

Meaningful stakeholder dialogue Identifying your stakeholders





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This tool is part of a collection of resources, including tools, knowledge documents, and training, designed to help companies prepare and conduct <u>meaningful dialogues</u> with their stakeholders. Meaningful stakeholder engagement is fundamental for (International) Responsible Business Conduct (IRBC) and is reflected in <u>all steps of the due diligence process</u> as included in the OECD guidelines.

Goal

Companies often interact with a wide range of stakeholders. Before determining whom to engage in dialogue with, it is crucial to first identify who your stakeholders are. This tool guides you through a six-step process to help you identify, classify, and analyse your stakeholders. You will learn how to effectively reach out to them, determine whom to engage in conversations, and ensure that they are both willing and able to engage in dialogue with you. Each step provides detailed guidance to help you navigate the process.

Steps

Step 1: Map your stakeholders

Step 2: Analyse your stakeholders

Step 3: Determine how you can reach your stakeholders

Step 4: Select the right stakeholders to engage with

Step 5: Select the right individuals for dialogue

Step 6: Enhance the likelihood that stakeholders will engage in dialogue

Click on (i) for further information.



Step 1 | Map your stakeholders

In this step you will work on the following:

□ Map your internal and external stakeholders

□ Identify your (affected) stakeholders in relation to international responsible business conduct

Stakeholders are individuals or groups whose interests are directly or indirectly affected by your company's activities, or who have the ability to influence your company. These stakeholders can be either internal or external to your organisation. Start by listing all the stakeholders associated with your company. You can start by reviewing existing relationships with colleagues from different departments. Additionally, consult reports from other companies in your industry to identify stakeholders they have recognised. This can help ensure you do not overlook any important groups. Next is to group the stakeholders into internal and external stakeholders.

Examples of internal stakeholders

Employees, management team, Works Council, shareholders, Supervisory Board.

Examples of external stakeholders

Customers, consumers, suppliers, financial institutions, investors, distributors, competitors, local residents, workers in the supply chain, indigenous peoples, national/local governments, knowledge institutions, trade unions, NGOs, industry organisations, business networks, media.

Identify your (affected) stakeholders in relation to international responsible business conduct

Based on your stakeholder list, identify the stakeholders that are relevant to responsible business conduct in the areas of environment, social and/or governance (ESG). The ESG areas are central to (European) legislation on international responsible business conduct (IRBC).

To effectively practice IRBC, it is crucial to have a thorough understanding of the potential risks your business operations pose to people, the environment, and nature within your value chain. This includes both the prevention and mitigation of any negative impacts. Focus on identifying the people and groups whose rights or interests are (potentially) negatively or positively affected by your company's activities – these are your (potentially) affected stakeholders.

Examples are workers in your supply chain and local communities living near production sites, but also 'stakeholders without a voice' such as the environment, nature and future generations. Usually these stakeholders are not or hardly in a position to influence your company. To identify these stakeholders, it is necessary to have a thorough understanding of your supply chain with a focus on the risks of negative impacts on people and the environment, rather than just the risks to your company (see Figure 1).

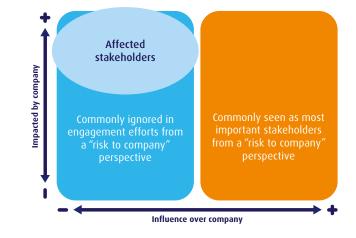


Figure 1 – Identifying stakeholders in relation to international responsible business conduct (source: Shift Project)

If it is difficult to identify (affected) stakeholder groups, you can ask those stakeholders you have identified which other stakeholders they recommend should be focused on as well. This way you use the network of your stakeholders to get closer to the core, i.e. the affected stakeholders.



Step 2 | Analyse your stakeholders

In this step you will work on the following:
□ Map out specific aspects for each stakeholder (group)
□ Analyse the relationship with each stakeholder (group)

Once you have identified your stakeholder groups, the next step is to analyse these stakeholders and their relationships with your company in more detail. This process may take some time, so start by establishing a solid basic analysis as outlined below, which you can always expand later.

To effectively analyse your stakeholders, examine the following aspects for each stakeholder or stakeholder group. If you are unfamiliar with the details of a specific relationship or if there are any issues at play, consult relevant colleagues. For example, you might reach out to the purchasing department for information about relationships with suppliers, or the finance department for insights on relationships with investors.

Specific aspects	Relational aspects	
What are the stakeholder's general interests, and what do they need? (Interests and needs can be determined by understanding why something is important to the stakeholder or what they require.) (i)	What (relevant) experiences has your company had with this stakeholder?	
What (expected) impact does your company have on the stakeholder what impact does the stakeholder have on your company?	How would you characterise the relationship with this stakeholder? (e.g., direct/indirect, personal/business, trusted/distrustful) (i)	
What relevant knowledge and/or experiences does the stakeholder have in relation to IRBC?	What is the stakeholder's attitude toward your company? (e.g. constructive, activist, critical)? (i)	
What are the stakeholder's expectations of your company regarding IRBC?		
Appendix 1 contains a detailed example of how to apply the above aspects to analyse three		

Appendix 1 contains a detailed example of how to apply the above aspects to analyse three different stakeholders.

Mapping all your stakeholders

Including groups or individuals on your stakeholder list with whom you do not maintain regular contact can feel challenging. This may be because you are not yet familiar with them, or because they might be more critical or hold perspectives that differ from your expectations or current policies. However, to truly enhance your knowledge and increase your chances of making a positive impact, it is essential to involve stakeholders you might not normally consult but who have the ability to identify key risks.

Incorporating these stakeholders not only broadens your understanding of potential issues but also strengthens your credibility with all stakeholders involved. By engaging with a wider array of perspectives, you demonstrate a genuine commitment to comprehensive corporate responsibility and transparency.



Step 3 | Determine how to reach your stakeholders

In this step you will work on the following:

 Identifying how to maintain or establish contact with each stakeholder (group)

After analysing your relationships with stakeholders, the next step is to consider how you can effectively reach them. The approach will vary depending on the specific stakeholder, and certain preconditions must be met to facilitate a meaningful dialogue. It is important to note that simply reaching out does not equate to establishing contact – building a relationship with the stakeholder or enhancing relationships with other stakeholders may be necessary to set up a productive dialogue. You can learn more about this in step 6 of this tool and in the tools 'Promoting stakeholder commitment' and 'Building trust.' Below are ways to reach different stakeholder groups.

Workers in the supply chain

You can reach this group of stakeholders through your suppliers, purchasing offices or local compliance and quality teams, who interact with workers daily.

Typically, as a purchasing company, you do not directly engage with workers. Instead, you utilise methods that promote meaningful dialogue, considering the barriers workers may face in speaking out. You can read more information about this in the <u>knowledge document</u> 'Listening to workers in the supply chain'. In this document you can read how to collect insights and experiences from workers in collaboration with other parties or systems, namely:

- 1. Through a trade union or other employee representative body (i)
- 2. Through an NGO, local network or third party (i)
- 3. Through a grievance mechanism
- 4. Through a technological tool
- 5. As part of an audit

Example | Engaging suppliers to promote worker representation

In situations where workers have not yet united or formed representative bodies, you can initiate a dialogue with the supplier to understand the underlying reasons. During this discussion, it is important to explore how the supplier plans to gain consistent and meaningful insights into opportunities and areas for improvement from the workers' perspective.

You should emphasise the importance of employee representation and encourage the supplier to take steps to foster this. For example, there are initiatives where companies collaborate with local trade unions, NGOs, and suppliers to establish and enhance dialogue between workers and management. This often includes forming employee representation bodies and legally required committees.

Such efforts help to identify and address concerns and abuses internally, creating a more transparent and responsive workplace environment. Additionally, this approach facilitates better access for purchasing companies to understand working conditions and, when necessary, engage directly with workers.

Example | Knowledge institution as a source of information

During the double materiality assessment (i) of a Dutch company, entering into a direct dialogue with workers in the international supply chain was unsuccessful. However, it was possible to enter into a dialogue with a local knowledge institution to gain more insight into the social (working) conditions in the Czech Republic, one of the countries where the company produces. The organisation is a partner of <u>Electronics Watch</u>, an international consortium of expert organisations in the field of labour rights.

Local communities near production sites or (indigenous) communities

Engage in dialogue with a community delegation where possible. To reach relevant communities, contact influential community members, such as a village elder or other local leaders (e.g., 'sarpanch' in India). Utilise the knowledge and contacts of local civil society organisations, research institutions, or government entities, potentially through networks of international organisations (see Appendix 2) or your country's Embassy abroad.

Environment, nature and future generations

Entering into direct dialogue with stakeholders such as the environment, nature and future generations is not possible. Therefore, speak with representatives of environmental/nature protection organisations (see Appendix 2) to discuss the importance of the environment and nature, or consult reports on the state of the environment and nature. As regards the perspective of future generations, you can enter into dialogue with a (sample) delegation of the current young generation, for example via the <u>SER Youth Platform</u>.

Suppliers

You can reach this group of stakeholders through the purchasing department or your local purchasing office (if available).

Own employees

Engage through the HR department by initiating dialogue with a delegation or the Works Council (if present) or collect information via employee satisfaction surveys.

Customers

You can reach this group of stakeholders through the sales department.

Investors

You can reach this group of stakeholders through management or the financial department.

Other stakeholders

Consult the tools or seek insights from the following organisations or involve them to connect with (affected) stakeholders:

Organisations/initiatives that help your company implement IRBC, with or without a membership (IRBC implementation partners'), such as

- industry organisations
- IRBC sector agreements
- The IRBC Support Centre of the Netherlands Enterprise Agency
- (local representatives of) <u>amfori</u>, <u>Business for Social Responsibility</u>, <u>Ethical</u> <u>Trading Initiative</u>, <u>Fair Labor Association</u>, <u>Fair Trade</u>, <u>Fair Wear Foundation</u>, <u>MVO</u> <u>Nederland</u>, <u>Rainforest Alliance</u>, <u>Responsible Business Alliance</u>, <u>UN Global Compact</u>

Knowledge institutions such as

- Business & Human Rights Resource Centre
- Danish Institute for Human Rights
- Issara Institute
- <u>Shift</u>

The national and local government or your country's Embassy or Consulate in the case of international governments



Step 4 | Select the right stakeholders to engage with

In this step you will work on the following:

- □ Select the stakeholders you need to engage with based on impact on their rights and interests, (experiential) knowledge about the discussion topic, and the suggestions of stakeholders.
- □ Consider whether you need to engage with stakeholder representatives.
- □ Analyse the mutual relationships if you plan to engage with multiple stakeholders simultaneously.

The specific stakeholders you choose to engage with will depend on the situation and the subject matter. Use the analysis you conducted in step 2 to inform your selection.

When prioritising stakeholders for a particular topic, consider the following criteria:

- 1. First of all, the impact on their **rights** (e.g. human and labour rights): the more serious and likely this impact, the more urgent their involvement in the dialogue.
- 2. Next, the impact on their **interests**: the greater this impact, the more important their involvement in the dialogue.
- 3. Finally, their **knowledge or experiences**: the more relevant this knowledge or experience, the more valuable their involvement in the dialogue.

Selecting stakeholders using these criteria helps you gain insight into the most relevant risks, impacts, and needs, allowing you to take more targeted actions for greater impact. While the relational aspects from the stakeholder analysis (step 2) and your ability to reach stakeholders (step 3) influence how easily you can engage with them, they should not be the primary factors in determining whether to engage. Focus first on the three points above.

Important considerations:

- In some cases, the involvement of stakeholders in a dialogue is an entitlement in its own right, such as the involvement of trade unions or other form of employee representation when discussing topics that affect employees
- Be open to suggestions from other stakeholders regarding who should be involved in the dialogue. A successful dialogue is co-created.

Stakeholder representation

In general, it is crucial to engage directly with stakeholders rather than talking about them, particularly when you need to understand their experiences, needs, or involve them in decision-making processes. Direct engagement allows you to gather firsthand insights and ensures that stakeholders' voices are accurately heard. However, in some cases, it may be less urgent to speak directly with specific stakeholders, and instead, gaining insight into the perspective of a stakeholder group through their representatives may suffice. This approach can be practical when direct discussions are not feasible due to security concerns or logistical challenges.

Determine whether representatives are serving their constituents appropriately by asking questions such as: Is the diversity of stakeholders recognised by the representatives?; Are stakeholders involved in electing the representatives?; Is the information from a dialogue fed back to the stakeholders correctly and inclusively?

For the representation of workers, you must use official representatives who are recognised as such by law or practice, such as elected trade union representatives or a worker representative body. If no official representation is in place, you can contact credible stakeholder representatives acting on their behalf, such as NGOs.

Below are some examples of who to engage with and when:

In the context of carrying out a double materiality assessment. The purpose of the double materiality assessment is to gain insight into the ESG topics that are important to your company and your stakeholders. This provides input for developing your ESG strategy. It is recommended to talk to various stakeholder groups that represent specific interests and/or have relevant (experiential) knowledge, such as your investors, customers, suppliers, own employees and (representatives of) workers in the supply chain.

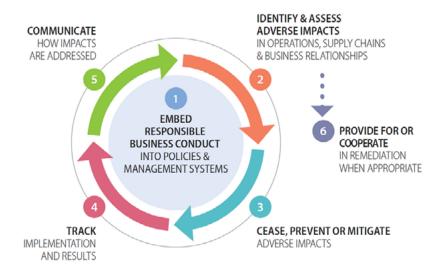
Linked to step 1 of the due diligence process: embed responsible business conduct into policies and management systems (see Figure 2). Dialogue with stakeholders is useful in formulating (parts of) your IRBC policy, particularly in areas where there is no existing model policy. In shaping policy, consult the knowledge and experiences of experts, such as trade unions, NGOs, IRBC implementation partners or knowledge institutions.

Linked to step 2 of the due diligence process: identify and assess adverse impacts (see Figure 2). In order to identify risks, you need to engage with (representatives of) stakeholders, such as workers in the supply chain and your suppliers, who are (potentially) exposed to the risks. Where this is not possible, you can involve reliable parties with (experiential) knowledge, such as NGOs and knowledge institutions. Use the knowledge and experiences of stakeholders to mutually assess risks in terms of severity and likelihood, thus prioritising these risks. Also use their knowledge and experiences to assess the extent to which your company causes these risks, contributes to them or is otherwise linked to these risks through your business relationships. If you want to expand business activities to areas where indigenous peoples live, it is likely that your business has an impact on these people. You can respect their rights and interests in line with the UN Declaration on the Rights of Indigenous Peoples and ILO Convention 169 by informing them of your intentions and by entering into dialogue with them or their representatives to discuss this. You only proceed with your plans after their voluntary, prior and informed consent. You can also involve civil society organisations or experts in your supply chain for this.

Linked to step 3 of the due diligence process: cease, prevent or mitigate adverse impacts (see Figure 2). If you want to develop an approach to a risk in your supply chain, such as unsafe working conditions, you need to engage in dialogue with the stakeholders whose rights and interests are affected by this risk. Consider, for example, (representatives of) workers whose working conditions are unsafe and the supplier or production site that will ultimately have to implement the measures. You can involve NGOs, IRBC implementation partners and other experts within your supply chain to help develop appropriate measures and implement the plan. Also involve other companies in developing an approach if you jointly influence the risk.

Linked to step 4 of the due diligence process: track implementation and results (see Figure 2). When monitoring the implementation and results of due diligence measures, you can gain the most valuable insights if you discuss this with (representatives of) the stakeholders affected by the measures. This can be achieved through, for example, focus groups or, if meeting physically is not possible, through questionnaires or audits. This allows you to gather feedback and assess whether risks are being adequately addressed and whether the desired outcomes are being achieved. For example, an indicator could be: 'percentage of affected stakeholders who believe that the risks have been adequately addressed'.

Linked to step 5 of the due diligence process: communicate how impacts are addressed (see Figure 2). Share with your stakeholders how your company tackles risks, especially towards stakeholders who are affected by your approach. Discuss this with each other. For example, you can discuss the steps your company has taken to tackle risks with a broad group of stakeholders from, for example, companies (networks), civil society organisations, governments and IRBC implementation partners. You can exchange ideas about this, learn from each other and adjust, where necessary. Linked to step 6 of the due diligence process: provide for or cooperate in remediation when appropriate (see Figure 2). If the reason for the dialogue involves an abuse or complaint within your supply chain, you can investigate the situation by engaging in dialogue with a select group of stakeholders, separately if necessary, to clarify the situation and implement appropriate remedial measures. It is essential to engage with those who have been affected or who have lodged the complaint (or their representatives), as well as with the representatives of the relevant production site(s). If needed, involve a civil society organisation with knowledge of the local context and/or an expert in facilitating discussions, especially if there are differences in interests or if tensions might arise. See also the knowledge document 'What makes a good facilitator?' Maintaining contact with the affected stakeholders during the implementation of the remedial measures is also crucial. You must assess whether they are receiving adequate assistance and whether the issue (or its root cause) has been effectively resolved.



Composition of group of stakeholders in dialogue

When engaging in dialogue with multiple stakeholders simultaneously, it is crucial to analyse the mutual relationships between these stakeholders, as these relationships can significantly influence the dynamics of the dialogue.

When selecting stakeholders, it is important to carefully consider the balance and composition of the group. This is needed both to lower the threshold for participation in dialogue (see also step 6) and to ensure that the perspectives of different stakeholders are equally represented and considered. Avoid situations where one stakeholder group is represented by significantly more individuals than another. A diverse group can be beneficial for stakeholders, as it provides an opportunity to hear and learn from various perspectives. When forming the group, it is essential to consider how one participant may influence another. Significant differences in power dynamics between stakeholders can negatively impact the openness of the dialogue. Confidentiality is another factor to consider when deciding whether to discuss matters in groups, such as in the case of a complaint about sexual violence in the workplace.

Figure 2 - The six stages of the due diligence process (OECD)



Step 5 | Select the right individuals for dialogue

In this step you will work on the following:

 Select the individuals you will engage with by looking at their knowledge/ experiences/background in relation to the dialogue topic as well as personal relationships, language proficiency, decision-making authority and support.
 Select relevant colleagues to join the dialogue.

In this step you focus on selecting the actual conversation partners from both external and internal stakeholders.

External stakeholders

Once you have decided which stakeholder (groups) you are going to engage with, it is recommended to think carefully about who exactly you want to speak with. Depending on the intended purpose, it is important that the person (or group of people) has the right knowledge, experiences, skills and/or mandate. Be clear to your stakeholders why you want to speak with them, what you want to talk about and what you expect from them. This allows them to assess internally who can best participate in the dialogue. For example:

- Can the person provide the perspective you are looking for? Based on what knowledge/experiences/background can the person discuss the subject and share insights? (see example 'Stakeholder background')
- Is there an opportunity to bring together individuals from different stakeholder groups who know each other personally? This familiarity can create a more comfortable environment, facilitating quicker exchange of ideas.
- Does the person have the capacity to conduct the dialogue in the desired language or is an additional participant needed to assist with the translation?

- If necessary, does the individual have decision-making authority, or can they advance a proposal from the dialogue within the organisation? (see example 'Decision-making authority')
- If necessary, does the person have the mandate to represent others, along with the support of their constituency?

Note that a person's position abroad may have a completely different meaning than we are used to, such as HR Managers, who fulfil a more legal role in some production countries.

Example | Stakeholder background

Preparation for the dialogue varies depending on the stakeholder and factors such as their familiarity with the subject, along with its related impacts and challenges. If you intend to engage a broad group of stakeholders for your double materiality assessment (i), for instance, a sustainability manager from a similar company (as a stakeholder) will likely grasp the request more quickly and draw upon their own knowledge. In contrast, a sustainability officer at a municipality may be less closely connected to the subject. Be mindful of these differences when approaching individuals for dialogue. To ensure the dialogue gains momentum, it is recommended to involve participants who not only have questions but can also contribute solutions and answers.

Example | Decision-making authority

For suppliers in production countries, usually only the factory owner or CEO has decision-making authority. His or her presence is therefore desirable, albeit not likely, especially with larger suppliers. In such cases, it is important to have someone at the table who can effectively advance the discussion internally. You can usually gauge this by how the individual speaks, asks questions, and indicates their intention to discuss the matters internally. If this is not clear, it is important to ask.

Example: when discussing the results of a digital survey of workers in clothing factories, it was beneficial to have the factory owner, factory management, and a supplier representative present in a call with the clothing company that asked for the survey. The clothing company primarily communicated with the supplier, who worked with several factories but had no direct contact with the factory itself. During the dialogue, the supplier served as a bridge between the clothing company and the factory by contextualising and sometimes repeating questions and comments. Having a representative from the factory was also valuable, as they had detailed knowledge of how the factory operates and what improvements are feasible or not.

Internal stakeholders

Consider carefully who from your company should participate in the dialogue. This may be necessary for decision-making or to emphasise the urgency of the matter to the stakeholder. For internal support and awareness, it is beneficial to involve colleagues – beyond just sustainability professionals – who are or will be handling IRBC in their daily work. This allows them to hear directly from stakeholders and understand their priorities. Such involvement also enhances their knowledge and builds their confidence to engage in similar discussions in the future. For example, involving the owner, purchasing manager, or production manager in discussions about minimum wage increases in production countries ensures they are aware of potential impacts on cost prices.



Step 6 | Enhance the likelihood that stakeholders will engage in dialogue

In this step you will work on the following:
□ Facilitating stakeholders' ability to participate in dialogue.
□ Ensuring that the dialogue is of added value for the stakeholders.

It is important to recognise that stakeholders, even those you have identified as crucial for dialogue, may not automatically engage with you. Their willingness depends on several factors, as outlined in the <u>tool</u> 'Promoting stakeholder commitment.' The intention behind your company's approach to the dialogue is crucial. For example, stakeholders are more likely to engage if you demonstrate genuine interest in their insights and perspectives, and if you are open to acting on the agreements and outcomes from the dialogue, such as offering assistance or making necessary changes. More details about these conditions can be found in the <u>tool</u> 'Preconditions for starting a dialogue.'

Additionally, stakeholders' willingness to engage in dialogue depends on their ability to participate and the value the discussion brings to them. These aspects are further explained below.

Step 6A. Possibilities for dialogue

Below are various factors that determine the extent to which extent stakeholders *are able* to engage in dialogue you.

Sufficient time and capacity to engage in dialogue:

• When engaging with organisations representing the perspectives of affected stakeholders, it is important to recognise that these organisations also need time

to build trust-based relationships with their stakeholders.

- You can financially compensate (part of) the time spent (for example when dealing with civil society organisations) or compensate missed working time (when dealing with workers for example). However, an incidental contribution does not guarantee structural capacity and availability of your stakeholder.
- It may be more efficient and effective to enter into dialogue with other companies and stakeholders in groups, for example at sectoral level, provided confidentiality allows this. This includes meetings with shared suppliers and/or relevant civil society organisations. This at the same time allows for direct interaction between parties to take place. After all, IRBC problems can be difficult to solve on your own.
- Conducting dialogue online can lower the barrier to participation in a dialogue. After all, this reduces the investment of time and eliminates any travel time.

Ensuring safety for vulnerable groups by making anonymous contact possible, expressing your commitment to protecting vulnerable participants, and ensure that participation does not lead to negative consequences. For example, workers who fear job loss if they speak openly about their situation. Other examples include civil society organisations facing pressure in some (production) countries, limiting their civic space, capacity, and financial resources.

Addressing power imbalances by showing vulnerability, showing curiosity, entering into relationships based on equality and shared responsibility, and including (the insights of) stakeholders in decision-making about business operations and processes. See the <u>tool</u> 'Good practices for conducting dialogue' for more information about discussion techniques.

Encouraging the presence of stakeholder groups/representatives (such as trade unions or employee representation) by including this as a condition in your procurement strategy and advocating for the importance of a strong civil society in (production) countries.

Removing barriers to participation. Address language barriers by providing translators or using a common language among stakeholders. Consider logistical barriers such as location/transport, timing (including time zones and public holidays), and type of communication tools used in online consultations (applications, access to a computer/phone). Also, consider the level of formality required to ensure that all participants can comfortably engage.

Align with the knowledge and expertise of the stakeholder by clearly stating what you are looking for and, especially for stakeholders who are not yet familiar with your company, by explaining the sector in which your company operates, the size of your company, and your business operations (business model, product range, material usage, origins, production sites).

Step 6B. Added value for stakeholders

Stakeholders are more likely to engage in dialogue if it offers value to them, not just to your company. Added value may include:

- A (shared) interest in the dialogue's outcome, such as sharing responsibility in preventing or mitigating negative impacts or enhancing positive impacts on the stakeholder.
- Building or strengthening (trust in) the collaborative relationship
- Being able to influence your company's IRBC policy and strategy, goals or actions
- Opportunities to engage with individuals who have the authority to make decisions, such as management (see example 'Added value for stakeholders')
- Knowledge exchange to gain insight into your company's plans, interests, and activities, and their potential impact on stakeholders.
- The opportunity to provide input in advance regarding the purpose and/or approach to the dialogue.

Example | Added value for stakeholders: importance of the right delegation

As part of a multi-stakeholder dialogue in a production country about risks in the natural stone sector, natural stone importers participated in a dialogue with workers. These workers were all employed in the informal part of the supply chain, where no formal labour contracts are signed, and the work is low-paid and insecure. Workers have limited opportunities to raise concerns about their working conditions due to the precarious nature of their employment. A dialogue with natural stone importers, facilitated by trusted Indian organisations, was an excellent opportunity for workers to voice their concerns and needs to companies that could potentially influence these conditions. Representatives from the importing companies – such as the CFO or purchasing manager – participated in the dialogue, allowing them to incorporate the workers' insights into their business operations.

The likelihood of stakeholders engaging in dialogue with each other depends on their relationship to one another and their perspectives and values. For example, a supplier may be hesitant to engage in discussions with a civil society organisation if that organisation has a reputation for naming and shaming, or if a previous collaboration was perceived as unpleasant. In such cases, your company plays a role in building trust by first individually identifying the concerns of both parties and demonstrating why you are willing to collaborate with both the civil society organisation and the supplier.

See the example 'In dialogue with stakeholders for double materiality' how the added value of participating in dialogue can differ among stakeholder groups.

Example | In dialogue with stakeholders for double materiality

The table below sets out the reason(s) external stakeholders had for participating in a dialogue about a company's double materiality assessment (i).

Stakeholder group	Reason(s) for participating in the dialogue. What are the benefits for the stakeholder?		
Civil society organisations (both social and environmental)	 Gaining more knowledge of business processes and challenges they face; Encouraging companies to become (even) more sustainable, both laggards and forerunners, but especially companies that can create a major impact Adding value by sharing expertise, knowledge and networks and creating awareness (on specific topics) Determining whether the company's intentions are genuine and lead to meaningful outcomes. This can be observed through how they report and communicate, how they approach dialogue, and how they engage with the civil society organisation. Establishing a foundation for future contact and/or seeking collaboration to make a difference, for example, in (international) impact projects, by getting to know companies personally. 		
Municipalities	 The business community is needed to achieve sustainability goals and support positive initiatives Taking note of the company's sustainability agenda. 		
Suppliers	 It is beneficial to be involved, especially when dealing with large purchasing volumes. Mutual learning from each other in this area, whether as ESG professionals among themselves, and benchmarking. Contributing to helping the customer comply with legal obligations and improve themselves. 		
Customers	 Understanding the need for these types of discussions, as they may even be mandatory by law Signalling internally that ESG is a relevant topic. Mutual learning from each other in this area, whether as ESG professionals among themselves, and benchmarking. More likely to participate if the process is not too extensive, but structured and concrete. 		
Financial institutions	 Contributing to the transition to a more sustainable business model. Gathering necessary insights for your own risk analysis. 		
Industry organisations	 Membership provides services and information Transferring available knowledge, demonstrating added value Finding out what the needs and questions of members are in the sector 		
ESG network organisations	 Transferring available knowledge Strengthening partnership by adding value (possibly only if the company is a member of the organisation) 		



Appendix 1 | Example of step 2: analyse your stakeholders

See below a hypothetical example in which the different aspects for three stakeholders are further analysed.

Aspect to be analysed	Workers in the chain (as a group)	Supplier X	Environmental NGO X
General interest and needs of the stakeholder	Safe and healthy working conditions Earning a living wage	 Limiting costs and maximising profits Maintaining/strengthening business relationships and making them future-proof 	Mitigating/preventing negative impact on the environment
(expected) impact on the stakeholder by your company and vice versa	 Company purchasing practices have an (in)direct effect on the working conditions of workers Working conditions and job satisfaction affect the quality of production 	 <u>Company purchasing practices</u> have a direct effect on production (planning) and the opportunities for suppliers to invest in responsible production Responsible production limits risks and increases stability, legitimacy and compliance with legislation 	 The company involving the NGO gives legitimacy to civil society organisations Public criticism can lead to reputational damage and to good working relationships to prevent and tackle risks
Knowledge and/ or experiences of the stakeholder relevant to IRBC?	Experiences in the workplace: current situation and needs	Knowledge about local affairs and legislation	Knowledge about environmental impact, cleaner production and legislation; and access to a local network
Stakeholder expectations of your company on IRBC	Expects that the company encourages suppliers to engage in responsible production and that it pursues responsible purchasing practices, such as submitting orders in a timely manner, not changing orders during the production process and paying a purchasing price that enables responsible production	Expect the company to help ensure that it meets all requirements regarding IRBC /helps to ensure responsible production through responsible purchasing practices	Expect the company to take responsibility to prevent or address negative environmental impacts
(relevant) experiences with the stakeholder	Each year, five workers randomly share information through interviews as part of an audit by an independent party; the local quality inspector has regular contact with the workers when conducting inspections	Strategic supplier of product X for approx. 10 years; recently experienced quality problems for which the costs were shared	Collaborated in 20xx in an improvement project on chemical use at suppliers XYZ in region X
Classification of relationship with the stakeholder	no direct relationship (yet), workers are represented by employee representatives in the factory	Direct and personal periodic consultation, i.e. without an intermediary and with annual physical meetings	Terminated working relationship; periodic consultations in the past, little personal contact
Attitude of the stakeholder towards my company	Cautious in providing information from a safety point of view	Flexible, constructive	Constructively critical



Appendix 2 | Trade unions and NGOs

Trade unions and NGOs can help you get in touch with affected stakeholders, local organisations or gain indirect insight into the importance and perspective of affected stakeholders. Below are some examples.

Trade unions

Trade unions fulfil an official representative role for workers. They are expected to be involved to gain insights or as a link to other stakeholders.

International trade union federations such as <u>IndustriALL</u>, <u>UNI Global Union</u> and confederations such as <u>International Trade Union Confederation</u> and the <u>European</u> <u>Trade Union Confederation</u>, internationally affiliated trade unions such as <u>FNV</u> and <u>CNV</u> or internationally oriented trade union foundations such as <u>Mondiaal FNV</u> and <u>CNV Internationaal</u>.

NGOs

Many non-governmental organisations are active worldwide. Below are a number of places where you can find organisations that you can consult, or that can help you further:

- <u>MVO Platform</u> is a partnership of Dutch civil society organisations and trade unions with knowledge and an international/local network in the field of ESG and IRBC and associated risks. A number of these have also participated in sectoral partnerships, including the <u>IRBC agreements</u>.
- <u>IRBC risk checker</u> from MVO Nederland, which allows you to view risks for your products/services and production countries; the source citation in the report provides an overview of organisations that you could approach.
- Human Rights Watch has an extensive global network.
- <u>Open Supply Hub</u> provides information about which companies purchase where, as well as insight into which production sites some civil society organisations are active in, such as <u>Worker Rights Consortium</u> and <u>Solidaridad</u>.



Appendix 3 | Further information

Would you like to receive more practical information and background about stakeholder analysis models?

- Book "Van winst naar Waarde" by Frank Peters (in Dutch), Chapters 6 and 7
- Five-step approach to stakeholder engagement by BSR

More information about types of stakeholders and what to take into account for each stakeholder group can be found in the <u>Human rights impact assessment</u> <u>guidance and toolbox</u> by the Danish Institute for Human Rights.



This tool is part of a collection of tools, knowledge documents and training to help companies set up and implement a <u>meaningful dialogue</u> with their stakeholders. Meaningful stakeholder engagement is fundamental for (international) responsible business conduct and is reflected in <u>all steps of the due diligence process</u> according to OECD guidelines.

Click on a topic below for more information and support preparing and conducting a meaningful stakeholder dialogue.



Colophon

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