Expectations regarding Norwegian companies' engagement with stakeholders

1. Background

Norwegian companies' engagement with stakeholders is an important part of their corporate social responsibility work. KOMpakt considered stakeholder engagement in two meetings in 2012, and has requested a draft document setting out what is expected of Norwegian companies in terms of planning and carrying out dialogues and other forms of engagement with their stakeholders.

A working group made up of Siri Damman, Rainforest Foundation Norway, Svein-Erik Figved, WWF, Ivar Oellingrath, Hydro, and Stephen Sparkes, Statkraft has drafted such a document. The members of the working group were appointed on the basis of their expertise and not as representatives of the companies and organisations concerned. Svein-Erik Figved has coordinated and led the work.

The mandate was as follows:

- To draw up a concise ten-point document on how Norwegian companies should plan and carry out dialogues and other forms of engagement with their stakeholders.
- These expectations apply primarily to Norwegian companies that have established or intend to establish production and service activities abroad, particularly in developing or emerging economies.
- They are to include engagement with stakeholders in connection with both limited projects (such as the establishment of new activities) and normal day-to-day operations.
- They are to include engagement with indigenous peoples, local communities, local, regional and national authorities, civil society organisations, employees and others who are affected by the company's local activities
- Community development that is part of companies' normal CSR work is not included. Nor is broader work on sub-contractors. The follow up of the UN Guiding Principles on Business and Human Rights is dealt with in a separate process under KOMpakt.

The working group drew on recognised international principles and guidelines for engagement and dialogue with stakeholders such as ISO 26000, AA1000 SES, the OECD Guidelines, the IFC Performance Standards, the GRI, and fundamental human rights norms, standards and principles such as the human rights conventions, the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) including the FPIC principle, the UN Guiding Principles on Business and Human Rights, the ILO core conventions, and ILO 169.

2. Who are stakeholders and what does stakeholder engagement entail?

A **stakeholder** is understood to mean a person or entity that is significantly affected by a company's activities or that may significantly affect a company's activities. This understanding is in line with the internationally recognised definition of "stakeholder".

Stakeholder engagement includes all policies, plans and measures to identify and engage with stakeholders and integrate their input into decision-making processes that affect them.

Stakeholder groups in this document refers to groups of stakeholders (as defined above) who do not have a business relationship or other formal relationship with the company. The relationship between companies and such stakeholders is not as a general rule regulated by legislation or agreements, and these stakeholders are largely dependent on other mechanisms to take care of their interests in relation to the company concerned and its activities. This means that groups such as investors, suppliers and customers are not covered by this document. In countries where relations between employees and companies are not regulated by legislation or agreements, employees will be regarded as a stakeholder group together with relevant national and international trade unions.

The most important stakeholder groups in this connection are indigenous peoples' groups, civil society including local communities, local, regional and national authorities, civil society organisations, employees in the companies' local activities and relevant national and international trade unions.

3. Why is stakeholder engagement important for Norwegian companies?

Due to Norway's position and policies in the international community in key areas such as democracy development in developing countries, indigenous peoples' rights, and labour rights, there are clear expectations that Norwegian companies establish systems and practice for engagement with stakeholders in accordance with current international norms, principles and standards.

There are two main reasons why Norwegian companies should have targeted systems for stakeholder engagement in place:

i. to ensure that the essential interests of legitimate stakeholder groups are taken care of, and thus help to promote fairer and more sustainable development.
ii. to strengthen the company's business strategy, and its ability to identify and address important issues and risks relating to its activities.

These two reasons are interrelated and mutually reinforcing. Targeted stakeholder engagement can improve a company's performance and results. On the other hand, poor relations with stakeholders can undermine a company's image and activities. Both will affect a company's ability to promote sustainable development. Stakeholder engagement that builds trust and fosters constructive partnerships between stakeholders and the company can help to promote sustainable development and at the same time contribute to positive results from the company's activities.

4. How should stakeholder engagement be carried out?

Norwegian companies' engagement with stakeholders should:

1. comply with recognised international principles and standards and national legislation;
2. have a clearly defined scope and area of application;
3. have clear decision-making processes;
4. focus on key themes for the company and the stakeholder groups;

5. create opportunities for real dialogue and communication;
6. be integrated into management at all levels;
7. be open and transparent;
8. use processes that are adapted to the particular stakeholder group in question;
9. follow a reasonable time line for both the stakeholder group and the company; and
10. be flexible and responsive.

Targeted, systematic engagement with stakeholders should be based on the above points, and should follow a clear process. Work should focus on key activities – in the case of both limited projects and the company's normal day-to-day operations – in order to ensure continuity.

The main steps in this process are:

1. ***Overall policy***. The company draws up and publishes an overall policy (vision, aims, principles and guidelines) for stakeholder engagement. This should include, for example, the company's understanding of stakeholder engagement, the purpose of its stakeholder engagement, the way stakeholder engagement is to be integrated in the company's management, and the company's overall objectives in this area.

2. ***Resources and responsibility.*** The company allocates the necessary resources and relevant expertise to implement the overall policy. Responsibility and roles are clarified. The main responsibility lies with the top management.

3. ***Identification of stakeholder groups***. The company identifies and categorises the main stakeholder groups, and sets priorities. The methodology used is to be made public. An overview of the company's priority stakeholder groups is to be published and regularly updated.

4. ***Significant concerns and interests***. The significant concerns and interests of the priority stakeholder groups are identified and published. The methodology used for this work is to be made public.

5. ***Plan***. A plan for implementing the company's stakeholder engagement is drawn up. This should be based on the significant views and interests of the stakeholder group, and should set out operational targets, measures, timetable, resources and responsibility.

6. ***Measures***. Concrete dialogue and follow-up measures and activities are implemented according to the plan. These include permanent, regular measures, such as complaints schemes and six-monthly stakeholder meetings, and more ad-hoc measures, such as consultation meetings. Reports on these meetings are drawn up and made available for the relevant stakeholder groups.

7. ***Integration into decision-making processes***. The outcome of stakeholder engagement is integrated into the company's normal decision-making processes. The company should document how input and conclusions from its engagement with stakeholders have been

dealt with in management's decision-making process. In cases where significant input and concerns have not been taken into account in decisions, this should be explained.

8. *Feedback*. Stakeholder groups that have been involved in specific cases receive feedback on how their concrete input and concerns have been followed up in the company's decision-making processes.

9. *Evaluation*. The company carries out an overall evaluation of its engagement with stakeholders on a regular basis. The company's policy for stakeholder engagement should be the starting point for this evaluation. The results of the evaluation are to be used actively to further develop the company's work in this area.

10. *Reporting*. The company reports on its engagement with stakeholders on an annual basis in its annual report or sustainability report. These reports are to refer to indicators established by the company so that it is possible to measure performance over time. The measures implemented and the results achieved are to be included in these reports. Third-party audits of these reports, where relevant, are to be carried out along the same lines as for the annual report and/or sustainability report.

The scope, frequency and degree of engagement with stakeholders will vary considerably according to the company's or project's risk, impact and the project phase.

For small and medium-sized enterprises, it will be important to adapt the scope and content of this work according to the company's activities, capacity and general or project-specific risk. In other words, the level of ambition in terms of policy, resources, plans, measures, etc. should be scaled to the actual needs and capacity.

If the company is operating in a situation where there are few challenges for stakeholder groups, it will be natural for the company to scale its work in this area accordingly.

In countries that have statutory consultation processes for matters of relevance to stakeholders that can be used by stakeholders to present their views, such processes may be sufficient to ensure that stakeholder engagement is properly taken care of.

References:
GRI Sustainability Reporting Standards, 2012
IFC Performance Standards on Environmental and Social Sustainability, 2012
ISO 26000 Guidance on Social Responsibility, 2011
AA1000 Stakeholder Engagement Standard, 2011
OECD Guidelines for Multinational Enterprises
UN Global Compact
UN Guiding Principles on Business and Human Rights
UN Declaration on the Rights of Indigenous Peoples
ILO core conventions and ILO Convention No. 169 concerning Indigenous and Tribal Peoples in Independent Countries