

Workforce advisory panels

2018 Corporate governance reforms
KPMG Board Leadership Centre



The *2018 UK Corporate Governance Code* focuses strongly on the duty of directors to have regard to a wide range of stakeholder perspectives when arriving at board decisions. In particular, the new Code calls for boards to establish a method for gathering the views of the workforce that would normally be either a director appointed from the workforce, a formal workforce advisory panel or a non-executive director with specific designated functionality.

This paper seeks to explore some of the issues boards should consider if thinking about using a workforce advisory panel to help engage the workforce with a view to understanding their views and ensuring they are given proper regard during the board's decision making processes. Other KPMG Board Leadership Centre papers look at the considerations surrounding workforce directors and designated non-executive directors.

Seven considerations

1. Clarity of purpose: Advisory panels of different types already form part of many companies' engagement mechanisms with their workforce (and other stakeholders). Some companies have European Works Councils with a specific statutory purpose, others are of a more *ad-hoc* nature or bespoke bodies tailored to the specific needs of the company. Can the board utilise an existing body to gather the views of the workforce or is an additional body required?

Is there clarity both in the eyes of the board and the workforce as to what the workforce advisory panel is there to achieve? Does it have a formal remit and Terms of Reference? In particular, is it clear that the board are not obliged to follow the views/advice of the workforce advisory panel, but that such views must be taken into account during the board's decision making processes?

2. Panel or panels? Will a single workforce advisory panel be effective, or would it be better to have a number of different panels representing (say) different geographies? Consideration should be given to the size and profile of the group as well as the practicalities involved in operating with a single advisory panel in a complex multinational group.

3. Nomination and appointment: What mechanisms should be in place for identifying and nominating members of the workforce advisory panel(s)? Options might include nomination by the workforce as a whole, individual business units or nomination by trade unions or some form of representative committee. Interesting dynamics arise in relation to International vs UK employees; and white collar vs blue collar employees. How should membership be refreshed?

4. Training: Will members of the workforce advisory panel require some form of additional training or development?

5. Engagement: Will the panel engage directly with the board or through management? If direct engagement is planned, what form will it take? For example, will the panel meet with the whole board on a regular or one-off basis, or only with individual board members, such as the chairman or a designated director? How frequently should the panel(s) meet?

Such forums are unlikely to be seen as effective by the workforce unless they are confident that their views will be heard by the board. It is therefore important to ensure that appropriate feedback mechanisms are in place. How does the board demonstrate to the workforce how they have fulfilled their role – especially where the workforce might expect affirmative action in response to their views?

- 6. Wider communications:** How will the company demonstrate to shareholders (and other stakeholders) how the workforce advisory panel(s) has helped the board keep abreast of the views of the workforce?
- 7. Support:** What administrative, financial or other support will the panel and its members need from the company? Think about travel, accommodation and hosting costs; the preparation of appropriate materials; secretarial support; interpretation costs for foreign employees; and time-off arrangements. Who prepares the papers and pre-meeting reading? What processes are in place to provide access to professional advice?

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