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# Stakeholder expectations and the annual report

May 2018, Selwyn Eathorne  
Governance Leadership Centre

LEADING  
GOVERNANCE

Institute of  
**Directors**



# Age of the consumer and social media



**Kylie Jenner** ✓

@KylieJenner



sooo does anyone else not open Snapchat anymore? Or is it just me... ugh this is so sad.

9:50 AM - Feb 22, 2018

♡ 376K 💬 80.7K people are talking about this



**Kylie Jenner** ✓

@KylieJenner



still love you tho snap ... my first love

10:01 AM - Feb 22, 2018

♡ 81.8K 💬 7,248 people are talking about this



# Stakeholders

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## Who are stakeholders?

- **Investors, shareholders, banks, customers, employees, suppliers, distributors, media, ministers, Parliament, citizens, the planet...**
- **Anyone that can have an impact on your organisation!**

# Stakeholders – increasing focus for directors



**Shareholder and stakeholder engagement**



## Stakeholder interests

**91%**

said stakeholder interests are very important to their organisation, up from 86% in 2016

*IoD/ASB Director Sentiment Survey 2017*

# Great(er) expectations

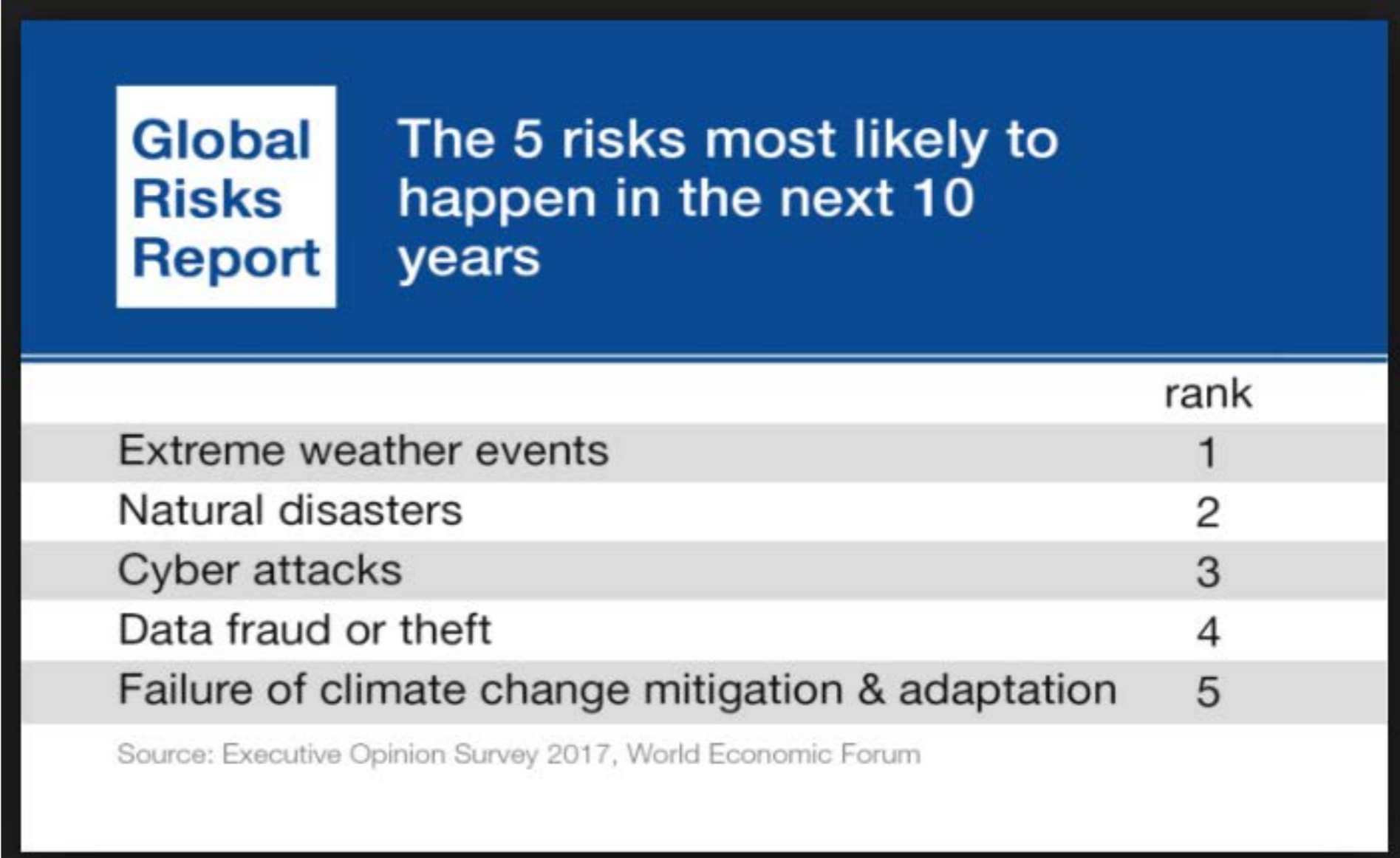
BlackRock's CEO, Larry Fink's 2018 annual letter to CEOs:

*“Companies must benefit all of their stakeholders, including shareholders, employees, customers, and communities in which they operate. Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.”*

*“Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world?”*

# Great(er) expectations

- Climate change
- A world of data
- EER surveys



**Global Risks Report** The 5 risks most likely to happen in the next 10 years

	rank
Extreme weather events	1
Natural disasters	2
Cyber attacks	3
Data fraud or theft	4
Failure of climate change mitigation & adaptation	5

Source: Executive Opinion Survey 2017, World Economic Forum

# Telling your story

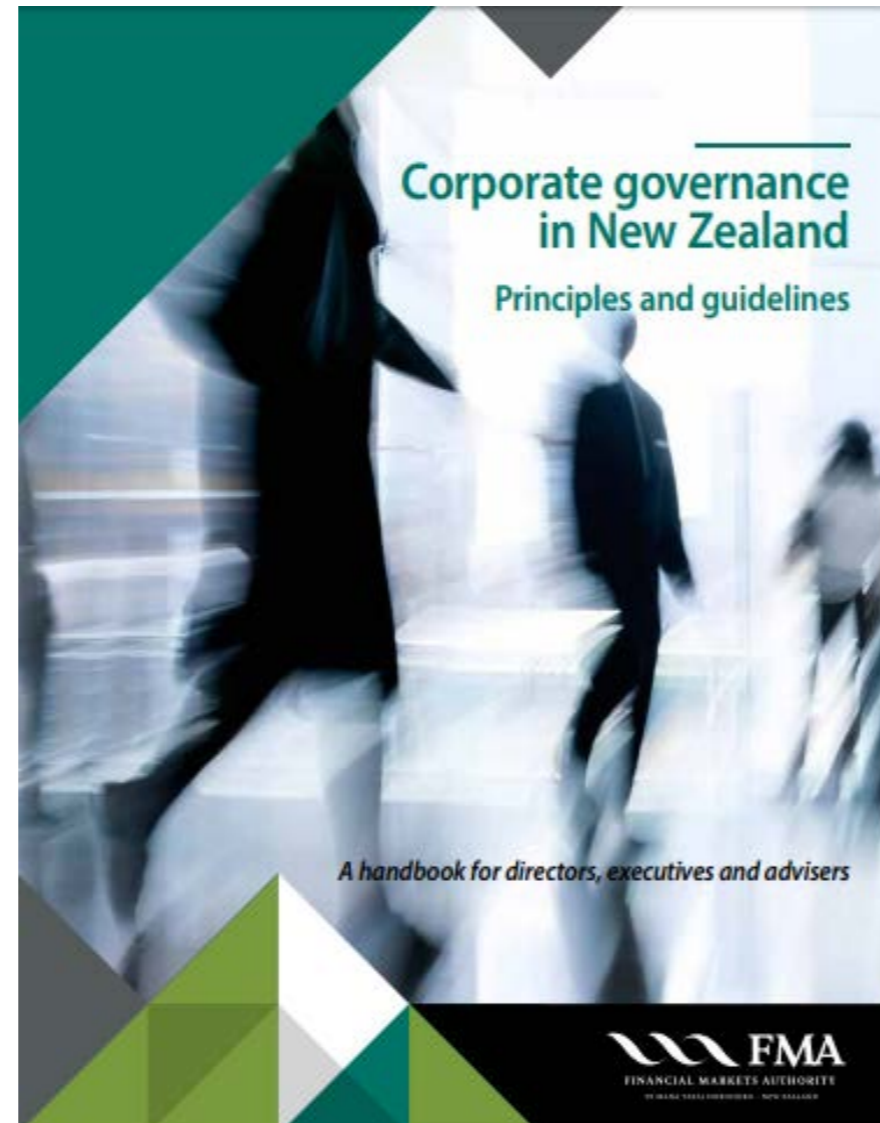
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- **More holistic reporting**
  - **Revised corporate governance codes**
  - **IoD commentary**

# Beyond financials – more holistic reporting!

- Statement of service performance
- Non-financial performance information
- Sustainability reporting
- Triple bottom line
- Quadruple bottom line
- GRI: Global Reporting Initiative
- Integrated Reporting
- ESG: Environmental, social and governance
- Extended external reporting
- Etc....



# Revised corporate governance codes



*“Boards should determine the appropriate level of non-financial reporting, considering the interests of their stakeholders and material exposure to environmental, social and governance (ESG) factors.”*

GOVERNANCE LEADERSHIP CENTRE



# Integrated thinking – a pathway to greater stakeholder engagement

DirectorsBrief Issue 1 2018

# Beyond compliance

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- **Trust and leadership**

# Trust is critical

Crisis in global trust: Government, media, business and NGOs

Government trusted but has work to do





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