

Draft AA1000 Stakeholder Engagement Standard (2010)

South African consultation – Johannesburg; 1 October 2009

This document provides a brief review of the principal outcomes of a consultative workshop on the draft AA1000 Stakeholder Engagement Standard that was held on 1 October 2009 at the Eskom conference centre, Megawatt Park, Johannesburg. The agenda for the workshop is attached (Annex 1).

Process followed to invite delegates to Workshop

The following process was followed to ensure the appropriate representation at the workshop. Initially the following eight individuals were contacted to assist in identifying and recommending potential participants.

- 1) André Fourie, CEO of the National Business Initiative (NBI)
- 2) Prof Derick de Jongh, Director: Centre for Responsible Leadership, Faculty of Economic and Management Sciences, University of Pretoria
- 3) Jonathon Hanks, founding member of Incite Sustainability
- 4) Markus Reichardt, Partner at Reichardt and Reichardt
- 5) Michael Rea, Consultant in the field of corporate social responsibility, stakeholder engagement and sustainability reporting
- 6) Morné du Plessis, Chief Executive Officer, WWF South Africa
- 7) Petrus Gildenhuys, Manager PwC
- 8) Shireen Naidoo, Director Sustainability Services, KPMG Services (Proprietary) Limited

The above eight were asked to identify participants who were familiar with the technical requirements and/or practical implications of sustainability assurance and had the ability to contribute to the larger debate on the role and value of stakeholder engagement in driving sustainable and accountable organisations.

The objective of the above was to have participation from:

- Stakeholder engagement practitioners from business (either from a strategic perspective or a specific issue perspective);
- Public participation and consultation practitioners, or those involved in public policy generally;
- Managers who while not direct engagement practitioners have responsibility/experience of integrating the outcomes from stakeholder engagement into wider organizational processes;
- Civil society and/or campaigners with experience of corporate/government dialogue and engagement (general or on specific issues); and
- Academics and researchers with an interest in the area.

In relation to the characteristics of the participant that were to be invite, the following guidance was provided to the team of eight:

- Senior enough to have influence over decisions, but not necessarily the key decision maker.
- Ability to listen and discuss constructively with others who have differing viewpoints.
- Confident and prepared to be vocal and offer suggestions even if these are not accepted by the consultation group as a whole.
- Knowledge, interest and/or practical experience of stakeholder engagement or related areas.

From this initial step a list of 40 people were identified and invited to participate.

Facilitation of Workshop

The workshop was facilitated by Jonathon Hanks. Jonathon Hanks is founding director of Incite Sustainability, an independent consultancy that specialises in promoting sustainable development in the public and private sectors. He is a Senior Associate of the University of Cambridge Programme for Sustainability Leadership and a Visiting Senior Lecturer at the University of Cape Town (UCT) Graduate School of Business where he lectures on sustainable development and corporate social responsibility in the MBA programme. He is currently chairs an international working group responsible for developing the new ISO standard on social responsibility (ISO 26000), where one of his responsibilities is to chair the multi-stakeholder negotiations aimed at drafting text on the new standard. Jonathon has extensive experience on a range of public and private sector policy issues relating to sustainable development, with a particular focus on corporate environmental management in the Southern African context.

Welcome and introductions

The meeting opened at 10:00 with a round of introductions. A list of participants is provided in Annex 2. In introducing themselves, each participant was asked to provide an adjective that reflected his or her views on the draft AA1000 stakeholder engagement standard.

Adjectives to describe the AA1000 standard

Around ten participants expressed ignorance on the latest draft and thus were not in a position to comment. Of the remainder, the majority expressed a favourable view of the standard, using such words as:

- Dynamic
- “Parallelism” (promotes comparability)
- Assurance
- Transparent
- Engaging process
- Promotes sustainable development
- Honest
- Measurable
- Comforting
- Accountable
- Breakthrough
- Quality
- Reputable
- Comprehensive

Others, however, expressed reservations, suggesting that the standard was:

- Basic
- “Orwellian”
- Hollow (if not used appropriately)
- Open to being misunderstood

Session 1 – Understanding stakeholder engagement

In the morning session, participants shared their views on the nature, objectives and potential benefits of stakeholder engagement, before breaking up into small groups to discuss and evaluate the lessons learnt from recent specific examples of stakeholder engagement processes that they had been involved in. A summary of the key outcomes of these discussions is presented below.

What is stakeholder engagement?

- A process for establishing mutual expectations and reducing / resolving conflict
- A mechanism for developing / informing strategy
- A means for fostering collaboration
- A process for widening responsibility
- A process of constructive dialogue
- A necessary pathway to sustainable development
- A process of promoting inclusivity
- A structured feedback mechanism
- A process for understanding external perspectives with the aim of informing strategy
- A means for providing a watchdog function on organisations – holding them to account
- A process to develop trust with stakeholders
- A process of diplomacy
- A risk identification process
- A means for reputation enhancement
- A means for ensuring effective governance
- A mechanism to understand an organisation's impacts and the needs/expectations of its stakeholders
- A way to promote meaningful debate
- Provides stakeholders with a voice
- Develops trust: provides a "licence to operate" and enhances the reputation of the company
- A process of collaboration to achieve a shared objective
- A mechanism for encouraging constructive, open and transparent dialogue
- A means for transferring "ownership" to others
- An approach for influencing the behaviour of stakeholders
- A mechanism for lobbying

Why do organisations engage in stakeholder engagement?

- To ensure legal compliance
- In response to public pressure (especially for high profile companies)
- To identify and manage risks
- To ensure effective management of reputation
- As a means of promoting operational efficiencies
- To contribute to broader societal benefits
- In response to a specific crisis
- To maintain the organisation's licence to operate

Case studies in stakeholder engagement: Key lessons learnt

Participants split into self-selected small groups to consider seven different case studies on stakeholder engagement that some of them had been recently involved in. Each group was requested to consider the following issues:

- The purpose of the engagement process
- The target stakeholder group
- The key lessons learnt from the process – what worked and what did not work
- The impact of the process on the organisation's strategy
- The internal competencies needed to ensure effective stakeholder engagement

A summary of key outcomes of the resulting discussion from these case studies is presented below.

Case study lessons - What worked well

- Having the right participants: top level management from the company and appropriately identified external stakeholders
- Action plan developed to ensure that the outcome of the process is clearly communicated
- Ensuring an effective and appropriate platform for engagement (e.g. an open day approach)
- Appropriate identification of the relevant issues
- Monitoring and feedback on the identified issues
- Visible top management commitment
- Effective involvement of line management and sufficient integration across company departments
- Very clearly specified mandate for any external consultant appointed to assist in the process
- Appropriate provision for confidentiality aspects
- Appropriate rotation of consultants

Case study lessons - What did not work well

- Insufficient line management presence
- Wrong timing – stakeholder engagement undertaken too late in the process
- Limited time and insufficient access to resources
- Poor appreciation of the political landscape
- Expectations not well managed
- Inappropriate platform for engagement (e.g. town hall style)
- Having an ad hoc engagement response
- Unduly narrow “ring-fencing” of the issues to be included in the stakeholder engagement process
- Failure to deliver on the promises arising from the stakeholder engagement process
- High levels of internal scepticism on the value of the stakeholder engagement process
- Insufficient inclusivity of stakeholders
- Rather generic contributions from very “polite” external stakeholders
- Media strategy not sufficiently well managed
- Predominant silo mentality within the organisation

- Stakeholders not sufficiently informed on some of the issues

Different experiences were shared regarding the extent to which the processes had impacted on the organisation's strategy. While some processes were seen to have had a visible direct impact on strategy, other processes were seen to have had no material influence. Some views were shared on possibilities for improving the impact of these processes.

What is needed to ensure successful stakeholder engagement?

- Provision must be made for unfettered communication and genuine dialogue
- Must be undertaken by staff members with sufficient authority
- Sufficient follow-through must be undertaken, demonstrating evidence of responsiveness
- There must be evidence of a genuine willingness to listen as part of a process of open dialogue
- There must be an openness to share responsibilities
- A structured process of stakeholder mapping
- Ensure inclusivity of stakeholders
- Provide evidence of a clear link to a company's competitive advantage
- Integrity of the organisation that is engaging stakeholders
- An understanding of the business case drivers for doing stakeholder engagement

What are some of the challenges associated with stakeholder engagement?

- Insufficient resources or time allocated to do the job effectively
- Insufficient board support for "non-financial" activities
- Engaging with stakeholders who have a different language, cultural background and/or level of education and ensuring their meaningful participation presents challenges
- Lack of sufficient management will / motivation for stakeholder engagement
- Lack of understanding within the organisation of the nature of the required process
- Insufficient appreciation of the potential implications associated with real dialogue
- Lack of internal process skills
- Inappropriate values in the company
- Not sufficiently recognised for its strategic value
- Tendency to adopt a tick-box approach
- Fear within the organisation
- Excessive hostility from the engaged parties
- How to manage of proprietary information

Internal competencies needed for effective stakeholder engagement

- Ability to identify, access and manage independent facilitators
- Ability to listen and understand stakeholders and a willingness to address issues raised
- Cultural sensitivity and awareness
- Humility – not arrogance
- Local knowledge and understanding

- Dialogue and negotiation skills
- High emotional intelligence / maturity
- Communication skills
- Ability to think creatively
- Conflict resolution skills

Session 2 – The nature of the AA1000 SES

In the afternoon, participants focused more explicitly on elements relating to the standard. A summary of the views expressed in the discussion – and in the written feedback notes – is presented below.

What should be the primary focus of AA1000 SES?

- It should seek to provide a framework for all stakeholder engagement across all functions
- While CSR and sustainable development issues are seen to be the primary driver, ideally stakeholder engagement should serve as a core business feedback mechanism to inform and influence the company's core strategy more broadly
- Stakeholder engagement should assist in driving business strategy generally – there is a concern that the broader strategic benefits of socially responsible business behaviour are not sufficiently understood
- It should form part of a broader sustainability drive both from an enabling and credibility perspective
- The document should seek to provide a set of principles that constitute the foundational “code of best practice” on stakeholder engagement
- CSR and stakeholder engagement are quite distinct – the standard should not be fundamentally linked to CSR/SD issues

Should it be a standard or a guidance document?

Different perspectives were shared on this question. Some participants emphasised the benefits of having a standard (or a hybrid between a standard and guidance). Some of the views expressed include:

- It should be a standard – what gets measured gets done
- By focusing initially on compliance (to a standard) this will encourage companies to adopt the stakeholder engagement practices and then to appreciate the value that it can provide; it is thus suggested that the initial focus should be on having a high level certifiable standard, accompanied by local sector-specific guidelines that are relevant / appropriate to the local context. It is important however to exercise caution to ensure that the standard does not develop into a hindrance that undermines the underlying value and ethos of stakeholder engagement
- There should be a high-level standard that identifies the key principles, with further guidance provided in context-specific guidelines that could be referenced in the standard; these separate guidelines can be sector-specific, as well as culturally and geographically specific (e.g. catering for rural / traditional communities, urban educated groups and urban uneducated groups)
- Adopt a GRI-style approach with a core document (an overarching high level standard) accompanied by a series of regional and sector-specific guidance documents
- There is seen to be value in having a standard that can act as a foundational benchmark that will enable organisations to assess upfront whether they have sufficient capacity and motivation to undertake meaningful engagement
- The SES is needed (as a standard) and should be intrinsically linked to the AA assurance process

Others were in favour of a guidance document. Some of the views expressed include:

- Engagement process are too different and context-specific to be standardised in sufficient detail
- Effective engagement processes need to be flexible and responsive to the context and conditions – this could potentially be constrained by a prescriptive standard
- It should remain as a guidance document until there is greater buy-in, and then later should become a certification standard
- The primary aim should be to drive more effective stakeholder engagement as the foundational basis for sustainable development; we should seek to avoid potential political complications and stick to guidance backed up by existing assurance standards that are gravitating to include stakeholder engagement as a criterion anyway
- The adoption of a single standard may be difficult in the context of very variable stakeholders and local conditions

Areas on which specific guidance is needed

- The nature of the process to be used for identifying and mapping stakeholders
- The process to be used for empowering stakeholders, so to avoid superficiality in engagement
- Conflict resolution skills - if stakeholders do find themselves in conflict scenarios, well structured procedures are the only way in which accountability can be ensured by different parties
- How to manage stakeholders with unreasonable expectations (e.g. those who see companies as a proxy for the state)
- Greater guidance needed on the nature of the value that stakeholder engagement provides both to sustainable development and to the organisation itself

Which other standards should AA1000 SES be aligned with?

The following standards and guidance documents were identified:

- GRI
- ISO 26000
- ISAE 3000
- AA 1000 AS / APPROACHES
- UN Global Compact
- UN Principles of Responsible Investment
- SA 8000
- IFC / World Bank requirements
- Carbon Disclosure Project
- ILO

General comments and recommendations

- We should move away from AccountAbility and rather use GRI to include stakeholder engagement related issues
- Greater focus is needed on articulating the business case drivers for sustainable development and stakeholder engagement
- Provision should be made for a “soft landing” for new entrants, while ensuring that international best practice is maintained
- Some expressed concern with the potential for a standard to have sufficient impact on the prevailing philosophy of short-term shareholder return
- It is very important to clearly state what AA 1000 is not
- AA1000 can and should be used to promote greater implementation of stakeholder engagement

- Standards for stakeholder engagement should be raised by CEOs – for example through the World Economic Forum and the Institute of Directors
- Authenticity in stakeholder engagement processes is critical but difficult to certify
- Provision should be made in the standard to provide guidance at:
 - A strategic level: how to integrate stakeholder engagement into strategy
 - A managerial level: the structures and processes that support strategy
 - A technical level: the instruments and tools that can be used to convey the message
- Should strive to link the standard more closely with corporate governance principles and guidelines (such as King III)
- Scale, applicability and alignment with other standards is critical
- Greater clarity is needed on inclusivity and representation
- Maturity of a company is important if the standard is to work
- Different opinions were expressed as to whether or not the standard should have a *process-driven* focus or an *outcomes-based* approach
- More than just compliance required to allow for genuine dialogue
- Important to understand the political landscape

General feedback received and comments on the Session

- An enlightening session
- Some at a disadvantage as other people were attending this session for a second time
- Suggestion that a session be held for beginners
- Completing the standard by 2010 does not seem feasible

Annex 1 - AA1000 SES Workshop Agenda

Workshop Objective

To articulate participants' views on the purpose and nature of Stakeholder Engagement and to debate and provide recommendations on issues related to the revised draft of the AA1000 SES.

Workshop Agenda

- 10:00 – 10:10 Welcome and individual introductions
- 10:10 – 10:15 Presentation of workshop objectives and structure (Facilitator)
- 10:15 – 10:40 Facilitated Visual Gathering exercise on the role of stakeholder engagement
- 10:40 – 11:10 Response from Dave Lucas (AccountAbility Technical Committee on Assurance), reflecting on the nature and purpose of stakeholder engagement and introducing the AA 1000SES revision process
- 11:10 – 12:15 Facilitated discussion on participants' experience with stakeholder processes
- 12:15 – 12:45 *Finger lunch*
- 12:45 – 13:00 Completion of feedback on case studies
- 12:45 – 13:50 Reviewing the role of an international *standard* on stakeholder engagement and identifying the nature and form of *guidance* on stakeholder engagement – facilitated small group and plenary discussion
- 13:50 – 14:10 Plenary discussion – The way forward
- 14:10 – 14:15 Closure

Annex 2 - AA1000 SES Workshop Participant List

No	Name	Company
1.	Alasdair Stewart	Ernst & Young
2.	Andrew Johnston	Altron
3.	Anne Heath	Ahcomm
4.	Chesney Bradshaw	ABB
5.	Clarence Esau	Eskom
6.	Dan Sonnenberg	Independent SRP Consultants
7.	Dr Ven Pillay	Global Sustainable Development
8.	Driekie Havenga	Nedbank
9.	Erik Wandrag	Greenhub
10.	Estelle DeBeer	University of Pretoria
11.	Fezile Nondonga	Eskom
12.	Ian Jameson	Eskom
13.	Jerry Mafereka	Eskom
14.	Jonathon Hanks	Incite Sustainability
15.	Justice Mavhungu	Eskom
16.	Karin Bowler	Karin Bowler Enterprises
17.	Linda Khuluse	Eskom
18.	Liza van Dongen	ERM Southern Africa
19.	Markus Reichardt	Reichardt & Reichardt
20.	Michael Rea	Sustainability Services
21.	Nkosana Sibuyi	Eskom
22.	Peet du Plooy	WWF
23.	Petrus Gildenhuis	PwC
24.	Sandra Ainley	Standard Bank
25.	Sebastian Carter	Deloitte
26.	Stephen Bullock	Anglo Platinum
27.	Steve Nicholls	KPMG
28.	Stiaan Wandrag	Sasol
29.	Tebogo Maphosa	Department of Public Enterprises
30.	Vicky Beukes	Nedbank