

FRP Guide to Stakeholder Engagement

November 2007



FACILITY REPORTING PROJECT

a multi-stakeholder initiative developing a generally accepted, facility-level environmental, social and economic sustainability reporting framework



ACKNOWLEDGEMENTS

The effort to develop the FRP Stakeholder Engagement Guide was funded by the U.S. Environmental Protection Agency (EPA) through the National Environmental Performance Track program. This guide was drafted by Ceres and the Facility Reporting Project team, under subcontract to Industrial Economics, Incorporated (IEc), which provided assistance in reviewing and completing the final version.

About Ceres and the Facility Reporting Project

The Facility Reporting Project (FRP) is a multi-stakeholder initiative that offers a generally-accepted, consistent, comparable and credible sustainability reporting framework. Developed in complement to the Global Reporting Initiative (GRI), FRP is designed to be a local-level sustainability reporting process whereby companies engage stakeholders and disclose the impacts they have on communities where they operate. The FRP's main products are the *FRP Guidance* and a curriculum for the reporting process.

FRP is a project of Ceres, a coalition of investment funds, environmental organizations, and public interest groups. Ceres' mission is to move businesses, capital, and markets to advance lasting prosperity by valuing the health of the planet and its people. For more information about the Facility Reporting Project and Ceres, please visit www.ceres.org.

TABLE OF CONTENTS

1. Getting Started: Understanding the Context for Stakeholder Engagement	1
1a. What is Stakeholder Engagement?.....	1
Multiple Reasons to Engage Stakeholders	2
Multiple Ways to Engage Stakeholders	4
1b. Principles for Stakeholder Engagement in the Context of Facility Reporting	5
2. Step-by-Step Implementation: How to do Stakeholder Engagement	7
2a. Planning: Identifying Stakeholders and Their Interests	7
Mapping and Prioritizing Stakeholders	7
Establishing an Engagement Strategy, Objectives, and Scope	11
2b. Engagement: Interacting with Stakeholders	12
How to Plan a Stakeholder Meeting	14
How to Hold a Stakeholder Meeting	17
2c. Making Decisions: Using Stakeholder Input to Determine Report Content and Methodology	19
Step 1: Review Feedback	19
Step 2: Evaluate Stakeholder Priorities	19
Step 3: Compare Stakeholder Priorities to Material Impacts Identified by the Facility	19
Step 4: Evaluate Competing Interests	20
Step 5: Make Decisions About What to Include in the Report	21
Step 6: Create an Ongoing Dialogue	23
2d. Evaluation: Determining the Effectiveness of Stakeholder Engagement Processes	23
3. Key Success Factors and Pitfalls	25
3a. Elements Necessary for Successful Stakeholder Outreach	25
Structure the Process, Agree on Rules, and Assign Roles	25
Be Respectful and Follow Through on Commitments	25
Be Realistic and Focused, Yet Keep an Open Mind	25
3b. Challenges for Implementation	26
Allowing Sufficient Time and Planning for Stakeholder Engagement	26

Coordinating Various Stakeholder Engagement Efforts	26
Managing Multiple Audiences and/or Conflicting Interests	26
Overcoming Reluctance	27
Addressing Limited Resources	28
Building Stakeholder Capacity	28
4. Conclusion	29
5. Tools for Facilities to Use	30
5a. FRP Stakeholder Mapping Worksheet	30
5b. FRP Draft Script for a Stakeholder Interview	31
5c. FRP Workbook.....	32
References and Further Resources.....	34
Appendix: Case Studies of Stakeholder Engagement.....	App-1
Case Study 1: Identifying Stakeholders – Lockheed Martin, Manassas.....	App-2
Case Study 2: Planning a Stakeholder Engagement Meeting – New York Organic Fertilizer Company.....	App-5
Case Study 3: Holding a Stakeholder Engagement Meeting – New Hampshire Ball Bearings.....	App-8
Case Study 4: Using Stakeholder Input to Make Decisions about What to Include in a Sustainability Report – Ford Motor Company.....	App-11
Case Study 5: Sustaining Stakeholder Engagement Over Time – The Timberland Company.....	App-1

1. Getting Starting: Understanding the Context for Stakeholder Engagement

1a. What is Stakeholder Engagement?

Stakeholder engagement can be described as an organization's efforts to understand and involve stakeholders and their concerns in its activities and decision-making processes.¹ Stakeholders are defined here as any group or individual who can affect, or can be affected by, an organization or its activities, including employees, community groups, environmental nonprofit organizations, customers, and others.

The guidance provided in this document focuses on stakeholder engagement as a core part of effective, facility-level sustainability reporting, e.g. comprehensive environmental, economic, and social reporting. As articulated in AccountAbility's AA1000 Stakeholder Engagement Standard,² the overall purpose of stakeholder engagement is to drive strategic direction and operational excellence for an organization. Done correctly, engaging stakeholders can result in learning, innovation, and enhanced performance that will not only benefit the organization, but also its stakeholders and society as a whole. In addition to serving as a key tool to support a facility's sustainability reporting efforts, stakeholder engagement can be seen as a foundation that supports a facility's broader sustainability efforts to set strategic goals, implement action plans, and assess its performance over time.

In recent years, stakeholder engagement has also emerged as an important component of many state and federal voluntary environmental leadership programs, including EPA's National Environmental Performance Track program and approximately 20 similar state performance-based programs. These programs typically require applicants to have procedures in place to identify environmental issues of concern to local communities and to respond to community inquiries on environmental issues. In addition, some programs require that members engage community representatives specifically about trends in environmental performance. For example, facilities in the upper tiers of Missouri's Environmental Management Partnership are required to seek feedback from the local community and other stakeholders on their environmental performance assessments and the status of their environmental management systems. And in North Carolina, members of the program's highest tiers must communicate progress on meeting program environmental goals to community members.

This guide is specifically designed to assist facilities in local stakeholder engagement efforts. It provides a step-by-step process for engaging internal and external stakeholders and also includes helpful hints, tools, and case studies. It is important to remember that stakeholder engagement should not be seen as a one-time occurrence to respond to a specific incident, but instead as an ongoing cycle of feedback between the facility and its stakeholders. This continuous exchange enables the facility to better understand stakeholders' interests and priorities, which in turn will help it make better decisions about what to report to the public. This

¹ The Stakeholder Engagement Manual – Volume 1: The Guide to Practitioners Perspectives on Stakeholder Engagement. Stakeholder Research Associates, UNEP; and AccountAbility, 2005, p.6

² AccountAbility is an international not-for-profit organization specializing in competitiveness, collaborative governance, and citizen engagement. Based in the UK, AccountAbility is a recognized leader in promoting and standardizing stakeholder engagement methods. The AA1000 Stakeholder Engagement Standard offers a robust basis for designing, implementing, evaluating, and assuring the quality of stakeholder engagement.

process will also help a facility determine cultural issues and operational efficiencies to focus on from a management perspective. The roadmap below provides an overview of the FRP Guide to Stakeholder Engagement.

ROADMAP FOR USING THE FRP GUIDE TO STAKEHOLDER ENGAGEMENT

Section 1: Understanding the Context for Stakeholder Engagement

- Defining stakeholder engagement and its purpose
- Principles of stakeholder engagement in the context of comprehensive reporting

Section 2: Step-by-step Implementation of Stakeholder Engagement

- **Planning:** Identifying stakeholders and their interests
- **Engagement:** Interacting with stakeholders
- **Making Decisions:** Using stakeholder input to decide what to report
- **Evaluation:** Determining the effectiveness of stakeholder engagement

Section 3: Key Success Factors and Pitfalls

Section 4: Conclusion

Section 5: Tools for facilities to Use in Stakeholder Engagement

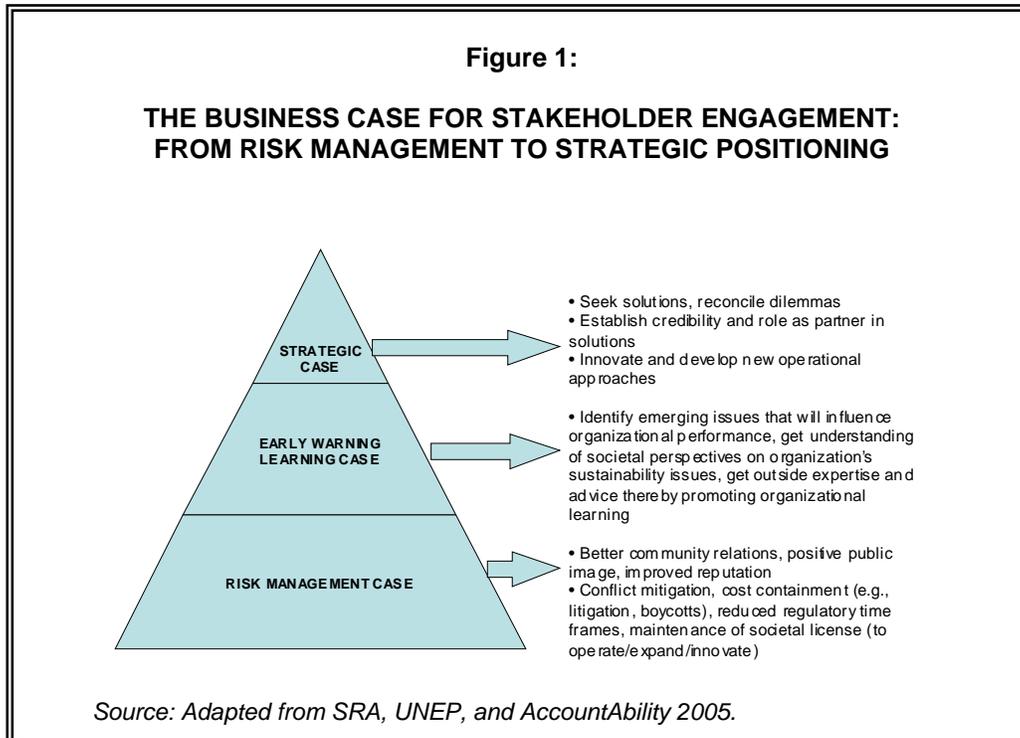
- FRP Mapping Worksheet – for identifying stakeholders and their interests
- FRP Draft Script for Stakeholder Interview
- FRP Workbook – for prioritizing stakeholder input and metrics to report

Section 6: References and Further Resources on Stakeholder Engagement

Appendix: Case Studies of Stakeholder Engagement

Multiple Reasons to Engage Stakeholders

The information provided in this guide focuses primarily on stakeholder consultation as a core part of meaningful and comprehensive public sustainability reporting. This document can also provide value for facilities that are not yet ready to pursue comprehensive reporting, but are undertaking modest approaches to disclosing environmental and/or social information. Figure 1 on the following page depicts the broad range of reasons why a growing number of organizations are engaging stakeholders.



In addition to generally improving trust and good will with stakeholders, engagement can help a facility in the following ways:

Anticipate and Manage Emerging Issues

- Establishes a mechanism for facilities to improve understanding of stakeholder priorities and to respond to emerging stakeholder concerns
- Helps identify, evaluate, address, and improve sustainability performance issues before they become serious threats or lost opportunities
- Helps ensure that an organization can consistently convey complete and accurate information to the outside world

Promote Productive Collaboration with Stakeholders

- Creates an information sharing platform whereby facilities can disclose sustainability performance, practices, strategies, and goals to stakeholders
- Serves as a opportunity for stakeholders to identify impact areas about which they have concern
- Creates opportunities to discuss priority issues together with stakeholders, thereby building trust and collaboration via dialogue
- Allows for increased, shared understanding of the facility's impacts, improvements and challenges, whereby facilities and stakeholders can build consensus to find solutions and set goals to address challenges

- Can potentially reduce negative reactions to future, unforeseen incidents and/or impacts because of better understanding and communication

Improve Decision-Making and Operational Performance

- Allows a facility to align its management plans and actions with the expectations, needs, and demands of key stakeholders
- Helps streamline responses to various information requests, and thereby potentially reduces reporting redundancies and time burdens
- Enables facilities to maximize opportunities for improving resource management and risk management by tracking performance over time
- Helps engage and motivate staff who are responsible for various aspects of performance
- Leverages performance improvements as the facility works to follow through on agreed upon commitments

Multiple Ways to Engage Stakeholders

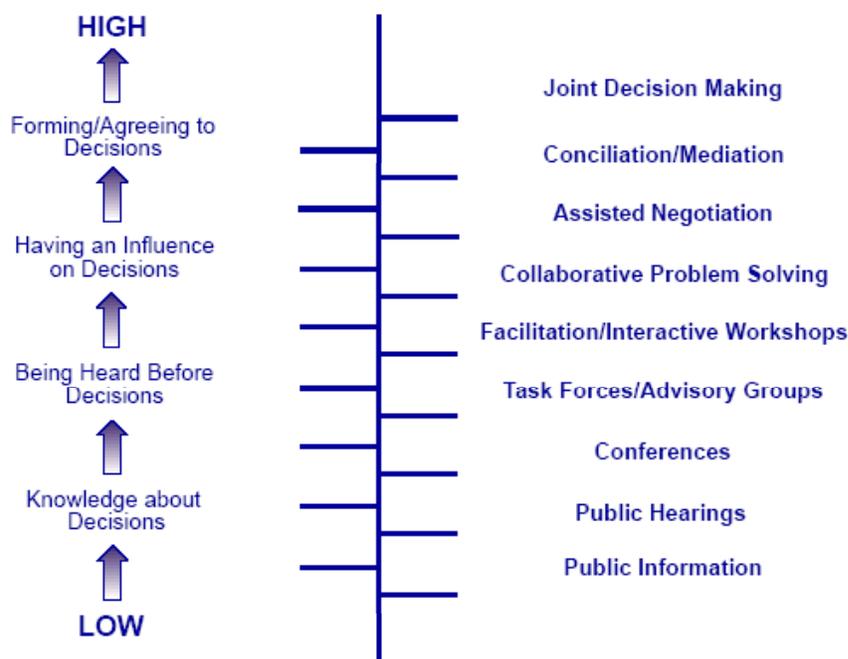
Many methods and tools exist for engaging stakeholders, including public meetings, focus groups, workshops, one-on-one interviews, telephone interviews, and questionnaires via post, e-mail, or websites. Different stakeholder engagement methods may serve different purposes. Figure 2 on the next page outlines the effectiveness of various engagement methods, ranging from a low to high level of involvement, as compared to potential actions and outcomes.

The stakeholder engagement methods outlined in Figure 2 serve different purposes and involve inherent tradeoffs. For example, an electronic survey will be relatively inexpensive, but facilities may find it difficult to solicit responses and to create trust-based relationships with community members using this approach. However, if facilities are seeking very specific input on well-defined topics from a large sample of individuals, a survey-based method may be appropriate. On the other hand, holding a public meeting at the facility can help develop meaningful relationships between facility management and stakeholders while also creating opportunities for mutual learning; though for some, this type of face-to-face interaction may be uncomfortable and relatively costly. For many facilities, the journey along the spectrum of stakeholder engagement – from simply providing information to undertaking the more comprehensive effort of collective decision-making – requires persistent effort over an extended period of time.

Section 2B of this guide – *Engagement: Interacting with Stakeholders* – discusses different types of engagement methods in more detail. It also offers information about how facilities can align their internal objectives with such engagement methods, taking into consideration available resources, competencies, and interest levels.

Figure 2:

SPECTRUM OF STAKEHOLDER ENGAGEMENT



Source: World Bank, "Stakeholder Analysis and Consultation" (World Bank, 1999).³

1b. Principles for Stakeholder Engagement in the Context of Facility Reporting

The credibility and usefulness of sustainability reporting relies on the reporting facility making sound decisions about what content is included, which reporting boundaries are chosen, what normalization and contextual information is provided, and how easily a report can be understood. Often, a facility will begin discussions about what to include in its report by internally evaluating its largest sustainability impacts. Reporting facilities can benefit by incorporating stakeholder feedback into these and other practical decisions. Two of the Global Reporting Initiative's (GRI)⁴ reporting principles – Materiality and Stakeholder Inclusiveness (described in more detail below) – illustrate the fundamental role of stakeholder engagement as

³ This figure was obtained from the Performance Track Public Outreach Guidance and originally from the World Bank, available at: [http://lnweb18.worldbank.org/ESSD/ardext.nsf/18ByDocName/StakeholderAnalysisandConsultation/\\$FILE/StakeholderAnalysisandConsultation.pdf](http://lnweb18.worldbank.org/ESSD/ardext.nsf/18ByDocName/StakeholderAnalysisandConsultation/$FILE/StakeholderAnalysisandConsultation.pdf)

⁴ The Global Reporting Initiative is an international not-for-profit organization specializing in transparency, accountability, reporting and sustainability. Based in Amsterdam, the Netherlands, GRI is a large multi-stakeholder network of thousands of experts, in dozens of countries worldwide committed to advancing sustainability reporting. GRI is best known for the creation of the GRI *Sustainability Reporting Guidelines*, the international corporate sustainability reporting standard, now in its third iteration ("G3") and utilized by over 1,000 organizations worldwide.

an integral part of a comprehensive reporting process for corporations. These principles are equally fundamental to reporting at the facility level, as facilities should strive for their reports to present relevant information that can be understood by the intended audiences.⁵

Materiality is the threshold that distinguishes the “relevant information” from the wide range of topics on which an organization could report. GRI defines material information as the “topics and indicators that reflect the organization’s significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.”⁶ And because the “relevance threshold” is subjective, an organization’s assessment of material issues cannot be completed without consideration of stakeholders’ expectations and interests. Determining how to incorporate stakeholder concerns into discussions about material issues and decisions about what to include in a sustainability report is an important part of ensuring the report has relevance.

Materiality: GRI advises that “the information in a report should cover topics and indicators that reflect the organization’s significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.”

The principle of inclusiveness addresses the issue of how well an organization’s report responds to stakeholders, thereby explicitly tying the concept of materiality to communicating performance to stakeholders. GRI’s principle of inclusiveness also asks an organization to

Stakeholder Inclusiveness: According to GRI, “the reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.”

“identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.”⁷ As such, facilities can use the engagement process as the de facto mechanism for understanding stakeholders’ information needs. Specifically, input from stakeholders will serve as a key reference point for many of the facility’s reporting decisions, including the scope and boundary of the report, as well as the selection of indicators.

Other GRI principles related to Sustainability like Context, Completeness, Balance, Clarity, and Accuracy are not strictly about stakeholder engagement per se; however, all of these tenets overlap with the purpose, rationale, and mechanisms for engaging stakeholders within the realm of reporting. Section 2C – *Making Decisions: Using Stakeholder Input to Determine Report Content and Methodology* – provides more detailed information about how to use the principles of Materiality and Inclusiveness to prioritize stakeholder concerns and determine what information to include in your facility report.

⁵ Because the GRI Principles are applicable and appropriate for facility-level reporting, the Facility Reporting Project (FRP) *Guidance* has adopted them completely. The *FRP Guidance* is a framework designed to support facilities (and their parent organizations) in voluntary, public reporting of facility-level sustainability performance information. The *FRP Guidance* was developed in complement to the GRI Guidelines and is available at www.facilityreporting.org.

⁶ GRI Sustainability Reporting Guidelines Version 3, P. 8

⁷ GRI Sustainability Reporting Guidelines Version 3, P. 10

2. Step-by-step Implementation: How to do Stakeholder Engagement

Section 2 of the FRP Guide to Stakeholder Engagement provides an overview for a step-by-step engagement process. This section includes practical guidance, tips to overcome challenges, and illustrative case studies to help your facility begin planning, implementing, and evaluating its engagement activities.

OVERVIEW – STEP-BY-STEP APPROACH TO STAKEHOLDER ENGAGEMENT

I: Plan – Identify Stakeholders and Their Interests

- Map and prioritize stakeholders
- Establish an engagement strategy, objectives, and scope

II: Engage – Interact with Stakeholders

- Plan a stakeholder meeting
- Hold a stakeholder meeting

III: Make Decisions – Use Stakeholder Input to Determine Report Content and Methodology

- Review feedback
- Evaluate stakeholder priorities
- Compare stakeholder priorities to material impacts identified by the facility
- Evaluate competing interests
- Decide what to include and what not to include in the report
- Enable an ongoing discussion; continue to engage stakeholders

IV: Evaluate – Determine the Effectiveness of Stakeholder Engagement Processes

2a. Planning: Identifying Stakeholders and Their Interests

Mapping and Prioritizing Stakeholders

As a starting point, facilities should identify all stakeholders, both those within their organizations and those external to it. Stakeholder mapping has two functions: first, to identify the range of different stakeholders, and second, to clarify their interests, issues of concern, and relationships to your facility. The mapping process should include stakeholders that have expressed an interest in your facility's activities, products, and services, as well as other potential interested parties that you may wish to engage or believe should be involved in the reporting effort. Section 5A provides a tool named the **FRP Stakeholder Mapping Worksheet** that can help you identify stakeholders and organize various interactions.

Examples of stakeholder groups that facilities typically engage in the process of developing their facility reports include:

- Employees
- Facility and corporate management
- Local residents and community groups, including neighborhood associations, schools, hospitals, nursing homes, etc.
- Non-governmental organizations, including local chapters of environmental or social organizations
- Labor unions
- Federal, state and local regulators
- Police and fire departments
- Local media
- Customers, suppliers, and other local businesses
- Contractors/vendors, including finance providers, outsourced transportation, etc.
- Trade organizations, including business associations

Figure 3 below highlights the stakeholder groups that Coca Cola Enterprises engaged in the process leading up to their 2006 Sustainability Report. On the following page, readers will find an excerpt from Case Study 1 that illustrates the stakeholder mapping process that Lockheed Martin went through when preparing its 2005 facility report.



EXCERPT FROM CASE STUDY 1:

IDENTIFYING AND ENGAGING STAKEHOLDERS – LOCKHEED MARTIN, MANASSAS

Lockheed Martin is a global enterprise engaged in the research, development, manufacture, and integration of advanced technology systems, products, and services. Lockheed Martin's facility in Manassas, VA has been successful in using a structured and systematic process for identifying internal and external stakeholders.

1. Identifying Internal Stakeholders:

Lockheed Martin Manassas established a representative group of employees to identify stakeholders. That team first created a list of all possible *internal* stakeholders. Next, they determined the different methods by which internal interest groups interact, and the frequency of engagements. For example, all employees receive annual environmental training and internal newsletters are circulated once a month. Lastly, the group solicited feedback from employees representing various groups to prioritize the issues internal stakeholders cared about most.

Internal stakeholder mapping can be a simple exercise because it involves people with which a facility inherently interacts. And though beneficial, this internal process alone may not allow your facility to maximize its overall engagement process.

2. Identifying External Stakeholders:

Accordingly, Lockheed Manassas employed an equally structured and systematic mapping process to identify *external* stakeholders. As before, the Manassas facility created a list of all external individuals and groups with whom the facility interacts and that may have interest in its impacts. This list included business organizations like the Prince William County Greater Manassas Chamber of Commerce, Federal and State regulatory agencies, EPA's Performance Track program, and local schools where Manassas employees serve as tutors and mentors. Next, Lockheed Manassas determined how frequently it interacts with these groups, for what purposes, and which issues different groups might prioritize. These estimations, though no substitute for actual engagement, helped Lockheed Manassas determine if stakeholders fit the following criteria:

- Have *influence* or decision-making power
- *Interact most often* with the facility
- *Depend on the facility's* operations and activities economically
- Can *legitimately claim to represent a constituency*
- Are groups to whom the facility has legal or financial *responsibilities*
- Are the intended audience of the facility's *policies and value statements*

Evaluating potential stakeholders in this way helped Lockheed Manassas gauge whether the participants would be seen as credible and thus enabled the facility to make decisions about which individuals and groups to actively engage going forward.

Note to the reader: a detailed discussion of Lockheed Martin's experience can be found in the Appendix.

In light of possible resource and time constraints, your facility will need to make choices about *which* stakeholders to engage. Help Box 1 provides a range of characteristics to consider when selecting the highest priority stakeholders. The box also illustrates an additional set of criteria that can be used to help evaluate whether your final stakeholder selection is seen as effective and credible to external audiences. Your facility might consider its own preliminary identification of material issues when selecting stakeholders, perhaps by identifying parties or individuals that can speak to particular issues.

Lastly, facilities should be transparent about the methodology and system used for identifying and prioritizing stakeholders.

Help Box 1:	
SELECTING HIGH PRIORITY STAKEHOLDERS AND ENSURING CREDIBILITY	
<p>Factors to consider when determining high priority stakeholders:</p> <p><i>Responsibility</i> - stakeholders to whom your facility has, or in the future may have, legal, financial, and operational responsibilities in the form of regulations, contracts, policies, or codes of practice.</p> <p><i>Influence</i> - stakeholders with influence or decision-making power.</p> <p><i>Proximity</i> - stakeholders that your facility interacts with most, including internal stakeholders, those with long-standing relationships, and those stakeholders that <i>your facility</i> depends on in its day-to-day operations.</p> <p><i>Dependency</i> - stakeholders indirectly or directly dependent on your facility's operations and activities in economic or financial terms, or in terms of local or regional infrastructure.</p> <p><i>Representation</i> - stakeholders who, (through regulation, custom, or culture), can legitimately claim to represent a constituency, including those representing the "voiceless" (e.g., the environment, children, future generations).</p> <p><i>Policy and Strategic Intent</i> - stakeholders your facility addresses in policy and value statements, including those who can give early warning about emerging issues and risks.</p>	<p>Use the following criteria to evaluate stakeholders' credibility:</p> <p><i>Affectedness</i> - any stakeholders that are substantially affected by your facility's activities, products, or services should be included.</p> <p><i>Diverse and wide representation</i> - stakeholders who reflect a wide range of societal expectations, impacted groups, and issue areas. Representation is best achieved by ensuring at least one representative of each relevant stakeholder group is included.</p> <p><i>Coverage</i> - at least a subset of the stakeholders should be able to address, with an adequate level of competence, each of the issues applicable to your facility's sustainability footprint.</p> <p><i>Legitimacy</i> - stakeholders who are legitimate representatives of the interest/issue for which they are standing – namely, if they have a record of engaging in the area of interest for a substantial period of time and are a widely recognized entity in their sphere.</p> <p><i>Independence</i> - stakeholders should be independent of your facility's commercial and political interests.</p>
<p><i>Source: Adapted from the AccountAbility AA1000 Stakeholder Engagement Standard</i></p>	

Establishing an Engagement Strategy, Objectives, and Scope

Once you identify and prioritize stakeholders, your facility will need to determine the specific manner in which to engage these groups and/or individuals. It is important to consider the various interests and needs of stakeholders when planning an engagement process, as well as your facility's objectives for agreeing on priority issues and/or consensus-building. Developing a set of engagement methods, frequencies, and timelines will be helpful for creating a specific stakeholder engagement and communication plan.

Engagement Strategy

Facilities should identify and assess stakeholder capacity by evaluating their own resources (e.g. staff, money, time), as well as the competencies of various stakeholders (e.g. expertise, experience). Your facility might also evaluate the degree to which resources can be used to respond to stakeholder needs in order to facilitate effective engagement. Building stakeholder capacity can at times be a challenge; a more detailed discussion of this challenge and how to work through it can be found in Section 3B under *Building Stakeholder Capacity*.

It is important for facilities to design their stakeholder engagement processes with sensitivity to the following issues:

- Understanding different audiences' and stakeholder groups' needs and interests
- Stakeholders' resources and time constraints
- Cultural, social, educational, economic and political background
- Stakeholder values, views, and concerns
- Various stakeholders' feasibility for accessing information

Setting Ground Rules and Managing Expectations: It is important that all individuals involved participate in setting and accepting clear ground rules. By setting the parameters together, the company and stakeholders are able to define the boundaries of the interaction and expectations of acceptable conduct. However foreign the process may seem, being upfront and clear in defining the particular interaction within the larger involvement and reporting context will certainly increase the chances of a positive engagement.

Scope and Objectives

Articulating clear objectives and setting ground rules for engagement can help to manage stakeholders' expectations and also more effectively facilitate understanding, learning, and improvement. In particular, your facility should aim for the following objectives:

- Strive to create an atmosphere of trust and collaboration
- Define the scope of requested input
- Agree with stakeholders on ground rules early in the process
- Be transparent about the need to interact with (and attempt to address concerns of) multiple audiences
- Provide complete, coherent, and consistent responses regarding how you will address the key issues identified during the engagement process

- Determine and articulate the degree to which your facility has decision-making authority to respond to stakeholder input

In turn, your facility and stakeholders can agree to ground rules, including the following:

- Listen carefully and respectfully, trying to understand different parties' views
- Take turns speaking and share time equitably to ensure the participation of multiple people in a public forum
- Refrain from blame or attacks and try to focus on problem solving
- Respect confidential information and not share working documents outside of the engagement process

Finally, your facility and/or stakeholders should clearly identify any specific issues or data that may require complete confidentiality or anonymity, including internal information that your facility may share with stakeholders for discussion purposes but may decide to not disclose externally.

2b. Engagement: Interacting with Stakeholders

This section provides practical recommendations on various approaches and methods of stakeholder engagement, including when and how to approach stakeholders, the mechanisms through which to solicit their input, and methods to enhance the quality of their participation in the process.

Prior to engaging stakeholders, your facility should determine its ability to respond to various groups in a coherent and adequate manner, and in a way that meets the purpose for engaging. Your facility might also evaluate its ability to respond to a range of possible engagement outcomes and expectations.⁸ A number of factors can limit engagement activities. These include time and resource constraints, limited expertise in effectively communicating with a range of audiences, the range of stakeholders' sophistication, and the possibility of an "introverted" organizational culture that is reluctant to share information publicly. In many of these instances, your facility may have to modify or re-prioritize engagement approaches. Section 3B – *Challenges for Implementation* – provides further details on how to address such limitations.

Facilities can choose to engage stakeholders in numerous ways. Your facility should select specific methods based on the priorities and groups identified in the stakeholder mapping exercise discussed earlier. Possible engagement mechanisms should build on existing practice (if any), and can include:

- Community or public meetings
- Stakeholder advisory panels or committees
- Interviews (in-person, over the phone)
- Surveys
- Facility open houses

⁸ AccountAbility AA1000 Stakeholder Engagement Standard, P. 39

The most direct and arguably effective method of gathering stakeholder feedback is a face-to-face meeting, whether in a public setting, or via a facility-organized session. You might also consider one-on-one approaches such as interviews or more passive mechanisms for gathering stakeholder input, including surveys or questionnaires. Section 5B provides a template including a preamble script and specific survey/interview questions, the **FRP Draft Script for Stakeholder Input**. Regardless of the method(s) you choose, it is recommended that your facility attempt to solicit answers to the following general questions in order to help inform the content and contextual information that might be included in your facility report:

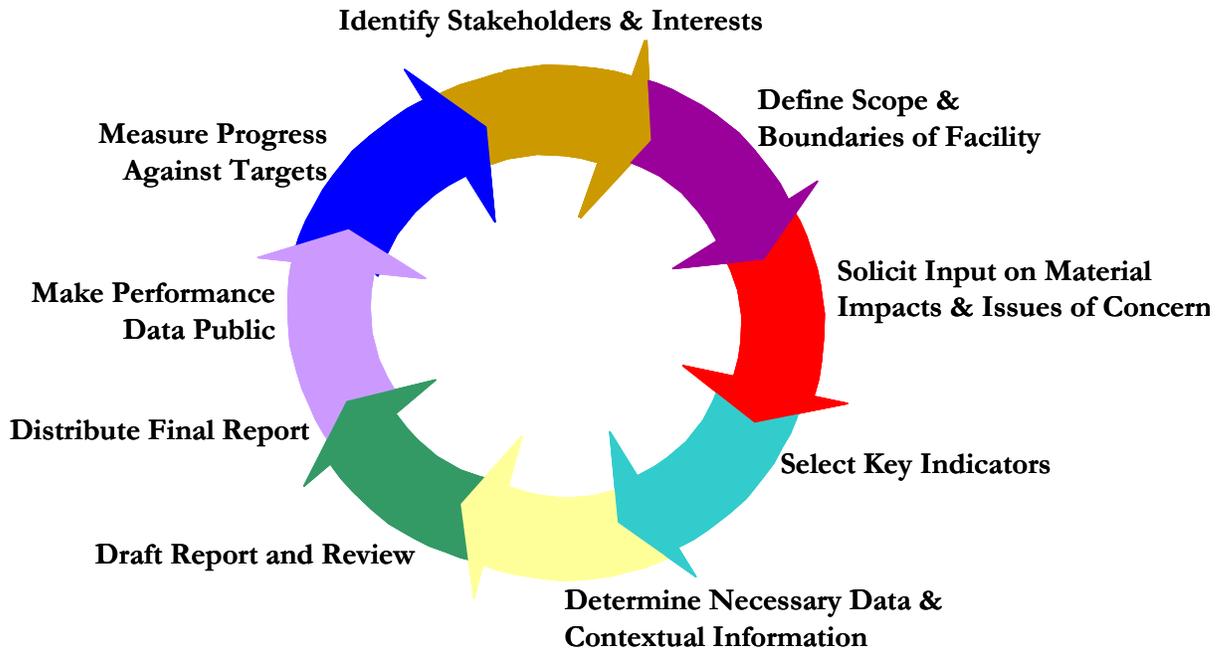
- Which aspects of environmental, social, or economic performance most concern stakeholders?
- Why do stakeholders want to know more about this aspect of your facility and its impacts?
- What information should your facility focus on in its public report?
- Are there improvements stakeholders would like your facility to consider?
- What value do stakeholders see in disclosing this information?
- Is there any other information stakeholders think is important for your facility to share?

Further, when determining *how* to engage identified groups, your facility should consider engaging stakeholders during the following milestones within the reporting process (also displayed in Figure 4 on the next page):

- Determining the value of making internal performance data public
- Defining and communicating the scope and boundaries of the facility and/or report
- Considering data and necessary context to explain performance, trends, and relevance
- Selecting key indicators to report and developing goals for improvement
- Drafting the report, giving stakeholders opportunity to comment on scope, readability, and other aspects.
- Disseminating the report

Figure 4:

ENGAGING STAKEHOLDERS IN THE REPORTING PROCESS
Opportunities for Stakeholder Input



Source: Ceres © 2007

How to Plan a Stakeholder Meeting

Planning and holding stakeholder meetings is an important part of implementing a stakeholder engagement strategy. Meetings can be held on-site or at a neutral location depending on your local relationships and needs.

When planning a meeting, consider the amount of time in which the meeting should be held, as well as an appropriate timeline for planning the event from start to finish. Your facility should invite stakeholders to participate in meetings well in advance and provide all necessary contextual information, including scope and objectives.⁹ Additionally, communicate your facility's rationale for engaging stakeholders, including the desire to better understand, prioritize, address, and report on sustainability impacts.

Regardless of your facility's particular location, purpose, or the point within the reporting process that you decide to hold a stakeholder meeting, the following steps will be helpful for planning:

⁹ AccountAbility AA1000 Stakeholder Engagement Standard, P. 43

- **Meeting preparation and invitations**
 - Determine objective of meeting and desired outcome
 - Identify potential participants and organize invitations
 - Set meeting date
 - Follow up with invitees and track responses
 - Prepare materials for use prior to and during the meeting
 - Determine expectations of participants and facility representatives

- **Determine roles for conducting the meeting**
 - Designate a person to facilitate the meeting
 - Determine which facility employee(s) should participate in the meeting
 - Designate a person to take notes and/or record stakeholders' input, which may be useful for determining which stakeholder feedback to include in your report.

- **Convene meeting** (see the following section – *How to Hold a Stakeholder Meeting* – for detailed guidance)

- **Determine if your facility has achieved its desired outcome of the meeting**

The excerpt from Case Study 2 on the following page illustrates the process that the New York Organic Fertilizer Company employed when planning several stakeholder meetings in 2006 and 2007 to complement the plant's preparation of its facility sustainability report.

EXCERPT FROM CASE STUDY 2:

PLANNING A STAKEHOLDER ENGAGEMENT MEETING – NEW YORK ORGANIC FERTILIZER COMPANY

The New York Organic Fertilizer Company (NYOFCo) is responsible for properly managing sewage sludge for the City of New York. Because the facility had a history of strained relationships with the South Bronx community, NYOFCo took a proactive approach to plan several productive stakeholder meetings.

1. Utilize Assets within the Community

NYOFCo partnered with Sustainable South Bronx (SSB), a local environmental justice non-profit organization, to identify and invite stakeholders to the series of public meetings. Partnering with SSB lent additional credibility to this process. NYOFCo also contracted Ceres to facilitate the interaction and meetings as a neutral third party.

2. Set Ground Rules and Manage Expectations

At the start of the public meeting process, NYOFCo and its stakeholders agreed on a set of ground rules for participation. Developing such parameters with stakeholders can help manage expectations and is vital in cases where trust may be lacking.

3. Prepare the Agenda in Advance and with Community Input

At the suggestion of stakeholders, each meeting focused on one key issue that the community identified. Each meeting's agenda was planned in advance and structured in a similar way.

SAMPLE MEETING AGENDA PREPARED IN ADVANCE

- I. Welcome
- II. Company presents overview of the specified impacts
- III. Stakeholders present overview of how impacts are felt in and by community
- IV. Structured question and answer session
- V. Next steps

4. Draft and Distribute Meeting Documents in Advance

By drafting documents before each meeting, NYOFCo was able to organize data, context, and discussion points. Moreover, this enabled stakeholders to arrive at each meeting with shared baseline knowledge of the facility's impacts. NYOFCo's community partner, SSB, was instrumental in distributing materials, discussing key concerns with stakeholders, and even reviewing important points the community wanted to emphasize.

5. Assure Attendance by Key Stakeholders

The last crucial step in planning a stakeholder meeting is to ensure relevant individuals and groups attend. NYOFCo relied on SSB to contact stakeholders by mail, email, and/or phone with reminders, while the facility itself ensured appropriate employees attended each meeting to answer questions and provide additional information.

Note to the reader: a detailed discussion of NYOFCo's experience can be found in the Appendix.

How to Hold a Stakeholder Meeting

Once your facility is holding a stakeholder meeting, you'll want to ensure appropriate roles and expectations are agreed upon, and also that stakeholder participants value the process. Below is a sample agenda that can help your facility achieve its specific meeting objectives.

- **Welcome stakeholder participants**
 - Set up a sign-in sheet
 - Review expectations of participants and facility representatives, including engagement process and roles during the meeting
 - Consider an icebreaker to orient new and old stakeholders to the group process
- **Review the facility's and stakeholders' objectives for the meeting**
- **Review the facility's impacts and planned activities or other content-related information**
 - Consider giving an overview of key information (including future goals) in a brief presentation
 - Include information about how your facility's operations and management relate to your corporate organization's sustainability strategy
 - Let stakeholders know the importance of this meeting
- **Allot time for question and answers**
- **Meeting wrap-up**
 - Discuss how the facility plans to review and respond to feedback received
 - Review next steps, including reporting process and timeline
 - Invite additional feedback and engagement going forward
 - Thank participants for their time

The following excerpt from Case Study 3 provides an example of how New Hampshire Ball Bearings conducted a stakeholder meeting to review the facility's draft sustainability report before it was published in January 2006.

EXCERPT FROM CASE STUDY 3:

HOLDING A STAKEHOLDER ENGAGEMENT MEETING – NEW HAMPSHIRE BALL BEARINGS

New Hampshire Ball Bearings (NHBB) is one of the world's leading manufacturers of precision bearings and bearing products. NHBB believes that reporting and stakeholder engagement are an extension of its core value of social responsibility. To engage stakeholders in its sustainability reporting process, NHBB's Peterborough facility held a stakeholder meeting to review its draft report.

1. Welcome Stakeholders and Review Agenda

Chris Rawnsley, representing NHBB's corporate organization, and Patti Carrier, the Environmental/Facilities Manager at the Peterborough facility, welcomed stakeholders to the meeting and shared their objectives and rationale for producing a public sustainability report.

2. Respond to Stakeholders Throughout the Meeting

Although stakeholders had read the facility's draft report before the meeting, they asked NHBB to clarify the process for selecting meeting participants, as well as for selecting data included in the report. NHBB was happy to share this information to ensure all meeting participants had the same starting point for understanding the content of the report.

3. Begin by Soliciting General Comments

Meeting participants first gave high-level comments on NHBB's report as a way to help the facility's managers prioritize key areas for improvement. Stakeholders commended the facility for undertaking this effort and made the following suggestions:

- Clarify the intended audience for the report
- Provide more information about the facility's total environmental footprint
- Include more details about the facility's compliance status
- Outline next steps in the stakeholder engagement process
- Create a way for the public to engage the facility with future questions/comments

4. Discuss the Report in Detail

Following this high-level discussion, NHBB and stakeholders reviewed each section of the report together, enabling stakeholders to ask questions about specific data, characterizations, and overall facility operations. This open Q&A format ensured that the stakeholders felt heard and allowed NHBB to respond as needed.

5. Conclude by Specifying Next Steps

At the conclusion of the meeting, NHBB and stakeholders discussed next steps for engagement and the process by which the facility planned to review and respond to feedback. NHBB confirmed the timeline for report publication, determined specific issues on which they would follow up with individual stakeholders, and invited stakeholders to review a revised report draft prior to publication.

Note to the reader: a detailed discussion of NHBB's experience can be found in the Appendix.

2c. Making Decisions: Using Stakeholder Input to Determine Report Content and Methodology

Once your facility has identified stakeholders and gathered feedback on key priorities, impacts, and interests, the next step is to determine how to incorporate that feedback into final decisions regarding which issues and metrics to include in your facility report, as well as how to present the information.

Step 1: Review Feedback

If your facility has collected feedback through various mechanisms (such as interviews, surveys, community meetings, open houses), consider reviewing all feedback at one time in order to gain perspective about the diversity of opinions, perspectives, and rationales presented. You may choose to use the **FRP Stakeholder Mapping Worksheet** (see Section 5A) to help organize this process and to capture and compare all stakeholder input in one place. As is explained in more detail in Step 5 below, the FRP Workbook will also be helpful in prioritizing input collected.

Step 2: Evaluate Stakeholder Priorities

Once you have reviewed all stakeholder input, create a ranking of those impacts and issue areas that stakeholders care most about. A simple three-point system that assigns stakeholder feedback as 1) high priority; 2) medium priority; 3) low priority may be helpful. Please note that the priority designation should be based on stakeholder communication (not your facility's particular reaction and/or position on the issue).

Determining stakeholder priorities will be easy in some cases based on the comments given and/or discussion; for example, if there is agreement at a public meeting or if answers to specific questions indicate priority, such as those in the survey and/or interview questions illustrated in section 5B. In other instances, you may have to estimate stakeholders' priorities, especially if feedback was not given at the same time. When in doubt, you may wish to follow up with stakeholders once you have assigned priority to ensure you are characterizing and evaluating their feedback accurately.

Step 3: Compare Stakeholder Priorities to Material Impacts Identified by the Facility

Once your facility has ranked stakeholder priorities, it will be important to compare these rankings to internal determinations of material impacts. For purposes of local-level reporting, material impacts can generally be thought of as issues that represent a facility's major effects on its surrounding environment, economy, and community; stakeholders' highest priority concerns; and those impacts that have financial and/or regulatory accountability for the facility. Help Box 2 on the next page provides more detailed criteria that can help guide your materiality determination.

Help Box 2:

GENERAL CRITERIA FOR DETERMINING MATERIAL ISSUES

Determining material issues for the purpose of reporting can also be guided by the following general criteria:

- *Policy-related performance* – those aspects of facilities’ performance linked to its stated commitments and policies.
- *Short-term operational performance and legal compliance* – those aspects of performance including significant potential or actual legal and regulatory impacts that have a direct financial effect on your facility.
- *Peer-based norms* – aspects of performance or behavior adopted and generally considered legitimate by peers (e.g. competitors) of your facility, irrespective of whether your facility has a related policy.
- *Stakeholder concerns and behavior* – those concerns that affect the decisions and behavior of stakeholders, both towards your facility and in relation to the needs of sustainable development.
- *Societal norms* – those aspects of performance demonstrably relevant to stakeholders and likely to be relevant to future stakeholder decisions and behavior, including aspects of performance that are already regulated, or subject to more or less effective non-regulatory scrutiny and likely to be legally regulated in the future.
- *Leadership opportunities*—those issue areas where your facility and/or corporate organization can show leadership and possibly demonstrate change that other facilities or companies in your sector might emulate.

Source: Modified from AccountAbility AA1000 Stakeholder Engagement Standard

In some cases, stakeholders’ concerns and interest areas will match exactly with the material impacts that your facility has identified. In these instances, you can assume that this information should absolutely be included in your facility report. In other cases, external stakeholder interests will not match internal priorities at all, prompting further evaluation.

Step 4: Evaluate Competing Interests

In instances where external stakeholder interests do not match internal priorities, your facility might hold internal discussions, or possibly reach out to stakeholders that have identified these competing interests, to determine whether or not this information should be addressed in your facility’s final report. You should also consider potentially competing interests among different stakeholders. It’s not uncommon, for example, for one stakeholder with a more sophisticated understanding of the issues to request more detailed technical data, while a community layperson might ask for a more simplified or anecdotal presentation of information. A discussion of how such a situation might be addressed can be found in Section 3B under *Managing Multiple Audiences and Conflicting Interests*.

Step 5: Make Decisions About What to Include in the Report

Inevitably, when preparing a concise facility report, it is unlikely you will be able to respond to and include every single stakeholder concern and/or interest. We advise including all “high” priority issues where feasible. In addition, some stakeholders may ask questions that your facility feels it is already addressing. These issues are great low-hanging fruit to include in your final report.

As you determine which stakeholder concerns to address in your facility report, consider including a timeline for discussing and taking action on these issues. Your facility should also identify which stakeholder priorities will be more challenging to address or those that it will choose not to address (and why). Regardless of which issues you include in your report, facilities should plan to publicly communicate how these priorities were established.

The FRP Workbook is an electronic tool that can help you determine priority metrics and issues to cover in your facility report. In particular, by serving as a repository for all stakeholder feedback, the FRP Workbook (explained in more detail in Section 5C – FRP Workbook Tool) can help you sort and prioritize stakeholder input, making it a useful tool for ultimately determining report content.¹⁰

The excerpt from Case Study 4 illustrates how Ford Motor Company incorporated stakeholder feedback into decisions about what information was most material to include in its 2006 sustainability report.

¹⁰ Stakeholder engagement is one of many criteria the FRP Workbook uses to help facilities sort impacts and metrics (in addition to data availability, accessibility, and materiality).

EXCERPT FROM CASE STUDY 4:

USING STAKEHOLDER INPUT TO MAKE DECISIONS ABOUT WHAT TO INCLUDE IN A SUSTAINABILITY REPORT – FORD MOTOR COMPANY

Ford Motor Company is one of the world's largest producers of cars and trucks and one of the largest providers of automotive financial services. Ford considers external reporting to be a fundamental part of accountability. In this spirit, the company developed a specific framework for defining and prioritizing material issues in the context of sustainability reporting.

Ford followed a three-step process to identify and prioritize specific material issues with input from stakeholders:

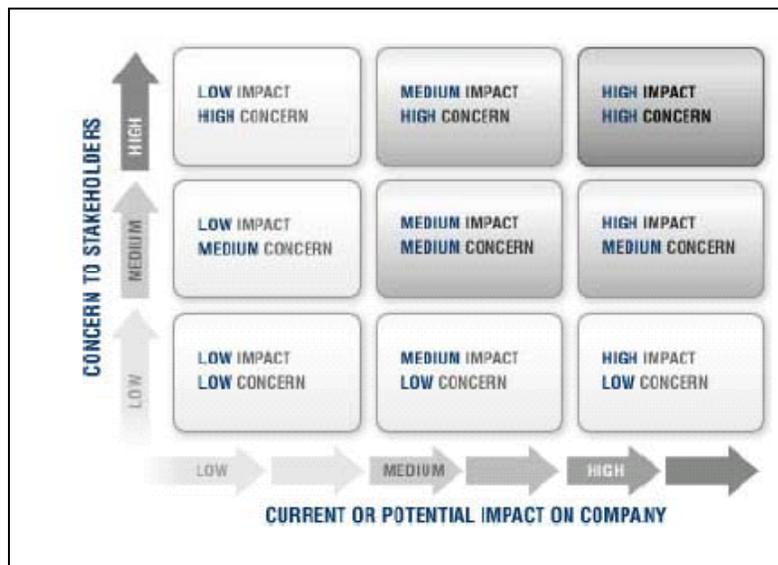
1. Identify and review material business issues.

Ford developed a list of more than 500 issues, grouped into 15 topics, by reviewing internal company documents on policy and strategy and comments from employees, dealers and major external stakeholders such as customers, communities, suppliers, investors, and NGOs.

2. Evaluate stakeholder feedback and identify priority issues.

To determine which issues should be prioritized, Ford evaluated stakeholder feedback by noting the frequency with which issues were raised and also by rating each issue as low, moderate, or high. The company then plotted these ratings on a "materiality matrix," as summarized below.

FORD MOTOR COMPANY MATERIALITY MATRIX



3. Evaluate potentially competing interests and decide what to include in the final sustainability report.

Lastly, to evaluate potentially competing priorities, Ford reviewed the draft matrix and revised the rankings based on input gathered at an internal workshop of Ford employees. In a process facilitated by SustainAbility, the matrix was then reviewed and revised again by external stakeholders convened by Ceres, including representatives of environmental NGOs and socially responsible investment organizations. Considering all of this internal and external input and the revised materiality matrix, Ford made its final decisions about what to include in its sustainability report. As a result, the company created a usable and relevant document about its sustainability performance, challenges, and opportunities.

Note to the reader: a detailed discussion of Ford's experience can be found in the Appendix.

Step 6: Create an Ongoing Dialogue

As noted already, your facility should develop a plan for continued stakeholder engagement going forward. In some cases, this might entail discussing appropriate ways to follow up with stakeholder concerns that are not included in your facility report and/or those issues that warrant increased attention. This is also one way in which your facility can ensure meaningful engagement with stakeholders is not an isolated activity. At a practical level, a regular cycle of dialogue and feedback between your facility and stakeholders will help you keep abreast of potential risks and opportunities; simultaneously, stakeholders will be in a position to understand how your facility has responded to their views and whether your facility has met agreed upon objectives and independently stated goals. Overall, this process can build trust, enhance stakeholder relationships, and also spur improvement.

The excerpt from Case Study 5 on the next page illustrates how Timberland has sustained stakeholder engagement even after the completion of its initial sustainability reporting process.

2d. Evaluation: Determining the Effectiveness of Stakeholder Engagement Processes

Periodically, it is recommended that your facility review the effectiveness of stakeholder engagement efforts, and in particular, how well you have responded to stakeholder feedback within the context of your reporting efforts. This exercise can include updating your facility's stakeholder map, evaluating your engagement strategy, objective(s), and scope, as well as reviewing your engagement plan and related records.¹¹ Such an evaluation will help your facility capture and integrate lessons learned, and also drive continuous improvement in future engagement/reporting processes.

One way to ensure accountability, replication, and transparency of stakeholder engagement activities is to include a discussion of the engagement process and outcomes in your facility's report. Consistent with GRI's guidance for corporate-level sustainability reporters,¹² your facility should consider including information in your report that describes the following aspects of stakeholder engagement efforts:

- A List of stakeholder groups your facility has engaged
- The basis of your facility's stakeholder identification and selection
- Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

Key topics and concerns that have been raised through stakeholder engagement and how your facility has responded to those key topics and concerns, including stakeholder interaction and/or resolution that occurred as a result of the reporting process.

¹¹ AccountAbility AA1000 Stakeholder Engagement Standard, P. 49

¹² GRI Sustainability Reporting Guidelines Version 3, P. 24

EXCERPT FROM CASE STUDY 5:

SUSTAINING STAKEHOLDER ENGAGEMENT OVER TIME – TIMBERLAND

Timberland is a global leader in the apparel and footwear industry that has a long history of commitment to corporate social responsibility. The company's Recreation Footwear Company Branch Office (RFC) in the Dominican Republic has made particular strides in developing a lasting stakeholder engagement strategy. Through an *iterative process*, this facility has built better stakeholder relationships and focused on improving its environmental, social, and economic impacts.

1. Initial Engagement

Timberland's RFC facility created its first sustainability report with the aim of fostering dialogue with local stakeholders in order to better understand and incorporate community issues into the facility's sustainability agenda. To engage stakeholders, the facility first focused on gathering feedback from employees and corporate stakeholders to identify priority issues. The RFC published its sustainability report in November 2006 and intended to use the report as a platform for future engagement, thereby providing all external stakeholders the same baseline information from which to begin conversations.

2. Building Trusting External Relationships

Shortly after the RFC report was distributed to the community, Timberland asked CIPAF, a Santo Domingo-based nonprofit organization, to facilitate the first public meeting in November 2006. RFC managers and employees connected with external stakeholders in group discussions, breakout sessions, and one-on-one conversations. This ***two-way dialogue created an opportunity for the RFC and stakeholders to work together to create an action plan***. One specific action the RFC focused on was providing new activities for employees to take advantage of Timberland's Community Service program.

3. Continued Involvement

To ensure the plan would be successful, Timberland ***evaluated its goals*** for increasing the number of employees participating in community service activities and also ***committed to measuring the RFC's performance*** against social and environmental results that were identified using stakeholder input. The RFC agreed to ***report the results*** of this program, and the facility's future environmental and social performance, ***back to the community***. This strategy set the stage for the company to create target metrics for success, as well as a community management structure that has local ownership and corporate oversight.

Timberland fulfilled its promise to report back to the community in August 2007, when the company published an update of the RFC's 2006 activities and performance in its corporate-level CSR report, available at www.timberland.com/csrreport. The RFC also reported how it had created new opportunities based on collected data for employees to participate in community service activities. As of October 2007, Timberland was in the process of ***determining next steps for continued stakeholder engagement*** in the Dominican Republic. Timberland believes the RFC's sustained stakeholder engagement activities could be a model process for other facilities in its contract supply chain.

Note to the reader: a detailed discussion of Timberland's experience can be found in the Appendix.

3. Key Success Factors and Pitfalls

Whether for purposes of gathering input to inform facility-level sustainability reporting or for more general reasons, there are a number of key factors associated with successful (and not so successful) stakeholder engagement.

3a. Elements Necessary for Successful Stakeholder Outreach

Key success factors associated with effective stakeholder engagement include:

Structure the Process, Agree on Rules, and Assign Roles

- Identify and map all potential stakeholders, and have a systematic way of collecting and organizing their input
- Agree on the ground rules, including each party's role, as well as your facility's ability to respond to comments; this will ensure a process where all parties share the risks and benefits

Be Respectful and Follow Through on Commitments

- Get the right stakeholders to the table and keep them there by implementing agreed upon decisions, and through ongoing monitoring and critical evaluation of the engagement process
- Acknowledge differences between stakeholders and your facility, and accept that it is not necessary to agree on everything
- Operate in a transparent and accountable manner while ensuring confidentiality when appropriate
- Follow up by using targets to measure and report against progress

Be Realistic and Focused, Yet Keep an Open Mind

- Assign adequate time and resources, taking into account the need to inform and educate some stakeholders, both internal and external, on complex issues
- Involve stakeholders in defining issues and setting the agenda for the engagement, as well as seeking their input in designing future outreach and engagement efforts
- Address both short-term targets as well as long-term values and objectives
- Pay attention to the need to address issues of different mindsets, organizational cultures, and skill sets

3b. Challenges for implementation

This section provides information about key challenges that can undermine effective stakeholder engagement, including limited time and resources, multiple efforts, managing different audiences and conflicting interests, and stakeholders' own reluctance or capacities.

Allowing Sufficient Time and Planning for Stakeholder Engagement

Developing shared understanding among stakeholders and building trust-based relationships can take considerable time and resources. Some facilities start the engagement process with internal participants and then move to including external stakeholders as part of their long-term process. Such a stepwise approach can lengthen the duration of the engagement process, which in turn may lead to a need for increased resources. It is recommended in a comprehensive reporting framework that facilities include both internal and external stakeholder engagement in the process of identifying and prioritizing sustainability impacts; this is an essential element to ensure the credibility of the reporting process. This activity also serves as the basis for increased public accountability. Thus, stakeholder engagement is an important investment that can pay dividends over time as it helps your facility build good will with stakeholders and helps you achieve operational efficiencies as a result of performance improvements linked to engagement activities.

Coordinating Various Stakeholder Engagement Efforts

Tracking stakeholder engagement efforts taking place in all areas of your facility can be a significant challenge. However, integrating and streamlining external engagement efforts can prove helpful in improving internal management systems and data collection processes. Integration and streamlining can also yield administrative cost savings. Indeed, facilities are often surprised to learn that their environmental and safety groups as well as communications, human resources, and education departments are all engaging the community in different ways, and that no one at the facility knew about all of the activities nor was anyone tracking them. Developing a database to track this information can help your facility manage its external relations more efficiently in the future. See Case Study 1 in the Appendix for an example of how Lockheed Martin created this type of stakeholder database.

Managing Multiple Audiences and/or Conflicting Interests

One goal of comprehensive sustainability reporting is to ensure reports contain robust data that are easily understood by a range of stakeholders. It is thus suggested that facilities provide adequate context for the information included in their reports, such as normalizing data, providing trend information, and setting forward-looking targets. Moreover, your facility report should strike the difficult balance between providing technical information and creating a report that is readable for diverse audiences. Part of this challenge stems from the fact that many facilities are first-time (comprehensive) reporters, and are therefore using reports both to educate employees and establish trust with local communities. Other audiences, such as public authorities, may find that a first-time report, which might focus primarily on meeting the information needs of laypersons, lacks the robust level of data that regulators want. While clearly a challenge, the best reports effectively balance both types of audiences (and others where applicable) and are useful in many contexts. Your facility can strive to meet this goal by providing data on key impact areas and by engaging as many stakeholders as possible

throughout the entire reporting process (including scoping, writing, and final communication choices) so they gain increased understanding of your impacts and the data used to measure such impacts.

Overcoming Reluctance

Facilities are sometimes reluctant to engage external stakeholders unless they have had a grievance or violation and are forced to do so. While it is not possible to control or predict facilities' or stakeholders' abilities to engage with one another, experience has shown that external stakeholder engagement in a comprehensive sustainability reporting process is best realized when stakeholders are involved from the beginning. Capitalizing on existing relationships (regardless of their nature) may better position your facility to work with external groups and/or provide additional opportunities for feedback and participation.

It is not uncommon for facilities to witness a limited response to engagement invitations. Sometimes you can overcome this challenge by being persistent and/or by changing your outreach approach (e.g., a personal phone call following up on an announcement in the local newspaper). It is important to try multiple tactics and conduct outreach efforts several times rather than facing challenges and not trying again. This is especially true for stakeholder groups that do not have prior relationships with your facility and/or may not understand the purpose behind the engagement activities; often, your role may be to help educate stakeholders about the importance of their participation.

One alternative approach is to “re-position” the engagement process in a way that highlights how the engagement might benefit the stakeholders themselves. For example, many stakeholders don't realize that engaging with your facility might actually help them accomplish their own goals within the community and as related to your facility. In this scenario, some stakeholders might be more willing to participate if they thought the engagement would give them a better sense about demands and requests your facility gets from other groups. Learning more about a facility's interactions with the community as a whole could help one particular stakeholder group understand how they fit with your facility's total priorities. Participating in the engagement would also enable stakeholders to identify potential overlaps with other concerns that your facility is addressing or being asked to address.

In instances where stakeholders are seemingly non-existent and/or remain reluctant, your facility might consider recalibrating your approach and possibly shifting to more pro-active (e.g., one-on-one and/or face-to-face meetings) rather than passive (e.g., surveys) engagement approach. Further, stakeholders may choose not to participate if they feel the scope of the engagement is too limited, or that your facility's commitment to utilize input is weak or non-existent. In such cases, you might re-evaluate your objectives for engaging stakeholders and/or the manner in which you intend to utilize stakeholder feedback. In some instances, it may be useful to change your communication about the facility's intentions and capacity to incorporate stakeholder feedback. Such repositioning may help stakeholders better understand your facility's willingness to discuss possible improvements and also invite the opportunity for stakeholders to participate in decision-making. You might also consider working with an outside partner to coordinate the engagement process.

Despite some facilities' broad ranging and persistent outreach efforts, there are instances when key stakeholders simply will not engage in meaningful ways. Stakeholder engagement relies on the willingness of both facilities and stakeholder groups to be successful and valuable.

However, there are benefits that can be realized by outreach efforts alone. One potential benefit is that your facility will have established a track record within the community, demonstrating your willingness to discuss sustainability issues. Your facility will also have shown a desire to credibly improve and that you are willing for community stakeholders to help define the nature of future improvements. At the very least, having an engagement process to turn to in case of an incident will likely provide dividends in the future.

Addressing Limited Resources

Embarking on a stakeholder engagement and/or reporting process for the first time can be time intensive because of the need to identify and gather data from disparate information systems, as well as the need to forge relationships and collaborate with groups where previous interaction may have been lacking. One way to address this challenge is to initially focus on sustainability issues for which data already exist and to work with stakeholders with whom your facility already has relationships. Over time your facility can expand the breadth and detail of your reports and the robustness of your stakeholder engagement efforts. In addition, facilities that have engaged stakeholders and developed reports indicate that the investment leads to internal learning, information sharing, and subsequent efficiencies, as well as an established stakeholder and reporting procedure that can be replicated in a fraction of the time in the future.

Building Stakeholder Capacity

A common challenge that can hamper the engagement process is a lack of stakeholder capacity, or stakeholders' inability to participate in your facility's engagement activities in a meaningful and contributory way. In order to enable effective engagement, your facility might evaluate stakeholders' capacity and your facility's needs to ensure their engagement is fruitful. Building stakeholder capacity can improve the quality of input provided, and in turn, the value derived from the engagement process. Areas where capacity building can help ensure the highest quality stakeholder input include but are not limited to:¹³

- Building understanding and awareness (e.g., commissioning or undertaking research to elucidate poorly understood issues)
- Addressing language barriers (e.g., translating key documents, meetings, etc)
- Establishing a formal facilitation process (e.g., convening or conflict management)
- Assisting stakeholders' access to consultations and engagements (e.g., holding meetings at convenient times, or subsidizing non-local stakeholders' travel to meetings as appropriate)
- Providing specialized expertise (e.g., scientific, policy, cultural awareness)

¹³ Adapted from AccountAbility AA1000 Stakeholder Engagement Standard, P. 44

4. Conclusion

With the guidance, resources, tools, and case studies included in this guide, your facility should be well equipped to create and implement a stakeholder engagement strategy. While there is no guarantee that your facility will successfully solicit input from all of the groups you interact with, the resources provided in this document will help your facility be pro-active, inviting, and effective. Following this framework will also help your facility maximize the chances that public reporting will be relevant to the communities within which you operate.

Your facility may also find that building productive stakeholder relationships (whether in a reporting context or for other purposes) can lead to performance and operational improvements in ways you never anticipated. Most importantly, you will be best able to experience these benefits when stakeholder engagement continues over time, enabling your facility to be responsive and transparent to those individuals and groups most affected by your operations.

5. Tools for Facilities to Use

5a. FRP Stakeholder Mapping Worksheet

The FRP Stakeholder Mapping Worksheet can assist your facility in understanding and organizing its interaction with stakeholders. FRP Tool 1 below illustrates a sample worksheet filled out by one facility.

FRP Tool 1:

FRP STAKEHOLDER MAPPING WORKSHEET

Stakeholder type	Medium	Frequency	Value	Priority Issues	
Employees	<i>Employee newsletter</i>	<i>monthly</i>	<i>Education and capacity building</i>		
	<i>EVS & other training sessions</i>	<i>quarterly</i>			
Corporate management	<i>Facility EHS Manager conference calls</i>	<i>monthly</i>	<i>Buy-in and support</i>		
	<i>Facility EHS manager meetings</i>	<i>annual</i>			
Government - 1. <i>State and local regulators</i>	<i>permits & inspections</i>	<i>annual</i>	<i>License to operate</i>		
	2. <i>Police & fire departments</i>	<i>permits, compliance, reporting</i>			<i>as required</i>
	<i>voluntary programs (e.g., EPA Performance Track)</i>	<i>annual reports</i>			
Community groups - 1. <i>Local River Watch group</i>	<i>discharge monitoring status reports</i>	<i>daily</i> <i>quarterly</i>	<i>License to operate and building trust</i>		
	2. <i>Local residents & neighborhood association</i>	<i>Community newsletter</i> <i>Meetings</i>			<i>biannual</i> <i>biannual</i>
Customers	<i>EHS inspection by customer</i>	<i>annual</i>	<i>Continued profits</i>		
Suppliers	<i>EVS requirement</i>	<i>as needed</i>	<i>Business incentives</i>		
	<i>Customer EHS questionnaire</i>	<i>Annual with annual renewal</i>			
Local media	<i>press releases</i>	<i>as needed</i>	<i>Recognition and communication</i>		
	<i>tours</i>	<i>annual or as needed</i>			
Others- 1. <i>Regional Business Association</i>	<i>meeting</i>	<i>biannual</i>	<i>Peer network</i>		

5b. FRP Draft Script for a Stakeholder Interview

In addition to face-to-face stakeholder meetings, your facility can utilize interviews and/or surveys (by post or electronic means) to solicit stakeholder feedback. FRP Tool 2 provides an example of one draft script for a stakeholder interview.

FRP Tool 2:

DRAFT SCRIPT FOR A STAKEHOLDER INTERVIEW

We are developing a sustainability report that will share key data about our environmental, social, and economic performance, as well as our challenges, goals, and vision for the future. The purpose of this report is to disclose our greatest impacts and engage anyone that is affected by or has interest in our operations.

As a valued stakeholder [as an expert in X], we would like to use your input in deciding which information to include in the report. In particular, we are seeking your feedback on those aspects of our performance you consider most important. We plan to use this feedback to determine which areas we should focus on.

The report will be published in [date] and will be available XXX [on our website, at our office, etc.]

Questions

1. Which aspects of our environmental, social, or economic performance are you most concerned with/or would like to know more about?
2. Why is this issue something you want to know more about?
3. When it comes to our environmental performance *[or whatever aspect the interviewee indicates is most important to them]*, what information should we focus on in the future?

Examples below for each of the three types of impacts (based on the metrics in the FRP Guidance):

- | <u>Environment</u> | <u>Social</u> | <u>Economic</u> |
|---|--|---|
| <ul style="list-style-type: none">• Environmental Management Systems• Water Use• Energy Use• Materials Use & Recycling• Hazardous Waste• Climate Change Pollution• Odor, noise, vibration | <ul style="list-style-type: none">• Employment Created by our Facility• Labor Policy & Unions• Health & Safety Policies & Record• Training Programs• Diversity & Equal Opportunity | <ul style="list-style-type: none">• Payroll & Local Procurement• Taxes Paid• Charitable Contributions |
4. What value do you see in our facility disclosing this information?
 5. Is there anything else you would like to know about our facility or that we should consider including in the report?

5c. FRP Workbook

The **FRP Workbook** is an electronic tool that is designed to help facilities determine priority metrics and issues to cover in their reports. The workbook sorts stakeholder input as described below, thereby enabling your facility to decide which information to include in your public report based on relevance and priority.

We suggest facilities begin engagement efforts, as well as use the FRP Workbook, internally (i.e., with corporate managers, employees, those persons responsible for collecting data, etc.), and then discuss metrics and impact areas with external stakeholders such as communities, government regulators, labor unions, and environmental groups. These discussions should focus on the indicators and issues stakeholders think are important, as well as available data. Section 2B – *Engagement: Interacting with Stakeholders* – provides guidance on how to frame appropriate discussions. It is also suggested your facility solicit stakeholder input regarding plans for drafting, reviewing, and publishing your final report.

The **FRP Workbook** is a tool designed to help facilities:

- Rank stakeholder input for key metrics selection to include in a facility report;
- Determine the most pertinent indicators and issues to cover in a report; and
- Assess feasibility and challenges of the data collection process.

When using the FRP Workbook, facilities are prompted to discuss the following criteria for each possible metric that it might report on (drawing from the *FRP Guidance*):

- Accessibility to data
- Reporting is required by government regulation
- Accountability for data (i.e. who is responsible for data collection at your facility?)
- Stakeholder priority
- Availability of trend information (i.e. for how many years are data available and how frequently are data collected?)
- Goals for future performance (i.e. quantitative and qualitative goals for improvement)

To answer these questions, facilities fill in the electronic workbook with both qualitative comments and quantitative data (i.e. direct data if it is accessible). In this way, the FRP Workbook can serve as a repository for all information related to economic, social, or environmental performance. In addition, the workbook can function as an internal sorting system for performance data. Using the FRP Workbook in this manner may be beneficial, as many facilities do not have a single or integrated system for collecting and organizing performance information.

Based on information gathered and entered into the FRP Workbook, the tool sorts key performance indicators according to affirmative responses to any of the following prompts:

- Data are already being collected
- Data are required by government regulation
- Indicator is a high priority for stakeholders

- Data are ready to report externally

The final result of this exercise will yield a list of key performance indicators that have been prioritized from the information entered into the workbook. This list can be the starting point for your facility report. It will include prioritized metrics as well as all of the data and comments for each one of the metrics (such as specific stakeholder priorities, performance targets, qualitative goals, and comments). All of this information provides context and will be useful when writing your final facility report.¹⁴

¹⁴ Please contact the Facility Reporting Project staff if you are interested in more information about the FRP Workbook at holzman@ceres.org.

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Appendix

CASE STUDIES OF STAKEHOLDER ENGAGEMENT

Case Study 1: Identifying Stakeholders – Lockheed Martin, Manassas.....	App-2
Case Study 2: Planning a Stakeholder Engagement Meeting – New York Organic Fertilizer Company	App-5
Case Study 3: Holding a Stakeholder Engagement Meeting – New Hampshire Ball Bearings	App-8
Case Study 4: Using Stakeholder Input to Make Decisions about What to Include in a Sustainability Report – Ford Motor Company	App-11
Case Study 5: Sustaining Stakeholder Engagement Over Time – The Timberland Company.....	App-15

Case Study 1: Identifying Stakeholders – Lockheed Martin, Manassas

Introduction and Case Study Explanation

Lockheed Martin is a global enterprise engaged in the research, development, manufacture, and integration of advanced technology systems, products, and services. Lockheed's Manassas, VA facility is home to the company's Undersea and Homeland Security Systems, and serves the U.S. military and other international customers. The Manassas facility participated in Ceres' 2005-2006 Facility Reporting Project pilot test as one way to demonstrate its commitment to being a responsible and engaged member of the Manassas community. According to Denise Saiki, Vice President and General Manager of Lockheed Martin MS2 Undersea Systems, the facility is "committed to operating...responsibly, effectively and safely. We remain committed to being good neighbors in the communities in which we live and work."

The purpose of Lockheed Martin's activities profiled here was to identify all of its stakeholders as part of efforts to report information about the facility's operations and impact on the local community. Readers should note that identifying stakeholders is the first step in a comprehensive engagement strategy; this process enables the facility to gain an understanding of the impacts that community members care about most. To then ensure that this information has relevance to the affected community, stakeholder input should be incorporated into a facility's final decisions about which metrics and/or impacts to prioritize and include in their public report. Section 2A – *Planning: Identifying Stakeholders and Their Interests* – of the FRP Guide to Stakeholder Engagement provides additional information about identifying and prioritizing stakeholders in this process.

Identification and Mapping Details

As a starting point, the Lockheed Manassas facility ***gathered employees from several areas of its organization*** to identify groups inside and outside of the organization that it interacts with. Several of the employees tasked with ***internal stakeholder mapping*** participated in these different groups, making the process fairly easy because the group was purposely assembled to be ***representative of the different functions, departments and programs*** at the facility.

Once the different internal groups were identified, Lockheed Martin staff ***talked through the various ways that these groups interacted***. For example, Manassas employees are trained in the facility's environmental policy and ISO 14001 management systems, participate in Earth Day events, and receive internal newsletters. The group also ***determined the frequency at which these engagements occur***: annually, all employees receive environmental training and can take part in Earth Day events; internal newsletters are sent via email on a monthly basis.

Internally, it was relatively straightforward to ***determine which issues the different groups and/or employees cared about and/or prioritized***. Manassas staff members involved in this comprehensive reporting project were the colleagues and co-workers of the groups, which enabled them to easily ***ask questions about priorities*** as well as have an increased understanding about other employees' perspectives (possibly due to shared responsibilities). Most employees reported that the environmental issues related to their daily activities and

deliverables were of the highest priority, which is relatively common in internal stakeholder mapping exercises.

In addition to mapping internal stakeholders, Lockheed's Manassas facility **identified external stakeholders**, going through a similar process of first creating a list of all groups that the facility interacts with. Typically, external stakeholders include those groups that have interest in the facility's activities, products, and services, as well as other potential interested parties with whom the facility may wish to engage or believes should be involved in its reporting effort. For the Manassas facility, these groups included:

- Business associations, such as the Prince William County Greater Manassas Chamber of Commerce and Businesses of the Bay
- Organizations that utilize the facility's teleworking center
- Customers and suppliers
- Federal and State government to which the facility has regulatory responsibilities as well as participation in voluntary programs such as Performance Track and the Virginia Environmental Excellence Program
- Didd Lake, an organization that provides employment to people with disabilities and provides recycling services at the facility
- Various charitable agencies, including specific events like the facility's Project Thanksgiving
- Schools, such as the facility's Partnership Prince William program where employees tutor and mentor students
- Police and Fire Departments
- Community leaders such as the Manassas city council, mayor, city manager, local representatives who engage with the facility in community breakfasts, roundtables, and ceremonies

Once the initial list was created, Lockheed's employees went through a similar process of determining how frequently the facility interacts with these groups, for what purposes, and which issues the different groups might prioritize. It is important to mention that **estimating stakeholder priorities should not be a substitute for actually engaging** those external parties to gather their input directly. However, this **estimation process is useful for a facility looking to ensure the stakeholders it engages fit the following criteria:**

- Have *influence* or decision-making power
- *Interact most often* with the facility
- *Depend on the facility's* operations and activities economically
- *On which the facility depends* for its day-to-day operations
- Can *legitimately claim to represent a constituency*, including the environment, children, future generations.
- Are groups to whom the facility has legal, financial and operational *responsibilities*
- Are the intended audience of the facility's *policies and value statements*

For Lockheed Martin, this evaluation process was an important next step to **ensure that selected stakeholders would be seen as credible** before the facility actively engaged them. Overall, Lockheed Martin's identification and mapping process **prepared the facility well for**

soliciting stakeholder feedback from these external groups when deciding what to include in its facility report.¹⁵

Final Outcome of Stakeholder Identification Process

One of the most exciting results of the Manassas facility's identification and mapping experience came from employees' collaboration and information sharing. This exercise brought together employees that did not usually interact in their daily jobs; by talking about the different external groups that each department engaged with, Lockheed Martin Manassas learned that not everyone was working with the same stakeholders or aware that some of the activities were even taking place. As a result, the facility's Communications and Public Affairs department decided to create a first-ever stakeholder database. This new resource is now available to any employee that is looking to evaluate or plan activities in the community. It also serves as an important resource for the entire Manassas facility, especially because the facility is now focusing its engagement opportunities in key areas such as education, community outreach, and customer relations. As Jack Papp, Manager of Communication and Public Affairs, said, "At Lockheed Martin, we're committed to community involvement, because we believe that giving back is the very best way forward. We're not just in our community, we're a part of it."

As a result of the creation of a stakeholder database, Lockheed Martin decided to produce a *Report to the Community* to ensure stakeholders have an accurate understanding of the facility's programs, priorities, and contributions. This *Report to the Community* is a complement to Lockheed Martin's *2005 Environmental, Safety, and Health Performance Report*, which incorporated the facility's community outreach in its determination of key impacts. Lockheed Martin's report was published in June 2007; a link to the document is available at www.ceres.org/sustreporting/frp.php.

¹⁵ Once stakeholders have been identified and prioritized, facilities should reach out to them to learn their different issues of concern and priorities. Different methodologies for engaging stakeholder groups include surveys, interviews, and face-to-face meetings. Sections 2B, 2C, and 2D of the FRP Guide to Stakeholder Engagement provide more information about how to structure and hold stakeholder engagements, incorporate stakeholder input into facility decision-making, and evaluate the effectiveness of engagement activities.

Case Study 2: Planning a Stakeholder Engagement Meeting – New York Organic Fertilizer Company

Introduction and Case Study Explanation

The New York Organic Fertilizer Company (NYOFCo) is responsible for properly managing sanitary sewage sludge for the City of New York. The facility is located in the Bronx, New York and transforms biosolids into fertilizer pellets. NYOFCo was a participant in Ceres' 2005-2006 Facility Reporting Project pilot test, and is also one of the largest facilities of its kind in the country. As a facility that provides a necessary service for the City of New York's 1.8 billion gallons of sewage (daily), and also as a facility that has had strained relations with the South Bronx community at times, NYOFCo is committed to maintaining and improving its stakeholder relationships. "Our goals in engaging with the community include open communication, fostering trust, sharing information, and obtaining feedback from the community to help us perform better," reports John Kopec, General Manager at NYOFCo.

NYOFCo's process of planning stakeholder meetings is profiled here as an example of how a facility might organize and productively hold meetings with several stakeholder groups. NYOFCo engaged local stakeholders from the very beginning of its sustainability reporting process and invited stakeholders to participate in a series of meetings that focused on the facility's key impacts on the community. Readers should note that the planning process outlined in Section 2B – *Engagement: Interacting with Stakeholders* – of the FRP Guide to Stakeholder Engagement is applicable to stakeholder engagement that can take place at any point during the reporting process as well as for purposes outside of a reporting context.

Rationale for Engaging Stakeholders

NYOFCo began its public reporting process at the request of shareholders of its parent company, Syngro Technologies, in an effort to build trust, accountability, and commitments for positive change. Both the company and community stakeholders, coordinated by Sustainable South Bronx (a local nonprofit focused on environmental justice), agreed on the importance of creating productive means by which to discuss impacts and incidents in and around the facility. Prior to 2006, NYOFCo had relationships and several engagements with the local community. However, NYOFCo wanted to use an organized process that could help promote productive dialogue with certain stakeholder groups who viewed NYOFCo "in a negative light because, for some, odors... were seen as synonymous [with the facility]" or who felt the facility was unresponsive to their concerns. In October 2006, NYOFCo held the first of five community meetings, all of which were facilitated by Ceres. The case study here describes the process that NYOFCo employed, with the help of its partners, to plan each meeting.

Meeting Planning Details

NYOFCo relied on Sustainable South Bronx (SSB) as a leader in the community to help **identify and invite stakeholders** to its series of public meetings. The invitees were selected based on their previous engagements with the company or based on their status as constituencies affected by NYOFCo's operations. Participating stakeholders included local

community members such as residents, schools, and community development corporations; faith-based investors and shareholders who held shares in NYOFCo's parent company; government affiliates such as representatives from local Congressional, borough, and environmental protection offices; and company employees and management representatives. Early in the process, NYOFCo **prepared and agreed with its stakeholders on ground rules for participation**. These ground rules were reviewed and confirmed at the start of every engagement.

As a partner committed to ensuring the stakeholder meetings were well attended, SSB was put in charge of **conducting outreach**.¹⁶ SSB sent stakeholders reminders and distributed materials for review via email and phone calls. SSB also encouraged stakeholders to come prepared to the meeting to discuss materials and key concerns, sometimes specifically reviewing key points that the community wanted to emphasize.

NYOFCo and its stakeholders agreed that each meeting would focus on a particular impact area (such as the general operations of the facility, odor, and public health), to **ensure the company and stakeholders systematically discussed each issue**. While many impact areas related to one another, this separation allowed NYOFCo and its partners to **prepare an agenda** for each meeting, including the following components:

1. Welcome
2. NYOFCo presents an overview of the specified impacts
3. Stakeholders present an overview of how these impacts were felt in and by the community
4. Structured Question and Answer session- designed to clarify or flesh out specific details and possibly focus on proposed solutions or improved communication of such issues
5. Next steps

In preparation for all meetings, NYOFCo **drafted and distributed materials for stakeholders to review in advance**. This process allowed the company to organize its data, context, and overall discussion points for the meeting. In turn, stakeholders were able to review the company's priorities and prepare their remarks for the meeting accordingly.

NYOFCo's final step in planning its stakeholder meetings was to **organize and confirm specific employees' attendance**. This enabled the facility to be prepared to answer stakeholder questions and/or respond to requests for more information about the facility's performance in that specific area.

*[Note to the reader: The process that facilities should undertake to **hold** a meeting is outlined in section 2B of the FRP Guide to Stakeholder Engagement. Please also see Case study 3, which features New Hampshire Ball Bearings' successful convening of a stakeholder meeting for a specific example.]*

At the end of each meeting, NYOFCo (along with its partners Ceres and SSB) **evaluated the meeting's effectiveness**. In each instance, NYOFCo had successfully hosted a forum for stakeholders to voice their concerns and provide suggestions on how to improve the facility's community impacts. NYOFCo also used these meetings as a way to ensure the facility report reflected stakeholder input. "During the meetings, everyone had a chance to speak and everyone listened to other points of view," says Kopec. "I am optimistic that this [process of

¹⁶ In potentially volatile situations, it is sometimes helpful to have a neutral third party communicate with stakeholders.

creating a] Facility Report, prepared with input from the community, will help us achieve our goals [of improved communication and performance].”

Final Outcome of Engagement and Steps Taken in Planning Process

Continuing its commitment to give stakeholders input, NYOFCo agreed to let community stakeholders publish an unedited letter in the company’s facility report. This letter directly conveys stakeholders’ satisfaction with the organization and implementation of community meetings, and proposes performance and communications improvements for the future. The letter can be found in NYOFCo’s facility report, which will be published by December 2007 and will be available at www.ceres.org/sustreporting/frp.php.

In addition to completing the report, NYOFCo agreed to create an action plan with community stakeholders to address the following outstanding community concerns: requesting the City make more routine and systematic sludge deliveries (to ensure operational efficiency); implementing a formal procedure for monitoring and changing truck tarps (to better control odors); requesting the implementation of an improved odor complaint and monitoring process (so the community could obtain better information and responses); and other items. Together, the community and company can work more effectively toward resolving these long-term issues; their collaboration will also enable them to more powerfully advocate for other decision-makers’ involvement. The commitment to collaborate is a great accomplishment for both the community and the facility: “From our initial meeting with community members, an open dialogue was established, and subsequent meetings have resulted in meaningful progress, including an action plan for improvement,” says Kopec. From this process, “participants came away with an increased awareness that we don’t live in a perfect world, but we can co-exist peacefully in the same neighborhood.”

NYOFCo has decided to continue its structured stakeholder engagements after the facility report is published. A new set of meetings will commence in late 2007, and the facility intends to use the same organization and planning tools to ensure future dialogues are equally productive.

Case Study 3: Holding a Stakeholder Engagement Meeting – New Hampshire Ball Bearings

Introduction and Case Study Explanation

New Hampshire Ball Bearings (NHBB) is one of the world's leading manufacturers of precision bearings and bearing products. The company has three facilities in New Hampshire and California, together employing more than 1200 people. NHBB's HiTech Division in Peterborough, NH participated in Ceres' 2005-2006 Facility Reporting Project pilot test. As one of the largest employers in Peterborough, NHBB HiTech greatly values the many community relationships that had been built over the facility's 60-year history. Public reporting and stakeholder engagement are seen as "an extension of our core value of social responsibility," reports Patti Carrier, Environmental/ Facilities Manager in Peterborough.

The purpose of the NHBB stakeholder meeting profiled here was to review the facility's draft sustainability report, which occurred at the tail end of NHBB's reporting and stakeholder engagement process. Readers should note that the process outlined in Section 2B – *Engagement: Interacting with Stakeholders* – of the FRP Guide to Stakeholder Engagement gives guidance for holding any type of stakeholder engagement meeting, whether it be a first-time meeting or a meeting that matches other milestones in a facility's long-term reporting and/or specific engagement process.

Rationale for Engaging Stakeholders

NHBB incorporated stakeholder input into their report planning process by gathering feedback from key stakeholders about environmental and social impacts of the facility that mattered most to them. NHBB identified and engaged stakeholders including employees, corporate management, representatives from local, state and regional government, environmental groups, local business associations, customers, and suppliers. Once NHBB produced a draft of its sustainability report, these stakeholders were invited to participate in a two-hour meeting to review and comment on the report content before it was finalized.¹⁷ This meeting was held in June 2006 and NHBB asked Ceres to serve as a facilitator.

Meeting Details

Chris Rawnsley, representing NHBB's corporate organization, and Patti Carrier welcomed stakeholders to the meeting and shared their **objectives and rationale for producing a public sustainability report**. "We put this report together trying to consider all of our local connections as well as business needs, including our employees," Rawnsley said. NHBB staff also conveyed their interest in utilizing the reporting and stakeholder engagement process as "a great risk management tool" that could help create business value, drive cost savings, and market the company to a talented labor pool, hopefully improving staff retention.

¹⁷ Ceres suggests confidential report reviews as an integral part of any iterative stakeholder engagement and reporting process.

In turn, stakeholders asked NHBB to clarify the process the facility went through for selecting stakeholders, as well as selecting data to ultimately include in the report. NHBB was happy to share this information as a way to **ensure all meeting participants had the same starting point for understanding the content of the report**. As such, NHBB outlined their process as the following steps:

- Identified and solicited input from employees, regulators, and others who have an interest in the company, such as environmental groups.
- Selected indicators based on relevance to these particular stakeholders. In some cases, NHBB was able to solicit input in advance of metric selection decisions, but in some cases they also made estimations. Going forward, NHBB plans to obtain feedback on an ongoing basis (including via this report review meeting) to inform metric selection.
- Ensured data could be audited— from the payroll system, purchasing system, and water and electric meters. This verification is an important part of demonstrating data and performance reliability and credibility.

Prior to the meeting, stakeholders had been asked to **review the content of the draft facility report** in order to focus discussion on comments and suggested improvements. This also reduced the time necessary for the meeting itself, and ensured that all the meeting's participants came into the room with similar knowledge about the facility's activities and impacts. Because the report had not yet been published, stakeholders and NHBB **agreed to treat company information and stakeholder comments as confidential**.¹⁸

Meeting participants were first asked to give **high-level comments on NHBB's report**, as a way to help the facility's managers prioritize key areas for improvement. On the whole, NHBB's stakeholders commended the facility for undertaking this effort and noted that the report was very readable and concise. Suggested improvements included:

- Clarifying the intended audience for the report
- Providing more information about the facility's comprehensive environmental footprint
- Including more details about the facility's compliance status
- Including more details about cost-savings achieved from environmental improvements
- Outlining the next steps in NHBB's stakeholder engagement process once the report was published.
- Creating a way for report readers to engage the facility with additional questions or comments, to ensure continued dialogue

Afterwards, **NHBB and stakeholders reviewed each section of the report together**—ensuring stakeholders could ask questions about specific data, characterizations and overall facility operations. This **open, Q&A format** ensured that the stakeholders felt heard and allowed NHBB to respond or provide clarity as needed.

At the conclusion of the meeting, NHBB and stakeholders discussed **next steps for engagement and the process by which the facility planned to review and respond to feedback**. NHBB confirmed the timeline for report publication, determined specific issues on which they would follow up with individual stakeholders, and invited stakeholders to review a revised report draft prior to publication.

¹⁸ This confidentiality was agreed upon when stakeholders were invited to the meeting and was based on the trusting relationship that had been developed during prior engagements. Stakeholders were not asked to sign non-disclosure agreements.

Final Outcome of Engagement

Both NHBB and its stakeholders found this process to be a valuable engagement that enhanced the facility's relationship with local stakeholders, and also ensured the final report included input from stakeholders that are most affected by NHBB's operations. The NHBB HiTech sustainability report was published in December 2006 and is available at http://www.nhbb.com/about/press/01_09_07.htm. Stakeholders were pleased to see that the facility responded to many of the suggested edits and changes discussed at the stakeholder meeting.

Carrier notes that stakeholders provided great input during the meeting. This feedback was an integral part of ensuring the report was relevant, understandable, and meaningful. "A rigorous criticism of work product is of benefit to all of us who are embarking on this type of report for the first time," she says.

After NHBB HiTech's report was published, both its U.S. sister facilities and Japanese corporate parent took an active interest in the facility's reporting and stakeholder engagement experience. As a result, all three NHBB facilities will produce sustainability reports and engage local community members in 2007 and 2008. This work will ultimately roll up to NHBB's first comprehensive North American corporate-level report, an effort that will help the company reduce risks associated with environmental and social performance and also further demonstrate the relationship between corporate and local-level operations, management, and performance improvements to stakeholders.

Case Study 4: Using Stakeholder Input to Make Decisions about What to Include in a Sustainability Report – Ford Motor Company

Introduction and Case Study Explanation

Ford Motor Company is one of the world's largest producers of cars and trucks and one of the largest providers of automotive financial services. The company employs more than 280,000 people at 271 facilities in manufacturing, distribution, engineering, research/ development, and sales. Ford considers external reporting to be a fundamental part of accountability. According to John Viera, Director, Sustainable Business Strategies, "Maintaining quality relationships with our employees, customers, suppliers, dealers and society at large is not just the right thing to do, it is an important part of our ability to meet our goals and build a strong business."

Ford's approach to analyzing material impacts is profiled here to illustrate the key role of stakeholder engagement in determining material issues and priorities. While this case study illustrates how a company has prioritized key issues and incorporated stakeholder feedback into its corporate-level sustainability reporting efforts, this example is also relevant for local level stakeholder engagement and reporting processes. Readers should note that the process outlined in Section 2C – *Making Decisions: Using Stakeholder Input to Determine Report Content and Methodology* – of the FRP Guide to Stakeholder Engagement gives specific guidance about how organizations can make decisions about what to include in a comprehensive report using stakeholder input.

Rationale For Engaging Stakeholders

Ford has produced a Corporate Citizenship Report since 1999, and in 2004 moved to sustainability reporting in an effort to reflect the evolution of the company's sustainability strategy. For several years, Ford has relied on Ceres to convene a group of external stakeholders to provide input on which issues the company should prioritize, which in turn has informed Ford's determination of what to include in its sustainability report. These stakeholders include investors, customers, suppliers, employees, academicians, environmental groups, community groups and peer companies with expertise in sustainability issues and/or sustainability reporting.

An important part of Ford's reporting strategy has been the development of a process to define "materiality" as it pertains to sustainability, and to identify and prioritize specific material issues. Working with Ceres, Buzzword, an independent writer and consultant, and SustainAbility,¹⁹ an independent think tank and strategy consultancy, Ford formalized its approach to stakeholder engagement and materiality for the creation of its 2004/5 report. Ford repeated a similar yet improved process for the creation of its 2005/6 report.

¹⁹ More information about SustainAbility can be found at www.sustainability.com.

Details of Materiality Analysis

Ford followed a three-step process to identify and prioritize specific material issues,²⁰ beginning with the **identification (and review) of material business issues**. For 2006/7, Ford developed a list of more than 500 issues, grouped into 15 topics, by reviewing internal company documents on policy and strategy, as well as comments from employees, dealers and major external stakeholders such as customers, communities, suppliers, investors and NGOs. Ford also incorporated information from the GRI G3 Guidelines, summaries of previous stakeholder engagement sessions, and feedback from socially responsible and mainstream investors. The company found that many, although not all, of the issues identified appeared on lists created by Ford as well as the larger stakeholder group.

To **determine which issues should be prioritized**, Ford evaluated stakeholder feedback by noting the frequency with which issues were raised and also by rating each issue as low, moderate or high based on (1) current or potential impact on the Company in a three- to five-year timeframe, (2) degree of concern to stakeholders (by stakeholder group) and (3) Ford's degree of control over the issue. To arrive at ratings for each issue, the company computed the average scores for input given by internal stakeholders as well as external feedback. Ford gave extra weight to input provided by investors and via multi-stakeholder forums, as the company had already determined that these stakeholders are key audiences for its sustainability report.²¹

These issues and ratings were then plotted on a "materiality matrix," shown in Figure 5 on the following page. The horizontal axis of the matrix represents the issues with current or potential impact on Ford, and the vertical axis represents the issue's level of concern to stakeholders. Thus, issues in the top right corner represent issues that are highly important for both Ford and stakeholders, and are considered to be the most material by Ford. None of the issues were viewed as unimportant; the positions on the matrix represent Ford's understanding of relative importance.

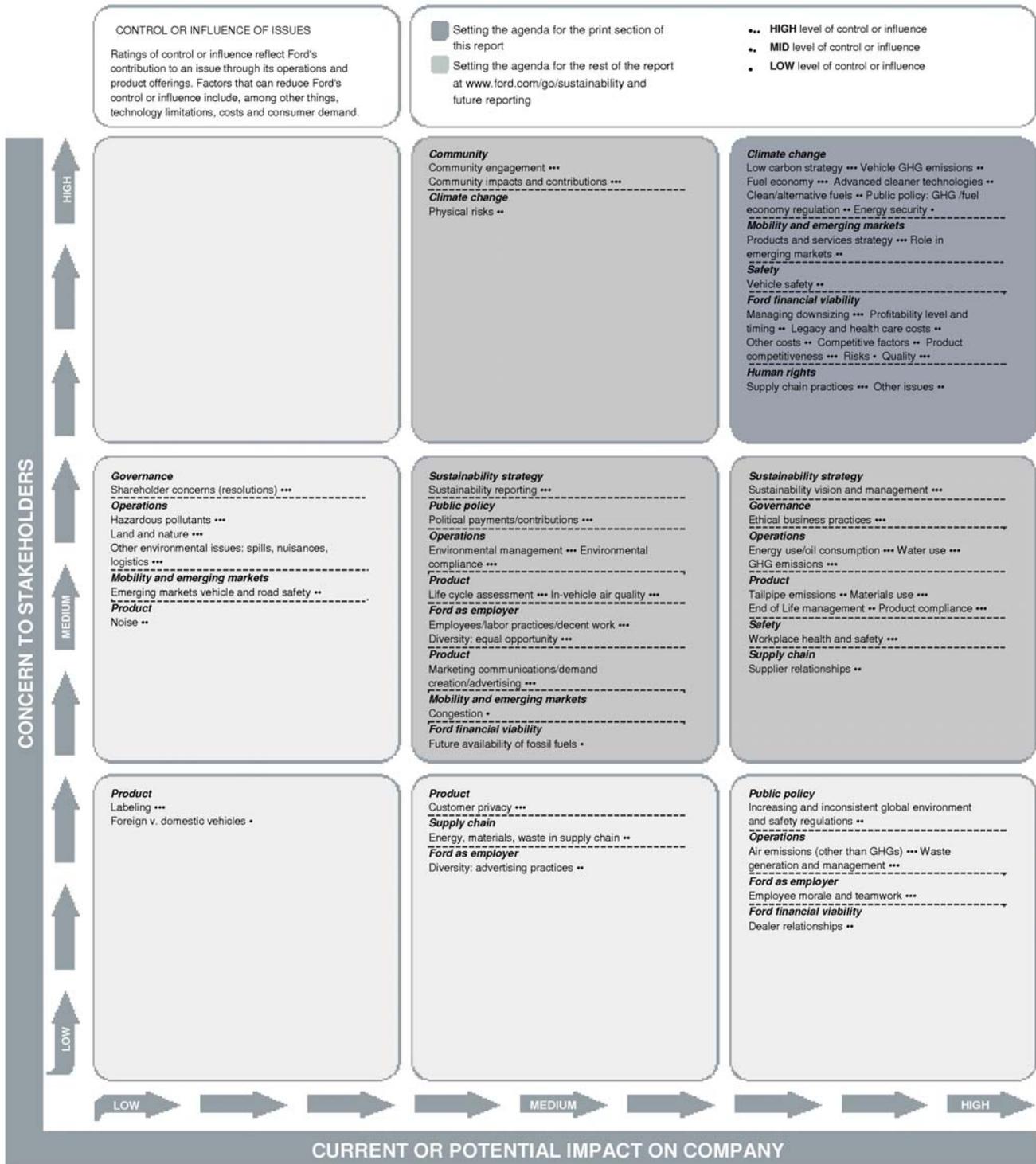
To **evaluate potentially competing priorities**, Ford reviewed the draft matrix and revised rankings based on input gathered at an internal workshop of Ford employees representing a variety of functions and geographic regions. Next, in a process facilitated by SustainAbility, the matrix was reviewed and revised again by Ceres-convened stakeholders, including representatives of environmental NGOs and socially responsible investment organizations. Stakeholders considered coverage of sustainability performance and key impacts, including goals, targets, systems, data, and initiatives. Ford **made its decisions about what to include in its final sustainability report** based on these internal and external stakeholder groups' review of the matrix. As a result, the company has created a usable and relevant report about its sustainability performance, challenges, and opportunities.

²⁰ In the context of sustainability, Ford defines material issues as issues that have significant current or potential impact on the company, issues that are of significant concern to stakeholders, and issues over which Ford has a reasonable degree of control.

²¹ For more details about Ford's materiality analysis and how specific stakeholder concerns were evaluated, please see its 2004/5 Sustainability Report at http://www.ford.com/doc/2004-05_sustainability_report.pdf and its 2006/7 Sustainability Report at <http://www.ford.com/aboutford/microsites/sustainability-report-2006-07/default.htm>.

Figure 5:

FORD MOTOR COMPANY MATERIALITY MATRIX



Application of Stakeholder Engagement and Materiality Process at the Local Level

Ford performed its materiality analysis for the corporation as a whole. Accordingly, some of the material issues are primarily corporate issues by nature, such as, governance, public policy, products and services strategy, and the company's emerging markets strategy. However, many material issues are also relevant on the facility-level, such as greenhouse gas emissions, energy use, water use, workplace health & safety, and community engagement.

Ford has committed to developing a strategy to minimize negative effects and build positive relations by understanding the impact its operations have on the communities where it operates. As such, the Auto Alliance International (AAI) facility, a joint venture between Ford and Mazda Motor Corporation in Flatrock, Michigan, participated in a stakeholder engagement and sustainability reporting initiative in 2005. This initiative complemented both Ford and Mazda's corporate-level sustainability reporting efforts.

Similar to Ford's materiality analysis, the AAI facility also prioritized and incorporated stakeholder input when determining which issues to report to the community.²² In this process, the AAI plant management reached out to representatives of the United Auto Workers, human resources, public affairs, communications, operations, and community relations to form a team that "was charged with leading the development and maintenance of community relationships... to ensure these efforts add value."²³

The team gathered feedback from local community organizations, which enabled this multi-stakeholder group to prioritize key impacts and partnership opportunities for the future. As a result, the AAI team and community leaders *together* constructed a shared vision of AAI's contribution to the community that focuses on environmental stewardship, educational initiatives and community growth,²⁴ which were all areas that local stakeholders identified as priorities.

AAI's stakeholder engagement initiatives have provided the facility with access to new sources of information, access to new potential markets, and more effective and targeted use of resources. AAI believes that its reputation in local communities has improved as well. "We remain in the early stages of formal community impact assessment and engagement, but the initiative is already strengthening relationships," says Dave Berdish, Manager, Social Responsibility at Ford's corporate headquarters. "We believe we are helping to develop stronger communities in which to do business." It's clear that the process that the AAI facility went through matches Ford Motor Company's corporate-level materiality analysis. Together, these two examples demonstrate the importance of a company's accountability, transparency, and stakeholder inclusiveness in assessing and improving upon the impacts where it operates.

²² More detailed information about how the AAI facility gathered information about the relationships it has with the communities it effects is available in AAI's community report, available at www.ford.com/.../microsites/sustainability-report-2006-7/documents/AAI_connecting%20with%20downriver.pdf.

²³ According to the AAI facility report, p. 2.

²⁴ Ibid.

Case Study 5: Sustaining Stakeholder Engagement Over Time – The Timberland Company

Introduction and Case Study Explanation

Timberland is a global leader in the apparel and footwear industry that has a long history of, and commitment to, corporate social responsibility. Timberland has engaged stakeholders in its corporate-level sustainability reporting process for many years. The company's Recreation Footwear Company, DBO (RFC) in the Dominican Republic participated in Ceres' Facility Reporting Project pilot test in 2005-2006. As the only owned factory in Timberland's supply chain, the RFC employs over 2,000 people who produce approximately 3 million pairs of boots and shoes annually. The RFC was a natural fit for exploring the company's impact on its surrounding community and environment; according to Dave Warren, VP General Manager of the RFC, Timberland planned to use the reporting process "as a platform to develop a cohesive strategy for stakeholder engagement in the Dominican Republic."

The purpose of Timberland's activities profiled here was to develop a lasting stakeholder engagement strategy that would enable the company to build better stakeholder relationships and focus on environmental, social, and economic performance gains in a community where it has a high level of impact. Readers should note that stakeholder engagement activities are designed to develop trust between the organization and its stakeholders as well as be an iterative process that creates continued dialogue over time. Section 2D of the FRP Guide to Stakeholder Engagement – *Evaluation: Determining the Effectiveness of Stakeholder Engagement Processes* – provides additional information about key criteria for successful engagement, including a company's capacity to build and sustain relationships.

Rationale for Engaging Stakeholders

Timberland began its facility reporting process with the desire to create a dialogue with local stakeholders so the company could better understand community issues and include their voices in the development of a sustainability agenda for the RFC. The facility first engaged RFC employees and Timberland corporate stakeholders to identify priority issues to include in its facility report. Timberland published the RFC sustainability report in November 2006, and it was the first local-level sustainability report in the apparel and footwear industry. The RFC's report is available online at www.timberland.com/csreport and in print form. It was widely distributed in the Santiago community and specifically published in both Spanish and English to ensure accessibility of all local community members, including residents, employees, nonprofits, government officials, universities, and other businesses.

Using the RFC's first report as a baseline assessment of the local impacts, as well as a platform designed to communicate the facility's footprint, Timberland then engaged external stakeholders in the Santiago, Dominican Republic community. While it is recommended that external stakeholders engage with a facility throughout the reporting process, many facilities undergoing this process for the first time (like the RFC) focus their limited resources on internal stakeholders first. This approach is most credible when a facility states its plans and timeline for also engaging external groups.

Setting the Stage for Sustained Engagement

In November 2006, the RFC hosted a stakeholder meeting to develop a deeper understanding of community needs in and around the facility. The sustainability report was used as an invitation for action and also guided the meeting's discussion topics. Timberland asked CIPAF, a Santo Domingo-based nonprofit organization, to facilitate the event. Although planned for 40 participants, approximately 80 community members, local nonprofits, employees, government officials, universities, and other businesses came to the meeting. The large turnout was an early indicator of stakeholders' willingness to engage; it also set the stage for the company to **create a process that would be valued by stakeholders in order to encourage their continued participation.**

At the meeting, RFC managers presented information that they felt represented the facility's key impacts on the local community. In group discussion, breakout sessions, and one-on-one conversations, stakeholder participants discussed whether these issues reflected community concerns, and also brought up new issues that were important to the community such as wages, break time for workers, and improvement of local green spaces. This **two-way dialogue created an opportunity for the RFC and stakeholders to work together to create an action plan.** One specific action the RFC focused on was creating new activities for employees to take advantage of as part of Timberland's Community Service program. Although this program enables all Timberland employees to spend up to 40 hours volunteering in the community annually, the RFC had not successfully met its goals for community service participation in recent years.

To ensure this plan would be successful, Timberland **evaluated its goals** for increasing the number of employees participating in community service activities and **committed to measuring the RFC's performance** against social and environmental results that the RFC and its stakeholders identified. The RFC also committed to continue its stakeholder engagement efforts by **reporting the results** of this program, as well as the facility's future environmental and social performance (such as those areas featured in the RFC sustainability report), **back to the community.** This strategy set the stage for the company to create target metrics for success as well as a community management structure that has local ownership and corporate oversight. Accordingly, in August 2007, Timberland published an update of the RFC's 2006 activities and performance in its corporate-level CSR report, also available at www.timberland.com/csrreport. Regular performance reporting is one way that a facility can continue to inform, update and be accountable to its local community stakeholders.

As of October 2007, Timberland was in the process of **determining next steps for continued stakeholder engagement** and further rollout of this strategy in the Dominican Republic. The company believes the RFC's sustained stakeholder engagement activities could be a model process for other facilities in its contract supply chain. "The facility-level CSR report and stakeholder dialogue have deepened our roots as a partner, employer, and community member," says Alex Hausman, CSR reporting manager at Timberland's corporate headquarters. "The information we've gained will guide a newly formed coalition of stakeholders as they address the priorities of the Santiago community and create strategies to decrease our environmental footprint. The continuous process of evaluation, dialogue, engagement, action and measurement will serve as a model in communities worldwide."

Outcome of Engagement

Sustained stakeholder engagement is one tool that a facility can employ to help reduce risks associated with environmental and social performance, identify cost savings opportunities, increase employee understanding, and enhance community relationships. According to Dave Warren, "The exercise of collecting and analyzing information about our effect on the environment, our communities, and our workers has helped me gain a better understanding of our footprint as an organization. It is with this information, and the feedback received from stakeholders, that I will work to reduce our footprint and further integrate our organization into the community."

One of the priorities that RFC stakeholders confirmed was the need to reduce excessive working hours. Timberland also saw this improvement as a necessary step towards integrating the organization into the community in a positive manner. In 2005, Timberland's auditors cited the RFC with an Immediate Action for surpassing limits regarding working hours.²⁵ In 2006, the RFC sought to solve this problem by implementing a weekly monitoring process for employees' work hours, which ultimately resulted in a drastic reduction of overtime incidents.²⁶ Additionally, by creating a system that helps factory employees *not* work excessive hours, the RFC is now in a better position to implement its community service program. Hausman says this is another tangible deliverable: "We can now use a new understanding of the community to develop a suite of service events that the RFC can deploy on short notice during slow downs in production,"²⁷ he says. Accordingly, the RFC saw a 48% increase of hours served in the community from 2005 to 2006. This result further demonstrates how companies that sustain engagement over time can positively contribute to community improvements-- both inside and outside of the factory.

²⁵ Timberland assigns "Immediate Action" status to high priority human rights violations found in the process of assessing its factories' social and environmental performance. An Immediate Action (IA) designation calls attention to the severity of the situation and also requires immediate commitment from factory management to cease/ desist such practices. In 2005 and 2006, working hours were one of the top three IAs found in factories that produce Timberland products.

²⁶ More details about this how this improvement plan resulted in such a dramatic decrease of overtime incidents is available in Timberland's 2006 CSR report Appendix, available at www.timberland.com/csrreport.

²⁷ In a factory where production dictates shift duration and (at times) unforeseen changes in hours, it is often difficult to plan and implement programs where employees can take advantage of paid volunteer time offered by the company. In addition to creating a better system for controlling working hours, Timberland has created specific volunteer programs that factory workers can utilize during appropriate time and schedule availability (as compared to programs created for other types of employees based on their time and schedule availability).