published and clearly available on the website of the business. This will require stakeholder engagement and with working closely with HR and PR teams to identify, report and measure the results. This can be adapted and explored further in future years depending on the initial success of company reporting.

On the subject of 'composition', further guidance on how Boards should demonstrate their diversity would be welcome.

## Conclusion

The CIPR would like to reiterate its support of the principles. We hope this will see the start of businesses of all sizes recognising the value and importance of addressing their corporate governance and, crucially, communicating this in a clear, accountable and transparent way. The CIPR would also like to reaffirm our offer of support to the Financial Reporting Council as the reporting on this is rolled out and expanded over the coming years.

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