Strengthening Stakeholder Engagement and Communication Across the GCC: The Critical Role of Boards in Navigating Shareholder Activism

In the evolving corporate landscape of the Gulf Cooperation Council (GCC) region, effective stakeholder engagement and communication have become essential elements of robust corporate governance. Companies in the GCC—including those in Saudi Arabia, the UAE, Kuwait, Qatar, Oman, and Bahrain—are increasingly recognizing the need to maintain open and transparent lines of communication with their stakeholders. This includes employees, customers, investors, and regulators, who are essential in building trust, ensuring accountability, and driving sustainable growth.

With the rise of shareholder activism across the region, particularly from institutional investors, there is growing pressure on companies to improve transparency, integrate Environmental, Social, and Governance (ESG) considerations, and strengthen overall governance practices. This article examines the role of the board of directors in this context and outlines strategies for effective stakeholder engagement and communication.

The Growing Trend of Shareholder Activism in the GCC

Shareholder activism is gaining traction across the GCC, driven by a combination of regulatory changes, increased foreign investment, and a growing emphasis on sustainability and governance. Institutional investors are becoming more assertive in demanding better corporate practices, accountability, and performance from the companies in which they invest. This trend is not limited to Saudi Arabia and the UAE; it is evident across the GCC as markets mature and become more interconnected with global standards.

For example, Qatar has seen increased scrutiny from investors over its corporate governance practices, particularly in the wake of international events like the FIFA World Cup. Meanwhile, Kuwait has implemented reforms to enhance market transparency and investor protection, which has encouraged more proactive shareholder engagement. In Oman and Bahrain, there has been a noticeable push towards adopting more stringent governance codes, influenced by regional peers and international investors who are looking for greater accountability and transparency.

In response to these developments, boards of directors across the GCC are under increasing pressure to engage more effectively with shareholders, understand their concerns, and address them to maintain investor confidence and protect the company's reputation.

The Crucial Role of the Board in Stakeholder Engagement

Boards of directors play a pivotal role in navigating this era of heightened shareholder

Amman
7th Circle, Amman, Jordan
T +(962) 6 586 6448
M +(962) 79 988 4111
Info@MEIoD.org

Dubai
Downtown Dubai, Dubai, UAE
T +(971) 4 401 8506
M +(971) 56 651 4081

activism and increased expectations for engagement. They are ultimately responsible for ensuring that the company's approach to stakeholder engagement is aligned with best practices in corporate governance and tailored to the specific context of their market and investor base. To achieve this, boards must adopt a strategic and proactive approach to communication and engagement.

Key actions for boards to enhance stakeholder engagement and address shareholder activism include:

1. Developing a Robust Stakeholder Engagement Framework: Boards should guide the development of a comprehensive stakeholder engagement framework that clearly defines how the company will communicate with its various stakeholders, especially shareholders. This framework should include mechanisms for regular dialogue, feedback loops, and engagement on key issues such as strategy, performance, and governance. Regular communication through shareholder meetings, investor calls, and digital channels should be an integral part of this strategy.

2. Promoting Transparency and Accountability: One of the primary expectations from shareholders and other stakeholders is transparency. Boards must ensure that their companies are committed to providing timely, accurate, and comprehensive disclosures on financial performance, strategic direction, ESG initiatives, and risk management practices. Regular, clear communication about these issues not only builds trust but also mitigates the risk of misunderstandings or conflicts with shareholders.

3. Embedding ESG into Corporate Governance: With the growing focus on sustainability, it is crucial for boards to integrate ESG considerations into the core corporate strategy and governance framework. This involves setting clear ESG goals, monitoring progress, and communicating transparently about ESG performance and impact. Boards should ensure that ESG factors are considered in decision-making processes and that there is alignment with global best practices, which increasingly influence investor expectations across the GCC.

4. Engaging Proactively with Institutional Investors: Institutional investors, such as sovereign wealth funds and large asset managers, are becoming more vocal in the GCC region, advocating for stronger governance and better ESG integration. Boards must prioritize regular, meaningful engagement with these key shareholders to understand their perspectives and align with their expectations. By proactively addressing concerns and demonstrating responsiveness, boards can build stronger, more supportive relationships with institutional investors.

investors family executives entrepreneurs

Amman
7th Circle, Amman, Jordan
T +(962) 6 586 6448
M +(962) 79 988 4111
Info@MEIoD.org

Dubai
Downtown Dubai, Dubai, UAE
T +(971) 4 401 8506
M +(971) 56 651 4081

5. **Strengthening Board-Shareholder Relations:** A critical function of the board is to bridge the gap between shareholders and management. Boards should ensure that they have regular interactions with shareholders to discuss governance, strategy, and performance. This can be achieved through dedicated investor days, roadshows, or regular updates. Boards should also be open to shareholder feedback and demonstrate a willingness to make changes when needed. A responsive board is more likely to maintain shareholder trust and avoid conflicts that could escalate into activism.

6. **Ensuring Diverse and Competent Board Composition:** The composition of the board itself is crucial in navigating shareholder activism. Boards should ensure that they have a diverse range of skills, including expertise in areas such as governance, finance, ESG, and risk management. This diversity enables boards to engage more effectively with shareholders and address a wider range of issues. Furthermore, having board members who are well-versed in emerging governance trends can help anticipate and respond to shareholder demands more proactively.

7. **Utilizing Technology to Enhance Engagement:** Boards should encourage the use of technology to facilitate better engagement with shareholders and other stakeholders. Virtual meetings, online platforms, and digital communication tools can increase accessibility and participation, particularly for international investors. By leveraging technology, companies can ensure more inclusive and dynamic shareholder engagement processes.

8. **Monitoring Regulatory Changes Across the GCC:** The regulatory landscape in the GCC is evolving, with each country introducing new laws and guidelines to enhance corporate governance and investor protection. Boards must stay informed of these changes and ensure that their companies are in compliance. This includes understanding the implications of new regulations for shareholder rights and engagement, such as the revised corporate governance codes in Saudi Arabia, Qatar, and Oman, and adapting governance practices accordingly.

The Way Forward: Building a Culture of Open Communication and Trust

As shareholder activism continues to rise across the GCC, boards of directors must take a more active role in engaging with shareholders and other stakeholders. By prioritizing transparency, accountability, and proactive communication, boards can help build a culture of trust and collaboration that supports long-term value creation and sustainability.

Amman
7th Circle, Amman, Jordan
T +(962) 6 586 6448
M +(962) 79 988 4111
Info@MEIoD.org

Dubai
Downtown Dubai, Dubai, UAE
T +(971) 4 401 8506
M +(971) 56 651 4081

To navigate this evolving landscape, boards must develop a comprehensive stakeholder engagement strategy, enhance their own competence and diversity, integrate ESG considerations into governance frameworks, and leverage technology to facilitate better communication. By doing so, they can strengthen their relationships with shareholders, mitigate the risk of activism, and position their companies as leaders in corporate governance across the GCC.

Conclusion

Effective stakeholder engagement and communication are vital for companies operating in the GCC's dynamic markets. Boards of directors must recognize their critical role in this process, ensuring that their companies are aligned with best practices in governance and responsive to the evolving expectations of shareholders and other stakeholders. By embracing a proactive and strategic approach to engagement, boards can foster stronger, more resilient relationships that drive sustainable growth and success in an increasingly competitive and transparent business environment.

About the Author:

Maali Q. Khader is a highly experienced, effective, and trusted lawyer. Today she is a luminary in the corporate governance, sustainability, legal training, and advice sectors.

Maali holds a few concurrent roles, chief of which is CEO of the influential Middle East Institute of Directors (MEIoD), delivering advanced environment, social and governance (ESG) advisory and training to several prestigious organisations.

Since 2012, as Founder and Board Member, Maali has driven change and excellence across a number of leading organisations.

Amman
7th Circle, Amman, Jordan
T +(962) 6 586 6448
M +(962) 79 988 4111
Info@MEIoD.org

Dubai
Downtown Dubai, Dubai, UAE
T +(971) 4 401 8506
M +(971) 56 651 4081