

# INTERNATIONAL **DIRECTORS** SUMMIT 2019

The Trust Compass: Resetting the Course

14 & 15 OCT 2019 | Shangri-La Kuala Lumpur

PREVENTING THE NEXT SCANDAL:  
BUILDING A CULTURE OF VIGILANCE

By: Patrick Pearson, Black Sun plc

# Corporate trust



- Corporate trust is at an all-time low.
- Bad for business on so many levels.
- Trust can be a powerful differentiator.
- Trust provides resilience in a crisis.
- Important to build trust across all stakeholder groups.

# The real currency of business



We have broken the most important part  
in our vehicles: your trust.

**Now, our number one priority is winning back that trust.**

# Scandals can be terminal



# Prevention v Cure



# Preparedness

In preparing for battle I have always found that plans are useless, but planning is indispensable.

*Dwight D. Eisenhower*

# Aims of the Malaysian Code



## Principle C

Integrity in corporate reporting and meaningful relationship with stakeholders

1. Communication with Stakeholders

# The Malaysian code 'CARE' concept

<b>COMPREHEND</b>	Understand and internalise the spirit and intention behind the principles and practices including its intended outcomes.
<b>APPLY</b>	Implement the practices in substance to achieve the intended outcomes of building and supporting a strong corporate governance culture throughout the company.
<b>REPORT</b>	Provide a fair and meaningful disclosure on the company's corporate governance practices.
<b>ENGAGE</b>	Turn understanding, action and disclosure into advocacy. Convert values on the wall into values in action.



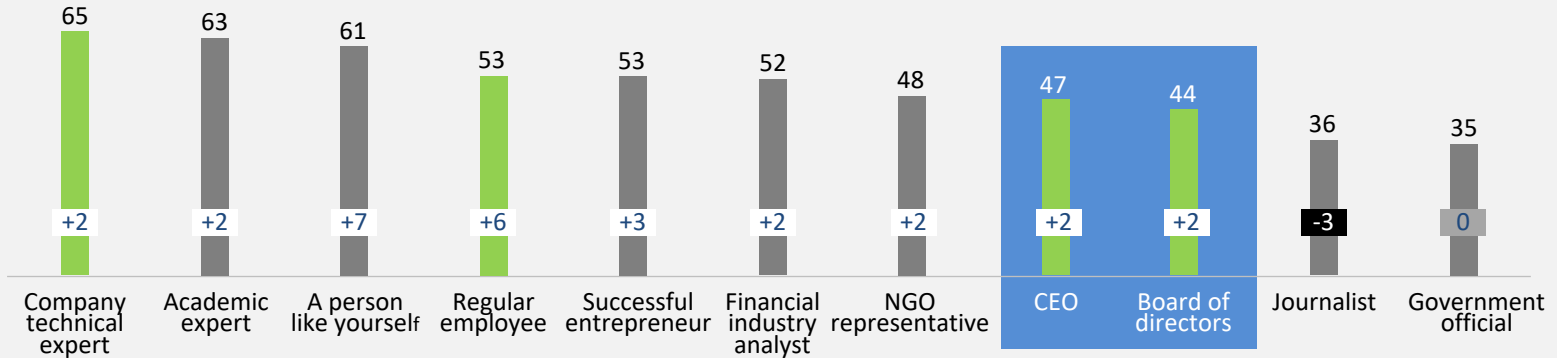
# Employee trust is low

## Activate Employee Voices

Percent who rate each source as very/extremely credible

Company voices

- 0 + Y-to-Y Change



Edelman Trust Barometer (2019)

# Trust at work

## Trust at work: the new employer-employee contract

### 1. LEAD CHANGE

- Be aspirational
- Address concerns about the personal impact of change
- Train the workforce of the future

### 2. EMPOWER EMPLOYEES

- Give them a voice
- Create opportunities for shared action
- Empower them with information

### 3. START LOCALLY

- Solve problems at home
- Improve societal conditions in the local communities in which you operate

### 4. CEO LEADERSHIP

- Live your values
- Engage directly
- Be visible and show a personal commitment, inside and outside the organisation

Edelman Trust Barometer (2019)

# Malaysian Code: step-ups

## Principle C: Communication with Stakeholders

### Intended Outcome

- 11.0** There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.
- Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

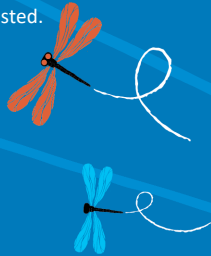
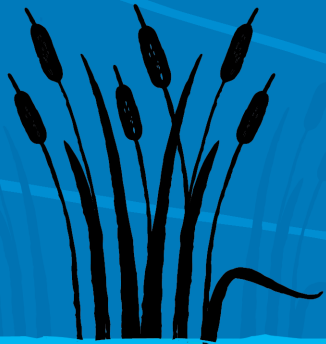
### Potential extra Step-up

- 12.4** The board establishes an internal communications ecosystem with programmes that promote, uphold and reinforce responsible business culture and practices.

# The six principles of trust

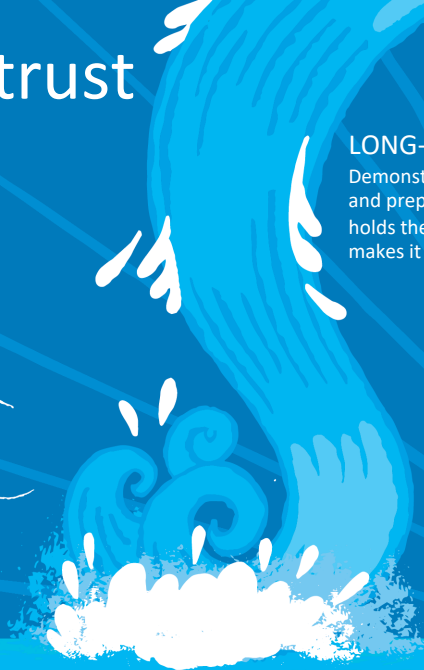
## DIVERSITY

A diverse board and workforce that represents a wide range of stakeholder views will make a company more informed and ultimately more trusted.



## LONG-TERM THINKING

Demonstrating long-term thinking and preparedness is the glue that holds the narrative together and makes it believable.



## PURPOSE

The purpose of a company shapes its ecosystem. A company that communicates how it is 'part of the solution rather than the problem' is a more trusted company.

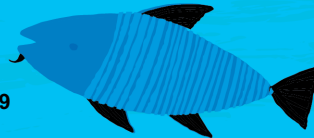


## CULTURE & VALUES

A company with a healthy corporate culture is seen as a safer and more attractive company to invest in, partner with and work for.

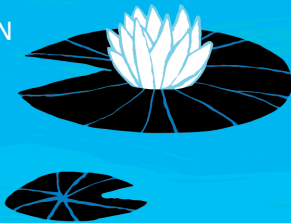
## STAKEHOLDERS

Social licence to operate by securing the trust of key stakeholders is essential for long-term success.



## WIDER VALUE CREATION

Communicating the full range of value created and the actions taken to manage, sustain and develop these sources of value will make a company appear better prepared for the future.



# 1. PURPOSE

A company that communicates how it is 'part of the solution rather than the problem' is a more trusted company.



# UK Corporate Governance Code 2018

## Principles

- A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
- B. 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.
- C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- D. In order of the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- 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 any matters of concern.

# Purpose is at a turning point in the USA

## US Business Roundtable

In August 2019, 181 CEO members of the US Business Roundtable signed a Statement of Purpose endorsing a stakeholder-inclusive purpose for corporations:

- Delivering value to our customers.
- Investing in our employees.
- Dealing fairly and ethically with our suppliers.
- Supporting the communities in which we work.
- Generating long-term value for shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

### PURPOSE AT A TURNING POINT

64%

Share of Americans who say a company's "primary purpose" should be "making the world better."

[ SOURCE: JULY SURVEY BY NEW PARADIGM STRATEGY GROUP, FOR FORTUNE ]

41%

Share of Fortune 500 CEOs who say solving social problems should be "part of [their] core business strategy."

[ SOURCE: MARCH POLL FOR FORTUNE, THROUGH SURVEYMONKEY ]

# Purpose for different stakeholder groups

**EMPLOYEES** aspire to be part of something bigger and more important than themselves, driven by a higher sense of purpose that outweighs pay.

The first step is to engage employees, the very people who embody the brand.

**CUSTOMERS** – in exchange for loyalty – expect added value, a product or service that drives positive change and touches their lives beyond mere functionality.

**COMMUNITIES** demand that companies earn their ‘social licence to operate’.

**INVESTORS** want to hold equity in companies that fulfil a genuine societal need and do so responsibly and sustainably.





# 1. Purpose: engaging employees

Involve employees in defining how the company contributes to wider society.

Show how purpose fits together with culture, values and stakeholder propositions.

Disseminate, celebrate and feed purpose throughout the organisation.



# Purpose and the wider corporate story



# Example – integrated Purpose

## The Croda Difference Our 2030 Plan

CRODA

## Smart science to improve lives

**Our Purpose**  
Why we exist

We use science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

Everyone at Croda works to address the global challenges that we all face. By doing so, we improve the lives of everyone we touch.

Introduction

Whether you are one of our employees, customers, investors or researchers, you will have already experienced The Croda Difference.

With this guide, we want to share the story of who we are, what we stand for, and the difference we make for everyone we touch.

As we embark on the next chapter in the Croda story, we will build on the important practices that anchor our business, and with your contribution we will work together to ensure positive change in the world.

Thank you,  
Steve Fooks

Welcome to  
**The Croda Difference**

**Different in our people**  
Diversity, inclusion, and a commitment to the global growth of our people are a key part of our Croda Difference.

**Different in our business**  
Our purpose, our mission, our strategy, our goals, and our focus.

**Different in our performance**  
Our financial performance, our environmental performance, and our social performance.

**Different in our customer focus**  
Our commitment to our customers, our partners, and our communities.

**Contents**

- Our Purpose
- Our Mission
- Our Strategy
- Our Goals
- Our Focus

### Our Purpose

**What we stand for**

Our purpose is to provide innovative solutions that benefit our customers, colleagues and the wider world.

Our mission is to use science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

Our strategy is to use science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

Our goals are to use science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

Our focus is to use science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

### Our Values

**How we do things**

**Together**

- We work together as a global team.
- We respect the rights and freedoms of all our stakeholders.
- We are responsible and transparent in our business.
- We have a open culture where everyone can contribute and succeed together.

**Responsible**

- We are responsible for the actions we take, the risks we face, and the impact we have on our customers, colleagues and the wider world.
- We are committed to the highest standards of ethical and legal conduct.
- We are committed to the highest standards of environmental, social and governance performance.
- We are committed to the highest standards of safety and health performance.
- We are committed to the highest standards of diversity and inclusion performance.
- We are committed to the highest standards of community and social performance.

**Innovative**

- We are committed to the highest standards of innovation performance.
- We are committed to the highest standards of research and development performance.
- We are committed to the highest standards of intellectual property performance.
- We are committed to the highest standards of talent and leadership performance.
- We are committed to the highest standards of financial performance.
- We are committed to the highest standards of operational performance.

### Our Metrics

**What we do**

**Superior returns**

We will lead our industry by using our science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

**Positive impact**

We will lead our industry by using our science and entrepreneurial spirit to provide innovative solutions that benefit our customers, colleagues and the wider world.

**Our Goals**

- Our financial performance
- Our environmental performance
- Our social performance
- Our customer performance
- Our community performance
- Our innovation performance
- Our research and development performance
- Our intellectual property performance
- Our talent and leadership performance
- Our financial performance
- Our operational performance

### Our Challenge

**What we are fighting for**

**1.5°C**

**8.5bn**

**35% 40% 50%**

**\$12tr**

The great acceleration causes that, by 2050, there will be 8.5 billion people on the planet. We will need to provide for the needs of 8.5 billion people, while also addressing the challenges of climate change, including the need to reduce greenhouse gas emissions and the need to provide for the needs of the world's poor.

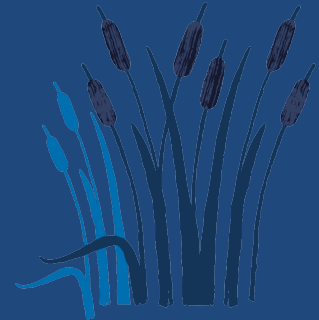
Meeting this challenge is a complex task and will require the collaboration of all stakeholders. The world's governments, businesses, and individuals all have a role to play in addressing this challenge.

It's The Croda Difference.

# 2.

## CULTURE & VALUES

A company with a healthy corporate culture is seen as a safer and more attractive company to invest in, partner with and work for.



# What is corporate culture?

## Harvard Business Review (2018)

“Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group.”



## McKinsey (2018)

“Culture is the common set of behaviours and underlying mindsets and beliefs that shape how people work and interact day to day.”



# Corporate culture matters

02.27.17

## This Is What Caused Uber's Broken Company Culture

Uber's problems are a result of a company that refused to fix its dysfunctional culture.



[Photo: Jaap Arriens/NurPhoto via Getty Images] [PHOTO: JAAP ARRIENS/NURPHOTO VIA GETTY IMAGES]



## How Japan's corporate culture allows corrupt CEOs to win

By Parissa Haghirian for [CNN Business Perspectives](#)

ITV REPORT 16 May 2018 at 12:01am

## Carillion's board presided over 'rotten corporate culture', say MPs



## 2. Culture & values: engaging employees

Co-create with the people who embody your brand.

Express your culture & values and roll out across the organisation.

Integrate into every employee-related process to firmly embed.



# Example – communicating Culture internally



## One team, three commitments...

We want Compass to be an amazing place to work, for all of us.

Last summer, an independent research agency spent over 500 hours listening to our people across the business to find out what they value and enjoy about working here.

The result is our Commitments which we believe reflect the essence of what is important to our people.

In October you will be invited to take part in an employee survey to find out how you feel we are doing so far. Your responses will guide what we do next to deliver more against our Commitments.

WE TREAT EACH OTHER FAIRLY AND WITH RESPECT

WE HAVE OPPORTUNITIES TO DEVELOP AND PROGRESS

WE WORK AS PART OF A POSITIVE AND CARING TEAM



COMMITMENTS  
RESPECT

## Respect

TREAT EACH OTHER FAIRLY AND WITH RESPECT

We know fairness, respect and courtesy come first. We celebrate individuality and appreciate everyone's contribution.



COMMITMENTS  
GROWTH

## Growth

WE HAVE OPPORTUNITIES TO DEVELOP AND PROGRESS

We develop our people. We support and encourage everyone to build their skills and fulfil their potential.



COMMITMENTS  
TEAMWORK

## Teamwork

WE WORK AS PART OF A POSITIVE AND CARING TEAM

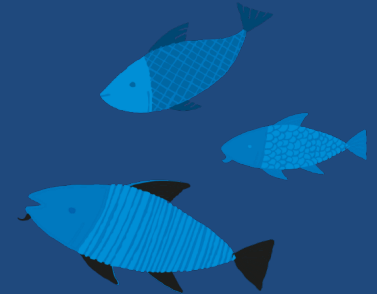
We work in great teams. We care for each other and our customers and we enjoy what we do.





# 3. STAKEHOLDERS

Social licence to operate by securing the trust of key stakeholders is essential for long-term success.



# The multi-stakeholder business case

## There are multiple commercial drivers for being a responsible business:

- Societal expectations are evolving, particularly on climate change action and the UN Sustainable Development Goals.
- To compete, companies must comply with increased industry regulation and corporate reporting requirements.
- Environmental, social and governance issues are increasingly a part of commercial contracts.
- It's good for reputation - being a responsible business leads to resilience, success and profitability.
- It helps attract and retain talent – current & future employees want to work in a company that reflects their values.

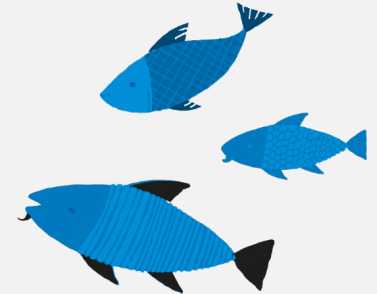
Businesses have a moral obligation to positively contribute to the welfare of society and the protection our natural world, while also delivering shareholder return.

# 3. Stakeholders: engaging employees

Communicate material ESG impacts and risks.

Use e-learning to reinforce understanding of the Code of Conduct, Bribery Act etc.

Demonstrate the Code at Work to bring it to life and relate to customers, suppliers etc.

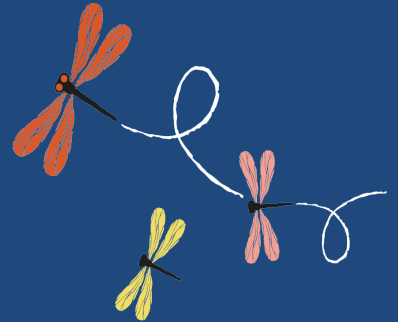


# Example – communicating on ethics



# 4. DIVERSITY

A diverse board and workforce that represents a wide range of stakeholder views will make a company more informed and ultimately more trusted.

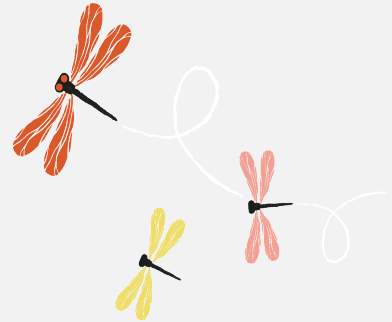


# 4. Diversity: engaging employees

Explain the business case for D&I, not the box ticking case.

Roll out training and development eg. unconscious bias.

Dispel the myths and encourage meaningful debate eg. gender diversity.



# Example – debate on diversity

**WOMEN will inevitably leave to have babies.**



In fact, the return rate for women post pregnancy is

**93%**

in our UK business over the last three years. Only ten women have not returned to work in the UK since maternity leave.

**WOMEN choose lower paying roles and career paths.**



This is not valid.

It may appear so because of the total percentage of women vs. men in an area of the business, but does not necessarily reflect role choices.

**Schroders**

**REAL MEN don't go on paternity leave.**



The reality is that many of our new fathers have taken up this option, with

**419 days**

taken in the UK alone since 2018.

**MEN are simply better at certain jobs than women.**



We see this as a baseless and archaic viewpoint that is directly challenged by some of our diversity and inclusion role models.

In essence, it means:

# #rethinktheroles

Discard preconceptions about roles and who is eligible to fill them, based on historical norms rather than future needs and corporate aspirations.

Take a more radical approach to role filling that rejects the 'round peg, round hole' mentality of the past.

Take characteristics out of the equation and focus on capability. Companies are weakened when they limit their sphere of knowledge and inspiration to any particular group of people.



In essence, it means:

# #rewritetherules

Foster an open-minded approach that acknowledges the fact that diversity does not come with labels. Nothing and no-one needs to fit into expected groups.

Support diversity of thought, education, background and circumstance just as much as we do diversity of experience – in business, in personal life, in adversity.

Look for ways to show this change in our perspective by supporting our people and updating our policies and approaches.

# 5. WIDER VALUE CREATION

Communicating the full range of value created and the actions taken to manage, sustain and develop these sources of value will make a company appear better prepared for the future.

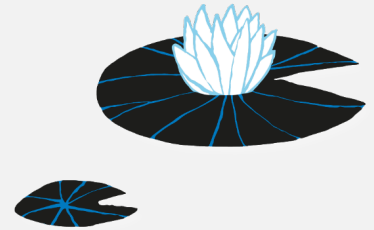


# 5. Wider value creation: engaging employees

Ensure that employees own the ESG agenda.

Actively seek input from those closest to the business.

Present the sustainability strategy and annual performance internally, with CEO endorsement.



# Example – the internal sustainability story



# 6. LONG-TERM THINKING

Demonstrating long-term thinking and preparedness is the glue that holds the narrative together and makes it believable.



## 6. Long-term thinking: engaging employees

Share the strategic vision with employees, with clear milestones along the roadmap.

Report internally on progress, with an open Q&A.

Don't restrict long-term performance rewards and incentives to the Board – cascade downwards.



# Example – sharing vision with employees



# Corporate culture: health indicators

## Sign of a POSITIVE culture

### INTERNAL COMMS

- Strong, clear, regular
- Broad scope
- Multi-directional

### TRAINING

- Structured programme
- Resp. business practices
- Measured output

### PRODUCTIVITY

- Engaged = productive
- Employee retention
- Employee advocacy

## Sign of a NEGATIVE culture

### COMMITMENT

- High employee churn
- Low energy
- Lacklustre performance

### EXTERNAL

- Customer complaints
- Poor Glassdoor reviews
- Low ESG ratings v peers

### LEADERSHIP

- High exec turnover
- Poor emp. survey results
- Non-communicative CEO



# Corporate culture: measurement

**Culture is the patterns of behaviour that are encouraged, discouraged or tolerated.**

## INTERNAL

### How to measure

- Surveys and workshops.
- Continuous listening – ‘pulse’ polls.

### What to measure

- Observed behaviours and alignment with defined culture.
- The business indicators that these behaviours produce.
- Culture consistency across the organisation.

**Measure behaviours that build (or damage) trust**

## EXTERNAL

### How to measure

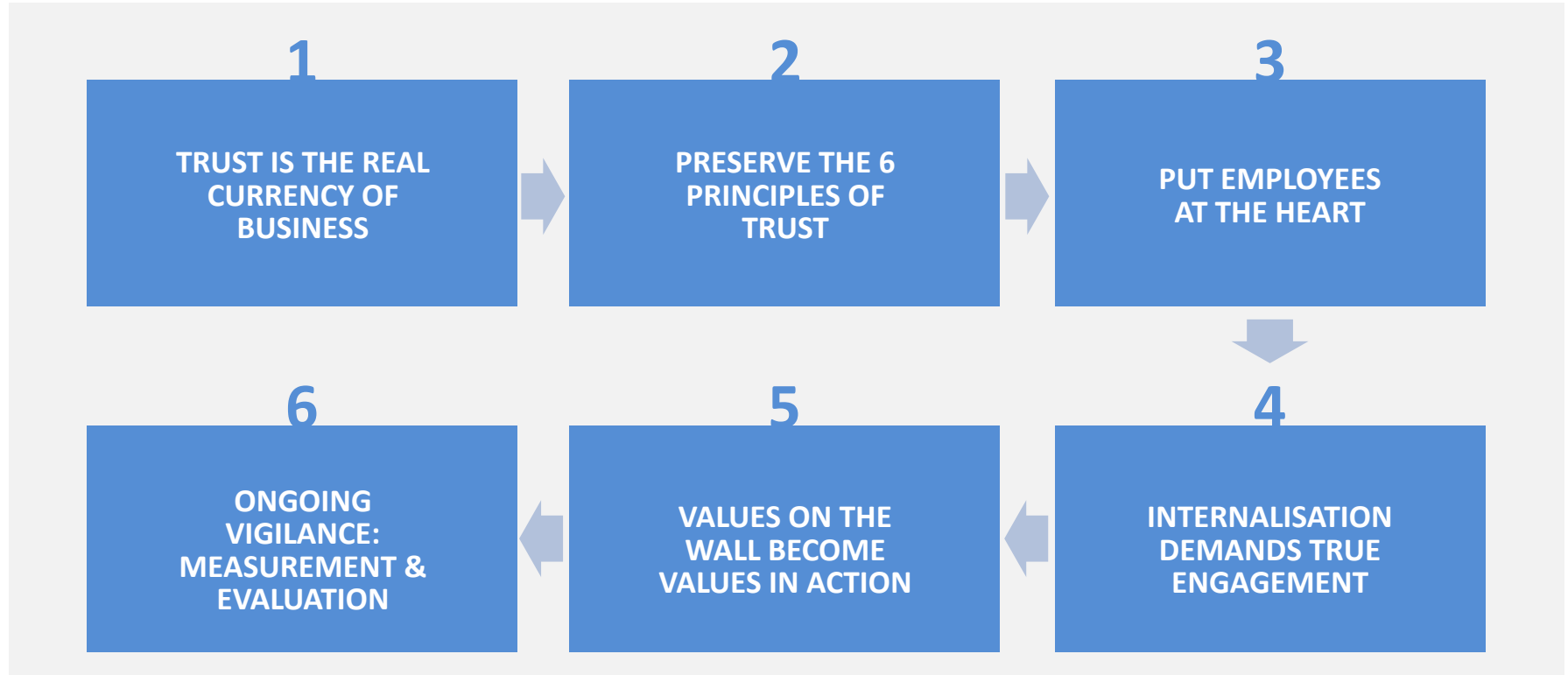
- Perception monitoring tools.
- Social media listening tools.

### What to measure

- Ability to deliver upon expectations v benchmarks.
- Sentiment: feeling, trust, esteem.
- Behavioural intentions eg. invest in, advocate for, purchase from, avoid.

**Track the extent of external trust**

# Conclusion: how to prevent the next scandal





Masterclass #2  
PREVENTING THE NEXT SCANDAL:  
BUILDING A CULTURE OF VIGILANCE



Scan to download  
the report

“We are pleased to support this timely piece of research by Black Sun. We agree that one of the ways companies can build and cultivate trust is through culture reporting. It’s the art of telling the company’s story in an engaging and authentic way, creating the conditions needed for retaining and heightening investors as well as consumers’ confidence.”

Michele Kythe Lim  
President and CEO of ICDM

“The annual report is more than just a ‘tick-the-box exercise. Malaysian companies need to up their game by expressing their tone at the top and articulating their values as a way to steer aspirations in terms of culture.”

Joanne Lee  
Director of Research & Strategy, Black Sun

# OUR RESEARCH FINDINGS



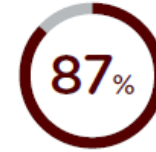
of companies outlined their values



of companies discussed their strategic priorities / objectives



of companies incorporated a sustainability focus in their strategy section



of companies discussed the process for identifying material sustainability issues



of companies mentioned culture in their Chairman / Chief Executive statements



of companies identified non-financial KPIs



of companies showed a clear link between strategy and culture or values



of companies discussed their stakeholder engagement plans and processes



of companies identified principal risks relating to culture and values



of companies provided targets in relation to embedding values



of companies provided a disclosure of performance appraisals aligned with corporate culture



of companies mentioned conducting a Board evaluation process during the year

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THANK YOU