F r o m  W o r d s  t o  A c t i o n

The Stakeholder Engagement Manual

VOLUME 2: THE PRACTITIONER’S HANDBOOK ON STAKEHOLDER ENGAGEMENT
From Words to Action

The Stakeholder Engagement Manual

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AccountAbility, the United Nations Environment Programme, and Stakeholder Research Associates

By AccountAbility:
Thomas Krick
Maya Forstater
Philip Monaghan
Maria Sillanpää

With contributions from:
Cornis van der Lugt (United Nations Environment Programme)
Katharine Partridge, Charles Jackson, Asaf Zohar (Stakeholder Research Associates)

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Foreword by AccountAbility

Finding a path towards sustainable development will require the pooling of diverse perspectives, knowledge and resources. No single individual, organisation, nor even a single segment of global society is likely to by themselves identify and implement the solutions to the big challenges humanity is facing today.

So, for each individual player, but also for society as a whole, there is at the same time a necessity for and an opportunity in engaging with each other to solve these problems.

However, we should also not forget another reason for considering and listening to each other before taking significant decisions: We all share this world and the consequences of many of our actions are not limited to our own ‘backyards’. They impact others, too, whether it be directly or indirectly. This is why there also needs to be an acknowledgement that those who are impacted by an organisation’s activities have the right to be heard.

All the above are reasons why encouraging effective stakeholder engagement is core to AccountAbility’s mission of promoting organisational accountability for sustainable development. For the past decade we have worked with pioneering organisations and a growing band of professionals in developing standards and best practice in integrating stakeholder viewpoints into decision-making. One outcome of these efforts is the recent publication of the AA1000 Stakeholder Engagement Standard. Another complimentary output, this time produced in co-operation with the United Nations Environment Programme and Stakeholder Research Associates, is this handbook.

One aim of this handbook is to provide guidance on how corporations can increase their knowledge, their abilities and their legitimacy by undertaking stakeholder engagement. This will enhance performance and enable corporations to reach more ambitious objectives for their own business, but also allow them to contribute towards a more sustainable world. In fact, helping to identify the space of synergy between these two benefits by aligning corporate strategy with sustainable development is the ultimate objective of this handbook.

We would like to thank the United Nations Environment Programme for initiating this project. We also thank Stakeholder Research Associates, whose work for Volume 1 of the manual provided an excellent starting point for the further research and development activities that led to the publication of this handbook. Furthermore, we would like to thank the members of the review panel and the multitude of other individuals who took part in the interviews, consultations and workshops for their contributions to this handbook. Finally, we are indebted to the publication sponsors who have not only contributed resources, but also a wealth of experience and expertise to this handbook.

May it be of benefit.

Maria Sillanpää
Managing Director, AccountAbility

Foreword by the United Nations Environment Programme

What does a rail infrastructure company do if it needs to build a new railway line through an area where local inhabitants may have to move as a result? What does a telecommunications company do if the setting up of a new mast opposite a local school causes community protest? How does a food and drinks company recover from the reputational damage caused by the discovery of health threatening substances in one of its products? How does a chemicals company ensure the neighbouring community is aware of potential hazards, risks and safety measures applied at a local production plant? How does a mining company restore employee morale after an underground explosion in which fellow workers lost their lives?

These are just a few examples of difficult issues various companies have had to deal with, issues that display the close interplay between the business interest and the societal interest. These are basic examples of dramatic events, often showing symptoms of upstream planning and decision-making that had severe shortcomings. The more important question therefore becomes: How can the pro-active company engage its stakeholders strategically? Does it know who its real stakeholders are? If yes, how can it improve its ability to listen to and work with those stakeholders in defining its mission, what it stands for, what it produces, how it produces, and how it takes responsibility for its impacts with a long term perspective?
This Practitioner’s Handbook on Stakeholder Engagement takes the company through some basic steps and considerations in planning and developing stakeholder engagement. As the second volume in the Stakeholder Engagement Manual by UNEP, AccountAbility and Stakeholder Research Associates, it builds on Volume 1 which gave a compilation of different perspectives of companies, industry associations, labour unions and NGOs on stakeholder engagement. Both of the volumes confirm growing recognition of the importance of stakeholder engagement in promoting environmentally and socially responsible behaviour by companies across all sectors.

The origin of this Stakeholder Engagement Manual goes back to UNEP’s 19th Annual Consultative Meeting with Industry Associations and related stakeholder organisations in 2002. From discussions at that meeting and subsequent feedback in the development of this manual, it has been evident that stakeholder engagement can be extremely valuable to organisations of all kinds, in all parts of the world.

I thank AccountAbility, Stakeholder Research Associates, all participants and interviewees who contributed to the production of this second volume. Let us use it and get to work.

Monique Barbut
Director, UNEP Division of Technology, Industry and Economics

Forewords by Stakeholder Research Associates

We believe that stakeholder engagement is fundamental to successful business in the 21st century. Value creation for everyone involved in enterprise is essential to creating common purpose and addressing the complex issues facing the planet. This handbook follows on research presented in Volume 1: The Guide to Practitioners’ Perspectives on Stakeholder Engagement. Practitioners told us that progressive businesses increasingly are aware of the interconnections between environment, social and economic issues and that they cannot act alone to find solutions. Stakeholder engagement, they said, is rapidly emerging as a vital tool to develop an understanding of what sustainability means for companies and how it can add value and viability to their operations.

Underpinning that notion, companies recognize that to be effective, engaging stakeholders must be elevated from a risk-management tool to a deep-seated element of corporate strategic planning. This highlights the importance of engaging with internal stakeholders – employees at head office and in regional operations, labour unions, and management – to establish common ground and capabilities to effectively engage.

The research for Volume 1 also underlined the notion that stakeholders’ perspectives and preferred modes of engagement vary widely – across stakeholder group, issue, geography, culture, etc. This suggests that stakeholder engagement is as multi-faceted as the issues it is meant to address. So, we learned, engagement is most successful when it is an iterative process that builds on the input of the stakeholders themselves. This Handbook provides a valuable step-by-step guide through the processes of engaging with stakeholders. We encourage all corporations interested in creating value for their organisation – whether they are launching an engagement programme or wish to enhance an existing one – to make it a part of their everyday operations, while remembering that the goal is to embed engagement processes in their strategic decisions by building on dialogue and collaboration with their stakeholders.

Our thanks to UNEP for initiating this important project and to our colleagues at AccountAbility for leading on the Handbook.

Katharine Partridge
Charles Jackson
Asaf Zohar
Lara Korba
David Wheeler
Stakeholder Research Associates
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The Stakeholder Engagement Manual, consisting of this “Practitioner’s Handbook on Stakeholder Engagement” and its sister volume: “The Guide to Practitioners’ Perspectives on Stakeholder Engagement” (Stakeholder Research Associates) are the result of UNEP’s interest in producing a best practice guide to stakeholder engagement, with the broader aim of promoting the use of stakeholder engagement worldwide as a way of advancing sustainable development goals.

Welcome to this handbook, which provides practical guidance, advice and signposts for further information to those interested in how to make stakeholder engagement more effective and beneficial for the organisation and its stakeholders. Whilst Volume 1, ”The Guide to Practitioners’ Perspectives”, provides engagement practitioners with an overview of the perspective of various stakeholders on stakeholder engagement, this Practitioner’s Handbook – Volume 2 of the manual – is aimed primarily at corporate practitioners. In addition, large portions of this Handbook may also be of use to practitioners from any other type (i.e. non-business) of organisation. The hope is that a wide spectrum of users can take it up and adapt its recommendations to their own circumstances. As with all research projects of potentially widespread applicability, the initiative for The Stakeholder Engagement Manual grew from a simple proposition. Participants in UNEP’s Annual Consultative Meeting with Industry Associations, of October 2002, requested guidance on how to engage in meaningful dialogue with stakeholders. UNEP began its exploration by surveying nearly two dozen leading corporations in order to understand the main engagement approaches they used and the major constraints they faced. This research revealed that the issues at stake differ across stakeholder groups and highlighted the need to understand stakeholder engagement from multiple perspectives, including those of non-governmental organisations, labour unions and trade associations. This sparked a series of additional research interviews with an international selection of senior representatives from various organisations, which formed the basis for Volume 1.
As research on Volume 1 progressed, it became clear that corporate practitioners—whether already fully engaged or just beginning to explore the value of engagement—were looking for very practical guidance. This is the purpose of this handbook. It builds on the fundamentals summarized in Volume 1 (see below), as well as on further research and interviews, which were undertaken specifically for the handbook. An initial outline was subjected to a series of international consultations in Japan, the UK, South Africa and the United States, and specific parts were discussed in two one-day workshops with corporations and multiple stakeholders, which took place in London in April 2005. An international multi-stakeholder review panel (see inside cover), which was formed specifically for the development of this handbook, also made a significant contribution to it not only by reviewing existing drafts, but also by adding much of their own knowledge and insights. Finally, the handbook also draws on the insights gained from a broad variety of other stakeholder engagement focused projects and initiatives undertaken or joined by AccountAbility in the past years. These projects include the Multi-Fiber Agreement (MFA) Forum, a multi-stakeholder initiative that seeks to find ways of mitigating the negative social effects caused by the end of a system of trade quotas on textiles, the Global Leadership Network, an initiative that explores the relationship between stakeholder engagement and corporate strategy, and of course the development of the AA1000 Series, including the AA1000 Assurance and Stakeholder Engagement Standards, which themselves have been developed and agreed upon in multi-stakeholder processes.

The result, we hope, will help corporate practitioners in roles that involve interaction and communication with stakeholders; specifically practitioners that want to adopt a more strategic approach to their engagement activities. Such practitioners may reside within a Corporate Responsibility team but also other departments such as Risk Management, Corporate Affairs or Human Resources, and could be located either at headquarters or in a particular end-market, business unit or subsidiary. It is targeted at companies of any size, yet smaller companies can skip sections where they find detail less relevant to their situations. Companies who are just beginning to engage will find guidance on how to start approaching stakeholder engagement, whilst those who are already engaging with their stakeholders will also find it useful for identifying possibilities for improvement and/or further systematisation. We also hope the handbook will be of use to consultants advising business people in this area, as well as to non-corporate actors who want to gain a deeper understanding of the corporate approach to stakeholder engagement.
Background to Volume 1: The Guide to Practitioners’ Perspectives on Stakeholder Engagement

Volume 1 complements the handbook by summarising and providing an overview of perspectives on stakeholder engagement from the point of view of a range of different stakeholder groups. In doing this, The Guide to Practitioners’ Perspectives provides valuable information on the specific perspectives of individual stakeholder groups, but also more generally applicable advice which can be distilled from their experiences.

Unlike Volume 2, the target group for the Guide on Practitioners’ Perspectives is not only corporate users but also practitioners from the whole spectrum of stakeholders.

Volume 1 reflects the perspectives of practitioners from:

• Businesses – international corporations operating in 12 sectors (mining, metals, oil and gas, electricity, construction, pharmaceuticals, water, telecommunications, consumer products, finance, automobile, and food) and having home operations located on five continents.

• Non-governmental organisations – representing environmental, consumer, health, equity and governance concerns.

• Labour organisations – representing national and international bodies in 15 countries on six continents.

• Trade and industry associations – covering 10 sectors (mining and metals, iron and steel, oil and gas, water, chemicals, air transport, rail transport, food and beverages, cement and accounting).

As for Volume 2, the practitioners interviewed for Volume 1 have been candid in sharing their experience of engaging with stakeholders: what their motivations were, what tools and outside expertise they drew on, what worked and what did not, and what general advice they would distil from their own specific experiences for others.

The aim of the two-part Stakeholder Engagement Manual by UNEP, AccountAbility and Stakeholder Research Associates is not to replace existing frameworks or re-invent the wheel. Rather the aim is to complement them by providing practitioners’ perspectives and practical guidance that build on and further develop the key frameworks that companies are already using.

We hope that together these volumes will contribute to the changing mindsets on stakeholder engagement, away from mistrust and towards mutual benefit. Comments from all interested parties are welcome at thomas@accountability.org.uk, kpartridge@StakeholderResearch.com, and cornis.lugt@unep.fr.
The past few decades have seen a shift in the role of the corporation in society. Some of the key trends causing this are the globalisation of markets, the emergence of global social and environmental challenges like HIV / Aids and climate change, as well as the decreased ability of individual national governments to address such issues by themselves. Furthermore, there is the growing influence of civil society organisations. One outcome of these trends is an increase in the complexity and dynamics of the operating environment for all kinds of organisations, including businesses. In order to understand and address the issues emerging out of this dynamic complexity, individual actors, whether businesses, civil society organisations or governments, are becoming increasingly dependent on sharing knowledge and working together.

In this changing environment, businesses now play a more important role than ever before. Their activities have economic, environmental and social impacts on society from a local through to a global scale. In many countries, businesses play an active part in the shaping of public policy and regulatory developments. Furthermore, a wave of privatisation in many parts of the world, and a growing number of public-private partnerships has increased the role of the private sector in delivering what has traditionally been seen as public services. The increased involvement of private corporations in international development activities, often in co-operation with inter- and supranational bodies, is another significant development in this context.

In response to the enhanced role of business in society, more and more members or representatives of different social groups who are impacted, claim their right to be informed of, consulted on and involved in corporate decision-making. In many developed countries, these claims have been enshrined in legislation, which requires consultation before taking potential high-impact decisions, for example on the location of an industrial production plant.

THREE GENERATIONS OF CORPORATE STAKEHOLDER ENGAGEMENT

1. **1st Generation**
   - Pressure driven engagement for pain alleviation with localised benefits

2. **2nd Generation**
   - Systematic engagement for risk management and increased understanding of stakeholders

3. **3rd Generation**
   - Integrated strategic engagement for sustainable competitiveness

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1 See also the complementary Figure 2.6 in Volume 1 "The Guide to Practitioners’ Perspectives on Stakeholder Engagement", p.27.
Consequently, many corporations have come to regard engagement with a variety of individuals and entities on social, environmental and economic issues as an important aspect of how they manage their activities. However the first steps in stakeholder engagement (1st Generation) were often driven by external pressures, undertaken in an ad-hoc manner and limited to issues that provoked conflict with stakeholders. Many businesses, realising the benefits of a more proactive, broad and ongoing dialogue, then started to develop more sophisticated and systematic approaches to stakeholder engagement. These 2nd Generation stakeholder engagement activities have proven to increase understanding, manage risks and solve conflicts more effectively.

Today, leading companies have started to develop an appreciation that stakeholder engagement can contribute to learning and innovation in products and processes, and enhance the sustainability of strategic decisions within and outside of the company. This 3rd generation stakeholder engagement enables companies to align social, environmental and economic performance with core strategy. Such stakeholder engagement processes involve a pooling of resources (e.g. know-how, financial, human or operational resources) that can help all parties involved to gain insights, solve problems, and reach goals that none of them could reach alone.

**The Benefits of Stakeholder Engagement**

<table>
<thead>
<tr>
<th>Effective and strategically aligned stakeholder engagement can:</th>
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<tr>
<td>- Lead to more equitable and sustainable social development by giving those who have a right to be heard the opportunity to be considered in decision-making processes;</td>
</tr>
<tr>
<td>- Enable better management of risk and reputation;</td>
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<tr>
<td>- Allow for the pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by single organisations;</td>
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<tr>
<td>- Enable understanding of the complex business environment, including market developments and identification of new strategic opportunities;</td>
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<tr>
<td>- Enable corporations to learn from stakeholders, resulting in product and process improvements;</td>
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<tr>
<td>- Inform, educate and influence stakeholders and the business environment to improve their decision-making and actions that impact on the company and on society;</td>
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<tr>
<td>- Build trust between a company and its stakeholders;</td>
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Despite the obvious challenges of stakeholder engagement, the outcomes of best possible practice in stakeholder engagement clearly justify the necessary efforts. Successful stakeholder engagement not only helps companies to secure leadership in an increasingly complex and ever changing business environment, but will also help to bring about systemic change towards sustainable development.
INTRODUCTION

WHAT IS IN THIS HANDBOOK?

THIS HANDBOOK PRESENTS STAKEHOLDER ENGAGEMENT IN FIVE STAGES:

- The first Stage is an overall consideration of strategic business objectives, how these relate to stakeholders and specific issues, and how you can undertake an initial prioritisation of stakeholders and issues for further analysis.
- The second Stage introduces different levels of engagement, and guides you in analysing your existing relationships, available resources and organisational constraints. It also helps you to learn more about specific stakeholder’s representatives, and to decide on what kind of relationship you want to develop with these stakeholders.
- The third Stage addresses questions of internal and external competencies and capacities to engage, and provides guidance on how you can ensure that all parties to an engagement are able to join and take part in it effectively.
- The fourth Stage outlines different engagement techniques, and – building on the previous steps – helps you to design an approach that suits the needs of your specific situation and helps you to reach your objectives.
- Finally, in the fifth Stage, this handbook will provide you with guidance on how to follow up on the outputs of engagement, and how to ensure that your stakeholders feel assured regarding the quality of your efforts.

For the sake of clarity and ease of use, the handbook presents stakeholder engagement as a process consisting of discrete stages. The stages represent groups of necessary questions and processes in planning and managing stakeholder engagement, but will not always be best covered in such a strict sequence. It may well be necessary to carry out several of the described activities at the same time, or to return to ‘previous’ steps in order to clarify or reconsider.

The process for stakeholder engagement presented here is underpinned by the principles of materiality, completeness and responsiveness. The relevance of these principles in the individual stages is described in each chapter. They are further outlined later in this introduction, on p15.

The handbook includes a number of tables, tools and templates which users can apply to their own context.

These can be downloaded from www.accountability.org.uk.

Each chapter consists of:

- Purpose: An outline of the objectives and rationale for undertaking this Stage.
- Principles: An explanation of how this Stage relates to the principles of materiality, completeness and responsiveness.
- Process: Practical guidance for each of the key processes, decisions and actions involved at this Stage.
- Practical examples: Organisational policies and experiences and first hand comments from practitioners.
THROUGHOUT THE HANDBOOK, THE FOLLOWING ICONS IDENTIFY DIFFERENT RESOURCES:

**Background Information:**
explaining the ideas, processes and terms used at each Stage.

**Tools and Resources:**
which provide a framework for applying these concepts to your own organisation.

**Real-life Examples:**
case studies and comments from practitioners.

**Suggested Methodologies:**
for undertaking the individual steps of stakeholder engagement, and guidance in applying the tools laid out in this handbook.

**Important Things to Consider:**
to consider regarding the process or methodologies.

**Summary Templates:**
that help to capture the outputs of the different steps in the engagement process. These templates are merely suggestions, and you may want to adapt them to your needs by adding or modifying individual elements, or by simplifying them. They can be downloaded in Microsoft word or Excel-format from www.accountability.org.uk
THE ANNEXES INCLUDE:
- Jargon buster: A glossary of terms used in the handbook and others that you might come across.
- A list of further resources, publications and sources of expertise.

THE ACCOMPANYING WEBSITE INCLUDES:
- Printable copies of each section
- Printable and modifiable copies of the blank templates used in the handbook.

Additional resources relating to specific industries or approaches, as well as updates to the handbook, may be made available for download in the future.

If you wish to be kept informed of developments or additions to the handbook, please send an email with “Subscribe to SE Handbook Updates” in the subject line to service-enquiries@accountability.org.uk. We would also appreciate if you could enclose some feedback, information on your organisation and the purpose you intend to use this handbook for!

HOW TO USE THE HANDBOOK
This handbook is designed both to be used for a whole organisation or for individual projects or processes. You can adapt it to your individual, project specific or organisational needs, by adding additional pages or selecting particular parts to draw on. The templates and tools that can be downloaded from the website www.accountability.org.uk are modifiable, too.

The structure of the handbook outlined above provides guidance around most major decisions that you will have to make when considering and undertaking stakeholder engagement. However, in some cases your requirements may be much less extensive, and it may be better served by consulting just one or two stages of the handbook, or only some of the tools offered in them.

Remember that the stages presented in this handbook represent necessary questions and processes in managing stakeholder engagement, but not a strict cycle of engagement that must always be followed sequentially before you can start engaging with stakeholders. It may well be necessary to carry out several of the described activities at the same time, or to return to ‘previous’ steps in order to clarify or reconsider.
Introduction

PRINCIPLES AND STANDARDS FOR STAKEHOLDER ENGAGEMENT

There are a range of frameworks, standards and codes, which organisations can draw on to provide guidance for the process of stakeholder engagement and which aim to improve the sustainability performance of the organisation. These include the GRI Sustainability Reporting Guidelines (on reporting), SA8000 (on labour standards compliance), the AA1000 Series (on systematic accountability, including engagement), and the EFQM Excellence Model (on quality management). At the national level various bodies have issued guidance and standards on social responsibility, for example the SD21000 in France, SIGMA in the UK, AS8003 in Australia and Standard SI 10000 in Israel. At an international level, these will be complemented by the current ISO process to develop international guidance on social responsibility, in which stakeholder engagement will feature prominently. There are also a number of useful resources from organisations including The World Business Council for Sustainable Development, Business for Social Responsibility, CSR Europe, The Future 500 Initiative, the UK Environment Council, the South African Calabash Project, the Brazilian Instituto Ethos, the Indian Development Alternatives Group and the International Association for Public Participation. Such sources of guidance are highlighted throughout the handbook, wherever relevant and also in the resource list in Annex 1.

The achievement of procedural quality in stakeholder engagement does not necessarily translate to a connection with the company’s core business activities or material issues. While many standards, frameworks and sources of practical guidance (including those from the fields of public and civil society participation) can help to measure and achieve such procedural quality, many of them provide less guidance on identifying and addressing the specific, important issues for each individual business. The AA1000 Series, especially the AA1000 Stakeholder Engagement Standard Exposure Draft provides guidance in how to use stakeholder engagement to deal with issues of material significance to the business and its stakeholders, and how to align stakeholder engagement with an organisation’s core strategy. Therefore it is used as the framework for this handbook.

The AA1000 Series guides organisations in establishing systematic accountability processes that involve stakeholders in the generation of strategies, policies and programmes as well as associated indicators, targets and communication systems, which effectively guide decisions, activities and overall organisational performance.

The AA1000 Framework is organised around the overarching principle of ‘inclusivity’.

“Striving for inclusivity means that an organisation is committed to reflect, at all stages of a process, the views and needs of all Stakeholder groups. Stakeholder views are obtained through an engagement process that allows them to be expressed without fear or restriction. Inclusivity requires the consideration of ‘voiceless’ stakeholders including future generations and the environment”.  

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2 The AA1000 Series includes the AA1000 Assurance Standard, as well as the AA1000 Stakeholder Engagement Standard. Stakeholder engagement is central to all components of the AA1000 series.
Inclusivity can be achieved by adherence to the following three principles:

**Materiality:**
requires knowing what concerns and is important to you and your stakeholders.

**Completeness:**
requires understanding and management of material impacts and associated stakeholder views, needs, and performance perceptions and expectations.

**Responsiveness:**
requires coherently responding to stakeholders’ and the organisation’s material issues.

### THE ACCOUNTABILITY COMMITMENT AND PRINCIPLES

<table>
<thead>
<tr>
<th>The Accountability Commitment</th>
<th>Principles</th>
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<tr>
<td><strong>‘Inclusivity’</strong></td>
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<td><em>acknowledging stakeholders right to be heard, and accounting for one’s actions to stakeholders</em></td>
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<table>
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<tr>
<th>Materiality</th>
<th>Completeness</th>
<th>Responsiveness</th>
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<tr>
<td><em>Knowing what is important to you and stakeholders</em></td>
<td><em>Understanding your impact &amp; what people think of you</em></td>
<td><em>Demonstrating adequate response</em></td>
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These principles are not unique to the AA1000 Series and will need to be integrated with your own language and existing frameworks. For example, Altria developed their stakeholder engagement process on the basis of these principles, but defined their own principles for stakeholder engagement under the headings involvement, candor, relevance, learning and action. The Global Reporting Initiative’s Sustainability Reporting Guidelines also use the principle of “inclusiveness” as a key one in forming the framework of a sustainability report, referring to the systematic engagement of stakeholders in sustainability report development and improvement. The GRI defines the principle of “completeness” differently, applied in the context of reporting, to refer to the scope (in terms of time, issues and organisational entities covered) of what is included in a report. This can again be linked with the above-listed principles applied in the context of stakeholder engagement, namely the challenge to engage with stakeholders on an agenda that is clearly demarcated in terms of time frame, issues and operational entities covered.
In the context of this manual, these three principles are understood to relate to the key questions that people (both inside and outside of the organisation) will ask you when considering your relationships and engagement with stakeholders:

- Firstly "Is it genuine?" Are you just going through the motions of consultation for public relations purposes, or are you serious about getting a complete and balanced picture of your organisation’s material impacts?

- Secondly "Is it fair and well informed?" Does the process of engagement allow all stakeholders to be considered or are significantly impacted stakeholders ignored? Are internal and external processes in place that enable the organisation to gain a good understanding of its impacts and what its stakeholders think of it?

- And finally “What difference does it make?” What are you going to do about the issues raised, how does this impact on other aspects of your performance, and how does it benefit your business? Are you willing to make the changes that are required to integrate possibly new issues into your management processes and strategy? Also: In which way does this benefit your business?

The handbook will guide you through an approach to stakeholder engagement that stands firm when assessed against these questions. Whilst each of the three principles applies at each Stage, they have particular relevance at different points in the overall process. The dark cells in the table below indicate which principle is most important in each Stage. At the beginning of each chapter there is also an interpretation of these principles as they apply to that Stage.

<table>
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<tr>
<th>Stakeholder Engagement Stage</th>
<th>Think Strategically</th>
<th>Analyse and Plan</th>
<th>Strengthen Capacities</th>
<th>Engage with Stakeholders</th>
<th>Act and Review</th>
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<td>Dominant Principle</td>
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<td>Responsiveness</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THE RELEVANCE OF MATERIALITY, COMPLETENESS AND RESPONSIVENESS TO THE FIVE STAGES OF STAKEHOLDER ENGAGEMENT
STAGE 1

Think Strategically

Aim

To identify the strategic priorities for stakeholder engagement in your organisation.

Principles

This Stage is crucial to ensuring the identification of material issues and stakeholders:

- Have you identified which issues and stakeholders appear to be most important for long-term success and sustainability?

Key Steps

Look at all the stakeholders and issues that affect or are affected by your organisation (or policy decision/project/site business unit etc.)

- Work out who the stakeholders are.
- Identify and consider strategic engagement risks, opportunities and objectives.
- Identify your strategic objectives, the underlying issues and how important they seem to different stakeholder groups. Prioritise.

Tools and Resources

- Stakeholder map (p25)
- Changing drivers of engagement (p29)
- Benefits of engagement (p9, p30)
- 5-part materiality test (p35)
- 4 stages of issue maturity (p41)
- Stakeholder influence and dependency matrix (p43)

STAGE 2

Analyse and Plan

Aim

To build up a basis of knowledge about the organisation and its stakeholders in order to prioritise further and develop a plan for engagement.

Principles

This Stage is crucial to developing your understanding of the materiality of issues and stakeholders and to allow for completeness in addressing them:

- Do you understand the issues and stakeholders enough to design an engagement process that really addresses stakeholder expectations and robust?

Key Steps

Increase your understanding of the potentially material issues and stakeholders identified as strategic priorities in Stage 1.

- Review how these issues are currently managed within your organisation.
- Draw on learning from other organisations and networks about how best to respond to these issues.
- Review the current state of your relationships with these stakeholders.
- Build up a profile of your stakeholders - their expectations, influence, characteristics and preferred approaches to engagement.
- Consider what the organisation is and is not able to do in relation to these issues and expectations.
- Develop a strategic engagement plan which lays out which groups of stakeholders you need to engage with, at what level and what you hope to achieve.

Tools and Resources

- Organisational learning stages (p52)
- Issue / Response Matrix (p53)
- Links into Learning Networks (p59)
- Further Resources (Annex)
- Levels of Engagement (p60)
- Stakeholder Profile - Key Issues (p66)

Methodology & Template

- M1 - T1 (p25)
- M2 - T2 (p34)
- M3 - T3 (p38)
- M4 - T4 (p46)
- M5 - T5 (p55)
- M6
- M7
- M8 - T8 (p69)
- M9 - T9 (p74)
- M10 - T10 (p76)
### STAGE 3

#### Strengthen Capacities for Engagement

**Aim**
To develop the individual skills and organisational systems needed to engage effectively with stakeholders.

**Principles**
This Stage is crucial to ensuring that your organisation is able to understand (completeness) and respond (responsiveness) in a coherent manner:
- Does your organisation have the capacity to understand the issues, engage effectively and act on that engagement?

<table>
<thead>
<tr>
<th>Key Steps</th>
<th>Tools and Resources</th>
<th>Methodology &amp; Template</th>
</tr>
</thead>
<tbody>
<tr>
<td>Look at your own organisation as well as your Stakeholders:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Consider the strength of your organisational systems and identify gaps.</td>
<td>• Organisational learning stages (p52)</td>
<td>M11-T11(p85)</td>
</tr>
<tr>
<td></td>
<td>• Strengthening enablers (p82)</td>
<td></td>
</tr>
<tr>
<td>☐ Consider the individual skills and capacities needed for engagement and identify areas for improvement.</td>
<td>• Stakeholder Engagement skills and characteristics map (p87)</td>
<td>M12-T12(p89)</td>
</tr>
<tr>
<td>☐ Consider the capacities and practical issues of your stakeholders and identify ways to address these.</td>
<td>• Obstacles to participation (p91)</td>
<td>M13</td>
</tr>
<tr>
<td>☐ Develop and carry out plan to strengthen the capacities needed to engage effectively.</td>
<td></td>
<td>M11,M12,M13, T11(p85)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>T12(p89)</td>
</tr>
</tbody>
</table>

### STAGE 4

#### Design the Process and Engage with Stakeholders

**Aim**
To plan and effectively carry out engagement activities with stakeholders.

**Principles**
This Stage is crucial to ensuring materiality, completeness and responsiveness:
- Does the engagement processes meet the needs of both organisation and it’s stakeholders?

<table>
<thead>
<tr>
<th>Key Steps</th>
<th>Tools and Resources</th>
<th>Methodology &amp; Template</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set up the process of engagement itself:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Decide the best way to engage with your stakeholders.</td>
<td>• Levels of engagement (p87)</td>
<td>M14</td>
</tr>
<tr>
<td></td>
<td>• Questions for selecting engagement methods (p88)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Common stakeholder engagement approaches (p109)</td>
<td></td>
</tr>
<tr>
<td>☐ Design and prepare for the engagement process.</td>
<td>• Practical issues checklist (p110)</td>
<td>M15 - T15 (p116)</td>
</tr>
<tr>
<td></td>
<td>• Guidance on when to use a facilitator (p112)</td>
<td></td>
</tr>
<tr>
<td>☐ Engage with your stakeholders.</td>
<td></td>
<td>(Specific engagement method decided in M14)</td>
</tr>
</tbody>
</table>
# STAGE 5

## Act, Review and Report

**Aim**

To translate new learning, insights and agreements into action.

**Principles**

This Stage is crucial to ensuring that you respond adequately (responsiveness) and for validating your understanding of the materiality of issues:

- Are you able to respond to, and learn from stakeholders’ concerns and opinions?

### Key Steps

<table>
<thead>
<tr>
<th>Key Steps</th>
<th>Tools and Resources</th>
<th>Methodology &amp; Template</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a plan of action.</td>
<td>• SMART Targets (p122)</td>
<td>M16 - T16</td>
</tr>
</tbody>
</table>
| Report back to stakeholders. | • Impacts of reporting framework (p126)  
• AA1000 Assurance Standard Checklist (p128)  
• Thinking about assurance (p131) | M17 |
| Review the process itself to improve future management. | | M18 - T18  
(p133) |
| Put learning into action. | | M16, M17, M18 |

Looking at the results of the engagement process:

- Put learning into action.
- Review the process itself to improve future management.
- Report back to stakeholders.
- Develop a plan of action.
**Define overall scope**
The process outlined in this handbook can be applied at a number of levels. Specify how you intend to use it in this instance:

- [ ] To cover the entire company
- [ ] To focus on a single business line (or business unit or department):
- [ ] To focus on a specific program, initiative or product:

**Secure overall organisational commitment to stakeholder engagement at this level.**
You need to have basic commitment to the idea of stakeholder engagement before embarking on the process. This commitment will need to be revisited throughout the process as the particular costs, benefits and demands of the engagement process become clearer.

**Develop an understanding of the principles of materiality, completeness and responsiveness, how these relate to stakeholder engagement and to your own organisational values.**
Do you understand these principles? How do they differ from or relate to your organisation’s guiding principles and working practices? How can they best be communicated and applied in your context?

**Assemble a cross functional group of relevant people from within the organisation and outside.**
Stakeholder engagement should ideally begin with a process of internal learning and engagement. Those who have knowledge about the organisation, the issues of concern or the stakeholder groups involved as well as those in charge of putting insights and agreements into action need to be involved in the process at each step. Start by identifying these people – the list may change and grow throughout the process. It might include company insiders from the strategic planning, the legal department, risk management, external communications, operations, marketing, EHS, HR or investor relations. It could also include external consultants or stakeholders you already engage with. At many stages you will need to gather information and initiate discussion with these people through interviews, workshops or meetings as well as involving or keeping them informed of the engagement process itself. You may also want to formally convene a group to steer the process.

**Consider how you will keep track of information.**
The process outlined in this handbook has the potential of generating a mass of information – first about general categories such as stakeholders and issues, and later about specific stakeholders, information sources, benchmarks and viewpoints. You will need a robust mechanism for organising this information both in order to make it useful and available to stakeholders and managers and to enable external assurance of the process if necessary. Each Stage includes a number of summary templates which provide useful means to record outputs at key stages in the process. You may also want to develop a database to track individual stakeholder contact details and concerns.
STAGE 1

Think Strategically

Mapping Stakeholders
Identifying Issues
Setting Strategic Objectives
Prioritising

Act, Review & Report

Materiality

Outcome-Orientated Stakeholder Engagement

Responsiveness

Design the Process & Engage

Completeness

Strengthen Engagement Capacities

Analyse & Plan
PURPOSE
The aim of this first Stage is to identify your reasons for stakeholder engagement and the key stakeholder groups and issues that relate to your organisation. This will provide a basis for ensuring that stakeholder engagement informs and becomes part of your business strategy.

PRINCIPLES
The key principle at this Stage is materiality.

"Inclusivity"
"acknowledging stakeholders right to be heard, and accounting for one’s actions to stakeholders."

Materiality Completeness Responsiveness

Here that means: The organisation identifies and addresses the most material impacts related to its business operations and the strategy, as well as the stakeholders that are subject to these impacts. Furthermore, the organisation identifies and addresses the stakeholders with significant potential to influence the organisation.
PROCESS
The actions and tools outlined in this Stage are based on three linked questions which need to be answered in order to align your stakeholder engagement processes with your organisation’s strategic objectives.

You do not have to work through this Stage in the order presented in this chapter – where you start will depend on your own context, and on whether you are already engaging or are a newcomer. The four examples below highlight the routes taken by four different organisations each starting from a different point.

STAGE 1. THINK STRATEGICALLY.

<table>
<thead>
<tr>
<th>Example sequences in approaching stakeholder engagement strategically:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement manufacturer</strong></td>
</tr>
<tr>
<td>What issue? Where should we site a new factory?</td>
</tr>
<tr>
<td>Why? Engage with local community to help identify issues related to different sites and reduce risk of planning permission being blocked.</td>
</tr>
<tr>
<td>Who? Local groups and individuals.</td>
</tr>
</tbody>
</table>
The process outlined in this Stage is for developing a comprehensive overview of material issues and relevant stakeholder groups. This does not necessarily need to be undertaken at the start of every individual engagement process. Often you need to react flexibly and swiftly to a specific stakeholder group or issue, which arises unexpectedly. However, an understanding of the materiality of the issue is always important in guiding your responses. A strategic approach to stakeholder engagement ensures that your organisation is able to understand and respond to the full range of material issues and challenges facing it, not just lurch from crisis to crisis.

The full process outlined here aims to provide a comprehensive and forward looking pre-assessment that helps companies to gain an overview and an understanding of the relative importance of the key issues and stakeholder groups that it should endeavour to address. A company does not necessarily have to go through the whole process, but it should ensure that it has answers for the most important questions:

- Who are its stakeholders?
- Which are the most important objectives that stakeholder engagement should help us and others to achieve?
- What is the societal Stage of maturity of the key issues that the company needs to address? [see p40 for further discussion on issue maturity].
BACKGROUND

Stakeholders are individuals or groups who affect, or are affected by an organisation and its activities.²

There is no generic list of stakeholders for all companies, or even for a single company (these will change over time) – those who affect and are affected depends on the industry, company, geography and the issue in question. New business strategies and changes in the business environment will often mean a new set of stakeholders. The box below highlights some of the broad groupings typically considered.

There are a number of different dimensions that you can consider when identifying stakeholders:

1. **By responsibility:** people to whom you have, or in the future may have, legal, financial and operational responsibilities enshrined in regulations, contracts, policies or codes of practice.

2. **By influence:** people who are, or in future may be, able to influence the ability of your organisation to meet its goals – whether their actions are likely to drive or impede your performance. These can include those with informal influence and those with formal decision making power.

3. **By proximity:** the people that your organisation interacts with most, including internal stakeholders, those with longstanding relationships, those you depend on in your day-to-day operations, and those living next to your production sites.

4. **By dependency:** the people that are most dependent on your organisation, for example employees and their families, customers who are dependent on your products for their safety, livelihood, health or welfare or suppliers for whom you are a dominant customer.

5. **By representation:** the people that are through regulatory structures or culture/tradition entrusted to represent other individuals; e.g. heads of a local community, trade union representatives, councillors, representatives of membership based organisations, etc..

<table>
<thead>
<tr>
<th>Stakeholders might include, but are not limited to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Investors/shareholders/members</td>
</tr>
<tr>
<td>&gt; Customers and potential customers</td>
</tr>
<tr>
<td>&gt; Suppliers/business partners</td>
</tr>
<tr>
<td>&gt; Employees</td>
</tr>
<tr>
<td>&gt; Government and regulators</td>
</tr>
<tr>
<td>&gt; The media</td>
</tr>
<tr>
<td>&gt; Trade Unions</td>
</tr>
<tr>
<td>&gt; NGOs and pressure groups</td>
</tr>
<tr>
<td>&gt; Host communities</td>
</tr>
<tr>
<td>&gt; Competitors/peers</td>
</tr>
<tr>
<td>&gt; Opinion leaders</td>
</tr>
<tr>
<td>&gt; Academia and the scientific community</td>
</tr>
<tr>
<td>&gt; Supranational institutions</td>
</tr>
</tbody>
</table>

SUGGESTED METHODOLOGY M1: MAPPING YOUR STAKEHOLDERS

The purpose of this activity is to ensure that, as far as possible, all relevant stakeholders are identified.

Convene a cross-functional group of people who have broad knowledge about the organisation, project, department or even specific issue that you want to identify the stakeholders for. These could include, but are not limited to, people from the legal department, risk management, external communications, procurement, EHS, HR, and investor relations. You could also involve external consultants and specialists.

Brainstorm a list of stakeholder categories using the three dimensions outlined below (Depending on size of group you may want to do this in pairs or small groups before sharing conclusions as a wall display)

| People you have legal, financial or operational responsibilities to. |
| Stakeholders who are affected by your organisation’s operations. |
| People who are likely to influence your organisation’s performance (those with influence and decision makers). |
Analyse and Plan the Engagement

P1: MAPPING YOUR STAKEHOLDERS

Group the stakeholders into categories (you may want to use the generic categories highlighted above, or use your own categories) and subgroups likely to share similar perspectives. For example “Non-governmental Organisations” might include humanitarian organisations, human rights organisations, animal welfare groups and environmental groups. This further differentiation is of critical importance, as this is where stakeholder identification becomes meaningful and detailed enough to decide on their materiality and possible next steps. See examples below:

This is a high level stakeholder map developed by a UK pharmaceutical company

<table>
<thead>
<tr>
<th>Stakeholder Category</th>
<th>Sub-groups</th>
<th>Stakeholder Category</th>
<th>Sub-groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>Board and executive team Management Staff Trade unions New recruits Potential recruits Employees who have left the company</td>
<td>Competitors</td>
<td>Pharmaceutical companies Biotech companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government and Regulators</td>
<td>Department of Health Pharmaceutical regulatory authorities Food and Drug Administration (US) World Health Organization (UN)</td>
</tr>
<tr>
<td>Investors</td>
<td>Institutional investors Pension funds Fund managers and analysts Rating agencies Socially responsible investment movement</td>
<td>Business Partners</td>
<td>Licensees R&amp;D partners Other pharmaceutical companies Clinics/universities</td>
</tr>
<tr>
<td>Customers</td>
<td>National Health Service Trusts Doctors Patients Private clinics Hospitals Pharmacists Wholesalers Prescription influences (e.g. nurses, social workers, teachers, psychologist) Internal clients</td>
<td>Local Communities</td>
<td>Neighbours Local authorities/ Planning Department Charities and voluntary organisations Environmental groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Academia and Scientific Community</td>
<td>University centres Researchers Students</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Suppliers of materials and ingredients Contract manufacturers Doctors (as R&amp;D consultants) Clinical trial centres Volunteers and patients in trials Service providers and infrastructure products</td>
<td>Media</td>
<td>TV and Radio Medical/scientific publications National/local newspapers Financial newspapers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NGOs and Pressure Groups Patient organisations Human rights organisations Animal welfare organisations Environmental organisations Alternative medicine associations</td>
<td></td>
</tr>
</tbody>
</table>
THINGS TO CONSIDER

At this point, only consider general groups of stakeholders (e.g. environmental NGOs, not “Greenpeace” for example). Guidance on how to identify specific stakeholder group representatives will be provided in Stage 2.

Many stakeholder groups will be included in more than one of these dimensions; you can situate them into the ‘overlaps’ between the circles.

A stakeholder map is not analytically comprehensive. It is a tool that illustrates the range of stakeholders and helps you develop your engagement plan.

Do not exclude any stakeholder groups at this Stage, even if you do not have good relations with them or you do not think they are willing to engage.

The stakeholder map will evolve as the engagement process goes on and you learn more about your stakeholders.

As you engage with stakeholders you should also ask them who else they think you should engage with.

Camelot’s Eight Stakeholder Groups

Camelot, the operator of the UK national lottery, manages its social responsibilities and social impact in consultation with eight stakeholder groups:

Players and Winners: The UK residents who regularly play National Lottery games, and winners of both large and small amounts.

Employees: Around 900 full time equivalent staff.

Local community: Communities represented by local charities, voluntary and community groups.

Governmental bodies: The Department for Culture, Media and Sport, other government departments, the National Lottery Commission, the National Lottery Distribution Bodies and the National Lottery Promotions Unit.

Retailers: Their network of around 28,000 retailers, ranging from the large supermarket chains to the corner shop.

Suppliers and partners: Around 600 large and small suppliers of goods and services, and strategic partners.

Public interest groups: Academic institutions, charities, religious groups, campaigning organisations and welfare groups representing amongst others those who may be at risk from gambling products, including young people, those on low incomes and those who may play excessively, or who work around environmental issues.

Shareholders: Their five corporate shareholders.
**BACKGROUND**

Why should you engage? The fact is you already do. Stakeholder engagement is not a new fad – it’s as old as business itself. The process by which you already communicate with your shareholders, customers, staff, business partners and suppliers is stakeholder engagement. In these cases, the strategic importance of engagement is immediately obvious. However, as we have seen, there are many good strategic and operational reasons to engage with less-traditional groups and on less-traditional issues. The table below highlights how the nature of stakeholder engagement is changing:

---

**Norsk Hydro in the Barents Sea Region**

The Norwegian oil and aluminium company Norsk Hydro started working with local communities to facilitate and support the development of a competitive local supplier industry in the Barents Sea region even before they had made a final decision to build a production facility there. Developing a supply base alone would have been unfeasible for Norsk Hydro, due to a lack of local knowledge and insights into local development requirements. Working with local communities and the regional administration allowed them to learn from each other, develop a trust-based relationship, and to identify the best opportunities for developing the region to mutual advantage.

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**THE CHANGING NATURE OF RELATIONSHIPS WITH STAKEHOLDERS**

<table>
<thead>
<tr>
<th>Who are your stakeholders?</th>
<th>To broader groups:</th>
</tr>
</thead>
<tbody>
<tr>
<td>From traditional business interactions:</td>
<td>Employees, customers, suppliers, investors, and regulators.</td>
</tr>
<tr>
<td>What issues do you need to address with them?</td>
<td>To emerging issues and new responsibilities:</td>
</tr>
<tr>
<td>From legal and contractual issues:</td>
<td>Marketing, industrial relations, site selection, business planning, and procurement.</td>
</tr>
<tr>
<td>How do you do it?</td>
<td>To dialogue and partnership:</td>
</tr>
<tr>
<td>From one-way communication</td>
<td>Market research, corporate communications, advertising and media publicity.</td>
</tr>
</tbody>
</table>

These changes in the nature of relationship with stakeholders are driven by a broad but interlinked variety of changes in the business environment. These include the effects of technological innovations, political and regulatory developments, societal trends as well as market developments. The table on the next page provides a brief overview:
### The changing drivers for engagement

<table>
<thead>
<tr>
<th>New obligations</th>
<th>New Legal and voluntary obligations to disclose information and engage with stakeholders, for example:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>– The US Sarbanes Oxley Act, Federal sentencing guidelines, Toxics Release Inventory and Community Reinvestment Act, as well as the Canadian Bank Act in North America.</td>
</tr>
<tr>
<td></td>
<td>– The UK Operating and Financial Review and Pensions Act, the French New Economic Regulations, the Danish Financial Statements Act, the German Bilanzechtsreformgesetz, Swedish Annual Accounts Act and Dutch Environmental Protection Act in Europe.</td>
</tr>
<tr>
<td></td>
<td>– The Japanese Law of promotion of environmentally conscious business activities, the Australian Financial Services Reform Act, and voluntary stock exchange requirements for example in South Africa and Brazil.</td>
</tr>
<tr>
<td></td>
<td>– Whilst various Governments in Europe have started to develop national corporate responsibility plans in which stakeholder engagement is a key ingredient, international financial institutions (such as the International Finance Corporation and World Bank) today also require for stakeholder engagement in advance of major projects.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Public Scrutiny</th>
<th>More people have become interested in the conduct of business, in the past decade:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>– World’s number of NGOs has risen from 3,600 to 44,000 in the last two decades.</td>
</tr>
<tr>
<td></td>
<td>– $1 in every $8 in the USA is invested according to some kind of ethical, social or environmental criteria.</td>
</tr>
<tr>
<td></td>
<td>– The Internet has made information pervasive and immediately available.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Markets</th>
<th>Companies need to understand their consumers, workers and related communities, who are increasingly concentrated in emerging markets:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>– Two out of five people live in India or China.</td>
</tr>
<tr>
<td></td>
<td>– 50% of the world’s people live on less than $2 per day.</td>
</tr>
<tr>
<td></td>
<td>– By 2015 there will be 2 billion more people, almost all born in developing countries.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Societal Expectations</th>
<th>Society increasingly expects business to be part of the solution in issues like equity, health and security.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In the past decade:</td>
</tr>
<tr>
<td></td>
<td>– Strong state intervention or the ‘welfare state’ has shrunk in many countries.</td>
</tr>
<tr>
<td></td>
<td>– Foreign direct investment has grown tenfold and is now more than six times greater than international aid.</td>
</tr>
<tr>
<td></td>
<td>– Multistakeholder partnerships and initiatives have become key vehicles mobilising business in development.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Technologies</th>
<th>Technological inventions and applications raise often complex ethical questions and dilemmas in applying precaution.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In many cases companies alone may not have the answer and need societal / stakeholder dialogue to come to joint understanding of acceptable levels of risk. For example:</td>
</tr>
<tr>
<td></td>
<td>– Genetically modified organisms (GMOs)</td>
</tr>
<tr>
<td></td>
<td>– Nanotechnology</td>
</tr>
<tr>
<td></td>
<td>– Mobile phone technology</td>
</tr>
<tr>
<td></td>
<td>– Nuclear power</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Critical Events</th>
<th>It has often taken a major incident for companies to realise that they need better systems for stakeholder engagement. For example:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>– The Bhopal tragedy in India led chemical companies to engage with stakeholders over environmental impacts, setting up the Responsible Care initiative.</td>
</tr>
<tr>
<td></td>
<td>– Shell realised it had to engage with critical stakeholders after it faced campaigns against its handling of Brent Spar and treatment of the Ogoni people in Nigeria.</td>
</tr>
<tr>
<td></td>
<td>– Press exposés on issues of child labour, forced labour and poor working conditions in chocolate, sportswear and mobile phone supply chains led to companies engaging with NGOs to address these issues.</td>
</tr>
<tr>
<td></td>
<td>– The prevalence of industrial accident worldwide led to UNEP and the International Council Chemical Associations setting up the “Awareness and Preparedness for Emergencies at Local Level (APELL) Programme (see overleaf).</td>
</tr>
</tbody>
</table>

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4 For a more historical overview of these trends, please see this handbook’s sister publication, “The Guide to Practitioners’ Perspectives”. P16. Please also see the introduction in this Handbook.
Many of the companies who actively engage with their stakeholders have been able to translate this into better decision-making both within and outside of the company, and have used it as a strategic tool to strengthen their business performance, for example:

<table>
<thead>
<tr>
<th>Examples of business benefits of engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengthened ability to assess and manage risks.</strong></td>
</tr>
<tr>
<td><strong>Learning on products and processes.</strong></td>
</tr>
<tr>
<td><strong>Greater credibility amongst stakeholders.</strong></td>
</tr>
<tr>
<td><strong>Better recruitment and retention of employees.</strong></td>
</tr>
<tr>
<td><strong>Securing the formal and informal licence to operate from government, regulators and communities.</strong></td>
</tr>
<tr>
<td><strong>Learning and insights from non-traditional sources.</strong></td>
</tr>
<tr>
<td><strong>Collaboration to address problems and opportunities, and to change the ‘rules of the game’.”</strong></td>
</tr>
</tbody>
</table>
In late 1986, following various chemical accidents, UNEP suggested a series of measures to help governments, particularly in developing countries, to reduce the occurrence and harmful effects of technological accidents and emergencies. A key outcome of this has been the development of a programme in which stakeholder engagement takes centre stage in the form of the local level company plant working with the local community.

The APPEL Programme (Awareness and Preparedness for Emergencies at Local Level) has been started by UNEP with the International Council of Chemical Associations (ICCA) and other industry associations, governments and local communities. The aim has been to minimise the occurrence and harmful effects of technological accidents and emergencies by raising awareness within local communities and by improving communication between the parties. APPEL provides a well-structured, detailed process for developing a co-ordinated, integrated and well-functioning emergency response plan for local communities. It is a tool for bringing people together to allow effective communication concerning risks and emergency responses. This process aims to:

- reduce risk;
- improve effectiveness of response to accidents;
- allow people to react appropriately during emergencies.

The APPEL programme recognises that industries have a responsibility both to minimise risks and to ensure effective planning for response, even though it is normally government agencies that have the statutory responsibility to address emergencies outside industrial facilities. The APPELL concept has been successfully introduced in more than 30 countries and in over 80 industrialised communities worldwide.

APPELL was also featured at the World Conference on Disaster Reduction (WCDR), held in Kobe (Japan) in January 2005, where international priorities and mandates in disaster prevention for the following 10 years have been established. See further www.uneptie.org/pc/apell/home.html
SUGGESTED METHODOLOGY M2: SETTING STRATEGIC OBJECTIVES FOR ENGAGEMENT

The purpose of this activity is to clarify your overall reasons for stakeholder engagement and how they relate to broader strategic business objectives.

The examples highlighted previously illustrate some of the business benefits that engaging with stakeholders can generate. However, it is important to identify the possible benefits that it can deliver for your specific company or project in your specific situation. Getting involved in wrong engagements can lead to a misuse of resources and distract you from more pressing priorities.

To be effective, stakeholder engagement must be relevant to and aligned with your own business strategy. Setting strategic engagement objectives is a useful step towards developing robust approach to stakeholder engagement and to evaluating success.

• Consider strategic business objectives, either for the company as a whole or for the department or project which is the focus of analysis. Where such objectives are not explicitly set, make sure you agree some key strategic objectives with the team responsible for the department or project. Strategic business objectives could for example be:
  – “To gain 10% annual sales increases in region X for the next five years.”
  – “To meet our majority of customers’ expectations for responsibly produced goods.”
  – “To secure our long-term license to operate in countries that host our sites.”
  – “To identify and make use of new opportunities in less developed countries.”
  – “Ensure that our products meet all current and future regulatory requirements in the European market.”
  – “To minimise negative social impacts resulting from the closure of production sites.”

• Facilitate a discussion around these objectives, specifically focusing on the implications these have for your relationships with stakeholders.
  Consider the questions below, and capture the most important answers in Template 2.
  – How do these overall business objectives relate to our broader stakeholder groups?
  – What are the external drivers for stakeholder engagement for us? (and what are the risks of failing to engage?)
  – What are we trying to accomplish through stakeholder engagement? What would success look like?
  – Why is this important to us? How does it support our business objectives and strategies?

Examples are given in summary Template T2.
• Identify Strategic Engagement Objectives, and capture them as brief declarations that link stakeholder engagement to strategic business objectives:
  – “To manage the risks associated with...”
  – “To develop a new approach to...”
  – “To learn more about...”
  – “To collaborate in addressing...”
  – “To improve our relationship with...”
  – “To find an agreement on...”
  – “To develop our policy on...”
  – “To inform our decision on...”

Examples are given in summary Template 2.

THINGS TO CONSIDER
Stakeholder engagement involves time, resources and commitment, to a degree that is easily under-estimated, as has already become clear in the research for Volume 1 of this manual. Although the resource implications will not be clear until you have developed a more detailed plan and a better understanding of your stakeholders expectations, it is important to start the process with the buy-in and participation of leadership. Top-level involvement in objective setting helps to secure alignment and buy-in.

You may want to group the objectives, and/or formulate and categorise according to short, medium and long-term objectives for engagement.

You will set more detailed objectives for engagement in Stage 2.
What are our external drivers for stakeholder engagement?
Examples:
- Complex and dynamic development of markets in region X.
- Changing customer expectations regarding responsible products and services.
- Importance of maintaining ‘licence to operate’.
- Increased regulation of products and services.
- Decreased staff morale and negative media attention because of site closures.

What benefits can we gain from stakeholder engagement?
Examples:
- Understand the market and find partners important to be successful in region X.
- Increased understanding of expectations and requirements.
- Securing the licence to operate.
- Identification and realisation of opportunities.
- Improved anticipation of and influence on regulatory developments.
- Improved staff morale, more welcoming communities for new sites.

What are the risks of not engaging?
Examples:
- Making the wrong development projections and failing to establish the relationships that are required for success in the market of region X.
- Failure to meet customers’ expectations regarding responsible products and services.
- Losing the licence to operate in host countries.
- Failure to make use of opportunities in and help in the development of developing countries.
- Failure of our products and services or research and development activities to correspond with regulatory developments.
- Less attractiveness as an employer and increasingly unwelcoming communities.

Strategic objectives of engagement:
Examples:
- Learn and understand long-term trends in the behaviour of stakeholders that shape the market in region X.
- Develop relationships that are key to success in region X.
- To understand customers’ expectations regarding the responsible production of goods.
- To inform our decisions on the social and environmental management of our supply chain.
- To manage the risks to our licence to operate in our host countries.
- To partner with those stakeholders for the development of and success in new markets in developing countries.
- To be informed of and involved in the shaping of current and potential regulatory developments regarding our products and services.
- To work with relevant stakeholders in understanding and mitigating socio-economic impacts of site closures.
- To enhance our reputation for responsible employment and site-management practices.
BACKGROUND

Many issues you should consider engaging on will already be clear from the strategic engagement objectives discussed above. However, there are issues that may not be immediately strategically relevant, but nonetheless need to be identified and addressed, as they also have the potential to impede business performance. In general, issues can be specific or general aspects of a company’s activities or decisions where:

- The organisation is perceived to have a positive or negative impact on stakeholders.

**AND**

- There is a gap between what the company is doing or perceived to be doing, and what stakeholders expect the company to be doing in terms of management of impacts, behaviour or outcomes.

This range of relevant issues goes beyond the limited definition of materiality used in financial accounting standards, which are often interpreted conservatively to mean only those issues that are likely to have a measurable short-term impact on the financial health of an organisation. This definition of materiality does not consider broader economic, social, environmental issues and leaves the organisation open to unanticipated risks and unable to identify new opportunities. On the other hand, without some way of assessing the importance of different issues to corporate performance, stakeholder engagement risks getting caught up by the short-term dynamics and moods of public opinion.

A key challenge then is to identify those issues which are material to the business’s long-term success. Accountability’s approach to assessing materiality is described below.

### 5-Part Materiality Test

AccountAbility has developed a five-part materiality test as a framework for considering the materiality of issues. Issues are considered material if they can be identified by one or more of the following tests:

| A | Issues that have direct short-term financial impacts |
| B | Issues where the company has agreed policy statements of a strategic nature – these are often in the form of commitments to key stakeholders. |
| C | Issues that comparable organisations consider within their sphere of materiality, i.e. peer-based norms. |
| D | Issues that your stakeholders consider important enough to act on (now or in the future). |
| E | Issues which are considered social norms (as indicated by regulations, likely future regulation or institutionalised norms and standards). |

Using this test entails many subjective judgements (for example whether stakeholders are really going to translate their stated concerns into investment or purchasing decisions). There is also something of a ‘chicken and egg’ problem in using test D, which depends on stakeholders expressing their concerns to identify issues for stakeholder engagement. However in practice, the test is intended to be used iteratively; it builds on a company’s existing Stage of development in understanding stakeholder concerns, but you must also reconsider the answers you give ‘now’ later on when you have had more contact with stakeholders.

**SUGGESTED METHODOLOGY M3: IDENTIFYING MATERIAL ISSUES**

The purpose of this activity is to identify as comprehensively as possible the issues associated with the organisation, project or decision in question and to build an understanding of how they relate to specific stakeholders expectations or concerns.

This step can be done in a group/workshop setting or as a research process by the team leading the engagement process (or by external contractors).

Use the the 5-part materiality test to identify relevant issues:

---

**Sources of information for materiality test**

<table>
<thead>
<tr>
<th>Materiality test</th>
<th>Relevant Sources of Information (see also ‘Links into Learning Networks’ p57)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Short-term financial impacts</td>
<td>Issues relating to business strategy and plans, risk assessments, accidents and penalties / fines, areas of lobbying expenditure.</td>
</tr>
<tr>
<td>B. Policy commitment</td>
<td>Corporate policies and existing commitments to stakeholders.</td>
</tr>
<tr>
<td>C. Peer based norms</td>
<td>Policies and practices of competitor organisations. Issues highlighted by industry associations and corporate responsibility organisations (such as the International Business Leaders Forum, the World Business Council for Sustainable Development).</td>
</tr>
<tr>
<td>D. Stakeholder behaviour and concerns</td>
<td>(See below for sources of stakeholder information)</td>
</tr>
<tr>
<td>E. Societal norms</td>
<td>Areas of regulation, proposed regulation and international agreement, voluntary codes and multi-stakeholder frameworks / initiatives (such as the Global Reporting Initiative Guidelines and the UN Global Compact principles). Emerging norms highlighted by governments, intergovernmental bodies and NGOs.</td>
</tr>
</tbody>
</table>

---

Identify potential stakeholder concerns (test D) using existing organisational knowledge, research and exploratory engagement with key stakeholders as appropriate. Sources of information for identifying stakeholder concerns at this Stage include:
STAGE 1

Individuals within the organisation will already have some knowledge of stakeholder concerns from their current contacts with stakeholders and understanding of the issues affecting their part of the organisation. Stakeholders will already be raising issues through existing feedback mechanisms from customer hotlines to investor relations meetings. This existing knowledge could be brought together through a process of systematic review, interviews or workshops with key managers and stakeholders close to the organisation.

In some cases it may be best to leave the identification of issues open and set the agenda with the stakeholders during the engagement process itself. However, while this does allow for maximum stakeholder involvement in identifying issues, it may lead to unmanageable dialogue which is difficult to feed into decision making processes, and leaves stakeholders frustrated that the engagement is all talk and no action.

More passive monitoring of stakeholder viewpoints about the company and industry impacts and performance can also be used to identify issues without raising stakeholders’ expectations at this Stage. This might include monitoring information sources such as national, local, and relevant specialist and academic press, government and intergovernmental organisations’ communications or reports, NGO campaigns, influential public and opinion research and relevant internet discussion forums.

Sources of information for stakeholder concerns and expectations

| 'What we know' | Individuals within the organisation will already have some knowledge of stakeholder concerns from their current contacts with stakeholders and understanding of the issues affecting their part of the organisation. Stakeholders will already be raising issues through existing feedback mechanisms from customer hotlines to investor relations meetings. This existing knowledge could be brought together through a process of systematic review, interviews or workshops with key managers and stakeholders close to the organisation. |
| 'What they tell us' | In some cases it may be best to leave the identification of issues open and set the agenda with the stakeholders during the engagement process itself. However, while this does allow for maximum stakeholder involvement in identifying issues, it may lead to unmanageable dialogue which is difficult to feed into decision making processes, and leaves stakeholders frustrated that the engagement is all talk and no action. |
| 'What they say about us' | More passive monitoring of stakeholder viewpoints about the company and industry impacts and performance can also be used to identify issues without raising stakeholders’ expectations at this Stage. This might include monitoring information sources such as national, local, and relevant specialist and academic press, government and intergovernmental organisations’ communications or reports, NGO campaigns, influential public and opinion research and relevant internet discussion forums. |

Compare your strategic engagement objectives with the issues you have highlighted through the materiality test. Each of your strategic engagement objectives is likely to relate to a number of issues. E.g. satisfying your customers demand for responsibly produced goods may require you to consider various human rights, environmental and health and safety issues. If you feel that any issue is missing, make sure you include it into your list of issues, and assess it according to the five-part test, too.

Using the above-mentioned sources of information, as appropriate, list the issues in the matrix (T3). Then insert the stakeholder groups or sub-groups already identified.

Apply the materiality test by considering each of the issues in relation to each of the five dimensions. Insert a colour-code as suggested in the matrix, and/or provide descriptive assessments of the materiality of the issue to the individual dimensions of the materiality test.

Consider the degree of concern amongst stakeholders regarding the issue and again capture your results in the table, by using the scoring suggested in the table, and/or by providing descriptive assessments of the stakeholders’ concerns.

Ensure a validation of the matrix. The issue/stakeholder matrix provides a record of the identification and analysis of stakeholders and issues at this Stage and should be validated by relevant managers and departments, as well as any other stakeholder groups or experts you are already working with.

The matrix provides a preliminary prioritisation of stakeholders, telling you which ones are most concerned about which issues. Further steps for prioritisation will follow. See also the ‘How to Use’ guide at the bottom of the methodology.
**SUMMARY TEMPLATE T3: OBJECTIVE, ISSUE AND STAKEHOLDER MATRIX**

For the first strategic objective, the template has been filled in by the UK’s Co-Operative Group, who used it to consider the impact of genetically modified organisms (GM) on their business.

### Objective, Issue and Stakeholder Matrix

<table>
<thead>
<tr>
<th>Strategic Engagement Objective (if applicable)</th>
<th>Issue</th>
<th>Materiality test</th>
<th>Stakeholder Group 1</th>
<th>Stakeholder Group 2</th>
<th>Stakeholder Group 3</th>
<th>Stakeholder Group 4</th>
<th>Stakeholder Group 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>To address significant stakeholders concerns when dealing with genetically modified organisms</strong></td>
<td>i. Safety of GM in food</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ii. Impact of GM on biodiversity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>iii. Impact of the removal of GM within non-food</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>iv. Impact of the removal of GM within packaging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>v. Intra-Group risk associated with implementing the policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>vi. (...further issues...)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. (insert next strategic objective, if applicable...)</td>
<td>vii.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Green:** not relevant  
**Yellow:** low relevance  
**Orange:** medium  
**Red:** high relevance

### How to Use:

1. Enter strategic engagement objectives and allocate issues where possible (issues may be relevant to several objectives – others may also not be directly related to a strategic objective!)
2. Enter Materiality Score (see above)
3. Assess the Stakeholders perception of issues either descriptively and/or using a rating, such as:

   - 0 not relevant
   - 1 awareness amongst a few, but no real concern
   - 2 broader awareness, but little concern
   - 3 considerable concern amongst a minority
   - 4 considerable concern amongst many
   - 5 high level of widespread concern

The table provides you with a summary of key issues, why they are material and which stakeholder groups they are related to. You could also decide on threshold scores (or colours).

*electronic version downloadable at www.accountability.org.uk*
THINGS TO CONSIDER

This is only a preliminary identification and assessment of which stakeholders are likely to be most concerned about which issues. Further steps for prioritisation will follow.

Check your ‘results’. Show the matrix to relevant decision makers within your organisation, to some stakeholders you already have a good relationship with, or have experts of specific fields review it. This will enhance the reliability of the pre-assessment.

Not all material issues can be allocated to strategic objectives. This does not mean you can ignore them. It is important for the compilation of the list to remain open-minded and flexible to issues that may be important to stakeholders, but are not immediately seen as relevant to the organisation. Only then can the list be comprehensive.

The issue/stakeholder matrix is not set in stone, but is likely to evolve and develop as you gain more understanding of stakeholders and issues.

Review this table as you learn more about your stakeholders.

The issue/stakeholder matrix also highlights where different groups of stakeholders are concerned about the same issue and might be better approached through a multi-stakeholder process rather than on a one-to-one basis (see Stage 2 for more on multi-stakeholder engagement).
BACKGROUND
Engaging with all stakeholders or on all issues is neither possible nor desirable. This would go beyond any available resources, and at the same time make it very difficult to adequately respond to stakeholders, leading to frustration. Therefore, you should try and prioritise your stakeholders and issues to ensure that time, resources and expectations are well managed.

The previous processes have enabled an initial overview of the materiality of issues and the related concerns and expectations of stakeholders, as well as over their relationship to the organisation’s strategic objectives. However, further factors need to be considered before deciding on priorities for engagement.

Prioritisation is difficult because it is often not possible to quantify the various ‘stakes’ and make objective comparisons. Nevertheless by setting clear criteria for prioritisation linked to the company processes and business strategy you are better able to steer the engagement away from being driven by un-strategic considerations such as the ‘noisiest’ stakeholders, the short-term focus of the media, or the comfort-zone of managers. Below are two ways of prioritising stakeholders:

Prioritisation according to the social maturity of issues
One useful way to understand the wide range of issues raised by the diversity of stakeholders is to consider the maturity of the issues. Pharmaceutical company Novo Nordisk created a scale to classify issues according to their maturity (see box).

SIG’s Initial Prioritisation and Categorisation of Stakeholders
The Swiss utilities company SIG started the process of prioritisation with a discussion amongst the executive management team. The sustainable development team facilitated the discussion. It identified an ‘a-priori’ set of stakeholder categories: shareholders, clients, business partners, employees, public contractors and civil society interest groups. The expectations of these groups, and their degree of satisfaction with SIG’s performance, were subsequently evaluated in various dialogues with stakeholders. Existing customer surveys also served to shed further light on these subjects. In the prioritisation of their stakeholders, SIG considered their importance to SIG’s strategic business objectives, and their current degree of satisfaction.
The same issue can be at different stages of maturity in different regions or countries, and in different industries. For example, biodiversity is an institutionalised issue for European businesses, but an emerging one in North America, whilst employee privacy is only an emerging issue in Europe but already institutionalised in the US. Similarly, whilst animal welfare has been on the agenda for the pharmaceutical industry for some time (in relation to animal testing) and business norms on animal testing have now become institutionalised in this industry, within the oil and gas industry it is only now emerging as an issue of controversy and debate, although animal welfare NGOs express much concern about the use of animals in testing petrochemical products.

While acknowledging the fact that issues, which are high on the ‘maturity ladder’, receive quite a lot of attention in various ways, this does not mean that the societal debate about its resolution is over. At the same time, high social maturity also does not necessarily imply that a sustainable solution has been found – nor that the current approach is acceptable to the majority of stakeholders. Therefore, an efficient process of stakeholder engagement needs to be open to constant change and to the involvement of changing stakeholder groups, even if the issue is becoming increasingly institutionalised. A good example of this is the development of corporate reporting practices on environmental issues in the last 20 years.

At each Stage of maturity there is a different mix of stakeholder expectations, external pressures, risks and opportunities, all of which are essential to understand in prioritising areas for engagement and planning the actual engagement processes.

### The Four Stages of Issue Maturity

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latent</td>
<td>- Some activist communities and NGOs are aware of the issue.</td>
</tr>
<tr>
<td></td>
<td>- There is weak scientific or other hard evidence.</td>
</tr>
<tr>
<td></td>
<td>- The issue is largely ignored or dismissed by the business community.</td>
</tr>
<tr>
<td>Emerging</td>
<td>- There is political and media awareness of the societal issue.</td>
</tr>
<tr>
<td></td>
<td>- There is an emerging body of research, but data are still weak.</td>
</tr>
<tr>
<td></td>
<td>- Leading businesses experiment with approaches to dealing with the issue.</td>
</tr>
<tr>
<td>Consolidating</td>
<td>- There is an emerging body of business practices around the societal issue.</td>
</tr>
<tr>
<td></td>
<td>- Sector wide and issue-based voluntary initiatives are established.</td>
</tr>
<tr>
<td></td>
<td>- There is litigation and an increasing recognition of the need for legislation.</td>
</tr>
<tr>
<td></td>
<td>- Voluntary standards are developed, and collective action occurs.</td>
</tr>
<tr>
<td>Institutionalised</td>
<td>- Legislation or business norms are established.</td>
</tr>
<tr>
<td></td>
<td>- The embedded practices become a normal part of a business-excellence model.</td>
</tr>
</tbody>
</table>

STAGE 1
In general, the more mature an issue is, the more essential it is for a company to address the issue. However, the response to the issue also depends on the company’s general approach towards stakeholder engagement, or issues of corporate responsibility more generally. The table below illustrates the way that a company, which considers stakeholder engagement as an opportunity, might typically decide to react to each Stage, as well as the reactions of a company that takes a more defensive, reactive approach.

### Different responses to the maturity of issues

<table>
<thead>
<tr>
<th>Stage of issue maturity</th>
<th>Leadership company’s opportunity focused response:</th>
<th>Leadership company’s stakeholder engagement process:</th>
<th>Defensive company’s response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latent</td>
<td>Gain early understanding of new risks and opportunities, and practise precaution as required.</td>
<td>Maintaining ongoing dialogue with NGOs and stakeholder opinion leaders.</td>
<td>“It’s not our job to understand that”</td>
</tr>
<tr>
<td>Emerging</td>
<td>Address the issue early to win market shares, or competitive or reputational advantages.</td>
<td>Working with an international organisation to develop new preventative or proactive management, production or marketing approaches that address stakeholder concerns.</td>
<td>“It’s not our job to address that”</td>
</tr>
<tr>
<td>Consolidating</td>
<td>Finding allies for managing and addressing these impacts to prevent best practise from being undercut by companies that ignore the impacts.</td>
<td>Play a leading role in multi-sector and sector-wide responses to the issue by promoting best practise and developing standards</td>
<td>“It’s not our job to regulate that”</td>
</tr>
<tr>
<td>Institutionalised</td>
<td>Making sure that everybody complies with social norms and commitments.</td>
<td>Formalised engagement processes such as industrial relations with trade unions or governments.</td>
<td>“We’ll do it if we have to”</td>
</tr>
</tbody>
</table>

---

**Novo Nordisk and the growth of diabetes in the developing world**

The Danish healthcare company Novo Nordisk’s main business is the prevention and treatment of diabetes. Diabetes is now recognised as a pandemic, and the current number of people with diabetes, which in 2003 has been estimated to be 194 million, is expected to increase to 333 million by 2025. Two-thirds of future diabetes cases are expected to occur in the developing world.

Meeting the associated challenges is complicated. Low- and middle-income countries often lack the healthcare information to meet the needs of a growing number of people with diabetes. Furthermore, a lacking awareness of and education about diabetes is a serious problem. Therefore, many experts believe that the solution lies in taking an approach that combines increased awareness, education and prevention with improved access to treatment.

Novo Nordisk works together with governments, patient organisations and other partners to improve diabetes care in poorer countries, using its expertise and competence in diabetes to address some of the above issues. At the same time, Novo Nordisk is building a long-term sustainable business advantage as a leader in diabetes care in the developing world, while responding to growing pressure from society to increase access to medicine in developing countries.

This strategy for improved access to diabetes care has been built on World Health Organisation’s recommendations. Novo Nordisk supports the building and development of national healthcare strategies and capacities with the National Diabetes Programme, which is setting up diabetes activities in eight developing or emerging economies. Activities include educating nurses, equipping diabetes clinics, supporting diabetes patient organisations and working with governments. It has also offered insulin to the public health systems of the 50 least developed countries, as defined by the UN, at prices not to exceed 20% of the average price in the highly developed countries of North America, Europe and Japan.
Further to my points above, it’s important to note that dialogue doesn’t necessarily stop or ‘just’ become formalised once an issue becomes institutionalised.

Between defensive and opportunity focused companies, there is a spectrum of approaches where companies take an increasingly proactive and embedded approach to addressing issues raised by stakeholders.

Prioritising according to the influence and dependence of stakeholders

Another way to approach the question of strategic alignment is identifying those stakeholders that are likely to have the greatest impact on the achievement of your strategic objectives, and those stakeholders that will be most positively or negatively impacted by the company’s operations. This will enable you to prioritise your attention and action to ensure that you can achieve your strategic objectives, while respecting the rights of significantly impacted stakeholders.

In order to ensure this, a company might prioritise stakeholder groups in this way:

<table>
<thead>
<tr>
<th>Stakeholder Influence and Dependancy Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholder influence on organisation</strong></td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td><strong>Stakeholder dependence on the organisation</strong></td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>High</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholder influence on organisation</th>
<th>High</th>
<th>Low priority - provide access to general channels of information and feedback.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low priority - provide access to general channels of information and feedback.</td>
<td>Treat fairly – honour commitments to these stakeholders in line with company policy, regulations and industry norms, otherwise endeavour to keep stakeholders satisfied insofar as balance of costs and benefits allow.</td>
<td>Strategic threat or opportunity - invest in engagement processes to understand concerns and develop solutions.</td>
</tr>
</tbody>
</table>

However, for any particular company or issue, such a matrix may need to be adjusted to reflect the most relevant prioritisation criteria in each case. For example, instead of company dependence, one could consider the dependence of specific strategic business objectives, or of specific business divisions on the stakeholders, which would allow for a more specific prioritisation of stakeholders.

Also, it is important to be aware of the interactions between the different stakeholder groups, for example through lobbying or advocacy activities. One key driver for corporate responsibility in recent years has been the development of coalitions of diverse stakeholders around key issues. In particular, high influence / low dependency stakeholders such as investors and consumers have ‘lent’ their influence to low influence high dependency stakeholders such as supply chain workers in developing countries, future generations and animals, in order to focus corporate attention on issues such as supply chain labour conditions, environmental care and animal welfare.
**SUGGESTED METHODOLOGIES M4: PRIORITISING STAKEHOLDERS AND ISSUES**

The purpose of this activity is to identify which issues and/or stakeholders represent key priorities for engagement by your organisation.

Decide whether to focus initially on prioritising by issues or stakeholders – this will depend on the context as outlined on p36 – If you have already determined which stakeholders you need to engage with, prioritise issues. If the engagement is issue driven, prioritise stakeholders. Otherwise be guided by whether you know more about the stakeholders or the issues.

In both cases convene a workshop of managers from across the departments and functions that are likely to be knowledgeable about the stakeholders and issues, be concerned about the outcomes of engagement or be responsible for implementing follow up action. You may also consider inviting outsiders with expertise relating to the issues or stakeholder groups involved.

Select a person either from inside or outside the company to facilitate. You can use the objective, issue and stakeholder matrix (T1) as a basis for discussion.

**Prioritising issues**

Categorise the issues identified in the issue/stakeholder matrix as latent, emerging, consolidating or institutionalised according to the following criteria:

---

### Issue maturity rating

<table>
<thead>
<tr>
<th>Maturity of issue</th>
<th>Evidence</th>
<th>Awareness</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latent</td>
<td>Weak scientific or other hard evidence.</td>
<td>Some activist communities, academics and NGOs are aware of the issue. Little business community awareness.</td>
<td>No regulation or recognised standards for business.</td>
</tr>
<tr>
<td>Emerging</td>
<td>Emerging body of research, but no clear agreement on conclusions</td>
<td>Focus of NGO campaigning, political and media awareness. Leading businesses are experimenting with approaches to dealing with the issue.</td>
<td>Boundaries of business responsibility subject of public debate.</td>
</tr>
<tr>
<td>Consolidating</td>
<td>Strong evidence</td>
<td>High level of general awareness of issue amongst relevant business, civil society and public bodies.</td>
<td>Best practice approaches increasingly promoted and recognised. Voluntary standards are established and legislation may be proposed.</td>
</tr>
<tr>
<td>Institutionalised</td>
<td>Less focus on evidence: the case has been made and accepted.</td>
<td>Addressing this issue is a normal part of a business-excellence model.</td>
<td>Legislation or strong business norms are established.</td>
</tr>
</tbody>
</table>
Discuss the objectives of your organisation in relation to the issues within each of the four categories of maturity, the risks and opportunities involved and the types of stakeholders that are relevant for this. Consider how to approach issues in each category and whether further prioritisation criteria are needed.

Use the issue maturity analysis to assign levels of priority or broad approaches to engagement to each of the issues.

**Prioritising stakeholders**

Decide on prioritisation criteria for stakeholders. Influence, dependency and willingness to engage are good general starting points but you may also need to consider other more specific criteria.

Discuss and analyse how each stakeholder group rates against these criteria.

<table>
<thead>
<tr>
<th>High impact stakeholder groups</th>
<th>are those with the power to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Remove, grant or influence ‘license to operate’</td>
<td></td>
</tr>
<tr>
<td>– Restrict access to resources, operating sites or intellectual capital</td>
<td></td>
</tr>
<tr>
<td>– Damage or build company reputation</td>
<td></td>
</tr>
<tr>
<td>– Contribute or detract from companies ability to learn and innovate</td>
<td></td>
</tr>
<tr>
<td>– Restrict or provide access to investment funds</td>
<td></td>
</tr>
<tr>
<td>– Provide useful early warning signals about emerging issues and risks or cause distractions diverting management attention and time from core activities depending on the context of engagement may want to focus on some or all of these sources of influence.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High dependency stakeholders are those who are in a position of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Direct financial dependence (e.g. who depend on you for wages, purchases, grants)</td>
</tr>
<tr>
<td>– Indirect financial dependence (e.g. whose livelihoods depend on you through your contributions to the regional economy, or for example low income customers who depend on low prices for basic goods which you may provide)</td>
</tr>
<tr>
<td>– Non-financial dependence (e.g. those who depend on you for essential services)</td>
</tr>
<tr>
<td>– Non-financial impairment or risk from your operations (e.g. through air or noise pollution or from risk to health for consumers of your products)</td>
</tr>
<tr>
<td>– Low/no choice (e.g. employees facing compulsory redundancy, neighbours to a production plant, addicts in the case of addictive products, consumers vulnerable due to illiteracy, etc)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The willingness and ability of stakeholders to engage can be classified in various ways as appropriate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Adversarial/ hostile</td>
</tr>
<tr>
<td>– Unknown</td>
</tr>
<tr>
<td>– Uninterested</td>
</tr>
<tr>
<td>– Engaged through formal mechanism (e.g. via governance, regulation, negotiation)</td>
</tr>
<tr>
<td>– Cooperative</td>
</tr>
<tr>
<td>– Competitive</td>
</tr>
</tbody>
</table>

Plot stakeholders on the following grid using influence and dependency as the axes.
### Summary Template T4: Stakeholder Influence Dependency Matrix*

<table>
<thead>
<tr>
<th>Stakeholder influence on company (or objective, project or business line)</th>
<th>No Influence</th>
<th>Low influence</th>
<th>Some influence</th>
<th>Formal power/ high influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>High dependence - no choice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No direct impacts - stakeholders have broad range of choice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Optional: illustrate relationships between stakeholders using arrows to show influence from one stakeholder to another.

Discuss the mapped results; consider how to approach stakeholders in each quadrant and whether further prioritisation criteria are needed.

Use the stakeholder analysis to assign levels of priority or broad approaches to engagement to each of the stakeholder groups.

*electronic version downloadable at www.accountability.org.uk*
THINGS TO CONSIDER

You might decide to prioritise issues and then go on to prioritise stakeholders relevant to the high priority issues where stakeholder engagement is identified as necessary.

Issues may not be clearly within one of the four stages of maturity, but might have characteristics of different stages. Often for example, public knowledge and concern is not in step with the state of evidence and scientific consensus.

Additional stakeholders and issues may emerge at any time, so the matrix and prioritisations should be continually updated to serve as a useful source of reference.

Camelot’s Integrated Prioritisation of Stakeholders and Issues

Based on their strategic objectives and organisational mission, Camelot the operator of the UK national lottery, has constructed a two-level prioritisation of stakeholders (see p27 for Camelot’s stakeholder groups), where specific issues of importance are related to specific stakeholder groups. Below is an extract from their social report:

KEY PRIORITIES

Sales, players and winners:
Our sales performance, the introduction of new games and the playing and winning experience are critical to building a growing National Lottery, and are of direct interest to many of our stakeholders - the public and players, retailers, employees, pressure groups, suppliers and shareholders.

Good causes:
Ensuring maximum returns to Good Causes and showing people the breadth of projects that The National Lottery has funded is critical to building a respected National Lottery, and is relevant to the public, retailers, community and shareholders.

Our future:
The discussions focused on distribution of lottery funds, how the third licence to operate the lottery will be awarded and the changes in gambling regulation are critical to the future of The National Lottery. The outcome of these discussions will have a huge impact on all of our stakeholders - the public and players, employees, retailers, community, pressure groups, suppliers and shareholders.

Our people:
The skills, motivation and commitment of our people are critical to our ability to deliver our strategic goal of building growth and respect. In addition, our people, and their behaviour and choices will directly influence our impact on the communities and environment in which we operate. This issue has particular bearing on our employees and shareholders.

Responsible play:
Ensuring the protection of vulnerable groups, such as young people, those on low incomes or those susceptible to gaming addiction is key to ensuring that The National Lottery is a respected institution, and is of importance to the public, retailers and pressure groups.

SECONDARY PRIORITIES

Investment in retail:
Giving our retail partners the support they need is important to building a growing National Lottery and is relevant to the public, retailers, community, pressure groups, our suppliers and shareholders.

Our supply chain:
We operate one of the most efficient lotteries in the world. Value for money and shared integrity are important to enable us to operate efficiently and to ensure The National Lottery is respected. We are also mindful of the impact our suppliers have on the environment. These issues are particularly relevant to our suppliers and shareholders.

Environment:
Camelot’s environmental performance and that of our suppliers is part of being a respected operator of The National Lottery. This area is relevant to our employees and environment stakeholders.

Community involvement:
Camelot’s own contribution to the community is an integral part of being a respected operator, and is of key relevance to employees, pressure groups and community stakeholders.
ROUND UP

By the end of this Stage you should have an overall understanding of the relationship between your overall business strategy and stakeholders, and defined related strategic objectives for engagement. However, be aware that your understanding will have to be verified by your stakeholders. You will also have mapped the key groups of people who are affected by and can affect the way your organisation meets its goals, as well as the potential issues relevant to each stakeholder group. You will also have established priorities regarding the stakeholders and issues that you will intend to address.

Outputs
- Strategic Engagement Objectives
- Objectives, Issues & Stakeholder matrix
- Initial prioritisation of stakeholders and/or issues
Take time to analyse and plan the engagement.
There is always an element of ‘learning on the job’ and opportunism with stakeholder engagement. Companies often start engaging with stakeholders they already know well, and then start talking to others outside of their traditional comfort zone. Others start by responding to a particular crisis or opportunity. The stakeholder engagement process itself is a learning cycle as both the company and its stakeholders learn more about each other’s motivations, ways of working and spheres of influence.

However, this does not mean that stakeholder engagement cannot and should not be planned in the same way that other business activities are planned. Without good planning stakeholder engagement processes are unlikely to deliver where it counts for the business. Instead it may end in disappointment, recriminations and damaged relationships with the people that you have already recognised as essential to your organisation’s success.
PRINCIPLES
The key principles that this Stage intends to deliver on are materiality and completeness.

PROCESS
The actions and tools outlined in this Stage take you through four linked questions to help develop a plan of action for engagement based on a clear understanding of the expectation gaps between your organisation, its stakeholders and peers as well as the changes and resources that might be necessary to close these gaps.

This will help you to develop a strategically aligned, resource-efficient approach to engagement and to initiate the process of internal learning and engagement of key departments and individuals needed to make stakeholder engagement more than just talk.

You will want to develop a clear idea of:

- How the issues that you have prioritised so far are currently managed within your organisation;
- How you are currently engaging with stakeholders on these issues;
- What others are doing, and with whom you could collaborate;
- What you can and want to do about the specific issues;
- Which specific stakeholder representatives you want to engage with, and what they expect.

This Stage is outlined in five steps that can be used as a process for collecting the information you need for successful stakeholder engagement. But the individual elements and associated tools can also be used within your existing management and planning processes where stakeholder engagement is seen as an integral part of achieving discrete business objectives.
Stage 1: Think strategically about stakeholder engagement

Strategic objectives and list of priority stakeholders and/or issues

Stage 2: Analyse and Plan

Where do we want to go with our stakeholders?

Stakeholder Representative Profiles & Priorities

Resource commitments & margins of movement

Organisational and Stakeholder Development Plan

How are others addressing this issue

Where are we now?

What are our stakeholders’ expectations?
BACKGROUND
Before planning a stakeholder engagement process it is essential to know where you already are on the material issues in question:

- How is the issue currently managed within your organisation?
- What policies and systems do you already have in place?
- What is it that you can and want to do about these issues?

This information provides the practical basis for building more robust and responsive stakeholder engagement processes, but also the basis on which to assess your current practice against your objectives and against the level of maturity of the issues in question.

An organisation’s stakeholder engagement practice in relation to an individual issue can be characterised within the following five stages of development (see below). ⁵

<table>
<thead>
<tr>
<th>Organisational Learning Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Engagement</td>
</tr>
<tr>
<td>Exploratory</td>
</tr>
<tr>
<td>Developing</td>
</tr>
<tr>
<td>Embedded</td>
</tr>
<tr>
<td>Strategic</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>No engagement on an issue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exploratory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ad-hoc engagement with stakeholders when opportunities or challenges arise: focused on learning and exploring the issue and often dependent on individual commitment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Developing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good quality engagement processes with some thought to design and stakeholder needs, but management systems are patchy, the impact of engagements to actual operational decision making is unclear, and there are no clearly established performance objectives addressing the issue.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Embedded</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality engagement processes feed into operational decision making and are embedded in core management processes. Engagement is systematised to ensure that the issue is adequately addressed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality engagement embedded in management and governance processes and linked to business strategy. Issues are addressed in-depth, often with the objective of systemic change and on a global and local level.</td>
</tr>
</tbody>
</table>

These organisational responses can then be compared to the maturity of an issue, which you have already assessed in Stage 1. This is the purpose of the Issue Response Matrix opposite:

⁵ This model aligns with the value creation model presented in "Volume 1. The Guide to Practitioners’ Perspectives", on p.27.
The issue response matrix guides you in comparing your company’s way of dealing with an issue with the maturity of debate about it within society more broadly. It thereby helps you to identify where you are in a leadership position and where you are at risk. On the other hand, it also helps you to identify where you might want to be in relation to an issue under consideration.

**Example Application for the Issue Response Matrix: Child Labour in the Supply Chain**

There is widespread consensus amongst citizens, consumers, business and governments that children should not be forced to work long hours in jobs that sacrifice their health, safety and education. 141 countries have ratified the ILO Minimum Age Convention and 153 have ratified the ILO Worst Forms of Child Labour Convention. Most of these countries have legislation on their statute books aimed at ending child labour and many have programmes to combat child labour often with technical or financial support from the ILO or international donors. A number of industry associations, NGOs and multi-sector initiatives are also working to address the issue, voluntary guidance for buyers have been developed, and many businesses are working to improve the management and monitoring systems which help avoid child labour within their supply chains. It can be considered a consolidated issue.

Yet the ILO estimates that 1 in 6 children is at work instead of at school and three-quarters of these are involved in hazardous work. Amongst companies whose operations and sourcing networks extend into countries and sectors where child labour is endemic, different levels of response can be seen.

- **A** business which is still developing its basic policies, where any information it gains about child labour in its supply chain does not necessarily feed into operational decision making processes, and where there are no performance objectives, would locate its response at A. Here, the business is vulnerable to advocacy and brand damage, unprepared for potential regulation, and other businesses leading on the issue may shy away from collaborating with it.

- **B** a business which has systematic management and monitoring processes, policies, targets and ongoing engagement initiatives with suppliers in place to address and minimise child-labour in its own supply chain would locate its issue response at B and can consider itself to be in-step with societal development.

- **C** a business which has developed sophisticated organisational policies and management systems on the issue, has assigned top-level responsibility for avoiding child-labour, and is engaged with a wider range of stakeholders such as industry bodies, governments, NGOs and the ILO in initiatives to solve the associated challenges, could locate its response at C. This strategic approach might give this company the opportunity to profile itself as a particularly responsible business in the marketplace and with regulators.
**SUGGESTED METHODOLOGY M5: ASSESSING YOUR CURRENT ORGANISATIONAL RESPONSE**

The purpose of this activity is to establish a clearer picture of the degree and mechanisms that the business currently has in place to address specific issues. It involves an assessment of current processes of management and stakeholder engagement in relation to the issue, and helps you to identify areas for improvement.

- Using the Template 5 (below) as guidance, investigate what level of development your organisation has reached in relation to each of your prioritised issues, and note any particular areas where organisational response enablers are weak in relation to a particular issue. The Template guides you in doing this and helps to capture the results of this assessment.

- Chart issues on Issue/Response matrix (above) to highlight those areas where you fall into the red risk zone or green opportunity zone.

- Identify target levels of development for specific aspects of your approach to prioritised issues or stakeholder map.

- Finally, consider the financial resources that may be required for engagement, as well as for the possible outcomes of engagement. Are key budget holders committed to supporting this process? Is it clear to which degree financial resources will be made available?

**THINGS TO CONSIDER**

- This process should draw on sources of expertise throughout the company, including aspects of stakeholder management processes already documented in policies and guidelines as well as through interviews, workshops or meetings with key individuals within the company.

- The “current engagement activities” row should ideally be considered in conjunction with the analysis of current engagement undertaken described on p63.

**Explanation to Template T5**

The different rows of this table help you to assess whether your business’ current management systems / policies and processes are adequate for the maturity of the issue in question.

- If all of your responses are 1, your organisation is in a good position to respond to the issue in a **strategic** manner.
- If your answers are all 2, then your business response can be considered as **embedded**.
- If all answers are equal to 3, then the current processes are **developing**.
- Answers of 4 indicate an **exploratory** approach. Finally if the majority of responses are 5, this indicates that your company is **not addressing the issue**.

Consider your organisational response in light of the maturity of the issue – are you a leader or a laggard in relation to this issue?

How does this relate to your strategic objectives and assessment of risks and opportunities in this area?

Highlight areas for improvement in the final row.
<table>
<thead>
<tr>
<th>Prioritised Issue: ________________________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social maturity of the issue:</td>
</tr>
<tr>
<td>□ Latent   □ Emerging   □ Consolidated   □ Institutionalised</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enabler</th>
<th>Possible levels of action</th>
</tr>
</thead>
</table>
| Governance and management commitment to issue                | □ 1. Formal commitments in place with responsibility at board level.  
□ 2. Formal commitments with responsibility at senior management level  
□ 3. Formal statement or policies made but no formal responsibility at senior levels.  
□ 4. Action to address issue driven by individual commitment and awareness.  
□ 5. No awareness/action.  
Give details: __________________________________________________________ |

| Policy regarding the issue                                  | □ 1. Formal policy with objectives that are linked to business strategy.   
□ 2. Formal policy with objectives that are not linked to business strategy.  
□ 3. Draft or holding policy but no objectives.  
□ 4. Early discussions about policy.  
□ 5. No policy.  
Give details: __________________________________________________________ |

| Current engagement activities regarding the issue            | □ 1. Formalised and integrated into management and governance processes with robust documentation and reporting systems.  
□ 2. Systematised engagement approach with documentation and some linkage into decision making processes.  
□ 3. Established engagement processes for some relevant stakeholders/issues.  
□ 4. Sporadic engagement processes, limited internal controls.  
□ 5. No engagement.  
Give details: __________________________________________________________ |

| Performance indicators/measurements regarding the issue     | □ 1. Strategic objectives and SMART Key Performance Indicators (KPIs) set in order to meet management and stakeholders’ information needs. Internal and external reporting and assurance mechanisms in place.  
□ 2. KPIs that respond only to internal management needs, internal reporting with little or no assurance.  
□ 3. KPIs that only partially meet stakeholder information needs.  
□ 4. Early discussions relating to development of KPIs and monitoring.  
□ 5. No objectives set, no Key Performance Indicators.  
Give details: __________________________________________________________ |

| Internal responsibility and competency to address the issue  | □ 1. Issue related targets form part of the performance reviews of individuals, and are considered when deciding on potential performance rewards.  
□ 2. Required competencies are addressed in recruitment and training, and considered in the rewarding of performance.  
□ 3. Responsibilities assigned but no formal mechanisms to reward, recruit or train to ensure required competency.  
□ 4. Early discussions relating to assignment of responsibilities and understanding of necessary competencies.  
□ 5. No internal responsibility considered for this issue/stakeholder  
Give details: __________________________________________________________ |

| Review and learning processes in regards to the issue       | □ 1. Continuous review and learning to innovate and adapt organisational policy and processes, with learning from engagements feeding into the organisation’s strategic decision making.  
□ 2. Review and learning processes generate limited changes relating to specific issues and departmental functions. Organisational change management is starting to establish links with stakeholder analysis.  
□ 3. Ad hoc review and learning processes leading to incremental changes.  
□ 4. Review and learning processes driven and limited to individuals.  
□ 5. No stakeholder engagement happening on this issue.  
Give details: __________________________________________________________ |

Overall adequacy of your ability to respond / areas which require improvement:  
Which improvements are required in the 6 areas (rows) given above?  
(Example 1: re Performance measurements and indicators: “KPIs that provide internal guidance to managing the issue need to be developed.”)  
(Example 2: re Review and learning processes: “Need to establish continuous review and learning processes so that we can adapt organisational policies and processes in response to stakeholder expectations and organisational needs.”)
BACKGROUND

It is always worth knowing what others are doing in relation to similar issues and/or stakeholder groups. Which challenges have they encountered and how have they achieved success? What can you learn from them? Where there is evidence of positive outcomes of stakeholder engagement on a particular issue or in a particular part of the business? Are there ongoing partnership initiatives or associations addressing this issue where working together would be beneficial?

Your approach to stakeholder engagement does also not have to be developed from scratch. Indeed in many cases it may turn out that the issues identified as material cannot be addressed by an individual business working alone or bilaterally with some of its stakeholders but may call for sector-wide or multi-sector action. Stakeholder engagement involves a cycle of learning and innovation within the organisation, but it can also be part of a wider cycle of ‘civil learning and action’ both about how to do stakeholder engagement and how to address the issues raised. This cycle of learning is accelerated when organisations can learn from the mistakes and best practice of others. Increasingly such learning is facilitated through networks and partnerships and the development of resources in the form of case studies, tools and standards to enable lessons to be transferred from one organisation to another.

The table below provides sources for ‘inspiration’ on what you could do to address the issues and stakeholders that you have found:
### Links into Learning Networks

<table>
<thead>
<tr>
<th>Information Source</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **Codes, Standards, Frameworks, Guidelines and Tools** | - ISO 14001 (environmental management system standard)  
- International Labour Organisation (ILO) Standards  
- SA8000 Labour Standard  
- Business Principles for Countering Bribery (from TI and SA International)  
- OECD Guidelines for Multinational Enterprises  
- Global Reporting Initiative Sustainability Reporting Guidelines  
- AA1000 Series (quality framework for organisational accountability)  
- The Sigma Guidelines (www.projectsigma.com) |
- CSR-Case Studies on www.wbcsd.org (World Business Council for SD) and on www.conversations-with-disbelievers.net  
- ‘Making Stakeholder Engagement Work’ www.csr-campaign.org  
- Business & Economic Development sector specific reports www.economicfootprint.org  
- Industry as a Partner for Sustainable Development, 22 industry sector reports prepared for the 2002 Johannesburg Summit (WSSD) www.unep.fr/outreach/wssd/contributions/sector_reports/reports.htm |
| **Benchmarks and Indexes** | - Dow Jones Sustainability Index  
- Accountability Rating 2005  
- FTSE4Good  
- Business in the Community Corporate Responsibility Index |
| **Competitors & other individual companies who face similar issues** | Conferences, events and business networks on relevant issues showcase best practice and provide opportunities to meet with others facing the same issues. Sustainability reports are good first source of reference:  
- www.globalreporting.org (reports categorised according to use of GRI Guidelines)  
- www.corporateregister.com (online-database for non-financial reports) |
| **Partnerships, Industry Associations, NGOs** | Collaborations between companies, civil society and governments range from global to sector, region, or issue-specific initiatives:  
- United Nations Global Compact  
- UNEP associated voluntary initiatives, eg UNEP Finance Initiative, Global e-Sustainability Initiative, Tour Operators Initiative, Mobility Forum, Advertising and Communications Forum www.unep.fr/outreach/home.htm  
- Sector specific initiatives of the World Business Council for Sustainable Development (WBCSD), see "Sector Projects" www.wbcsd.org  
- (Sub)Region specific initiatives for example the Calabash Project for the SADC region (see www.saiea.com/calabash) |

* See annex for more examples.
SUGGESTED METHODOLOGY M6: LEARNING FROM OTHERS

The purpose of this activity is to identify the most relevant sources of learning as well as some potential partners for engagement.

Identify peers, partnerships, networks, tools and standards relevant to the prioritised issues or stakeholder groups. Use the table above to guide you in your search.

Questions to ask while considering this information

• What have other organisations done in order to engage with similar stakeholders or to address similar issues?
• Which mistakes can we learn from, which practice has proven to be successful?
• Which standards and frameworks offer relevant guidance?
• How have others turned challenges into opportunities?
• Are these initiatives credible from the perspective of my important stakeholder groups?

Consider likely areas for engagement with peers, for example in the form of formal or informal networks, by signing up to shared codes of conduct or principles (e.g. the UN Global Compact), or by joining or forming partnership initiatives to address an issue.

Create an electronic or hardcopy file where you collect relevant case-studies, documents, portraits of organisations, initiatives and standards for future reference. Reference the most interesting ones in Summary Template 9 (p74).

THINGS TO CONSIDER

When looking for learning from others, you can also make use of the information you have already collected for the materiality test in Stage 1 (p36). You may also reconsider the results of that materiality test in light of any new information that you may find.
**BACKGROUND**

In addition to finding out about your internal organisational ability to address an issue, and to learning from what others are doing, it is of course essential to find out how you are currently engaging with your stakeholders on your material issues. In essence you want to consider the following questions:

- How are you currently engaging on your prioritised issues?
- How do you need to improve your engagement and what kind of results are you seeking?

Your approach to stakeholder engagement can be characterised at a number of levels from passive/no engagement to empowering stakeholders to take decisions.
## Levels of Engagement

<table>
<thead>
<tr>
<th>Level</th>
<th>Goal</th>
<th>Communication</th>
<th>Nature of relationship</th>
<th>Engagement Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remain Passive</td>
<td>No goal.  No engagement.</td>
<td>No active communication</td>
<td>No relationship</td>
<td>Stakeholder concern expressed through protest, letters, media, websites etc., or pressure on regulatory bodies and other advocacy efforts.</td>
</tr>
<tr>
<td>Monitor</td>
<td>Monitor stakeholders’ views.</td>
<td>One-way: stakeholder to company.</td>
<td>No relationship</td>
<td>Media and internet tracking. Second-hand reports from other stakeholders possibly via targeted interviews.</td>
</tr>
<tr>
<td>Inform</td>
<td>Inform or educate stakeholders.</td>
<td>One-way: company to stakeholder, there is no invitation to reply.</td>
<td>Short or long term relationship with stakeholders. &quot;We will keep you informed.&quot;</td>
<td>Bulletins and letters. Brochures, reports and websites. Speeches, conference and public presentations. Open houses and facility tours. Road shows and public displays. Press releases, press conferences, media advertising, lobbying.</td>
</tr>
<tr>
<td>Transact</td>
<td>Work together in a contractual relationship where one partner directs the objectives and provides funding.</td>
<td>Limited two-way: setting and monitoring performance according to terms of contract.</td>
<td>Relationship terms set by contractual agreement. &quot;We will do what we said we would&quot;* or &quot;we will provide the resources to enable you to do what we agree&quot;.</td>
<td>‘Public Private partnerships’ and Private Finance Initiatives, Grant-making, cause related marketing.</td>
</tr>
<tr>
<td>Consult</td>
<td>Gain information and feedback from stakeholders to inform decisions made internally.</td>
<td>Limited two-way: company asks questions and the stakeholders answer.</td>
<td>Short- or long-term involvement. &quot;We will keep you informed, listen to your concerns, consider your insights, and provide feedback on our decision.&quot;</td>
<td>Surveys. Focus Groups. Workplace assessments. One-to-one meetings. Public meetings and workshops. Standing stakeholder advisory forums. On-line feedback and discussion.</td>
</tr>
<tr>
<td>Involve</td>
<td>Work directly with stakeholders to ensure that their concerns are fully understood and considered in decision making.</td>
<td>Two-way, or multi-way between company and stakeholders. Learning takes place on both sides. Stakeholders and company take action individually.</td>
<td>May be one-off or longer-term engagement. &quot;We will work with you to ensure that your concerns are understood, to develop alternative proposals and to provide feedback about how stakeholders views influenced the decision making process&quot;.</td>
<td>Multi-stakeholder forums. Advisory panels. Consensus building processes. Participatory decision making processes.</td>
</tr>
<tr>
<td>Collaborate</td>
<td>Partner with or convene a network of stakeholders to develop mutually agreed solutions and joint plan of action.</td>
<td>Two-way, or multi-way between company/ies and stakeholders. Learning, negotiation, and decision making on both sides. Stakeholders work together to take action.</td>
<td>Long- term. &quot;We will look to you for direct advice and participation in finding and implementing solutions to shared challenges.&quot;</td>
<td>Joint projects, voluntary two-party or multi-stakeholder Initiatives, Partnerships.</td>
</tr>
<tr>
<td>Empower</td>
<td>Delegate decision-making on a particular issue to stakeholders.</td>
<td>New organisational forms of accountability: stakeholders have formal role in governance of an organisation or decisions are delegated out to stakeholders.</td>
<td>Long-term. &quot;We will implement what you decide.&quot;</td>
<td>Integration of Stakeholders into Governance Structure. (e.g. as members, shareholders or on particular committees etc.)</td>
</tr>
</tbody>
</table>

* See also the complementary Figure 1.3 in Volume 1: “The Guide to Practitioners’ Perspectives on Stakeholder Engagement”, p. 14.
DIFFERENT LEVELS OF ENGAGEMENT – DIFFERENT MAGNITUDES OF CHANGE

In general, low level engagements such as monitoring or informing may be considered as adequate for solving or addressing minor challenges to stakeholder and corporate behaviour and strategy, while engaging at a higher level has the potential to enable bigger changes and transformation, and the solving of more systematic and deep-rooted challenges in managing corporate impacts or sustainability issues.

However, this does not mean that, for example, providing information to your stakeholders can not lead to significant changes in your relationship with them and in their behaviour. In fact, effective engagements are usually a combination of approaches from different levels, and informing is an essential part of most higher-level engagements like consultation or collaboration.

Important Note: The ‘first’ three modes (passive, monitor, inform) are not really engagements as such, as real engagement is interactive. However, they are often the first steps in a relationship with stakeholders and can lead on to more involved engagement.

A key difference between the low levels and the high levels of engagement is the degree to which you pool resources (knowledge, human resources, operation capacities, finances or influence on others) in order to achieve a shared objective. In general, the more fundamental the transformation is that you and your stakeholders want to make happen, the more important it is that you work together closely and make the best use of each others resources.

For example, if you simply want to address your stakeholders’ concerns resulting from their lack of knowledge about the health implications of one of your products, informing them may be sufficient. However, if you want to develop a company policy that successfully serves as a guideline to developing all products in a way that addresses stakeholders health concerns, then you may have to consult more thoroughly with a number of stakeholders (e.g. internal research and development vs. customers) in order to make sure that the policy meets the different expectations. Finally, if you want to encourage your whole industry to address consumer health issues in its products and marketing then you will have to collaborate with an even broader number of stakeholders (e.g. industry and consumer associations, governments, industry peers) – and often on a higher level – in order to make this happen. The level of and approaches to engagement that you and your stakeholders choose therefore depend on your strategic engagement objectives, i.e. on whether these imply only incremental or systemic changes, and also on the social maturity of the issue. If an issue is still ‘latent’, monitoring stakeholders may be a sufficient reaction, but if an issue is consolidated and likely to become institutionalised, it is important to collaborate with a broad range of stakeholders to make sure that the issue is addressed thoroughly.
# Philips' Stakeholders and Main Engagement Approaches

The table below illustrates some of the ways in which the Dutch electronics company Philips engages different stakeholders.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Main Means of Interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Stakeholders</strong></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>• (B2C) Surveys (trend related, customer satisfaction related, application research), complaint resolution, Focus groups,</td>
</tr>
<tr>
<td></td>
<td>• (B2B) Advisory boards, co-R&amp;D, co-strategy development</td>
</tr>
<tr>
<td>Employees</td>
<td>• Employee Engagement surveys, town hall meetings, People Performance system, compliance system, (local) ombudsman</td>
</tr>
<tr>
<td>Suppliers/business partners</td>
<td>• Supplier days (local, global), co-R&amp;D, industry membership (e.g. WBCSD)</td>
</tr>
<tr>
<td>Mainstream investors</td>
<td>• Road shows, analyst (face to face) meetings, ratings</td>
</tr>
<tr>
<td>Social investors</td>
<td>• Surveys</td>
</tr>
<tr>
<td>Financial service providers</td>
<td>• Ongoing ad hoc involvement, financial ratings</td>
</tr>
<tr>
<td><strong>Social Stakeholders</strong></td>
<td></td>
</tr>
<tr>
<td>Communities</td>
<td>• Social investment activities focused on education and health, local networking</td>
</tr>
<tr>
<td>Local/national/international</td>
<td>• Local networking (business/community driven). Participation regulatory bodies in advisory bodies, cooperation in community projects</td>
</tr>
<tr>
<td>Non-governmental organisations</td>
<td>• Surveys, project development, ad hoc involvement</td>
</tr>
<tr>
<td>Academia</td>
<td>• Co-R&amp;D, exchange programs, local networking</td>
</tr>
<tr>
<td>Media</td>
<td>• Local networking, surveys</td>
</tr>
</tbody>
</table>

P7: Assessing your current engagements and drafting stakeholder specific objectives
SUGGESTED METHODOLOGY M7: ASSESSING YOUR CURRENT ENGAGEMENTS AND DRAFTING STAKEHOLDER SPECIFIC OBJECTIVES

The purpose of this activity is to identify the ways in which you are currently engaging with the relevant stakeholders on the material issues that you have prioritised, and at the same time to start thinking if and how you want to develop these relationships further. The outcomes help to fill in the stakeholder assessment Template (Template 6), and feed into further decisions.

Conduct a workshop or have a series of internal discussions with those involved in managing stakeholder relationships. Get together with the people (e.g. procurement-manager, customer relations, external affairs, etc.) within your company who are currently dealing with internal and external stakeholders on the issues prioritised. Explore the current relationship with them, and how these relate to the issues that you have identified regarding the specific stakeholder group.

Discuss the possibilities for engagement with these stakeholders. Is the current combination of approaches to engaging with them sufficient to address the issues in a satisfactory way? Does it require other engagement approaches, maybe on a different level? Would the stakeholders actually have the capacity (e.g. human and other resources, global presence) to take part in a different approach to engagement?

Formulate simple Stakeholder Specific Objectives that relate to the issues and stakeholders – considering the possible levels of engagement - using sentences like:

- “To make sure they are well informed of our approach to XXX”
- “To ensure that they do not become hostile to us.”
- “To be aware of their actions regarding…”
- “To convince them to…”
- “To make sure our policy on XXX meets their expectations.”
- “To share responsibility with them for…”

For some stakeholders, you may wish to formulate several objectives. Be sure that these are aligned with your overall strategic engagement objectives for the issues that you are engaging on.
Document outcomes of the conversation in Template 8.

Note the issue that you are engaging on, the current ‘owner’ of the relationship, the history of the engagement, the current level and approaches in the Template, as well as potential future levels and approaches. You can either do this for whole stakeholder groups, or ideally already for specific representatives – whatever seems most appropriate to your situation.

Use your conversations to consider ‘specifications’ of further stakeholder representatives that you feel you need to identify in order to address your priority issues. Again, Template 8 – as well as the next step – provides you with an overview of a range of further factors you may wish to consider.

THINGS TO CONSIDER

It is important to be aware that you are not yet taking any final decisions on how you will be proceeding with these stakeholders, this will happen in Stage 4. This is still an initial assessment, and helps you to gain a deeper understanding of the adequacy of current engagements, as well as of the potential for ‘more’. This also means that the filling in of Template 8 is only preliminary, you must reconsider your entries as you learn more about your stakeholders throughout the engagement process. The Template should be used as a constantly evolving documentation of your stakeholder relationships.

If for any reason you feel you do not have enough information to fill in parts of the Template, just leave them blank. You may return to them later. The next step will also guide you in learning more about your stakeholders.

The activities described above partly overlap with the next step of assessing stakeholder representatives. Where possible, you may wish to combine the two and address them in the same conversations and/or workshops.
BACKGROUND

In order to design stakeholder engagement processes that work, you need a clear understanding of who your stakeholders are and how and why they may want to engage with you.

In some cases you will need to engage directly with stakeholders themselves either as a self-selected or statistically representative sample. In other cases you will want to engage with stakeholders’ formal or informal representatives in the form of opinion leaders, elected representatives, community leaders or advocacy or membership organisations.

This section will introduce a more detailed assessment of stakeholders. It will also include guidance on the selection of appropriate stakeholder representatives to engage with.

Specifically important points to consider are the geographical scales at which the stakeholder representatives operate and their relationship to the level at which any outcomes may have to be implemented. For example, in engagements regarding the global issue of climate change, many of the organisations representing stakeholders’ viewpoints are themselves large global organisations, who may not always have the necessary insights into the expectations of local level stakeholders. In such cases, it is important to ensure that dialogues on a more local level with local stakeholders are also undertaken which then complement, feed into and verify the outputs of the global dialogue.

When learning more about stakeholder representatives, the following factors should be considered:

### Analyse and Plan

#### P8: UNDERSTANDING AND LEARNING ABOUT STAKEHOLDERS AND THEIR REPRESENTATIVES

<table>
<thead>
<tr>
<th><strong>Stakeholder Profile - Key Issues</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholders’ expectations</strong></td>
</tr>
<tr>
<td>Stakeholders will have their own specific view regarding an issue, about potential problems, their causes and solutions. Furthermore, stakeholders investing time in engaging with you will expect a ‘return on investment’ in terms of action and response. Try and be as clear as possible about both, the stakeholders’ general view on the issue, and their expectations towards you. Some stakeholders only expect you to have an open and honest conversation with them, others may expect you to make specific operational changes or adhere to a certain set of performance standards. Compare the expectations to what you think you can and want to actually do about an issue, given your resources and strategic objectives (these ‘margins of movement’ are further considered in the next step.)</td>
</tr>
<tr>
<td><strong>Knowledge of the issue</strong></td>
</tr>
<tr>
<td>Be clear about the representative’s knowledge of the issue. Some stakeholders know as much or even more about an issue than you. In such cases, you may wish to learn from them. Others know far less, and you may want to inform or educate them. This may be particularly important if their actions can have a strong direct or indirect impact on you, for example when they influence public policy regarding the issue.</td>
</tr>
<tr>
<td><strong>Legitimacy of stakeholder representative</strong></td>
</tr>
<tr>
<td>When engaging with an individual or an organisation you are often seeking for them to stand as representative of a larger group of stakeholders. Be clear about any assumptions or claims about who a representative speaks for. Are they an elected or recognised representative? Do they have legitimacy in terms of broad support or acknowledged expertise? Or are you seeking a representative sample opinion from individuals who reflect the broader make-up of the community?</td>
</tr>
<tr>
<td><strong>Willingness to engage</strong></td>
</tr>
<tr>
<td>Successful engagement requires willingness on both sides. If there is unwillingness, it is advisable to investigate the reasons for this. Sometimes, this may be due to circumstances which you can control and change. In other times, it is important to acknowledge the stakeholders’ right not to engage.</td>
</tr>
<tr>
<td><strong>Possible impacts (negative or positive) of the representative</strong></td>
</tr>
<tr>
<td>Be clear about the specific possible impacts of the stakeholder on your business. How can s/he contribute to your objectives? How can s/he stop you from achieving them? When doing this, you also need to consider her/his indirect impacts on you via other stakeholders. Some representatives’ potential impacts on you or on the stakeholder engagement process may be so significant that there is a definite necessity to engage them.</td>
</tr>
<tr>
<td><strong>Cultural context</strong></td>
</tr>
<tr>
<td>Consider the specific cultural circumstances of the engagement, e.g. language, customs regarding social interaction, gender issues. This may be very relevant to the methods you choose for engagement, as well as to the resource implications. The consideration of cultural issues should ideally be undertaken together with someone familiar with that culture, whether from within or outside the organisation.</td>
</tr>
<tr>
<td><strong>Geographical scale at which they operate</strong></td>
</tr>
<tr>
<td>The geographical scale at which the representative operates, or is willing to operate, should match your engagement plans and objectives. Do you need someone who can engage on a global issue (e.g climate change)? This would require that the representative organisation possesses a significant degree of credibility, legitimacy and oversight for this (e.g. WWF). An issue like the environmental considerations in the building of a new plant, however, is for example more competently addressed with the local administration and/or community.</td>
</tr>
<tr>
<td><strong>Stakeholders’ engagement capacity</strong></td>
</tr>
<tr>
<td>Stakeholders must be treated as a scarce resource, which includes the respectful treatment of their attention and time. Smaller organisations may have very limited financial means and staffing capacity. See Stage 3 for further considerations on stakeholder capacities.</td>
</tr>
<tr>
<td><strong>Relationships of stakeholders with each other</strong></td>
</tr>
<tr>
<td>If you are intending to engage with different stakeholders at the same time, or maybe even involve them in the same activity or locality, it is important to understand their views of and relationships with each other. Tension between your stakeholders can, especially if they are not considered, have very negative influences on the outcomes of your engagements with them.</td>
</tr>
</tbody>
</table>
Novozymes’ Partnerships in China:

Expanding a company’s business activities into China brings unique challenges, especially for companies from the western hemisphere. The different cultural, economic and regulatory environment in China poses unique challenges. Also, China faces huge pressure in balancing economic growth with environmental and social development. Danish biotech company Novozymes has taken cooperative approaches to managing such challenges and to make the most of the Chinese business environment. For example, Novozymes has teamed up with various Chinese and foreign businesses to set up the China Business Council for Sustainable Development (CBCSD) in January, and currently holds the vice presidency. This gives Novozymes in the opportunity of understanding the link between economic growth and sustainable development in China. Novozymes and all of the other involved companies have undertaken to promote sustainable business practice in China. The CBCSD is affiliated to the World Business Council on Sustainable Development.

Another example are Novozymes various partnerships with Chinese universities. These help Novozymes to draw on China’s longstanding tradition in microbiology. In practice, this often involves Chinese students from e.g. Yunnan University in Southern China working together with researchers in Novozymes’ laboratories. Novozymes also invites customers to work with them to increase knowledge of different enzymes and allow them to influence the development of solutions to meet their needs. In the longer term, Novozymes expects these engagements with customers and universities to help identify completely new enzyme applications that are directly suitable for the large Asian market.

SUGGESTED METHODOLOGY M8:
BUILDING STAKEHOLDER PROFILES

The purpose of this activity is to build up profiles of stakeholder representatives, their expectations, preferred levels of engagement, and their potential impacts.

Identify potential representatives for the stakeholder groups that you have identified.

- Consider the stakeholders you are already engaging with (identified in previous step), and those that you have come across in your previous research and analysis.
- You also have the option of ‘spreading the word’ that you are looking for engagement partners as wide as possible. You may want to launch articles in industry or issue specific magazines – asking stakeholders who are willing to engage to approach you. This pre-empts the criticism that you are only dealing with ‘the same old stakeholders representatives’ who never push you hard. However, if you do this, make sure you have the resources to at least reply to all stakeholders that approach you.

Use the table above as guidance in learning as much as you can about the stakeholder representatives. Visit their websites, read their reports, investigate others’ opinions. Talk to people internally and externally who have been in touch with these stakeholders. You may also want to have some initial conversation with stakeholders, but be careful not to create any false expectations at this Stage.

Summarise your understanding by filling in parts of the summary Template 8 (next page) for each stakeholder representative that you are already engaging with, or for those that you are considering seriously.
Based on the completed templates consider the advantages and disadvantages of each of the assessed stakeholder representative and create a prioritised list of representatives that you would like to engage with on specific issues. You may decide that you would like to engage with several representatives on a specific issue. This is very recommendable if there is no single legitimate representative for the stakeholder group (a common occurrence!), engaging with several representatives will then provide more ‘balance’ and contribute to the completeness of your response.

**THINGS TO CONSIDER**

This Template draws its contents from this step, the previously described step where you assessed your current engagements, and on further knowledge that you gain throughout the engagement process. Therefore, it is important that you do not need to fill in the whole Template right from the start. The Template should be considered as a ‘living’ document, used for capturing your growing and changing experience with and knowledge of stakeholders throughout the engagement history. You may only know enough to fill in some cells once you have gone through a full engagement cycle with a stakeholder.

Continuously double check your answers with others – people within and outside of the organisation that have experience with these representatives. Some of the aspects you can also check directly with the stakeholders.

Be aware that the Template suggested here is only one possible way of compiling this information. You may want to simplify it or add some rows. An alternative approach you could adopt is to use the table on p26, with a third column, as a means of compiling information about your stakeholders.
<table>
<thead>
<tr>
<th>Stakeholder Profile</th>
<th>Stakeholder group:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary subject / issue of engagement with this group</td>
</tr>
<tr>
<td></td>
<td>Stakeholder Objective</td>
</tr>
<tr>
<td></td>
<td>Preferred level of engagement with this group</td>
</tr>
<tr>
<td>Stakeholder group representative</td>
<td></td>
</tr>
<tr>
<td>Specific representative / representing organisation</td>
<td></td>
</tr>
<tr>
<td>Internal contact person</td>
<td></td>
</tr>
<tr>
<td>Stakeholder’s general view on the issue</td>
<td></td>
</tr>
<tr>
<td>Expectations towards the business regarding the issue</td>
<td>[fill in if you are already engaging]</td>
</tr>
<tr>
<td>Engagement history &amp; current highest level of and approaches to engagement</td>
<td></td>
</tr>
<tr>
<td>Stakeholders’ usual or preferred highest level of and approaches to engagement</td>
<td></td>
</tr>
<tr>
<td>Stakeholder’s sources of funding</td>
<td></td>
</tr>
<tr>
<td>Relationships/conflicts with other stakeholders</td>
<td></td>
</tr>
<tr>
<td>Knowledge of the issue</td>
<td>Leading Opinion</td>
</tr>
<tr>
<td></td>
<td>Medium Knowledge</td>
</tr>
<tr>
<td></td>
<td>No Knowledge</td>
</tr>
<tr>
<td>Legitimacy or perceived legitimacy</td>
<td>High Legitimacy</td>
</tr>
<tr>
<td></td>
<td>Low Legitimacy</td>
</tr>
<tr>
<td></td>
<td>Conflict between perceived and actual legitimacy</td>
</tr>
<tr>
<td>Willingness to engage</td>
<td>Willing</td>
</tr>
<tr>
<td></td>
<td>Uninterested</td>
</tr>
<tr>
<td>Actual and/or potential impacts of stakeholder on business – associated risks and opportunities</td>
<td>Positive impacts / Opportunities:</td>
</tr>
<tr>
<td>Scale at which they operate</td>
<td>Global</td>
</tr>
<tr>
<td></td>
<td>National</td>
</tr>
<tr>
<td></td>
<td>Local</td>
</tr>
<tr>
<td>Cultural issues to consider</td>
<td></td>
</tr>
<tr>
<td>Practical issues to consider (e.g. the stakeholder’s ability to engage given resources, staff, etc.) (see also Stage 3)</td>
<td></td>
</tr>
<tr>
<td>Is it necessary to engage with this stakeholder?</td>
<td></td>
</tr>
<tr>
<td>Other Comments</td>
<td></td>
</tr>
</tbody>
</table>
### Philips’ Analysis of and Response to Trends and Issues

The Dutch electronics company Philips takes another approach to considering their responses to specific issues than the one that is outlined above. The two can however be considered as complementary.

Philips identifies 5 subject areas of significant strategic relevance: demographics, society, consumer behaviour, technology and business. The main trends in these are assessed and the related issues specified. This is done under consideration of information from sources such as the World Bank, World Business Council for Sustainable Development, the World Summit in Johannesburg and the World Economic Forum, and combined with Philips’ own research and considerations. Based on this, one or more strategic responses are allocated to each issue.

The chart below illustrates the resulting overview for two of the subject areas:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Trends</th>
<th>Issues</th>
<th>Philips Strategic Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demographics</strong></td>
<td>Growing population with an increasing demand for improved quality of life</td>
<td>• Health and communicable diseases</td>
<td>• Focus on healthcare products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Climate change (global warming)</td>
<td>• Social investment program focused on health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Limited resources (energy, materials)</td>
<td>• EcoVision program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Education</td>
<td>• EcoDesign of products with weight, energy reduction and recyclability as focal areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Eradication of poverty</td>
<td>• Social investment program focused on education</td>
</tr>
<tr>
<td></td>
<td>Aging population with an increasing demand for improved quality of life</td>
<td>• Focus on early identification of diseases and treatment</td>
<td>• Pilots in new and emerging markets with sustainability as business driver</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expanding costs for healthcare</td>
<td></td>
</tr>
</tbody>
</table>

| **Society**              | Retreating governments Emerging role of industries and NGOs (non-governmental organisations) | • Limited supranational regulations                                    | • Stakeholder dialogue                                                                    |
|                          |                                                                                               | • Lead-free soldering                                                    | • NGOs and governments as business partners                                               |
|                          |                                                                                               | • Mercury reduction                                                     | • Active role in WBCSD, GRI, UNEP, etc.                                                   |
|                          | Waste reduction                                                                                | • Take-back of electronic products                                       | • Active role and participation in recycling programs                                     |
|                          |                                                                                               |                                                                        |                                                                                           |
|                          | Demand for reduction of hazardous substances in products                                       |                                                                             |                                                                             |
|                          |                                                                                               | • Lead-free soldering                                                    |                                                                            |
|                          |                                                                                               | • Mercury reduction                                                     |                                                                            |
|                          |                                                                                               | • EcoDesign with hazardous substances as focal area                     |                                                                            |

The chart below illustrates the resulting overview for two of the subject areas:
Successful engagement may require significant resources. Resources are required for the engagement process itself, but more significantly in making any necessary changes in response to the outcomes of stakeholder engagement. The availability of resources, degree of organisational commitment and the operational and strategic necessities of the business influence the business’ “margins of movement” regarding the issue. Engagement outcomes may have significant consequences for your business’ operations and strategy. Therefore, it is important to consider these possible outcomes regarding specific issues before, and to relate these to the margin of movement that you have regarding an issue.

You need to consider the possible costs of the process and the degree to which its outcomes and follow-up activities would conflict or require alignment with other company objectives. If there is a discrepancy between what you think may be the outcomes of the engagement and your company’s, check your organisation’s willingness to adapt the objectives and strategy to respond to the stakeholder’s expectation. **Be aware that you can only engage on a meaningful strategic level if your company is willing and able to reconsider its objectives and strategies. This should be understood as a potential opportunity, because an alignment of objectives and strategy with material stakeholder expectations is one of the key benefits of good stakeholder engagement!**

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Local Adaptability in Risk Assessments at Telefónica

The results of Telefónica’s CSR department’s risk assessments are compiled in individual reports for every country. They then form a basis for discussion and joint development of a strategy. An important first step in this is to ensure that the CSR department’s view of the challenges and priorities corresponds to the reality as experienced in the local context.

Defining the margins of movement - knowing which expectations you can and want to meet and which expectations you can’t meet - is a key step on your way towards developing a plan of action, and for identifying suitable stakeholder representatives to engage with. Being clear about your margins of movement is also important so that you and your stakeholders can be clear about the possibilities and limitations of a stakeholder engagement process.

The following factors need to be considered when considering your resources for implementing outcomes and defining your margins of movement:
Factors to consider for the engagement itself:

- Conflicting interests and dilemmas (internal and external), which might prevent or derail successful engagement.
- Possibility of using/building on existing engagement processes and structures both internally and externally (e.g. customer panels, investor relations meetings, industry bodies, multi-stakeholder initiatives).
- The geographical scale of the engagement. Is engagement on a local, regional or global (or all) scales required?

For the response and outcomes:

- Internal resources (systems, people, budgets, etc.) necessary to put insights and possible commitments into practice.
- Conflicting interests and dilemmas (internal and external), which might prevent or derail possible actions (e.g. strict and low pricing targets for procurement vs. objectives for improved labour standards in the supply chain).
- Margins of movement in relation to a specific issue. This means, what can and what cannot be done regarding an issue. Which stakeholder expectations can be met under which circumstances? Which cannot be met?

These are the guidelines that US consumer brand holding company Altria uses to help decide whether stakeholder engagement is appropriate.

<table>
<thead>
<tr>
<th>Use stakeholder engagement when:</th>
<th>Don't use stakeholder engagement when:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• There is a major issue confronting the company.</td>
<td>• There is low or no company commitment to address an issue.</td>
</tr>
<tr>
<td>• There is sufficient overlap between the objectives and concerns of the company and those of the stakeholder.</td>
<td>• The company has already made key decisions on the issue.</td>
</tr>
<tr>
<td>• There is concern about the impact of a company goal or strategy.</td>
<td>• There is insufficient time to engage stakeholders.</td>
</tr>
<tr>
<td>• It is necessary to improve the company's knowledge of an issue.</td>
<td>• Addressing the issue is a relatively short-term business objective.</td>
</tr>
<tr>
<td>• There is an opportunity to help shape company goals and strategies.</td>
<td>• The company's primary concern is risk mitigation.</td>
</tr>
<tr>
<td>• The company has sufficient control or influence over a decision.</td>
<td>• The company is seeking buy-in through advocacy and persuasion.</td>
</tr>
<tr>
<td>• The company needs to create more options for a planned action.</td>
<td></td>
</tr>
<tr>
<td>• All the decisions related to an issue have not yet been made.</td>
<td></td>
</tr>
</tbody>
</table>
SUGGESTED METHODOLOGY M9: ASSESSING MARGINS OF MOVEMENT

The purpose of this activity is to ensure that the organisation has the ability and willingness to respond adequately to the outcomes of stakeholder engagement, and to be clear about its margins of movement.

Conduct a workshop or individual conversations with senior management and budget holders, and representatives from headquarters and the relevant field level. Make sure you include all the internal players that have the ability to significantly influence the process and the implementation of outcomes.

Discuss the possible outcomes of engaging with stakeholders, as well as the possible consequences of not engaging with them (use stakeholder representative assessment table as a basis). Consider worst- and best-case scenarios, and capture possible outcomes.

Learn about the resources that would be available for engaging with the stakeholders, and discuss your own preliminary assessments of required resources with budget holders and decision makers.

Discuss the business objectives and plans regarding the issues that you are considering engagement on. Come to an agreement with all relevant individuals or departments regarding your business' possible ‘margins of movement’ on the issue.

Use the following table as a guide to considering these questions and for summarising your results.

THINGS TO CONSIDER

If there seems to be contradictions between what individuals say, try and bring them together to consider these contradictions further.

The resources required to act on engagement outcomes is likely to far outweigh the immediate costs of engagement itself. Therefore it is important to not just focus on the resources required for the engagement itself.
## Analyse and Plan

**P9: CHECKING FOR RESOURCE COMMITMENTS AND DEFINING “MARGINS OF MOVEMENT”**

<table>
<thead>
<tr>
<th><strong>Availability of resources &amp; margins of movement assessment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder group to engage with</td>
</tr>
<tr>
<td>Issue to engage on</td>
</tr>
<tr>
<td>Stakeholder expectation (Template 6)</td>
</tr>
</tbody>
</table>

### Business’ Margins of Movement

**What are we seeking to achieve?**

<table>
<thead>
<tr>
<th>What is subject to discussion with stakeholder?</th>
<th>What is not subject to discussion with stakeholder?</th>
</tr>
</thead>
</table>

### Possible Outcomes of Engagement

<table>
<thead>
<tr>
<th>Possible Outcomes of Engagement</th>
<th>Best Case:</th>
<th>Worst Case:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possible Outcomes of Not-engaging</td>
<td>Best Case:</td>
<td>Worst Case:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actions/abilities &amp; resources required in response to the outcome</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions/abilities &amp; resources required in response to the outcome</td>
<td></td>
</tr>
</tbody>
</table>

### Company’s ability & resource availability for the implementation of potential outcomes

(based on a preliminary assessment, reconsider once you have decided on an engagement process, and on further development of your abilities (Stage 3, T 11)

<table>
<thead>
<tr>
<th>Current abilities and available resources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Define lacking abilities and unavailable resources</td>
<td></td>
</tr>
<tr>
<td>Currently lacking abilities, and unavailable resources, but commitment to development</td>
<td></td>
</tr>
<tr>
<td>Other comments</td>
<td></td>
</tr>
</tbody>
</table>

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BACKGROUND
The information you have collected in previous stages, as well as the preliminary decisions and prioritisations you have made now provide the basis for developing a plan of objectives for further developments. This plan will provide you with an overview of the different stakeholders that you are considering to engage on an issue, and will help you to decide on specific approaches in Stage 4.

SUGGESTED METHODOLOGY M10:
CREATING AN ISSUE FOCUSED PLAN
This step is primarily a summary of selected outputs from previous steps which will be particularly useful during the subsequent process of capacity building, and when deciding on a specific method of engagement. The Template summarises:

• Fill in one of the summary templates for each of the issues that you consider engaging on.
• Consider previously researched examples, the best-practice standards and the maturity of an issue when reviewing the strategic engagement objectives for engagement on an issue that you set in Stage 1. If you change the strategic engagement matrix, remember to also change it in the Template 3, the ‘objective, issue and stakeholder matrix’.
• Enter the different stakeholder groups that you want to engage with on an issue and allocate the different stakeholder representatives. Refer to the summary table of different levels of engagement (p60), when capturing the current level of engagement, as well as the target level for engagement. Add additional rows if necessary.
### SUMMARY TEMPLATE T10: OVERVIEW OF STAKEHOLDER REPRESENTATIVES AND STAKEHOLDER-SPECIFIC OBJECTIVES*

**Issue of Engagement**

<table>
<thead>
<tr>
<th>Description of Stage of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Strategic objective(s) for engagement on the issue**

**Stakeholder groups to engage with on the issue (Template 4):**

<table>
<thead>
<tr>
<th>Stakeholder representatives</th>
<th>Current Level of engagement (if applicable)</th>
<th>Business’ preferred level(s) of engagement</th>
<th>Stakeholder-specific objective</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Possible learning and examples from others (eg. standards, best-practice, benchmarks, etc.):**

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STAGE 2 REVIEW

By the end of this Stage you will have developed a better understanding of the gaps between your organisation and its stakeholders’ expectations. You will have learnt about your peers’ and competitors activities in relation to the priority issues and stakeholders, and you will have identified possible stakeholder representatives to engage with. You will also have gained an understanding of the resources that are available for the implementation of possible outcomes, as well as of the related Margins of Movement.

Outputs
- Stakeholder Assessments for each Prioritised Stakeholder Group
- Assessment of your Resources for the Implementation of Possible Outcomes
- Understanding of your Margins of Movement
- Assessment of the Business’ Ability to Respond to an Issue
- Overview of Stakeholder Representatives and Stakeholder Specific Objectives
STAGE 3
Maintain and strengthen the capacities needed to engage effectively.
The activities outlined in this chapter should be understood as an ongoing effort to build and maintain the company’s and its stakeholders’ abilities to engage. These abilities concern not just the skills needed to facilitate dialogue and other engagement processes, but also for all the activities that lead up to and follow engagement, as described in stages one, two and five. Therefore activities such as recruitment, training, performance appraisals and the development of governance structures, policies and management systems should all reflect the requirements of the ‘engaging company’. This Stage provides some basic guidance on how this can be done.

The abilities of stakeholders to engage also require attention and may need strengthening. Companies who wish to engage with stakeholders need to consider the specific requirements and limitations of stakeholders, and may have to provide assistance to under-resourced stakeholders so that these can take part in engagements.
PRINCIPLES
The principles of materiality, completeness and responsiveness provide guidance in ensuring that stakeholder engagement supports the goal of organisational accountability. This Stage aims to strengthen the company’s ability to deliver on all three principles.

The Accountability Commitment ‘Inclusivity’
"Considering the stakeholders’ interests in organisational decision making”

Materiality
Completeness
Responsiveness
Ensuring that your company and its employees are able to understand its stakeholders concerns and expectations, and preparing your company for being able to respond to these expectations and concerns adequately.

PROCESS

Stage 2

Stage 3: Strengthen Capacities for Engagement

Strengthen the organisational ability to respond
Consider the resource limitations and requirements of specific stakeholders
Strengthen the skills of required individuals

The company, the stakeholders, and the involved individuals are ready to engage
The organisational ability to respond to issues has already been analysed in Stage two, the following focuses on what can be done in order to improve this ‘response-ability’.

**Samarco**

Brazilian company Samarco has strengthened its ability to engage with employees at all levels, in order to improve both its quality and environmental management systems and its capacity to innovate. This producer of iron ore pellets is owned jointly by Companhia Vale do Rio Doce and BHP Billiton. Facing pressure from shareholders abroad, the company started phasing in ISO 14000 and ISO 9000 with certification in the mid-1990s. Its “Quality House” model with clear targets provides for regular engagement of employees at all levels and encourages the creative use of in-house knowledge. The result has been an environmental policy and management system that is not the sole responsibility of the environmental protection division, but of all employees. Employees from all divisions volunteer to assist in environmental monitoring and reporting. The start of a “Field of Ideas” programme at the initiative of the company president has also encouraged employees to provide innovative ideas on how to improve company performance in different areas.

The key enablers to respond to specific issues, as already initially assessed and described in Stage 2 (p55), are:

- Governance and management commitment
- Policy regarding the issue
- Performance indicators/measurements regarding the issue
- Clear assignment of internal responsibility to competent individuals
- Review and learning processes that ensure that the management of the issue is constantly adapted to changing circumstances and improved

**Norsk Hydro and Amnesty International**

The Norwegian oil and aluminium company Norsk Hydro and Amnesty International (AI) have established a long-standing successful partnership, in which Amnesty International advises Norsk Hydro to develop systems and principles for tackling issues related to corruption and human rights abuses. For example, when Norsk Hydro started considering setting up operations in China, Transparency International briefed the involved managers on human rights issues. While Norsk Hydro does provide financial support to TI, TI still maintains the right to criticise Norsk Hydro’s behaviour. Despite occasional disagreements on some issues, both parties agree that there is a lot to learn from each other.

The development of these enablers is part of ongoing improvement processes. Each organisation needs to find its own approach that fits into already existing management systems. Frequently, the integration of stakeholder engagement into these management processes itself plays an important role. The following table suggest some of the actions that could be taken in order to improve an organisation’s ability to engage with and respond to stakeholders:
**Strengthen Capacities for Engagement**

**P11: STRENGTHENING YOUR COMPANY’S ABILITY TO RESPOND**

### Strengthening Enablers for Successful Response

<table>
<thead>
<tr>
<th>Enabler</th>
<th>Ways of Strengthening the Enabler</th>
</tr>
</thead>
</table>
| **Board and management commitment to issue**                | • Senior level champions for specific issues can drive high level responsiveness. Internal allies can be very helpful in taking specific issues to top-level management, can be found across the company, for example risk managers, investor relations, the marketing department or quality management.  
  • Executive remuneration can be linked with issue-specific metrics.  
  • Key budget holders need to be involved in a conversation about necessary budgets and the availability of financial resources. Their understanding of these issues is crucial to their buy-in, and for securing the necessary resources.  
  • Board and management shall also be encouraged to take a leadership role in championing the issue. They need to be involved in order to understand their responsibility for leading the process and driving the associated vision, mission, strategic considerations and developing a responsive internal culture and values. |
| **Agreed policies or procedures regarding the issue**       | • Not all internal groups will be involved in the development of a first policy draft, but should be involved in shaping the final policy through, for example, stakeholder advisory panels or consultations.  
  • Corporate responsibility standards, like the ones mentioned in the table on p57. (where to look for further learning) or those developed by other companies can provide a model for policies, which draws on or has already been legitimised through stakeholder involvement. |
| **Current engagement activities regarding the issue**       | • The timing of stakeholder interactions should allow them to feed into internal reporting, budgeting and management cycles.  
  • Governance and management processes should include specific quality control mechanisms to control the quality of the organisational response. |
| **Performance indicators and targets regarding the issue**  | • Initial internal discussion about indicators and targets especially considered within the context of other business objectives and measurement systems can form a basis for discussion with other internal and external stakeholders. |
| **Internal responsibility and competency to address the issue** | • Integration of relevant skills into recruitment policies, job-requirements and performance-appraisals is essential. This should include both individuals with significant contact with external stakeholders as well as for managers with significant influence over internal stakeholders. |
| **Review and learning processes in regards to the issue**   | • A holistic approach to reviewing the whole engagement process is set out in Stage 5, but on a smaller scale learning circles, discussion forums as well as learning networks within or between different companies or stakeholders are a useful mechanism. |
### Novozymes’ Social Responsibility Policy

“The Danish biotech company Novozymes will work to continuously improve our social performance. We will set ambitious objectives and integrate social and human rights considerations into our daily business. We will identify and focus our efforts on issues most relevant to us at an individual, national, regional and global level in order to make a positive difference.

- We are all responsible for identifying and assessing areas and issues where our social performance can be improved and act upon it.
- In our daily work we must all be aware of our social responsibilities, follow best practices and respect each other.
- We must always listen to the social responsibility concerns of our stakeholders and respond openly. We will have close relations to the communities where we operate and act as a good corporate citizen.
- We will constantly challenge ourselves to improve our social performance and meet the local and global objectives.
- We must ensure that we all have equal opportunities to grow and fully unlock our potential in a non-discriminatory environment.
- We will respect basic human rights and labour standards by monitoring our own performance and collaborate with our suppliers and subcontractors to promote a socially responsible behaviour.
- We will do our utmost to ensure that our business practices are open and honest.
- We will seek partners with core values matching ours.
- When we develop new products we will consider the social impact.
- Product safety is a major priority - from development to customer application. We will not sell products that to our knowledge will be used in a way that violate safety and regulatory requirements.
- We will report openly and honestly on our social performance on a regular basis.”

### Newmont Mining Corporation’s 5 Star Rating System to Assess Community and External Relations

The US gold mining company has a ‘5 Star’ rating system for assessing community and external relations, from the top management down to site level. The 31 management system elements and aspects assessed with this rating system include:

- Leadership & Commitment;
- Objectives, targets, KPIs and Improvement Programmes;
- Internal Communication and Consultation;
- Stakeholder Engagement & Communication;
- Risk management;
- Training, competency & awareness;
- Performance monitoring, measurement & reporting; and
- Human Rights awareness

Each of the elements is illustrated with a definition of five different levels of achievement – detailing what is required from management and staff in order to perform well regarding the element/aspects. This serves to provide effective guidance, and – in combination with internal and external assurance procedures – also enables continuous performance monitoring and improvement.
SUGGESTED METHODOLOGY M11: FOR STRENGTHENING STAKEHOLDER ENGAGEMENT CAPACITY

The purpose of this activity is to initiate an ongoing process of strengthening your company’s ability to address its specific priority issues more effectively, especially in its engagement activities, but also to strengthen the management of corporate responsibility issues more generally.

- Use the assessment that you have undertaken in Stage 2, and captured in Template 4, as a starting point for identifying the areas where your policies, management systems and governance structures should be improved. Also, consider which potential outcomes you need to prepare for, as captured in Template 11.
- Consider also what you have learned about the way other people manage these issues in the table on p57 (Where to look for learning from others), Stage 2. For example, you may want to use corporate responsibility standards listed there when developing policies on specific issues, or simply look at how other businesses have developed their systems to work with a range of issues.
- Consider the advice given in the “Strengthening enablers for success” table, and agree on ways to strengthen your ability to respond to specific issues and to engage on them. Capture your plans in summary Template 10, below.
- Determine priorities for improvements.
- Identify learning resources.

THINGS TO CONSIDER

- Be aware that engagement itself is a key step in strengthening some of the enablers. For example, if you want to develop a policy, you may want to use one of the engagement methods in Stage 4 to do this, e.g. establish a board sub-committee that investigates and reports to the board on priority issues to strengthen top-level commitment.
### SUMMARY TEMPLATE T11: SYSTEMS STRENGTHENING PLAN*

<table>
<thead>
<tr>
<th>Enabler</th>
<th>Steps to strengthen the enabler</th>
<th>Priority</th>
<th>Timeframe</th>
<th>Resources (e.g. toolkits, standards, best-practise examples, stakeholders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and management commitment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agreed policies or procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Engagement Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance indicators/measurements and targets regarding the issue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal responsibility for an issue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review and learning processes in regards to the issue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*electronic version downloadable at www.accountability.org.uk
Strengthen Capacities for Engagement

**P12: DEVELOPING THE INTERNAL SKILLS AND CHARACTERISTICS NEEDED FOR STAKEHOLDER ENGAGEMENT**

**BACKGROUND**

When deciding to engage with stakeholders, it is vital that you consider what internal skills are required. Many path-breaking engagement processes involve or are driven by what Sean Ansett calls ‘boundary spanners’. These are individuals within organisations that establish links across organisational boundaries, identify threats and opportunities, embed insights back into the organisation and make complex multi-stakeholder collaboration possible. However, engagement processes are likely to involve a broad variety of people with different levels of expertise and experience in the area. This means efforts to develop stakeholder engagement related skills should not only focus on sustainability and CSR managers or stakeholder engagement specialists, but also on general managers across functions.

There is no generic stakeholder engagement skill-set, as different expertise and experience may be needed to engage with public policy makers, supply chain workers, or to moderate an internet discussion with consumer activists for example. However, a basic range of skills and characteristics can be identified. Sometimes it may be practical to develop these skills with people who are dealing directly with stakeholders, but are not ‘engagement specialists’. In other cases, it may be more suitable to draw on the expertise of practitioners from established professions such as labour relations, lobbying, public affairs, and market research. Apart from skills, another key contributor to successful engagement is credibility. For example, facilitators who are from a similar background to the stakeholder group may be better able to understand cultural issues and put stakeholders at ease.

In addition to the ability to engage successfully, being knowledgeable on relevant issues and being credible, beneficial skills include project management and analytical skills, as well as certain personality traits. The engagement skills and characteristics map on the following page illustrates this required combination of skills and characteristics. The requirements associated with each of these skills and characteristics are described in further detail below, along with possible sources for improvement.

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*For more on boundary spanners, please also see: Sean Ansett’s article in the AccountAbility Forum No.6 Stakeholder Engagement, London, 2005.*

*See also the Placer Dome case study in Volume 1: The Guide to Practitioners’ Perspectives on Stakeholder Engagement*, p29, box 2.4.
### Engagement Skills and Characteristics Map

#### Stakeholder Engagement Skills and Characteristics

<table>
<thead>
<tr>
<th>Area</th>
<th>Description of Beneficial Skills and Characteristics</th>
<th>Possible ways of Development and Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Management &amp; Analysis</strong></td>
<td>• Engaging with stakeholders in an effective manner, a timely fashion and within budget.</td>
<td>• Guidelines for and training in project management are available from the Project Management Institute at <a href="http://www.pmi.org">www.pmi.org</a>.</td>
</tr>
<tr>
<td></td>
<td>• The ability to examine and interpret the outcomes of stakeholder engagement in a way that captures the key facts and figures, as well as messages and insights.</td>
<td>• Personal abilities must be complemented and guided by enabling policies and procedures, as described in the previous section.</td>
</tr>
<tr>
<td><strong>Personal Behaviour</strong></td>
<td>• Displaying individual personality traits such as integrity, ability to focus on solutions, motivation, and creativity, etc.</td>
<td>• Develop ethical guidelines and policies for personal behaviour, as well as internal programmes to promote and develop these.</td>
</tr>
<tr>
<td></td>
<td>• Different engagements may make some of these behaviours more or less important. For instance, unlike conflict resolution processes over labour disputes, consumer focus groups on purchasing preferences do not require a ‘solutions oriented outlook’.</td>
<td></td>
</tr>
</tbody>
</table>
**Strengthen Capacities for Engagement**

**P12: DEVELOPING THE INTERNAL SKILLS AND CHARACTERISTICS NEEDED FOR STAKEHOLDER ENGAGEMENT**

<table>
<thead>
<tr>
<th>Stakeholder Engagement Skills and Characteristics (continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engagement Techniques</strong></td>
</tr>
<tr>
<td>• A knowledge of relevant approaches to stakeholder engagement is key (as outlined in Stage 4).</td>
</tr>
<tr>
<td>• The skill sets needed for more involved engagements such as partnerships, community relations development or conflict resolution differ from more ‘traditional’ and sometimes one-way market research techniques such as questionnaire surveys or focus groups, etc.</td>
</tr>
<tr>
<td>• These are unlikely to rest with the same individual(s), and so may involve an integrated multi-disciplinary team from different functions within the organisation, e.g. human resources, public relations, customer affairs etc. (or drawing upon skills from outside as necessary).</td>
</tr>
<tr>
<td>• Internal learning groups can ensure that those engaging with stakeholders in different parts of the business can contribute from each other’s experiences.</td>
</tr>
<tr>
<td>• Numerous service providers offer mentoring and support to build practitioner competencies, for example BSR and the Environment Council, see <a href="http://www.bsr.org">www.bsr.org</a> or <a href="http://www.environment-council.org.uk">www.environment-council.org.uk</a> respectively.</td>
</tr>
<tr>
<td>• AccountAbility has developed training, professional certification (with IRCA) and quality standards in stakeholder engagement aligned with its AA1000 Series. Further information available at <a href="http://www.accountability.org.uk/training">www.accountability.org.uk/training</a>.</td>
</tr>
<tr>
<td><strong>Issues Knowledge</strong></td>
</tr>
<tr>
<td>• Expertise and experience in the specific issues that are subject of the engagement may be a pre-requisite for the staff involved. This could include both knowledge of sustainable development issues such as labour rights or climate change as well as an understanding of the industry and political context.</td>
</tr>
<tr>
<td>• Again, to engage on complex issues may require building a multi-disciplinary team that draws upon the ‘know-how’ of different departments, e.g. procurement, or environmental management, or drawing upon external expertise.</td>
</tr>
<tr>
<td>• The sources already identified in Stage 2 (learning from others), can be a useful reference. Establishing an issue-specific database that individuals from all parts of the business can access and draw information from is a useful resource for learning as needed.</td>
</tr>
<tr>
<td>• Again, numerous service providers offer advice and support to build practitioner competencies on specific issues (see the annex for some of these organisations).</td>
</tr>
<tr>
<td><strong>Credibility</strong></td>
</tr>
<tr>
<td>• Success in securing trust and providing assurance to stakeholders may in part depend upon how well those involved in stakeholder engagement relate to and are perceived by a particular stakeholder group.</td>
</tr>
<tr>
<td>• Credibility here may mean ensuring that people involved in engagement have a good understanding of the communities involved. In general, recruitment from local environments, which ensures equal opportunities regardless of gender, religion, ethnicity, sexual orientation etc., will help to ensure that staff inside the company reflect the diversity of stakeholders.</td>
</tr>
<tr>
<td>• It may be necessary to involve external people or organisations in facilitating engagement processes. They can provide credibility by being perceived as independent or because of their track record in contributing towards positive outcomes in the area.</td>
</tr>
</tbody>
</table>
The US apparel and garments company Gap Inc. recognised that more and more field workers in labour compliance had to get involved in stakeholder engagement. For example, they had to engage with local factory managers, workers and local communities at the same time in order to address factory specific challenges. Therefore it became clear that field teams needed to build their capacity to go beyond compliance management towards proactive engagements, as this was required to maintain trust throughout expanding multi-partner processes. At the same time, it has also become clear that senior management needed to learn more about the engagement, particularly the business case for engagement. The company subsequently initiated a range of training programmes to enhance the internal ability to address such issues and to work with stakeholders.

**SUGGESTED METHODOLOGY M12:**

**STAFF DEVELOPMENT FOR ENGAGEMENT**

The purpose of this activity is to create a plan for improving the ability to identify the expertise and experience for stakeholder engagement.

- Set performance standards in terms of necessary and desirable outcomes, and assess skill gaps.
- Determine priorities for corrective action (e.g. further training or employment, or a reorganisation of teams).
- Identify learning resources.

**SUMMARY TEMPLATE T12: STAFF DEVELOPMENT**

<table>
<thead>
<tr>
<th>Skill or Characteristic</th>
<th>Steps to strengthen the Enabler</th>
<th>Priority</th>
<th>Timeframe</th>
<th>Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project management and analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal behaviour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engagement techniques</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issues knowledge</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*electronic version downloadable at www.accountability.org.uk
BACKGROUND
It is also important to appreciate that some individuals and groups may find it
difficult to take up your invitation to engage, or that circumstances may hinder
them in fully contributing to the engagement processes. This could, for example,
be due to language, literacy or cultural barriers, problems of distance or lack of
time or gaps in their knowledge about a specific issue.

Therefore, you may need to address capacity gaps of stakeholders to avoid
their exclusion or to prevent them from disengaging. At the very least, you
should always consider the circumstances of the engagement very carefully. In
Cambodia, for example, Buddhist monasteries have proven a good location for
human rights training, because these are already the usual communal centres of
learning, and people are likely to be comfortable and speak more openly than
in other spaces which can usually be considered as very neutral and supportive,
like the local UN-office. Language barriers may also be quite significant,
and concepts that seem obvious to some, like for example ‘development’,
may be very differently perceived in different cultural settings. Finally, the
mode of information sharing is very important. The accessibility of modern
communication technologies, notably the Internet should not be taken for
granted and alternative information channels should be used where needed.

The following table gives an overview of number of factors that can impede the
ability of stakeholders to engage, and highlights possible ways of addressing
these problems:

<table>
<thead>
<tr>
<th>Strengthen Capacities for Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P13: CONSIDER YOUR STAKEHOLDERS’ REQUIREMENTS FOR ENGAGEMENT</strong></td>
</tr>
</tbody>
</table>
### Obstacles to Participation

<table>
<thead>
<tr>
<th>Areas</th>
<th>Issues</th>
<th>Potential Solutions/Enablers</th>
</tr>
</thead>
</table>
| Knowledge / Education/Communication | • Issue-specific knowledge  
• Ability to use Information and Communications Technology (ICT)  
• Literacy  
• Communication styles  
• Language  
• Limited reach of press & media | • Provide timely information  
• Use different communication channels (e.g. print - and online media, community radio, community theatre)  
• Provide training  
• Provide information in various languages  
• ‘Open-house’ days |
| Infrastructure                | • Availability of ICT  
• Means of transport  
• Unreliable infrastructure (possibly season specific) | • Choose accessible locations  
• Provide assistance with transportation  
• Provide equipment and training for ICT if necessary  
• Choose the right time (e.g. avoiding monsoon season) |
| Social-Cultural Context      | • Social hierarchies (e.g. caste, gender, wealth)  
• Local conflicts  
• Lack of shared understanding of key customs  
• Religion  
• Culture-specific customs & communication styles  
• Family and other responsibilities (e.g. harvest times, childcare) | • Ensure anonymity if required  
• Be aware of potential conflicts between stakeholder groups  
• Ensure that timing and location of engagement processes takes into account stakeholder’s needs. |
| Location                     | • Do stakeholders feel comfortable?  
• Can there, if required, be adequate privacy or anonymity | • Be sensitive to stakeholder requirements regarding the locations |
| Finances                      | • Costs of travel & accommodation  
• Lost working-time | • Compensate for lost working time  
• Compensate for travel and accommodation costs |

Some of the key enablers for stakeholders to engage revolve either around knowledge, access to information, finances or time. The following guidelines regarding these areas are very helpful to keep in mind:

- If you do provide financial support to your stakeholders, do this on the basis of clear eligibility criteria and in a transparent manner.
- Never lightly assume common levels of knowledge and similar understandings of concepts – be sure everybody involved understands the issues at stake.
- Provide enough time: Stakeholders – just like the company – require time for digesting information, understanding and forming opinions amongst themselves. Good engagement also requires trust, which takes time to evolve.
- Don’t just make stakeholders learn about your way of thinking – make sure you understand how they see things, too!
There is no discrete end to this Stage – it is the start of an ongoing process of people and systems development to ensure that you have the capacity to engage effectively with your stakeholders and they are able to engage with you.

**Outputs**
- Enhanced ability of staff to engage
- Internal organisational systems that ensure successful engagement
- Ability of external stakeholders to engage
Engage with your stakeholders in ways that work...
PURPOSE

The aim of this Stage is to design and implement engagement processes which meet stakeholder expectations and organisational objectives.

When it comes to actually engaging with your stakeholders, there are a wide range of options; from basic meetings and phone calls to more innovative processes such as advisory panels or multi-stakeholder forums. Various examples are cited in Volume 1 to this manual, the Guide to Practitioners’ Perspectives. There is also a large amount of guidance on how to carry out different kinds of engagement processes, some coming from the field of corporate stakeholder engagement, but also more broadly from the field of public participation. The most common approaches are outlined briefly in this chapter.

The question is often not just one of choosing a fair and effective technique for dialogue but can extend to designing governance structures and decision making processes as engagement deepens into active partnerships. The key is to choose the right technique or governance structure for the job: this depends on your objectives and your stakeholders’ needs.
Engage with your stakeholders in ways that work

PRINCIPLES
The principles of materiality, completeness and responsiveness provide guidance in ensuring that stakeholder engagement supports the goal of organisational accountability. This Stage contributes to the delivery of all three principles.

‘Inclusivity’
"Considering the stakeholders' interests in organisational decision making”

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Completeness</th>
<th>Responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Here that means: The company designs and carries out engagement processes which verify and address the stakeholder material expectations and concerns, integrate these processes into core management processes and allow their stakeholders' concerns, perceptions and viewpoints to be expressed and recorded fully and accurately. Finally, the engagement processes need to enable the company to provide a coherent response to stakeholders’ expectations and concerns.</td>
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</table>

PROCESS
The actions and tools outlined in this Stage help you to decide what engagement processes you can use to meet the practical and strategic needs of both your organisation and those of your stakeholders. It then guides you through the particular design decisions concerning issues such as timing, pre-information, the use of external facilitators and setting ground rules that you will need to address in setting up the engagement process. Finally, it provides some generic tips for the actual engagement itself.

Philips China Employee Survey
Following a survey of employees in 2003 at the Dutch electronics company Philips’ China operations, the results have been used to shape a long-term people strategy and engagement process, incorporating various engagement methods. Some elements of this are described below:

- **Talent management and career development**: TOTAL (Talent of Tomorrow Advanced Learning) focuses on high potentials.
- **Human resources practices**: Programs include the formation of a China HR Council and a Policy Review Board (PRB), Comprised of HR leaders from the product divisions, the PRB reviews policies quarterly.
- **New hire orientation**: China was a pilot site for the global Philips In-Touch program for new hire orientation. Plus a new extensive talent induction process.
- **Informing and involving employees**: Initiatives include monthly information sessions led by senior management for all employees, as well as large town hall meetings and smaller product division or function specific town halls. Plans for 2005 include a new employee recognition program.
- **Management behavior**: The results of the survey have also been used to identify the tools that the business’ China leaders require to create an engaged workforce.
How this Stage relates to the other stages:

Stage 1: Think strategically
- Strategic Engagement Objectives

Stage 2: Analyse and plan
- Understanding of stakeholders

Stage 3: Strengthen capacities
- Required people and systems are in place

Stage 4: Engage with stakeholders
- 1. Identifying the Right Approach
- 2. Designing the Engagement
- Engagement Process
- Governance Implications

Outputs
- Information, insights and viewpoints
- Improved relationships, trust and transparency
- Identification of next steps
- Validation of the materiality of an issue and/or identification of additional material issues
Engage with your stakeholders in ways that work

**BACKGROUND**

The tools and methods of stakeholder engagement include processes already familiar to business such as market research surveys and focus groups, opinion leader research, conferences and workshops. Other, less familiar participation processes and facilitation techniques may also be useful; tools and techniques developed by practitioners in international development, public planning, democratic participation and online communities can be especially helpful in consensus building and problem solving with diverse groups of stakeholders.

There are a wide range of methods and tools available, each with advantages and limitations. Getting it right depends on picking the right combination of approaches and techniques for your particular situation, business and stakeholders. There is no single formula for making this selection; in each case it will depend on a number of factors which have already been analysed in previous stages, for example:

- Your strategic engagement objectives
- The current approach to and level of engagement with your stakeholders
- The maturity of the issue
- Your and your stakeholders’ expectations regarding the outcomes of the engagement
- Available resources to undertake engagements
- The magnitude of change that you are seeking and your margins of movement

In many cases, combinations or sequences of different approaches may be necessary for achieving your objectives. For example, conducting focus groups may be an excellent way of gaining initial insights into stakeholders’ perspectives on an issue. These insights could then be the starting point for developing a voluntary initiative with some industry peers to address the issue. When you are establishing such a voluntary initiative, you should then also make sure that relevant stakeholders who will be affected by it are informed in some way. Focus groups for the initial exploration of an issue are also an excellent way of preparing the design of a tailor made survey, for example to examine employee perspectives on internal management practices.

**Important Note:**

The ‘first’ three modes (passive, monitor, inform) are not really engagements as such, as real engagement is interactive. However, ‘remaining passive’, ‘monitoring’ or ‘informing’ are three key approaches to stakeholders, which can form an important characteristic of your relationship with your stakeholders. They can constitute your only relationship with a particular group of stakeholders, or they can be complementary to other activities.
<table>
<thead>
<tr>
<th>Level</th>
<th>Goal</th>
<th>Communication</th>
<th>Nature of relationship</th>
<th>Engagement Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Remain Passive</strong></td>
<td>No goal. No engagement.</td>
<td>No active communication</td>
<td>No relationship</td>
<td>Stakeholder concern expressed through protest, letters, media, websites etc., or pressure on regulatory bodies and other advocacy efforts.</td>
</tr>
<tr>
<td><strong>Monitor</strong></td>
<td>Monitor stakeholders’ views.</td>
<td>One-way: stakeholder to company.</td>
<td>No relationship</td>
<td>Media and internet tracking. Second-hand reports from other stakeholders possibly via targeted interviews.</td>
</tr>
<tr>
<td><strong>Inform</strong></td>
<td>Inform or educate stakeholders.</td>
<td>One-way: company to stakeholder, there is no invitation to reply.</td>
<td>Short or long term relationship with stakeholders. &quot;We will keep you informed.&quot;</td>
<td>Bulletins and letters. Brochures, reports and websites. Speeches, conference and public presentations. Open houses and facility tours. Road shows and public displays. Press releases, press conferences, media advertising, lobbying.</td>
</tr>
<tr>
<td><strong>Transact</strong></td>
<td>Work together in a contractual relationship where one partner directs the objectives and provides funding.</td>
<td>Limited two-way: setting and monitoring performance according to terms of contract.</td>
<td>Relationship terms set by contractual agreement. &quot;We will do what we said we would&quot; or &quot;we will provide the resources to enable you to do what we agree&quot;.</td>
<td>&quot;Public Private partnerships’ and Private Finance Initiatives, Grant-making, cause related marketing.</td>
</tr>
<tr>
<td><strong>Consult</strong></td>
<td>Gain information and feedback from stakeholders to inform decisions made internally.</td>
<td>Limited two-way: company asks questions and the stakeholders answer.</td>
<td>Short- or long-term involvement. &quot;We will keep you informed, listen to your concerns, consider your insights, and provide feedback on our decision.&quot;</td>
<td>Surveys. Focus Groups. Workplace assessments. One-to-one meetings. Public meetings and workshops. Standing stakeholder advisory forums. On-line feedback and discussion.</td>
</tr>
<tr>
<td><strong>Involve</strong></td>
<td>Work directly with stakeholders to ensure that their concerns are fully understood and considered in decision making.</td>
<td>Two-way, or multi-way between company and stakeholders. Learning takes place on both sides. Stakeholders and company take action individually.</td>
<td>May be one-off or longer-term engagement. &quot;We will work with you to ensure that your concerns are understood, to develop alternative proposals and to provide feedback about how stakeholders views influenced the decision making process&quot;.</td>
<td>Multi-stakeholder forums. Advisory panels. Consensus building processes. Participatory decision making processes.</td>
</tr>
<tr>
<td><strong>Collaborate</strong></td>
<td>Partner with or convene a network of stakeholders to develop mutually agreed solutions and joint plan of action.</td>
<td>Two-way, or multi-way between company/ies and stakeholders. Learning, negotiation, and decision making on both sides. Stakeholders work together to take action.</td>
<td>Long-term. &quot;We will look to you for direct advice and participation in finding and implementing solutions to shared challenges.&quot;</td>
<td>Joint projects, voluntary two-party or multi-stakeholder Initiatives, Partnerships.</td>
</tr>
<tr>
<td><strong>Empower</strong></td>
<td>Delegate decision-making on a particular issue to stakeholders.</td>
<td>New organisational forms of accountability: stakeholders have formal role in governance of an organisation or decisions are delegated out to stakeholders.</td>
<td>Long-term. &quot;We will implement what you decide.&quot;</td>
<td>Integration of Stakeholders into Governance Structure. (eg. as members, shareholders or on particular committees etc.)</td>
</tr>
</tbody>
</table>

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11 See also the complementary Figure 1.3 in Volume 1: “The Guide to Practitioners’ Perspectives on Stakeholder Engagement”, p. 14
SUGGESTED METHODOLOGY M14: IDENTIFYING THE MOST SUITABLE METHODS FOR ENGAGEMENT

The purpose of this activity is to identify the most suitable methods for engagement to meet your and your stakeholders’ needs.

Building on the information gained in the previous stages, the following process helps you to select the approach, or the combination of approaches, that you should consider more closely. It provides suggestions on which techniques are likely to work best in each case, as well as some tips and considerations for specific situations.

Stakeholder engagement can range from a hands-off and marginal approach to a fully integrated part of decision making. Table 4.1 identifies eight levels of engagement going up this ladder (see p60, Stage 2 for further discussion). The table highlights the key characteristics of the different levels of engagement, and gives examples of some of the most common practical engagement approaches at each level. The accompanying spreadsheet downloadable on the website www.accountability.org.uk, summarises the specific characteristics of each approach and their suitability to different engagement situations.

• Convene a group of people who know these stakeholder groups, people that already interact with them, and/or were involved in conducting previous analysis of the issues and stakeholders. It is also advisable to integrate the stakeholders themselves into at least the final design of the approach, to make sure that it meets their expectations. You should also allow for some flexibility in any approach that you may be planning.

• Review the outputs from previous stages, your findings on what others have done, and templates 7-9. Template 9 gives a summary overview of the stakeholders that you could engage with on specific issues, where you are now and where you would like to go.

• Consider whether you need to engage with these stakeholder groups separately (because of different needs and practicalities or different objectives and relationships between stakeholders) or whether you could involve them in the same engagement process (particularly where you have the same objectives in relation to different stakeholder groups, or where you want to resolve conflict between them).

• For each issue and group of stakeholders consider the business’ preferred level of engagement, and the specific engagement approaches that are likely to be most appropriate to these levels of engagement. Use the descriptions of these specific approaches on the following pages to consider these further.
• Use the table, as well as the questions in the table below to reflect on a small number of specific approaches that are suitable. The Levels of Engagement table, downloadable from www.accountability.org.uk also helps you to consider their suitability. Remember that all approaches are flexible and adaptable. Often you will find that you need several approaches, and especially high-level ones are often preceded or accompanied by more low-level approaches such as surveys or one-on-one meetings to prepare, collect some basic information or ensure that there are some fundamental agreements on important aspects.

• Once you have selected an approach, discuss again the possible outcomes of it, and if this is what your business wants and is ready to deal with. Finally, double check any decision on approaches with your original strategic engagement objectives, to ensure that they do contribute to reaching them.

### Questions for Assessing Engagement Methods

| Organisational and Stakeholders’ Objectives and Needs | 1. Does it help us to establish the kind of relationship that we want?
| 2. Can it generate the short- and / or long-term outputs we need to reach our strategic objectives?
| 3. Will it generate the qualitative or quantitative information that the business needs for making its decisions?
| 4. Do I have sufficient resources and time for applying this method / mix of methods? |

| Stakeholder Profiles | 5. Does it work for the stakeholders that I want to engage with?
| 6. Considering the stakeholders’ mobility, is it suitable for their current location?
| 7. Does it suit the stakeholders’ current level of awareness and understanding?
| 8. What practical issues need to be considered and addressed in order to make the engagement accessible/attractive to them (see also Stage 3)? |

| Relationship Context | 9. Do we currently have a relationship with these stakeholders that makes this approach applicable?
| 10. Have we known the stakeholders long enough?
| 11. Is it suitable for the number of people we need to deal with? |

| Issue Context | 12. Is it appropriate for the level of maturity of the issue?
| 13. Is the issue maybe too sensitive for this approach?
| 14. Does it match with existing policy or legislative requirements that apply to the stakeholder group or issue?
| 15. If the issue requires multi-stakeholder involvement, does this approach work for it? |
Inviting Written Responses from Stakeholder / Reply Slips

Invite written responses to formal consultations or ongoing response slips to enable stakeholders receiving issue briefings or sustainability reports to provide feedback.

Key things to consider
- Generally low response rates, but provides an open mechanism for individual stakeholders to easily have their say without having to attend meetings.
- Helps to build mailing list of interested stakeholders for further engagement.
- Does not generate statistically valid result – can easily be skewed.

Examples in action
- Shell invites the general public to “Tell Shell” any questions, comments or opinions through tear off postcards in its sustainability report, letters or email. They commit to reply personally to all comments or questions received in this way.

Telephone Hotlines

Freephone hotlines for individual stakeholders to obtain information about an issue or project, to give feedback or to report problems.

Key things to consider
- Telephone communication is accessible to many people and enables individual stakeholders to respond with minimum effort and at a time and place convenient for them.
- Does not allow for in-depth dialogue, but does allow for stakeholders to obtain information or respond rapidly, and to do this in confidence or anonymously if necessary.
- Telephone hotlines can be answered in-house by a corporate ombudsman, compliance officer, lawyer or trained administrator. In-house hotlines are able to respond to calls quickly and to give appropriate advice and feedback to callers. However, stakeholders may not feel comfortable reporting sensitive issues.
- Independent outsiders can handle hotline calls on behalf of an organisation. They are less able to give feedback, but can be more credible and approachable to stakeholders, and can also be integrated into an assurance process.

Some of the most common stakeholder engagement approaches are outlined below, followed by an introduction to some of the interactive techniques and methods that can be used in small and larger group meetings. The following engagement approaches are described:
- Inviting written responses from stakeholders, e.g. via reply slips in reports
- Telephone hotlines
- One-to-one meetings
- Online engagement mechanisms
- Involvement of stakeholders into the investigation of issues, reporting and policy development
- Focus groups
- Public-meetings
- Surveys
- Stakeholder advisory or assurance panels
- Multi-stakeholder forums
- Multi-stakeholder alliances, partnerships, voluntary initiatives and joint-projects
- Overview of common facilitation techniques
One-to-One Meetings

Individual Meetings with stakeholders, opinion leaders or organisational representatives.

Key things to consider
• One-to-one meetings are often the first step in engaging with a particular stakeholder or group. They can be used for information gathering, exploring issues, getting feedback on how the company is viewed, ‘testing the water’, agreeing shared objectives or ground rules and building trust with key stakeholders before going on with wider stakeholder engagement.
• One-to-one meetings provide a ‘safe’ space where stakeholders can discuss concerns without having to take or defend a public position.
• Individual meetings are rarely considered or reported on as part of corporate stakeholder engagement programmes, but day-to-day individual meetings with key stakeholders including investors (including ‘responsible investment’ funds), institutional customers, regulators, politicians and officials and strategic suppliers are one of the most important ways in which expectations and issues are discussed.

Examples in action
• Telefónica regularly meets investors and analysts who have adopted socially and environmentally responsible investment criteria to discuss performance, risks as well as the strategic significance of Telefónica’s corporate responsibility efforts. The company’s participation in the Carbon Disclosure Project (CDP), which provides a secretariat for the world’s largest institutional investor collaboration on the business implications of climate change, is one outcome of these one-on-one meetings.

Telephone Hotlines

Freephone hotlines for individual stakeholders to obtain information about an issue or project, to give feedback or to report problems. (continued)

Examples in action
• Telephone hotlines are widely used by US companies as part of their ethics compliance programmes, response to Federal Sentencing Guidelines requirements – to allow employees to ‘blow the whistle’ on instances of fraud or unethical behaviour.
• Telephone hotlines have also been used in supply chain labour standards compliance programmes to allow local employees to report labour standards violations to a trusted third party intermediary.
• HP tracks consumer feedback about global citizenship issues that it receives via its customer support hotlines. They receive several hundred customer enquiries each month on issues such as product recycling, environmental specifications, packaging and human rights. As well as responding to individual queries the company collates reports on overall levels of concern to better understand customer priorities and the importance of environmental and social issues in the marketplace.
## Online Engagement Mechanisms

### Web or email based feedback or discussion facilities

#### Key things to consider

- Provided that your stakeholders have access to the required technology, online engagement mechanisms reach across distance and enable stakeholders to participate without attending meetings. However, it is important to consider who will and who will not meet the technical requirements. Particularly when engaging with communities in developing countries, online mechanisms are extremely unlikely to allow for the integration of disadvantaged communities. In general, internet/online users are higher educated and wealthier than the ‘average’ representative in society.

- Generally not statistically valid results – can be difficult to interpret volume of responses – internet based dialogue does not tend to be very good at reaching consensus.

- Design of online engagement mechanism important in relation to organisational and stakeholder needs. Options include: multi-way web based discussion/bulletin board – can be ongoing or time limited, web forms for one way feedback, email discussions, real-time question and answer sessions (can be linked into simultaneous real world events), wikis (collaborative writing programmes), chat rooms as online focus groups, web based surveys or polls.

#### Examples in action

- Microsoft has set up a range of online technical communities to provide opportunities for users to interact with Microsoft employees, experts, and each other in order to discuss Microsoft products and technologies. Engagement options include newsgroups, chats, user groups and webcasts of conferences. Most recently they have introduced informal blogs by Microsoft employees including critical “celebrity blogger” Robert Scoble.

- Shell was one of the first corporations to develop online stakeholder engagement. It has a web-based “Tell Shell” forum for people to discuss any issues relevant to Shell. The site started as a discussion forum for stakeholders to feedback on topics covered by the annual Shell Reports, however it has now been redesigned into a more general discussion forum with regularly refreshed discussion threads. It has been criticised for censorship and for the redesign which takes the focus away from Shell’s own performance and towards more general energy industry issues. A number of alternative activist maintained sites and discussions have been set up.
**Involving Stakeholders in Investigating Issues, Drafting Reports and Policies.**

Stakeholder groups or experts from outside traditional business spheres are commissioned to write reports or commentaries on key issues or to comment on drafts prepared internally. Multi-stakeholder groups comprising internal and external stakeholders may work together to develop a report or policy.

**Key things to consider**

- Involves significant time commitment for stakeholders/experts – may need to be paid, but this will have implications for perceived independence of stakeholders.
- Transparency about the research procedures is important for many stakeholders, therefore this involvement of stakeholders needs to be reflected in reporting processes.
- Limited to engagement with professional stakeholders.
- Need to ensure a purpose for the report and a way to translate it into action – output cannot just be on paper.

**Examples in action**

- BT commissioned a number of experts to write challenging commentaries on ‘hot topics’ such as the digital divide which were published, along with a response from the company, as part of its sustainability report.
- The Global Reporting Initiative secretariat in Amsterdam asked some 30 stakeholders ranging from staff, to broader networks to provide detailed written or telephone comments on their draft sustainability report leading to significant changes both to the report presentation and the organisations commitments to action.
- Telecommunications companies participating in the Global e-Sustainability Initiative with UNEP and the International Telecommunication Union sponsored the NGO Fauna & Flora International to do an extensive report on “Coltan Mining in the Democratic Republic of the Congo”. The report gave valuable insights on the ethical and conservation issues involved, interviewing and setting out key stakeholders in the long tantalum industry supply and user chain.

**Focus Group**

Small group meeting to elicit feedback on a particular issue. Company representatives are usually present but group is facilitated or monitored by a third party.

**Key things to consider**

- Effective and flexible means to obtain feedback on the companies handling of diverse issues or to learn about the breadth of stakeholders’ viewpoints. However, the views obtained from a focus group can deviate from the broader population of stakeholders, as the number of people involved in a focus group cannot be considered as a representative sample. This makes the careful selection of representatives even more important.

**Examples in action**

- Telefónica, after initial research on stakeholders views, opinions and expectations, regularly conducts focus groups with stakeholders to test their findings and to verify their researcher’s results.
- South Africa’s Nedbank, when reconsidering its sustainability strategy, hosted a stakeholder feedback workshop with a small and diverse group of stakeholder representatives. People with expertise in sustainability were chosen, but also analysts, NGOs, investors, customers and suppliers. Using the annual sustainability report as a starting point, its group strategy as well as a performance update were presented and subsequently discussed.
## Engage with your stakeholders in ways that work

### COMMON STAKEHOLDER ENGAGEMENT APPROACHES

<table>
<thead>
<tr>
<th>Public Meetings</th>
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</thead>
<tbody>
<tr>
<td>Large scale meeting open to the public or representatives of different stakeholder groups. Particularly useful for dissemination of information, the sharing of opinions, and the discussion of non-controversial issues.</td>
</tr>
</tbody>
</table>

**Key things to consider**

- Can be facilitated by the company or by a third party. Can be hosted by the company or in partnership with other organisations. Involvement of other organisations that stakeholders already know or trust can help to attract participants and put them at ease.
- Process needs to be designed to meet the aims of the organisation, concerns of the stakeholders and the nature of the issue. Traditional public hearings can encourage a ‘them and us feeling’ and don’t necessarily promote constructive discussion. They are not really suitable for decision making, nor do they allow for a deeper dialogue. Other options include workshop sessions, role play, consensus building sessions, samoan circles, world café, design charettes, open space technology.
- Best suited for localised impacts and decisions such as specific planning issues, or site level environmental impacts, where stakeholders are concentrated in a geographic area.

**Examples in action**

- Swedish ICT companies Telia, Ericsson and AP Fastigheter used the innovative ‘World Café’ method to facilitate discussion about the sustainable future of the industry with corporate CEOs, public officials and NGO leaders.

<table>
<thead>
<tr>
<th>Surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass surveys of whole stakeholder groups (e.g. all employees) or of a representative sample (e.g. consumers), and can focus on general or specific issues. Can be conducted online, by post, using computer terminals, by telephone or in-person.</td>
</tr>
</tbody>
</table>

**Key things to consider**

- Can be simple or complex, formal or informal. However, it can quickly get expensive and data heavy, be clear about how you are going to use the results before the technique is deployed.
- If well designed and sampled it can provide statistically valid overview of stakeholder attitudes and opinions, and it avoids the ‘tyranny of the enthusiast’ problem of engaging with self-selected stakeholders.
- Useful for gathering baseline or standardised information that can provide good guidance for action. Given that it is ‘one-way’ communication, it does not directly contribute to building trust or developing consensus.
- Findings and the companies response to them should be communicated back to the surveyed stakeholders.

**Examples in action**

- Barclays plc commissioned a multi-stakeholder survey to obtain feedback on its corporate social responsibility report and the CSR strategy represented therein. Various experts, NGO representatives, media, community and government representatives were systematically interviewed on their perception of the report and Barclays presented performance and strategy. The results where then presented online, together with a response from Barclays regarding the primary issues that stakeholders raised.
Stakeholder Advisory or Assurance Panels

Stakeholders are invited by the company to offer advice and comments on a particular project or ongoing set of issues, or to review corporate activities and provide independent assurance.

Key things to consider

- Be clear about what capacity advisory panel members are acting in:
  - Where stakeholders provide their advice and insights as individuals, not as representatives of their organisations or constituencies, this normally makes agreement of terms of references easier.
  - Where panel members are representing a group, be sure they are representative (they may need to be elected) and have time and capacity to go back and consult their constituencies and ensure support.
- Advisory panels may be made up of stakeholders from various groups, or with several individuals representing a single group of stakeholders.
- Good for dealing with long-term and complex issues and processes as members are able to develop good understanding of issues facing the company.
- Involves significant time commitment from stakeholders/experts – they may need to be paid for their time as well as expenses, and this may have implications for perceived independence of stakeholders if not handled carefully.
- Ensure good balance of sectors represented on the panel, and be cautious that if a particular organisation is not invited, could that undermine the whole process?

Examples in action

- The US-based clothing retailer Nike has established a multi-stakeholder panel to advise during the development of their 2005 CSR report. Ziba Cranmer, Nike’s senior manager of stakeholder relations, says of this: “When you have superficial stakeholder engagement, you don’t challenge your assumptions. It is helpful/useful to have dialogue or negotiation between diverse stakeholders that changes perspectives, promotes learning and pushes the parties further in constructive ways.” When Nike disclosed a wealth of available details about its supply chain, including labour and human rights abuses, there was enough trust between Nike and its stakeholders for the company to feel that any public statements made would be balanced. This allowed Nike to raise the corporate transparency benchmark.
- The French cement company Lafarge has created an expert stakeholder panel that meets once annually with senior management and provides comments on the development of the company’s sustainability report. The engagement between the company and the panel is facilitated by an external consultancy. Comments from stakeholders are also published in the sustainability report.
- The US-based IT company Intel has created Community Advisory Panels around its facilities in Ireland, Arizona, New Mexico and Oregon. The panels advise Intel staff on community issues. Members include representatives of local government, public safety, residents’ associations, schools, youth organisations, businesses, environmental organisations and interested residents. Each member serves a term of three years, except for four standing members from local government.
- Camelot, the operator of the UK National Lottery, has established three permanent consultative and advisory bodies which play a key role in developing Camelot’s stakeholder engagement programme: The Advisory Panel for Social Responsibility, made up of individuals with professional expertise in stakeholder concerns reviews the Social Report and advises on strategies for continuous improvement. The Staff Consultative Forum is elected by staff and meets every three months to discuss all major policies affecting employees. The Retailer Forum represents National Lottery retail outlets and discusses issues such as policy developments within Camelot, challenges facing retailers, retailer selection and the role of retailers in preventing illegal and/or excessive play.
Engage with your stakeholders in ways that work

COMMON STAKEHOLDER ENGAGEMENT APPROACHES

<table>
<thead>
<tr>
<th>Multi-stakeholder Forum</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-off or ongoing dialogue between representatives of different stakeholder groups, focused around an issue of mutual concern, which may not necessarily be an individual companies’ operations. Often convened or facilitated by an independent third-party.</td>
</tr>
</tbody>
</table>

Key things to consider

- Forum meetings can take a number of formats depending on need, for example: a one-off roundtable discussion about an issue with no commitment to do anything other than report on the meeting or a consensus building or participatory planning process.
- Useful where issues are complex and cannot be addressed by an individual organisation acting alone.
- There is often a tension between the aims of being an inclusive forum which welcomes new members, while at the same time managing to go beyond being a “talking shop” to real action.

Examples in action

- The United Nations Global Compact is probably the most well known global multi-stakeholder forum to advance corporate citizenship. It engages over 2000 participating companies and related stakeholders through global and regional Policy Dialogues, Learning Forums and local level meetings of national Global Compact Networks. Policy dialogues are also open to newcomers, companies and organisations interested in joining the voluntary initiative. (see [www.unglobalcompact.org](http://www.unglobalcompact.org))
- MFA Forum: A working group including Nike, The Gap, AccountAbility, The World Bank, BSR and Oxfam came together to consider how apparel companies could responsibly respond to global shifts in the garment manufacturing market following the end of the ‘Multi-Fibre Arrangement’ quota system. Following an initial meeting, working sessions of the forum took the form of telephone conferences. As a first step they worked together to compile a set of rapid research reports bringing together expert predictions, national competitiveness and social development data, buyer and labour activist perspectives. This enabled them to develop a framework for action in key countries.
- Gap Inc. organised a range of stakeholder forums in Washington DC and London, to discuss supply-chain issues. NGOs, trade unions, multilateral organisations, campaigners, government representatives, etc., got together to explore potential ways of working together to enhance the welfare of workers in global supply chains, and to avoid labour rights violations.
Companies and stakeholders from public, private and voluntary sectors taking action together through collaborative ventures or mutually agreed commitments. This may be a partnership between a single company and a stakeholder organisation, or a multi-way alliance including several participants.

Voluntary initiatives involving both industry and governments have increased since the early 1990s in an effort to improve sustainability performance. They often include both a variety of commitments by individual member companies to achieve environmental or social objectives that go beyond existing regulations, and which can also take the form of codes of conduct adopted at the national or international level by industrial sector associations, or agreements on performance targets between a government and a company, a group of companies or an industry sector. These agreements can then be complimented with specific agreements to take mutually supportive or joint actions towards broader goals.

Key things to consider

- Partnership initiatives designs need to take account of the costs and benefits for each of the participants – they may not share a common set of goals or values but they can work together to achieve specific shared objectives.
- Many partnership initiatives start in an informal manner and are initiated or catalysed by a strong individual champion within one of the organisations, who might be acting as a partnership broker to bring organisations together. In the longer term, in order to become durable and embedded within the organisations involved, partnerships need to develop a more formal structure and governance process.
- A partnership often grows to include more partners over time, as needed to achieve its objectives and meet the needs of stakeholders within a changing environment.
- As partnerships become more focused and technical, for example voluntary initiatives to develop specific codes, they tend to become more formalised in both process and outcome. In the late 1990s a study by the Canadian Government identified the following eight steps for developing effective voluntary codes: 1. Gathering information; 2. Preliminary discussions with major stakeholders; 3. Create a working group; 4. Preliminary draft of the code; 5. Consultations on Preliminary draft; 6. Publication and dissemination of the Code; 7. Implementation; 8. Review.
Engage with your stakeholders in ways that work

COMMON STAKEHOLDER ENGAGEMENT APPROACHES

Multi-stakeholder Alliances, Partnerships, Voluntary Initiatives, Joint Projects

Examples in action

- The Union Bank of California established a partnership with not-for-profit economic empowerment organisation Operation Hope in 1996, in order to understand the needs of consumers in poor areas and develop savings and mortgage products for low-income populations. The two organisations collaborated in opening check cashing and banking facilities in poor areas and developing a programme of financial education.

- The Ethical Trading Initiative is a partnership of food and clothing retail companies, development NGOs and trades unions. It has developed a 'base code' of labour standards in the supply chains of member companies and has on an ongoing programme of collaboration to develop, pilot and promote robust methodologies for monitoring compliance and impacts.

- Since the early 1990s a number of international voluntary initiatives for different industry sectors have been created between UNEP and industry. The participating companies pool resources in developing and advancing environmentally sound practices. This includes work programmes with research projects that address issues on the global agenda faced by all industry members. Companies also use these platforms to engage with related stakeholder organisations. In each initiative participants commit themselves to a set of principles under the umbrella of sustainable development. Companies also use these initiatives to work with stakeholders in developing sector specific supplements to the GRI Guidelines on sustainability reporting. 13.

- In the environmental field, various industry associations have been involved in the creation of international voluntary codes and guidelines. These include for example the International Chamber of Commerce (ICC), International Council of Chemicals Associations (ICCA), the International Council on Metals and Mining, and the World Travel and Tourism Council (WTTC).

- The Seed Initiative of the IUCN – the World Conversation Union, UNEP and UNDP, is supporting the development of multistakeholder, local partnerships to advance the goals of the 2000 Millennium Declaration (the so-called MDGs) and the 2002 Johannesburg Plan of Implementation. 14.

- For further examples of partnerships, see also “Vol. 1: The Guide to Practitioners’ Perspectives on Stakeholder Engagement” (Fig. 2.5, p. 25)

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14 See the Seed website for examples of the emerging partnerships in all regions, with support services and partnership brokering provided to help business and social entrepreneurs to jointly set up new partnerships: www.seedinit.org
## Common Facilitation Techniques

The table below outlines, very briefly, some of the facilitation techniques that can be used in small or large group meetings. In most cases you would need an experienced facilitator to guide the process.

<table>
<thead>
<tr>
<th>Name</th>
<th>Purpose</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appreciative Inquiry</td>
<td>Identity and leverage resources and positive experiences which have contributed to success in the past.</td>
<td>Appreciative inquiry used in stakeholder engagement seeks to identify &quot;what works&quot; through inviting participants to recount individual success stories regarding the relationship between a corporation and its stakeholders. These stories serve to inspire a more positive approach to the relationship, and more creativity. Once discovered, these stories are shared throughout the organisation. What is “wrong”, “inadequate” and/or “not good enough” moves out of awareness as the organisation taps into positive possibilities rather than past failings. Appreciate inquiry is based on the idea that a positive future can be built on the successes of the past.</td>
</tr>
<tr>
<td>Consensus Building</td>
<td>Collaborative decision making and partnership building between diverse stakeholders.</td>
<td>With the assistance of an unbiased mediator or facilitator, participants are guided through a structured process of raising issues, understanding each other’s views, and then cooperatively developing an agreed upon resolution. A short guide to consensus building: <a href="http://web.mit.edu/publicdisputes/practice/cbh_ch1.html">http://web.mit.edu/publicdisputes/practice/cbh_ch1.html</a></td>
</tr>
<tr>
<td>Consensus Conference, Citizens Jury</td>
<td>Stimulate informed public debate.</td>
<td>A panel of stakeholders is brought together and asked to investigate a particular question. The panel selects and then publicly cross-examines experts and produces a report of its findings. Most often used in relation to questions relating to new science or technology.</td>
</tr>
<tr>
<td>Nominal Group Technique</td>
<td>Generate and organise ideas quickly.</td>
<td>Break down into small groups to discuss clearly articulated question. Note ideas on 5-8 cards per group. Cards grouped into logical categories and displayed on wall. Groups can prioritise ideas using voting with paper dots. Ideas are shared with larger group in a ‘marketplace’ display.</td>
</tr>
<tr>
<td>Open Space Technology</td>
<td>Giving everybody the opportunity to surface and engage on his/her ‘issues;, concerns or ideas.</td>
<td>In Open Space meetings, events and organisations, participants create and manage their own agenda of parallel working sessions around a central theme of strategic importance. Open Space conferences therefore have no keynote speakers, no pre-announced schedules or workshops and no panel discussions. Instead, sitting in a large circle, participants learn in the first hour how they are going to create their own conference. Anyone who wants to initiate a discussion or activity, writes it down on a large sheet of paper in big letters and then stands up and announces it to the group. After selecting one of the many pre-established times and places, they post their proposed workshop on a wall. When everyone who wants to has announced and posted their initial offerings, participants mill around the wall, putting together their personal schedules for the remainder of the conference. The first meetings begin immediately.</td>
</tr>
<tr>
<td>Planning for Real</td>
<td>Collaborative decision making in local communities.</td>
<td>Planning for Real is a process trademarked by the Neighbourhood Initiatives Foundation (<a href="http://www.nifonline.org.uk">www.nifonline.org.uk</a> ). The process uses large-scale maps and three-dimensional models to promote discussion of planning and community development options.</td>
</tr>
<tr>
<td>Scenario Planning</td>
<td>Creative thinking and communication of complex ideas.</td>
<td>A small panel of stakeholders including decision makers and experts are guided by a facilitator to identify key issues relevant to the issue under discussion. From this key trends and driving force are determined. The most important possible trends are then fleshed out into contingent futures.</td>
</tr>
<tr>
<td>Visioning</td>
<td>Creative thinking and collaborative planning.</td>
<td>In a visioning process individuals and groups develop a vision for the future. Having developed the vision they then go through a process of ‘back casting’ to translate the vision into more concrete goals and action plans.</td>
</tr>
<tr>
<td>World Café</td>
<td>Generate ideas, share knowledge, stimulate creative thinking, and explore action possibilities with quite large groups.</td>
<td>Seat people at tables of 4 or 5 set up informally in a café style. Each table is hosted by one person who stays there. Each table discusses a related question linked to the overall theme, drawing and writing on the tablecloth to record ideas. After 30 minutes people move to a new table and are encouraged to link and carry over ideas from one conversation to the next. After several rounds draw together a final synthesis discussion through a whole group discussion. <a href="http://www.theworldcafe.com">www.theworldcafe.com</a></td>
</tr>
</tbody>
</table>
Engage with your stakeholders in ways that work

**BACKGROUND**

Within any engagement process, there are a number of design issues which you need to consider and prepare for. If you are working with an external facilitator they may address some of these issues with you.

When designing the engagement process, Volume 1 of the Stakeholder Engagement Manual, the Guide to Practitioners’ Perspectives on Stakeholder Engagement, provides useful guidance, case studies and recommendations regarding the requirements and expectations of specific stakeholder groups and types of initiatives.

**Practical Issues - A Checklist**

**Scope – determined by the margins of movement**

In Stage 3, you have already considered your margins of movement. The margins of movement define the scope of the engagement process: what issues are up for discussion and which aren’t. Be clear in your communications with stakeholders such as invitations, written material and presentations about the scope and aims of the engagement. Make sure that the external facilitators, internal staff, meeting chairs and workshop leaders are clear about the scope and objectives.

**Orange’s Stakeholder Engagement Around Transmitter Sites**

Mobile phone network operating company Orange engages with local communities in order to identify and ideally agree on the best possible location for new mobile phone transmitter masts within the area. However, Orange makes clear from the start that its intention is to find a location for its mast, not discuss the question of whether masts should be put up at all.

**Allow for a re-evaluation of materiality**

Be aware that in many engagement your stakeholders may raise issues that are outside of the scope of engagement. While it is important to be clear about your scope and to ensure that you are not derailed by less material issues, it is also crucial that you do not brush away new issues light-heartedly. Consider any other issues that stakeholders may have - in advance if possible – and if unexpected during the engagement. Some unanticipated issues may even be more important than the subject of the planned engagement. As meaningful engagement will be difficult if your stakeholders consider the topic as relatively irrelevant compared to other concerns they may have regarding your company’s activities, you need to stay flexible and willing to reconsider your approach and priorities during the engagement process. However, at the same time, it may still be necessary to ‘park’ the new issue in order to not get distracted from nevertheless material issues of the current engagement. Your stakeholders are most likely to agree to this if you are prepared to make a clear and timed commitment to when and how you will address the other material issues with them.
Outcomes and process planning:
What are the desired outcomes of the process, and how do they relate to your strategic objectives? Is it a decision between several alternatives, a consensus, a jointly agreed plan of action with individual commitments? Plan the agenda to move participants towards this output. Involve stakeholders in planning the process where appropriate, and certainly check your plans for your stakeholders’ approval.

Plan to use appropriate in-person or virtual tools for information sharing, discussion, consensus building, decision making.

Ensure timing of engagement and decision-making fit together; don’t discuss questions that have already been decided, and don’t start a process whose conclusion would take more time than there is to make the decision. Always make sure that there is enough time for discussion and questions. Keep any presentations short and to the point. Make space for informal discussions and get-togethers.

Preparation:
Develop a communications strategy to target necessary stakeholders using networks, relevant media, mailing lists or personal visits. Be aware of cultural differences and customs when inviting people.
Who needs to be there – are there particular attendees with authority that need to be there in order to be able to take decisions? You may need to organise the engagement around their availability.
Ensure that pre-information gets to stakeholders in good time and takes into account any relevant language, disability and literacy issues and covers relevant substantive issues and practical information. Pay attention to presentations, but beware - making it look too ‘slick’ can make people suspicious of ‘PR spin’.
Be careful not to underestimate the time that people require to read and digest pre-information.
You may also need to prepare participants with pre-meetings, more informal conversations or even training (see Stage 3).
Engage with your stakeholders in ways that work

Engaging a Facilitator
A good facilitator can make decision making and problem solving go more smoothly. Consider if you need a facilitator for any of the engagement activities. While a member of the engaging parties can effectively perform the role of facilitator in many situations, it is often preferable to use a facilitator who does not really have a stake in the outcomes of the engagement. This might best be an in-house facilitator who is not associated with the issue, but in some cases it is valuable to hire an independent facilitator. The box below includes guidance on when a facilitator may be appropriate, and outlines what a competent facilitator can do to enhance the process.

Guidance on when to use a facilitator
If the engagement interaction that you are planning is likely to show one, or even more, of the following attributes, a facilitating individual or organisation can prove to be very useful.

Distrust? In situations where distrust or bias is apparent or suspected, the engaging parties should make use of an un-biased individual to facilitate (and perhaps convene) the engagement.

Intimidation? The presence of an outside facilitator can encourage the articulation of opinions which might otherwise not be expressed, due to some parties feeling intimidated.

Rivalry? Rivalries between individuals and organisations can be mitigated by the presence of a facilitating individual or organisation.

Lacking definition of the problem? If the problem is poorly defined, or defined differently by multiple parties, an unbiased listener and analyst can help to construct an integrated, shared understanding of the problem.

Possibly emotionally upsetting situation? Bringing in a facilitator to lead the process lets the engaging parties focus on the problem at hand, which can lead to better results.

Complexity or novelty? In a complex or novel situation, a process expert can help the group do a better job of working together intellectually to solve the problem.

Timeliness? If a timely decision is required, as in a crisis situation, the use of a facilitator can help the parties to reach necessary agreements faster.

What does a competent facilitator do?
Helps the engaging parties to define the intended outputs and how they will be used.
Design a tailor-made interaction that suits the requirements of all participants.
Checks that the participants are supportive and involved in the process.
Ensures independence and accountability in facilitation.
Creates a suitable atmosphere.
Holds clarity throughout the meeting.
Encourages meaningful interaction.
Manages the engagement interaction as a learning opportunity.
British American Tobacco Uses Independent Facilitators in Local Dialogues

British American Tobacco uses independent facilitators in local dialogues. BAT companies develop local dialogue structures in the numerous markets BAT operates in. These local structures enable them to identify and respond to local stakeholders’ interests in ways best suited to local cultures and operating environments. Independent local facilitators are selected to run these dialogues and produce dialogue reports. Examples of local facilitators include ethics and facilitation consultancies, well-known public figures in the media, politics or academia, former diplomats, human resources specialists and negotiation experts.

The Group’s local Social Reports include details and extensive statements from these local facilitators and describe the structures and dialogues undertaken. Furthermore, the reports set out in detail the stakeholders’ expectations expressed in these dialogues, and give the local BAT companies’ responses. An independent assurance provider also verifies these dialogue reports and processes.

Ground-rules

What are the procedural and behavioural ground rules and terms of reference for the participants in the engagement? What are your commitments to them? Many groups make a provisional confidentiality agreement at the beginning of the meeting when they do not yet know what will happen, they then revisit it at the end of the meeting and may change it if all agree to do so.

Agree with and then provide a clear overview to participants about the ground rules and what is expected of them. Some general ground rules for engagement could be:

• Avoid assigning intentions, beliefs, or motives to others. (Ask others questions instead of stating untested assumptions about them.)
• Honour each party’s right to “pass” if he or she is not ready or willing to speak.
• Allow others to express their opinions completely.
• Make sure that the opportunities for input are evenly distributed.
• Respect all confidentiality or anonymity requests that the group has agreed to honour.
• Adopt a solutions-oriented approach.
• Stay focused on the issue that is the subject of the agreement.
Logistics
Where and when will the engagement take place? Will it be a 'one-off', or a series of events? Take into account the needs of participants: Is the venue comfortable, accessible, neutral? Is the location convenient and accessible by public and private transportation? Does the timing fit in with stakeholders’ other commitments and concerns e.g. work, childcare, harvest time, safety, religious festival. Provide food, lodging and transportation as necessary. If it is an international event, will some stakeholders be jet lagged or overwhelmed by the foreign environment?
If you are planning an online engagement process make sure it is accessible from different platforms and to people without broadband or the latest browsers and plug-ins.
Make sure you have enough room for planned activities (e.g. break-outs), ensure that acoustics and lighting are good. Plan the seating arrangements to support your objectives (e.g. semi-circular or round formats for discussions rather than podium and audience, tables or flipcharts for writing on).

Record keeping and assurance
Make plans for keeping a record of who attended, proceedings, outcomes and any commitments made during the engagement, which will need to be followed up. How will this record be assured (for example by circulating to all present for comment/sign-off or through the involvement of an external facilitator/assurance provider – see Stage 5 for further details on assurance).
How will the proceedings and outcomes of the engagement be communicated and to whom? What records need to be kept for your audit trail? Do you need to assure participants of complete confidentiality or complete openness – or something in between (e.g. Chatham house rule)?
Do you need to directly record the proceedings using video or audio recording or photography? Make sure participants know and don't mind being recorded. What are you going to do with the recording?

Signals of success
Consider how you will judge whether the process has been successful. Set targets for input, output and outcome indicators of success such as, engagement going to plan, participant numbers, participant feedback, media coverage, consensus reached.
Plan methods for participants to provide feedback about their satisfaction with the process itself. The case box below provides a good example of how this can be done.
Article 13’s Method of Assessing Engagement with Stakeholders

The consultancy Article 13, when carrying out stakeholder engagements, ask the following questions to identify the stakeholder perspectives and their measurements of success:

- How was it for you? (Was it safe, accessible, transparent, clear, trust-building, informed, involved, relevant, participative?)
- Did we achieve the purpose of the engagement?
- How could we improve the engagement?
- How could we move forward to ensure delivery to the objective/purpose?
- How will you judge that we have listened, learned, and taken action?
- What would make these evident for you?
- Would you like to continue the engagement process?
- How would you like to move on?

Risk anticipation

What could go wrong? (for example participants getting locked into defending combative positions, key stakeholders declining to engage, individuals breaking confidentiality agreements). Make contingency plans to deal with the most likely or damaging risks. Consider what might happen if stakeholder expectations are not met.

SUGGESTED METHODOLOGY M15:

DESIGNING THE ENGAGEMENT PROCESS

The purpose of this activity is to ensure that the engagement process is well designed to meet its objectives and well managed to run smoothly.

- Identify people who will be involved in running the engagement process – both from inside and outside your organisation. Also identify any stakeholder representatives that can help with designing the process.
- Either as a group or according to the individual responsibilities (e.g. logistics co-ordinator), run through the checklist of issues and options.
- Write an engagement plan covering key design issues, associated tasks, responsibilities, resources and timelines.
Engage with your stakeholders in ways that work

### P15: DESIGNING THE ENGAGEMENT PROCESS

#### SUMMARIZED TEMPLATE T15: STAKEHOLDER ENGAGEMENT PLAN*

<table>
<thead>
<tr>
<th>Subject of Engagement - Scope:</th>
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<tbody>
<tr>
<td>Strategic Objectives - Intended Outcomes:</td>
<td></td>
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<tr>
<td>Engagement Approach - Method(s):</td>
<td></td>
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<tr>
<td>Targeted Stakeholder Groups &amp; Representatives:</td>
<td></td>
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</tbody>
</table>

#### Practical Plan

<table>
<thead>
<tr>
<th>Activities &amp; Resources</th>
<th>Responsibility</th>
<th>Timeframe</th>
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<tbody>
<tr>
<td>Preparation</td>
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<tr>
<td>Invitation / publicity</td>
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<td>Pre-information</td>
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<tr>
<td>Logistics</td>
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<tr>
<td>Venue, timing</td>
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<td>Transport, food, lodging etc.</td>
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<tr>
<td>Equipment etc.</td>
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<td>Participants reimbursement</td>
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<tr>
<td>Process to meet desired outcomes</td>
<td></td>
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<tr>
<td>Agenda/plan for the event</td>
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<tr>
<td>Ground rules and terms of reference</td>
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<tr>
<td>On the day roles and facilitation</td>
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<tr>
<td>Record keeping and Assurance</td>
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<td>Assurance Procedure</td>
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<tr>
<td>Feedback to participant</td>
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<tr>
<td>Wider communication of results</td>
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<tr>
<td>Signals of success (hoped for inputs and outcomes)</td>
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<tr>
<td>Participant satisfaction feedback method</td>
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</table>

#### Risk Assessment

<table>
<thead>
<tr>
<th>Risks:</th>
<th>Contingency plan:</th>
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*electronic version downloadable at [www.accountability.org.uk](http://www.accountability.org.uk)
STAGE 4 REVIEW

By the end of this Stage you will have established a way of engaging with your stakeholders as part of an ongoing process of management and deliberation around issues material to your organisation’s success.

Outputs

- Information, increased mutual understanding or an agreement on a course of action/next steps on issues of mutual interest.
- Deepened relationship with stakeholders
- Validation of the materiality of issues
- Possible identification of additional material issues
STAGE 5
Take action and review engagement
PURPOSE
The aim of this Stage is to translate new learning, insights and agreements into action, and to ensure that your stakeholders understand how you do this.

Although a key engagement activity has now taken place, the whole process is far from over. New learning, insights and agreements need to be translated into decisions, policies and action plans and from there into improved business processes, or strategic or operational changes.

The relationships that have been developed during the engagement process also need to be secured. This requires timely feedback about what actions you plan to take, and further engagement or more ongoing dialogue if necessary. That is, despite the best preparation and planning, during the course of engagement new material issues may come to light which require further dialogue. A consequence of which may be a reconsideration of the materiality of different issues, their re-prioritisation and the need to identify further resources. Furthermore, the whole engagement process itself needs to be reviewed in order to identify possibilities for future improvements in subsequent stakeholder engagement cycles.
Take action and review the engagement

**PRINCIPLES**
The principles of materiality, completeness and responsiveness provide guidance in ensuring that stakeholder engagement supports the goal of organisational accountability. The key principle that this Stage intends to deliver on is the principle of responsiveness.

<table>
<thead>
<tr>
<th>Principles</th>
<th>Materiality</th>
<th>Completeness</th>
<th>Responsiveness</th>
</tr>
</thead>
</table>

*‘Inclusivity’*

“Considering the stakeholders’ interests in organisational decision making”

This means the company commits to ensuring that it responds to stakeholders’ material expectations, including the adequate communication of these responses to its stakeholders.

**PROCESS**
The tools and actions outlined in this Stage cover three processes which need to take place following the engagement process itself: **action** in terms of planning and monitoring agreed strategic and operational changes by using information gained to inform decisions concerning strategic intent, products, and processes; **reporting and feedback** to the stakeholders involved and to other interested parties; and, **review** of the engagement process itself to learn from successes and mistakes and to highlight any areas where further development of the stakeholder engagement process is needed. This will feedback into the next strategic engagement cycle to shape the prioritisation of key stakeholders and issues, and the commitment of the associated resources.
BACKGROUND

Depending on the type of relationship and objectives, taking action may be something that you initiate ‘back at home’ based on the information you have collected, or it may consist of implementing an agreement between the stakeholders to take individual and co-operative actions. You should also plan for monitoring the implementation of outcomes, especially if you have agreed on indicators or success factors with stakeholders during the engagement process. This exercise will then help you to develop an overview of the outcomes, and any necessary follow-up and monitoring of activities. In some cases, this may require further internal considerations of the outcomes, and often further engagements with stakeholders as noted earlier. In many cases, the engagement process will also result in information that may be of value to people and departments within your business that where not directly involved in the engagement process. To maximise value from the engagement process, ensure that these people and departments receive and understand this information. Furthermore, disclosure to external stakeholders on the outcomes of your engagement may be over and above the initial set, for instance peers, trade associations, the media, and the general public.

Whether it is internal or external audiences, there may be the need to educate stakeholders. This may involve synthesising and translating the information for more impact, for example to empower internal business partners or secure more ownership of an approach to an issue amongst the stakeholders. This is especially important when you are seeking solutions to dilemmas which you cannot solve on your own. The conclusion may also be that you need to consider more engagement, and therefore need to pool your resources with your stakeholders in a more collaborative way to address the issue. On the other hand, it may also be that you find out that you need to build competencies prior to further engagement.

However you decide to respond to the engagement process, setting SMART targets during and after the engagement process can be very useful.
Take action and review the engagement

P16: CREATING A PLAN FOR ACTION

SMART Targets

| S | Specific – state what exactly is to be achieved. |
| M | Measurable – so that it is possible to determine whether or how far it has been achieved. |
| A | Achievable – realistic given the circumstances and resources. |
| R | Relevant – to the overall objective/strategy, to the stakeholders, and to the people responsible for achieving them. |
| T | Time-specific - realistic time-frames for achievement. |

SMART targets set out what’s going to happen, who’s going to do it, when it’s going to be done by, and how achievement will be measured.

Key to setting smart targets is ownership. As the targets are intended to assure stakeholders of your business responsiveness, you should try and seek their consent to them. This may sometimes, but not always, be possible during the engagement process. Sometimes people who need to have a say on the targets are not directly involved in the engagement process. In this case, make sure you report and feedback decisions on your targets (see following section on reporting).

SUGGESTED METHODOLOGY M16: CREATING A PLAN FOR ACTION

The purpose of this activity is to develop a plan for translating insights, information and agreements into action, and to ensure that this is monitored and can be reported on.

Use the Template T16 to capture the results of this process.

• Put together a group of internal participants who have been involved in the engagement process, and who are able to either take decisions on next steps, or have access to those that make these decisions. Revisit the outcomes of the engagement in a team meeting or workshop, and collate an overview of them.
• In doing this, ask yourself the following question:

Considering our strategic objectives for the engagement (see engagement plan), what outcomes have we achieved?

• Identify which operational and strategic implications this potentially has, and assign responsibilities for follow-up on this output.
• Identify the next step(s), which may already have been agreed with stakeholders, and decide when these are to be delivered.
• Identify any remaining questions or resulting issues that need to be addressed in subsequent engagement processes. Again, decide who is responsible for taking this further.
• If there are actions which you and your business needs to deliver on, set SMART targets.
• Assign responsibilities for implementing and monitoring the follow-up activities.
• Make sure that information which could be of value to others within your organisation is communicated to them in an appropriate manner.
• Communicate back to stakeholders appropriately.
THINGS TO CONSIDER

- The process of reviewing the engagement, set out below, also requires a team meeting or workshop. You may want to undertake both at the same time.
- It is important that you discuss and validate any next steps that you commit to internally before communicating them back to your stakeholders. Does everybody who is required to deliver on them agree? Are all the required resources available, or does it require a realignment of internal objectives so that there are no conflicts with the outcomes of the engagement? Do people have the required competencies to fulfil these commitments? (see Stage 3 for further related guidance on capacity building).
- In order to ensure high-level buy-in and follow-up on learning and opportunities, as well as to make sure the information is used to inform corporate strategy, be sure to either involve members of the board directly, or to integrate members of relevant sub-committees that report to the board on these issues.

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<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Outcomes/Results</th>
<th>Strategic &amp; Operational Implications</th>
<th>Owner / Decision Maker</th>
<th>Next step / Smart Target</th>
<th>Internal Responsibility for Monitoring and Reporting</th>
<th>Timeline</th>
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*electronic version downloadable at www.accountability.org.uk
Take action and review the engagement

**BACKGROUND**

In order to demonstrate that you are giving due consideration to the outputs of the engagement process, it is of critical importance to report the decisions you have taken as a result of the engagement back to stakeholders. This is important to the stakeholders that you engage with, but as noted earlier, can also influence the decisions of other stakeholders who were not involved in the initial engagement (for example, internal business partners, consumers interested in how a manufacturer engages with supply chain workers, or investors concerned with risk management).

There are numerous ways to report back to stakeholders that you have engaged with or want to engage with:

- One-on-one conversations
- Follow-up telephone briefings
- Letters of thanks summarising results and next steps
- As part of regular reporting activities (e.g. in the corporate responsibility report)

Reporting is an integral part of stakeholder engagement processes both in terms of feedback to those directly involved in the engagement and as a mechanism of informing those that were not involved.

Public reports can play a vital part in informing all kinds of stakeholders about corporate performance, but can also be understood as a further contribution to the global debate about the evolving role of business in society. Sustainability reporting can be both shaped by and inform stakeholder dialogue, as is clearly displayed in the UN Global Compact Performance Model. The GRI Guidelines also underline the value of stakeholder engagement. For the company wishing to improve the value added of its interaction with stakeholders, a management challenge lies in aligning its internal and external reporting systems and disclosure.\(^\text{15}\).

Quality reporting itself informs future engagement. For example, a first time public statement on your sustainability performance may be used as a basis for an initial discussion with civil society actors or other stakeholders. Related to this then is the notion that you need to consider how different communication pathways elicit different responses with different stakeholders. Indeed, what combination of pathways has most impact?\(^\text{16}\).

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\(^\text{16}\) See Impacts of Reporting, CSR Europe & AccountAbility, 2003, for further investigation of different approaches to reporting.

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Barclays’ Online Response to Focus Group’s Feedback on CR Strategy

The UK financial services provider Barclays asked an independent consultancy to facilitate a review of their reporting and corporate responsibility strategy by a multi-stakeholder focus group. The focus group’s key comments and concerns were summarised in an online document, which Barclays published, together with a response to the individual points raised, and several commitments on how these will be addressed in future.
The acid test of reporting back to stakeholders and to wider society is whether the organisation reflects an adequate response to material issues surfaced by the engagement processes. However, the principle of responsiveness does not require that the reporting organisation agrees or complies with all stakeholder concerns and interests, but that it has responded coherently and consistently to them. Thus an adequate response should include acknowledgement of the key concerns, a prioritisation of issues (including how this was determined), what has taken place since the dialogue, benchmarks, and next steps within a fixed timeframe.

Camelot’s Performance Reporting

The “Our Performance” Section of Camelot’s Social Report 2004 focuses on the extent to which the company is delivering on the expectations of the eight stakeholder groups that Camelot has identified, and on what Camelot has committed to doing in the future. Against each stakeholder group, it reports on:
- Camelot’s vision for the relationship with these stakeholders;
- the progress made on the commitments from the previous year;
- the performance against relevant key indicators and targets. Indicators are consistent year on year to show trends over time;
- details of any consultation undertaken in 2003/2004, the issues stakeholders have raised, and Camelot’s responses;
- commitments for the next year.

There are various guidelines on reporting. The most recognised internationally are the Global Reporting Initiative Sustainability Reporting Guidelines (www.globalreporting.org), which – together with various guidance documents and technical protocols – provide extensive guidance to reporting processes, including on principles and indicators for reporting. The GRI itself involves an extensive, global multi-stakeholder process contributes to the ongoing revision of the GRI Guidelines.

A primary goal of reporting is to contribute to an ongoing stakeholder dialogue. Reports alone provide little value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviour of both the reporting organisation and its stakeholders. However, GRI clearly recognises that the engagement process neither begins nor ends with the publication of a sustainability report.

Taken from the “GRI Sustainability Reporting Guidelines” 2002
By clarifying the organisation’s impacts and highlighting the learning that it takes from its engagements with stakeholders, public reporting can have significant effects on the business, on internal and external stakeholders. In fact, the process of reporting itself often acts as a stimulus for internal discussion that results in a change in organisational culture and outcomes.

Specifically when focusing on the use of a corporate responsibility report in relation to stakeholder engagement, the principles of materiality, completeness and responsiveness can be used to assess the quality of the report. Below is a checklist that you can use to check whether your report is aligned with these principles.  

See also the section ‘Principles and Standards for Stakeholder Engagement’ in the introduction.
Checklist for Reporting to Stakeholders

<table>
<thead>
<tr>
<th>AA1000AS Principle</th>
<th>Does the internal and / or external report . . .</th>
</tr>
</thead>
</table>
| **Materiality**     | ...reflect how the organisation defines which stakeholder issues are material to its business?  
|                     | ...discuss what criteria are used in making decisions about materiality?  
|                     | ...explain why the identified stakeholders/issues are either material or not?  
|                     | ...reflect how dilemmas between different expectations regarding materiality are acknowledged?  
|                     | ...discuss whether indicators and targets included in the report can be, and are, used in strategic and operational decision-making processes?  
| **Completeness**    | ...indicate how the organisation seeks to understand its performance and impacts relating to material issues (e.g. why it uses specific indicators, management and internal assurance processes etc.)?  
|                     | ...indicate how the organisation has decided on what performance aspects to include in its measurement (e.g. activities, products, sites and subsidiaries)?  
|                     | ...indicate how the organisation integrates these measures with its core management, governance and change processes?  
|                     | ...enable stakeholders to interpret the information in ways that is useful for their decision-making (e.g. ensuring accuracy of information)?  
| **Responsiveness**  | ...discuss the reasoning used by the organisation in deciding what issues to respond to?  
|                     | ...reflect how the organisation allocates resources to enable the implementation of commitments to respond to material stakeholder issue?  
|                     | Do these resources appear adequate?  
|                     | ...discuss how the organisation identifies any shortfalls and subsequent corrective actions in relation to material issues?  
|                     | ...specify targets relating to identified improvement needs? What is the technical quality of these targets (i.e. are targets timely, measurable, specific, realistic etc.)?  

Finally, a report can also be a powerful tool for assuring your stakeholders. A high-quality report which meets many of the above criteria can assure stakeholders of the quality of your response to their concerns and expectations. However, more formal assurance of the process of stakeholder engagement, and of the resulting report, can enhance your credibility and build further trust.

What is Assurance?
Assurance is an evaluation method that uses a specified set of principles and standards to assess the quality of a subject, such as an organisation’s internal and/or external report or stakeholder engagement activities, as well as the underlying systems, processes and competencies that underpin the organisation’s performance. Assurance includes the communication of the results of this assessment to provide credibility to the subject matter for its users.

Assurance is not to be confused with audit, verification or certification. Assurance is the desired result. Audit, verification and certification are examples of tools to achieve such results, in addition to historical experiences, reputation, or indeed engagement itself.

Source: AccountAbility 2005
SUGGESTED METHODOLOGY M17:
DESIGNING AN ASSURANCE PROCESS

The purpose of this methodology is to design a process that serves to assure your stakeholders that the preparation of the engagement, the engagement process itself as well as the decisions on and implementation of outcomes are undertaken in a fair, transparent and responsive manner under due consideration of the stakeholders’ expectations.

- Use the table below to guide you through the different considerations and options. It is important to start thinking about assurance early in the process; ideally you want to involve an assurance provider right from the outset of the engagement process when making initial decisions about the materiality of stakeholders and issues. Alternatively good documentation of previous steps, as well as consultation with stakeholders, can also allow an assurance provider coming into the process at a later point to provide a certain level of assurance.
- A suitable assurance provider is, in general, a person, or a group of people (e.g. a stakeholder panel or professional assurance provider), who is and can be seen to be independent of the business and which is in a position to challenge and question the business’ approach to engagement. Apart from that, they of course need to be competent to undertake the required assurance process.
- Ensure that this assurance provider possesses legitimacy with your stakeholders.
- Overall, it is important to agree the design of the assurance process with your stakeholders. This includes that you agree with them on the scope and subject matter of the assurance process, on the principles that will be applied to this subject matter, and on the level of assurance that will be pursued in the process.
## Thinking about Assurance

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assurance Appetite</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Who needs assuring?</strong></td>
<td>Indoor stakeholders: management and board concerned with risk and value creation require assurance that information is accurate and complete, and that systems are working. Back-door stakeholders: investors and regulators interested in assurance that looks governance, risk and legal compliance. Front-door stakeholders: media and NGOs who often remain cynical about corporate CSR or SD efforts, or customers that may well appreciate product certification.</td>
</tr>
<tr>
<td><strong>What is the purpose of the assurance process?</strong></td>
<td>Meeting legal compliance requirements: e.g. for financial and environmental reporting. Convincing: building trust and credibility or gaining a specific certification. Decision-making: ensuring the credibility of information that stakeholders use for decision-making. Learning: monitoring and continuous improvement of management systems.</td>
</tr>
<tr>
<td><strong>Assurance Methodology</strong></td>
<td></td>
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<tr>
<td><strong>What standards and principles govern the assurance process?</strong></td>
<td>ISAE3000: offers practical guidance for non-financial assurance engagement for professional service providers from financial audit firms. AA1000 Assurance Standard: provides an overarching commitment to promote accountability for sustainable development through stakeholder inclusivity, which is supported by the three key principles of materiality, completeness and responsiveness; AA1000AS is compatible with other assurance standards such as ISAE3000 but also sustainability reporting frameworks like the GRI Sustainability Reporting Guidelines. National Standards: There are a vast range of further national assurance standards, which should also be taken into account.</td>
</tr>
<tr>
<td><strong>Assurance Scope</strong></td>
<td></td>
</tr>
<tr>
<td><strong>What is the objective?</strong></td>
<td>Testing data: checking that the information presented is complete and accurate. Checking systems: testing if the management and information systems are robust. Assessing materiality and risk: understanding the core business implications for the organisation. Assessing compliance and responsiveness: assessing how the organisation is doing in response to standards, commitments and stakeholder expectations. Commentary: discourse on how well the organisation is doing and how it could improve.</td>
</tr>
<tr>
<td><strong>What is the nature of the subject matter?</strong></td>
<td>Broad: aims to cover overall sustainability performance. Specific: specified aspects of social, environmental and economic performance, qualitative and/or quantitative information and/or systems. Subject matter can be historical or forward looking.</td>
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<tr>
<td><strong>What are the 'boundaries' of the assurance process?</strong></td>
<td>Site-specific: e.g. supplier audits. Product-specific: e.g. assurance for labelling. Company or group level: e.g. sustainability reports.</td>
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### Thinking about Assurance (continued)

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Options</th>
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<tbody>
<tr>
<td><strong>Assurance Providers</strong></td>
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<tr>
<td>Who provides the assurance?</td>
<td><em>Internal Assurance</em>: functional areas, risk assessment/internal audit, or board level.</td>
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<td></td>
<td><em>External Assurance</em>: audit professionals, CSR specialists, civil society organisations, opinion leaders, or advisory panels.</td>
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<tr>
<td>What competencies are needed to provide assurance the stakeholders?</td>
<td><em>Credibility/stakeholder representation</em>: checking data and analysing systems, and understanding assurance roles.</td>
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<td></td>
<td><em>Assurance competency</em>: communicating with stakeholders, determining materiality and responsiveness.</td>
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<td></td>
<td><em>Substantive/content competency</em>: social, scientific, economic or industrial expertise.</td>
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<tr>
<td>Which level of assurance should be sought?</td>
<td><em>Under ISAE3000</em> the level of assurance is understood as an evaluation aimed at reducing the risk of errors or omissions in the assured information to an acceptable level. ISAE3000 differentiates between two levels of assurance:</td>
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<td>1. <em>“Reasonable assurance engagement”</em> (risk reduced to a low level) and</td>
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<td>2. <em>“Limited assurance engagement”</em> (risk reduced to a moderate level)</td>
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<td>A combination of these for different information or issues is also possible. The choice determines the amount and depth of work which the assurance provider undertakes and determines the wording in the assurance statement.</td>
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<td><em>AA1000AS</em> argues that the assurance level to be pursued for the assurance assignment/process/engagement is dependent on the following factors:</td>
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<td><em>The availability of data</em></td>
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<td><em>The robustness of the management systems</em></td>
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<td></td>
<td><em>Existing Assurance for specific aspects of performance</em></td>
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<td></td>
<td><em>Internal assurance processes</em></td>
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<td><em>Resources allocated for assurance by the reporting organisation</em></td>
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<td></td>
<td><em>Legal or commercial constraints</em></td>
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<tr>
<td></td>
<td><em>Competencies of the assurance provider</em></td>
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</tbody>
</table>

**PLEASE NOTE**

Assurance is a complex subject, and the above discussion of it is necessarily limited. For further information please refer to the further resources on assurance provided in the appendix.
Take action and review the engagement

**P18: REVIEWING THE ENGAGEMENT PROCESS**

**BACKGROUND**
Finally, there is a need to learn from past engagement activities. What worked and what didn’t, and what could be done better next time? A thorough assessment of the stakeholder engagement activities undertaken to date provide ample opportunity for improving the business’ approach to future engagement. If the results of this assessment are captured in an adequate form, it also enables the business to share lessons learnt with others within the company and outside with their peers, business partners and stakeholders.

**SUGGESTED METHODOLOGY M18: REVIEWING THE ENGAGEMENT PROCESS**
The purpose of this activity is to review the engagement process to understand how it could be developed in the future. This could be something you do as a team, or may involve stakeholders either after the engagement process or as part of it.

- There is a wide variety of ways in which stakeholders themselves can be involved in evaluating the process: (e.g. provide a bulletin board for comments during and after the process, use an anonymous mailbox, ask for hopes and fears that those who have been consulted have afterwards, etc.)
- Revisit best and worst-case scenarios – what really happened? Place real engagement on spectrum between best and worst cases.
- Revisit signals of success identified in the stakeholder engagement plan. Did it happen? Was it better or worse than expected? Why? Were targets realistic? Did unexpected incidents, problems happen?
- Overall, try to find out what worked and what didn’t, and what can be done better next time.
- Was there a gap between the material issues you identified prior to the engagement process and what emerged during the process? How big was this gap and what are the consequences?
- Summarise your results in the table opposite.

**THINGS TO CONSIDER**
- Parts of this process should ideally be undertaken during the engagement process itself. Article 13’s approach (p115, Stage 4) provides one example of how an organisation undertakes a first assessment of the quality of the process together with its stakeholders.
- Be aware that sometimes it sometimes it can take a long time before the engagement results in changes in the views or actions of the company. Therefore, this needs to be revisited periodically.
### Engagement Process

<table>
<thead>
<tr>
<th>Overall Engagement Assessment</th>
<th>Did it happen?</th>
<th>Did it work?</th>
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</thead>
<tbody>
<tr>
<td>Did you set any targets, e.g. on attendance, progress, stakeholder satisfaction?</td>
<td>To what extent did this engagement meet its process targets? e.g. people participated, agreement was reached, stakeholders happy with the process?</td>
<td>To what extent did this engagement meet its process objectives?</td>
</tr>
<tr>
<td>Engagement objectives. What did you want to achieve?</td>
<td>Overall how well did it go? (re-visit scenarios)</td>
<td>Worst case scenario</td>
</tr>
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</table>

### Practical Review
- What went according to plan?
- What didn’t go according to plan?
- What would you do differently next time?
- Did the engagement make an impact on stakeholders’ views and/or behaviour?
- Did the engagement make an impact on the company’s views and/or actions?

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Take action and review the engagement

P18: REVIEWING THE ENGAGEMENT PROCESS

STAGE 5 REVIEW

By the end of this Stage you should have conducted a review of the engagement, ensured information gained is delivered to necessary decision makers and put in place a plan for monitoring and reporting on outcomes.

Outputs

- Relevant information delivered to decision makers inside and outside organisation, with an associated assurance framework
- Increased appreciation of existing material issues, or realisation of a new issue’s materiality
- Stakeholder engagement outcome implementation matrix
- Stakeholder engagement review
Annex

JARGON BUSTER

Accountability
An organisation can be considered as accountable when it accounts to its stakeholders regarding material issues (transparency), responds to stakeholders regarding these issues (responsiveness) on an ongoing basis, and complies with standards to which it is voluntarily committed, and with rules and regulations that it must comply with for statutory reasons (compliance).

Communication
Any manner of information-sharing with stakeholders, generally through one-way, non-iterative processes.

Consultation
The process of gathering information or advice from stakeholders and taking those views into consideration to amend plans, make decisions or set directions.

Corporate Social Responsibility (CSR)
A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders. Other terms used to refer to the same concept include CESR (corporate environmental and social responsibility), corporate citizenship and corporate responsibility.

Dialogue
An exchange of views and opinion to explore different perspectives, needs and alternatives, with a view to fostering mutual understanding, trust and cooperation on a strategy or initiative.

Engagement
An organisation’s efforts to understand and involve stakeholders and their concerns in its activities and decision-making processes.

Margins of Movement
The boundaries which define what an organisation can and cannot do in order to address an issue and the related stakeholders’ expectations. Margins of movement are determined by the resources an organisation has for addressing an issue, and by organisational objectives which are not changeable but in conflict with potential ways of addressing an issue that stakeholders might expect.
Annex

JARGON BUSTER

Partnerships
In the context of corporate social responsibility interactions, partnership has been defined as “people and organisations from some combination of public, business and civil constituencies who engage in common societal aims through combining their resources and competencies” sharing both risks and benefits.

Stakeholder
Any group or individual who can affect, or is affected by an organisation or its activities. Also, any individual or group that can help define value propositions for the organisation.

Sustainable Development
First popularised in the 1980s by the Brundtland Commission report Our Common Future, which proposes that for development to be sustainable it should “meet the needs of the present without compromising the ability of future generations to meet their own needs.”

Triple Bottom Line
The idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital.
SOME USEFUL ORGANISATIONS AND RESOURCE CENTRES

AccountAbility: www.accountability.org.uk
African Institute of Corporate Citizenship: www.aiccafrica.com
Amnesty International: www.amnesty.org/business
Business for Social Responsibility: www.bsr.org
Commonground: www.commonground.co.za
CSR Europe: www.csreurope.org
Development Alternatives Group: www.devalt.org
Development Alternatives Inc.: www.dai.com
Dialogue by Design: www.dialoguebydesign.co.uk
ELDIS Participation Resource Centre: www.eldis.org/participation
Global Reporting Initiative: www.globalreporting.org
Keystone: www.keystonereporting.org
InterAct Network: www.interactnetworks.co.uk, www.interactweb.co.uk
International Association for Public Participation: www.iap2.org
International Projects Bureau: www.dkipb.com/en
International Business Leaders Forum: www.iblf.org
International Institute for Environment and Development: www.iied.org
International Institute for Sustainable Development: www.iisd.org
International Register of Certified Auditors (IRCA): www.irca.org
International Social and Environmental Accreditation and Labelling Alliance: www.iscalalliance.org
Public Conversations Project: www.publicconversations.org
Resource Centre for Participatory Learning and Action members: www.rcpla.org/members.html
Responsible Business Initiative Pakistan: www.rbi.org.pk
Stakeholder Research Associates: www.stakeholderresearch.com
SustainAbility: www.sustainability.com
The Conference Board: www.conference-board.org
The Consensus Building Institute: www.cbuilding.org
The Environment Council: www.the-environment-council.org.uk
The Future 500: www.Thefuture500.org
The Sigma Project: www.projectsigma.com
Transparency International: www.transparency.org
UNEP Division of Technology, Industry and Economics: www.uneptie.org

International Register of Certified Auditors (IRCA): www.irca.org
Annex

FURTHER RESOURCES & BIBLIOGRAPHY

MAJOR STANDARDS AND GUIDELINES

Global Reporting Initiative’s Sustainability Reporting Guidelines: www.globalreporting.org
ILO Declaration on Fundamental Principles and Rights at Work: www.ilo.org
SA8000 Social Accountability Standard and Verification System: www.sa-intl.org
UN Human Rights Norms for Business: www.un.org
The UN Global Compact Ten Principles: www.unglobalcompact.org
OECD Guidelines for Multinational Enterprises: www.oecd.org
UN Human Rights Guidance: www.unhchr.ch/business.htm

Please see the bibliography for handbooks and various further guidelines

BIBLIOGRAPHY

www.economicfootprint.org
www.economicfootprint.org

See also the table on p57 for further resources.
www.amnesty.org/business


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Sasha Radovich
Saskia Walzel
ACCOUNTABILITY

AccountAbility’s mission is to promote accountability for sustainable development. Established in 1995 and now enjoying its 10th anniversary year, AccountAbility is a leading international non-profit institute that brings together members and partners from business, civil society and the public sector from more than 30 countries across the world. AccountAbility’s work includes:

- The development of innovative and effective accountability tools and standards concerning corporate governance, stakeholder engagement, and reporting and assurance, notably the AA1000 Series.
- Undertaking cutting-edge strategic research that explores best practice for practitioners and policy-makers in organisational accountability, such as ‘Partnership Accountability’ and ‘Responsible Competitiveness’.
- Working to build accountability competencies across the professions through training and mentoring, but also joint ventures on thematic issues such as ‘Keystone’ for the non-profit sector and ‘Great Place to Work’ in the area of human resources.
- Securing an enabling environment in markets and public policies, such as through the work on ‘Mainstreaming Responsible Investment’ and ‘Responsible Lobbying’.

AccountAbility has embraced an innovative, multi-stakeholder governance model, enabling the direct participation of its members.

Address 1
Unit A, 137 Shepherdess Walk
London N1 7RQ
United Kingdom
Telephone +44 (0)207 549 04 00
Fax +44 20 72 53 74 40
Email services-enquiries@accountability.org.uk
Website www.accountability.org.uk
UNITED NATIONS ENVIRONMENT PROGRAMME

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Address 1
UNEP Headquarters
United Nations Avenue, Gigiri
Nairobi, Kenya
Telephone +254 20 621234
Fax +254 20 624489/90
Website www.unep.org

Address 2
UNEP Division of Technology, Industry and Economics (DTIE)
Tour Mirabeau
39-43, quai André Citroën
75739 Paris Cedex 15, France
Telephone +33 1 44 37 14 41
Fax +33 1 44 37 14 74
Email unep.tie@unep.fr
Website www.uneptie.org
STAKEHOLDER RESEARCH ASSOCIATES

Stakeholder Research Associates brings together a team of academics and expert practitioners who specialize in mobilizing formal and informal channels of stakeholder opinion to senior business, government and civil society leaders in support of effective governance, strategy formulation and integrity-based communications. Our mission is to create sustainable value – for organisations and for their stakeholders. Our team of experts challenge established ways of thinking to bring fresh perspectives to emerging issues. We help organisations build the relationships they need to drive economic, social and environmental value creation. At Stakeholder Research Associates, we don’t rely on conventional stakeholder analysis and dialogue. With a focus on shared vision, internal capabilities and action, we help organisations transform stakeholder engagement into responsive management, cohesive decision-making, increased credibility and enhanced trust and loyalty. Stakeholder Research Associates operates out of three international centres - in London, Toronto and Dallas.

Address
355 Division Street
Cobourg, ON K9A 3R5
Canada
Telephone +1 905 377 1144
Fax +1 905 377 1143
Email kpartridge@stakeholderresearch.com
Website www.StakeholderResearch.com