Reporting to Stakeholders

What's in this section?

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Reporting to Stakeholders

In both personal and business relationships, **follow-through is important**. The same principle applies to stakeholder engagement. Once consultations have taken place, stakeholders will want to know which of their suggestions have been taken on board, what risk or impact mitigation measures will be put in place to address their concerns, and how, for example, project impacts are being monitored.

In addition to **reporting back** to project-affected groups and other stakeholders as part of the consultation process, there are other types of reporting that target a different set of stakeholders. **Sustainability reporting**, for example, provides companies with an opportunity to communicate information to a much wider range of stakeholders about the environmental, social, economic, and governance performance of the business. It also offers a platform to report back on the process of stakeholder engagement itself, such as who has been consulted, on what topics, and with what results. Consequently, a number of international codes and standards for corporate reporting now include requirements for implementing and reporting on stakeholder engagement.

✔ Tips for reporting back to project-affected stakeholders

Keeping track of the many commitments made to various stakeholder groups at various times, and communicating progress made against these commitments on a regular basis, requires planning and organization (see Box 8). The following considerations may be helpful when devising the reporting component of your stakeholder engagement strategy:

- Determine what **information** needs to be reported to which stakeholders, by what **method** and **how frequently**.
- Regularly **update your commitments register** and disclose progress to affected and interested parties. In particular, publicize any **material changes** to commitments or implementation actions that vary from publicly disclosed documents.
- Make monitoring results **publicly available**, especially reports of any external monitors.
- Regularly report on the **process of stakeholder engagement as a whole**, both to those stakeholders who are directly engaged, and to other interested parties.
- **Translate** information reported to stakeholders into local languages and easily understandable formats.

LONMIN, SOUTH AFRICA: REPORTING BACK TO AFFECTED STAKEHOLDERS ON KEY MONITORING DATA

In **Lonmin's** platinum mining operation in **South Africa**, air and water quality data in surrounding communities is monitored by independent consultants and reported back both to relevant regulatory bodies and the affected communities. Recently, communities have asked to be involved in the selection of monitoring consultants, and the company has agreed. A similar situation exists for crack surveys before and after blasting at the open pit mining areas, as well as for noise monitoring. Lonmin hosts a quarterly Health & Environmental Forum where environmental monitoring results are reported and discussed with concerned community members and civil society groups.

✔ International standards for reporting on stakeholder engagement

In recent years, international reporting standards for business have begun to include requirements for reporting on stakeholder engagement activities and performance. In many cases companies will already be in compliance with these standards, or require only minimal modifications in how they measure and report out. For others, new policies and procedures for stakeholder engagement and performance reporting will need to be put in place. Meeting such standards can benefit companies by helping them to access new markets (for example, by meeting global vendor and supplier requirements), secure eligibility for socially responsible investment (SRI) listings, and improve their standing compared with their competitors. Information on some of the principal international standards is given in Box 9.

BOX 8: USING SOFTWARE PROGRAMS TO TRACK STAKEHOLDER CONSULTATION AND COMMITMENTS

Various software packages and internet-driven services exist for tracking consultation activities and commitments to stakeholders on large projects. A random selection are given below.*

- **Comm-Trac™** - Environmental health and safety data management software that establishes a "compliance dashboard" to automatically remind managers to meet environmental compliance commitments.
- **Credit 360** – a web-based data management system that facilitates data collection and aggregation for reporting and communication purposes. www.credit360.com
- **Entropy System™** – environmental, social, and economic performance, web-based, software that also facilitates stakeholder engagement and provides a framework for managing risks in relation to stakeholders.
- **REACT** – an on-line record of research, engagement, and consultation exercises undertaken by local authorities across a district.
- **Smart Dialogue™** – manages large numbers of consultees, maintains an audit trail, and provides feedback to participants and decision-makers.
- **3PTracking™** – captures and tracks financial and in-kind commitments by stakeholders involved in multi-stakeholder and cross-sector partnership projects.

** IFC has not verified the effectiveness of these products or services.*

BOX 9: INTERNATIONAL STANDARDS FOR REPORTING STAKEHOLDER ENGAGEMENT

AA1000 Stakeholder Engagement Standard – managed by AccountAbility, an open-source framework for improving the quality of the design, implementation, assessment, communication, and assurance of stakeholder engagement, including customer care, issue-based engagements (e.g. human rights), and reporting and assurance. www.accountability21.net

Dow Jones Sustainability Index - sets standards for corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting. www.sustainability-indexes.com

FTSE4Good Index Series – a series of benchmark and trackable indices for socially responsible investors. Inclusion criteria for oil, gas, and mining companies include commitment to respect the core ILO labor standards (or be signatories to the UN Global Compact, SA8000 or OECD Guidelines for Multi-national Enterprises); respect indigenous peoples; consult with independent local stakeholders; integrate human rights concerns into its risk assessment; and report on human rights performance to the public.
http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Global Reporting Initiative (GRI) – a comprehensive set of social, economic, environmental, and governance indicators, including a sub-set on stakeholder engagement. www.globalreporting.org

Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises – promotes consultation

BOX 9: INTERNATIONAL STANDARDS FOR REPORTING STAKEHOLDER ENGAGEMENT *continued*

and cooperation between employers and employees; disclosure of information on material issues regarding employees and other stakeholders; and adequate and timely communication and consultation with the communities directly affected by the environmental, health, and safety policies of the enterprise and by their implementation. www.oecd.org

SA 1000 – a voluntary, third-party certification standard developed by Social Accountability International (SAI), aimed at companies interested in auditing and certifying labor practices in their facilities and those of their suppliers and vendors. www.sa-intl.org

UN Global Compact - commits signatory companies to support and respect the protection of internationally recognized human rights and make sure that they are not complicit in human rights abuses. www.unglobalcompact.org

✔ Reaching a wider audience through sustainability reporting

In general, sustainability reporting is aimed at a **wide, multi-stakeholder audience** and forms an integral part of a company's overall stakeholder engagement and communications strategies. The report should be viewed as complementary to, but not a substitute for, the disclosure of information about specific projects to targeted stakeholder groups, or as an alternative to reporting back directly to stakeholders on the outcome of prior consultation.

Ideally, a sustainability report should be reliable and clear, and provide a balanced view of the good as well as not-so-good news. As good practice moves more and more toward verification of information and ensuring that reports cover the issues that are most important, or "material," to stakeholders, a number of companies are having their reports independently verified by a third party. The content, scope, and quality of sustainability reporting varies tremendously among companies but in general tries to strike the right balance between the following considerations:

- **Materiality** – focusing in detail on the company's key economic, social, and environmental risks, activities and impacts, and how they are being managed, rather than reporting many activities superficially
- **Stakeholder responsiveness** – providing information that responds to actual stakeholder expectations and interests, rather than only what the business would like its stakeholders to know or "thinks" they want to know
- **Context** – reporting information that is contextualized so that proper judgments can be made as to their significance. For example, the creation of 50 new jobs may be highly significant in a small, poor rural community, but less significant in a larger economically developed urban area
- **Completeness** – providing sufficient coverage of issues to enable stakeholders to draw their own conclusions about a company's performance

✔ Benefits of sustainability reporting

Companies that undertake sustainability reporting cite a number of benefits which vary by country and sector, and include:

- Increased trust and support from key stakeholders (e.g. customers and local communities)

- Improved brand and reputation (see Manila Water Company example)
- Better relationships with governments and investors
- Boost to staff morale and loyalty (staff are often cited as key audiences for reports)
- Enhanced ability to bounce back from reputational crises
- Attractiveness to socially responsible investors
- Opportunities to improve corporate systems and efficiency
- Product and service innovation (as a result of better understanding of stakeholder needs)
- Added ability to differentiate in the marketplace

MANILA WATER COMPANY: REPORTING TO STAKEHOLDERS

In 2004, the **Manila Water Company** in the **Philippines** established a Sustainable Development Cluster, comprising a diverse group of staff from across the company at all levels, to develop a Sustainable Development Strategy for the company. The strategy outlines the company's approach to integrating sustainability issues into its operations and includes performance indicators to focus activities and monitor progress, as well as objectives and targets for improvement. The Sustainable Development Strategy is an evolving framework that continues to ground and direct the company's operations. It provides a foundation for the company's strategy, operations, engagement with stakeholders, and external reporting.

In 2005, Manila Water demonstrated its commitment to transparency when it became the first national company to release an annual Sustainability Report based on the Global Reporting Initiative's *Sustainability Reporting Guidelines*. A follow-up sustainability report was released in 2006, reporting on the company's operations and progress in 2005 and its future plans. These reports are rooted in a systematic assessment of the sustainability impacts and benefits related to each aspect of Manila Water's business and linked to its sustainability policy, performance indicators, objectives, and targets.

The reports provide a basis for the company's ongoing monitoring and reporting of performance, and strategy for improvement. Manila Water's annual Sustainability Report is also used as a basis for ongoing consultation and engagement with staff, its customers and communities, and other stakeholders. It also inspired its parent company, the Ayala Corporation, to require all of its subsidiaries to produce their own Sustainable Development Reports in 2007, as well as one, unified report for the whole group. The company is also often invited to share its experience globally and to provide guidance to other utilities in developing countries.

BOX 10: GRI INDICATORS

The Global Reporting Initiative (GRI) provides a standardized set of indicators against which companies can measure their sustainability performance. Indicators include the following topics:

ECONOMIC

- Economic Performance
- Market Presence
- Indirect Economic Impacts

ENVIRONMENT

- Materials
- Energy
- Water
- Biodiversity
- Emissions, Effluents, and Waste
- Products and Services
- Compliance
- Transport

LABOR PRACTICES AND DECENT WORK

- Employment
- Labor/Management Relations
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity

BOX 10: GRI INDICATORS *continued*

HUMAN RIGHTS

- Investment and Procurement Practices
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Abolition of Child Labor
- Prevention of Forced and Compulsory Labor
- Complaints and Grievance Practices
- Security Practices
- Indigenous Rights

SOCIETY

- Community
- Corruption
- Public Policy
- Anti-Competitive Behavior
- Compliance

PRODUCT RESPONSIBILITY

- Customer Health and Safety
- Product and Service Labeling
- Marketing Communications
- Customer Privacy
- Compliance

Further indicators are provided for the following industrial sectors: financial services; logistics and transportation; mining and metals; public agencies; tour operators; telecommunications; and the automotive industry.

BOX 10: GRI INDICATORS *continued*

GRI reporting requirements specifically relating to company performance in stakeholder engagement include*:

3.9 Basis for identification and selection of stakeholders
3.10 Approach to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group
3.11 Type of information generated by stakeholder consultations
3.12 Use of information resulting from stakeholder engagements

**The GRI numbering of indicators helps financial analysts more readily find the information they are looking for and also increases the comparability of reports from different companies.*

Source: Global Reporting Initiative. For more information go to www.globalreporting.org