The Transformational Company Guide
Quality #13 - Stakeholder Accountability and Transparency
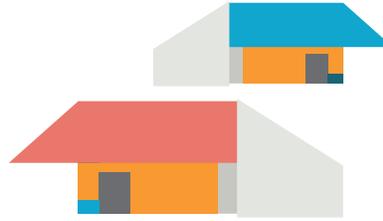
HOW
YOU DO IT

Transformational Company Quality

13: Stakeholder Accountability and Transparency

Transformational companies actively engage and are accountable to all stakeholders, disclosing their sustainability performance, impacts and dependencies.

WHAT IS IT?

Business faces a **global trust gap** , with trust in business in decline around the world. A key antidote is to build credibility through stakeholder transparency, accountability and engagement. There is increasing pressure on companies to become more transparent, from investors, customers, corporate buyers, employees, media, regulators, communities and NGOs. Demand is growing for more information on where products come from, how they were made, delivered, used and disposed, and how natural, social and human capital was affected in the value creation process. Stakeholders want to understand how companies are managing and improving their sustainability performance, impacts, externalities and dependencies, and want their views to be understood and considered. Digital technologies and social media are powerful drivers of this new information and engagement revolution.

Leading companies understand this. They set a course to improve the accessibility of product information and to positively influence consumer choices by informing them about the sustainability impacts of their products from origin to ownership. They make this information available to customers so that they can easily track, trace and benchmark how sustainably their product has been made. Information is curated to make it meaningful for stakeholders – translated into relevant and digestible information in an accessible and intuitive way making good use of technology, such as apps and smart devices.

These leaders invest in traceability programs and new technologies, such as sensors and data analytics, to enable them to more easily and affordably account for the environmental and social impacts of their materials — all the way upstream to farms, forests, mines, mills and individual factories. Progressive business gives customers confidence that everything they buy is designed, manufactured and handled with responsibility for people and the environment. They put full product and supply chain information in the hands of business customers and consumers in real time. Technologies that enable consumers to access this information by simply scanning a product's barcode with a smartphone already exist and the trend will evolve as technologies improve.

Transformational company disclosures include credible, standardized, independently verified metrics covering all significant stakeholder concerns and detail goals and plans for future actions. Sustainability risks, strategies and performance are disclosed, along with sensitive issues, such as tax contributions and lobbying activity. This information is transparently provided to stakeholders to inform their opinions and decision-making.

Marks & Spencer Transparency and Traceability Commitments

Transparency:

- Aim: By 2015, we will consult with our customers and stakeholders to identify what information they consider to be important about where and how M&S products are produced and by 2020 we will respond by improving the information available. To date we have conducted a small-scale online survey of sustainability specialists, a review of best practice by Forum for the Future and a summary of findings from existing customer and public market research. The initial results show that different stakeholders have different expectations and that these also vary across categories of products. We intend to conduct further research to gain a better understanding of what's important to different stakeholders. We believe that information about where and how a product is produced is best communicated to customers through an integrated marketing approach while specialist stakeholders want policy and performance statements to be accessible online.

- Aim: By 2015, we will publish details of how we define and measure Plan A (sustainability) product qualities, identifying hotspots and details of our collaborations. We will explain in detail how we've evolved the ways we define and measure sustainability qualities in our products since we first started to report progress in 2012. We plan to publish details online next year, explaining who we've worked with and the methods used to define the qualities.

Traceability:

- Aim: By 2016, we will publish an annual list of our active clothing manufacturers. We will develop and implement a system to provide traceability for the principal raw materials used within our General Merchandise supply chain and assess the opportunities to make at least some of this information available by 2020.We've developed plans to trial a system that will enable us to collate information on fabrics and raw materials in our existing contracts, making these easier to trace.

[Source](#)

Transformational companies move beyond traditional stakeholder management and engagement which focuses on the "best interest of stakeholders". Instead, they pursue initiatives that are for the "benefit of stakeholders", nurturing the relationships that support business and societal health. Relationships are built on authenticity, trust and mutual benefit and go beyond "satisfaction" goals to "environments in which everybody can thrive". Leaders understand how relationships add value and translate the value into information relevant for effective management and decision-making. They practice collaborative and empowering relationship styles, as demonstrated in the engagement ladder below. Stakeholders are embraced as a source of innovation and opportunity and contribute to sustainable business success.

AA1000 SES Engagement Ladder (adapted)	
Inform	One-way engagement to inform or educate stakeholders
Consult	Modest two-way engagement to gain information, opinions and feedback from stakeholders to inform decisions made internally; organizations ask questions and stakeholders answer
Involve	Two-way or multi-way engagement; work directly with stakeholder to ensure that their concerns are fully understood and considered in decision-making and actions
Collaborate	Two-way or multi-way engagement for joint learning, problem solving, decision-making and actions
Empower	Delegate decision-making on a particular issue to stakeholders; stakeholders play a role in governance

In an ever more complex and connected business environment, the ability to forge effective relationships is vital. With **four-fifths of the market value** of business in intangibles, businesses that build trusting and engaged reciprocal relationships based on transparency and accountability will be well placed to manage risk, increase resilience and create value for all parties.

Future outlook

Data for social good: Some companies will go further and democratize their data, openly sharing data sets for others to access it, so it can be harnessed to inform social good projects around the world.

Intellectual property transparency: Frontier game-changers, like Tesla Motors, will put their intellectual property in the public domain to scale and accelerate sustainability innovation.

Radical transparency: Others will find value in providing maximum disclosure of social and environmental impacts and relationships along the value chain. For example, a company could enable a consumer to build a relationship with a grower in South Africa via a community Facebook page.

L'Oréal consults stakeholders in markets around the world for input on its sustainability commitments

Because the importance and treatment of issues related to corporate environmental and social responsibility vary from one country to the other, L'Oréal held stakeholder forums around the world to promote dialogue at the local level on both local and global issues. In their respective countries, these forums were the opportunity to address a broad spectrum of topics from environmental issues, diversity and animal testing to product safety and women's rights. In addition to holding these forums, an online discussion platform was opened for stakeholders, covering the different areas of the Group's materiality analysis and giving those organisations wishing to continue the dialogue online the chance to ask questions to the Group's experts for real-time responses. In France, in 2013, the Group consulted with more than a hundred organisations to refine the structure of its sustainability commitments for 2020, incorporating the issues raised during discussions at five topic-specific forums: responsible sourcing, biodiversity, diversity and equal opportunity policy, responsible communication, and energy and climate change. At every forum the company shared its sustainability policy – which entails integrating sustainability at the centre of its business strategy throughout the value chain – for feedback from stakeholders.

While L'Oréal has set the ambition of attracting one billion new consumers in the coming years, the Group has also established a clear objective for itself: promoting more sustainable consumption. After officially unveiling its programme, the Group held the first international forum for reflection in Europe on this matter. In 2012 the company held a multi-stakeholder forum on sustainable consumption in New York at the initiative of L'Oréal's American subsidiary. In 2013, the Group organised a European forum with the theme "Reimagining consumption: Sustainability as a desirable choice for all". In partnership with five international organisations recognised for their expertise – BSR, Forum for the Future, Futerra, Sustainable Brands and The World Business Council for Sustainable Development – L'Oréal brought together over 250 experts to share the current best practices around the world.

Source and **Source**

Wikis promoting transparency

Here are two online databases in development which will increasingly put corporate sustainability information in the public domain. The internet and social media are big drivers of corporate accountability and transparency, and this is expected to grow in future.

Wikichains

This website will encourage people to upload text, images, sounds and videos on any commodity supply chain. The vision is that ultimately a large body of data will be assembled to allow consumers

to find out information about the chains of all mass produced commodities. By facilitating the free flow of information the project will encourage consumers to make informed decisions and be more aware of their sustainability impacts.

Wikirate

The objective of Wikirate is to be the 'go-to' place for information on companies' social and environmental practices, allowing stakeholders to be better informed. They are building an open social networking system that allows people to create and share knowledge on company behaviour. The information may come from public sources, or from "sensors" such as webcams or individual user uploads of videos or images or from separate whistleblowing websites – a real-time gathering and management of information. The information will be accumulated and visualized on the website to allow users to compare and rate such companies.

WHY IS IT IMPORTANT?

There are a number of reasons why transformational stakeholder engagement, accountability and transparency are valuable. Research shows there are declining levels of trust in business, falling from 62 percent in 2014 to 47 per cent in 2015 in Canada. Transparency and open business practices are a key step to rebuilding trust in business. By proactively sharing product origin information a company builds customer loyalty and gains market share. Business-to-business companies can meet the growing requirements of their corporate customers for sustainability information. Companies that improve product traceability conduct better resource planning and risk management. Robust stakeholder relationships enhance the company's ability to adapt to changes and adverse events, building resiliency. Proactive stakeholder engagement also further enhances risk management, as it can identify potential problems before they arise, reduce the deadlocks that result from misunderstandings and facilitate a more stable socio-political environment. Robust stakeholder engagement can identify sustainability issues at an early stage and help companies take appropriate measures to limit business losses. It can lay the ground for identifying market needs and turning them into product solutions.

There has also been a growing global trend of investors, regulators and stock exchanges increasing non-financial disclosure requirements revealing the importance transparency offers to financial markets. Better quality management is a further benefit as public disclosure catalyses more systematic strategic planning and proactive, management of sustainability challenges.

Stakeholder transparency and accountability also protects and improves the company's reputation, fast-tracks permitting and approvals, opens up new business opportunities and builds goodwill. It is essential for gaining a social license to grow. Companies committed to strong practices become a desirable partner and build a foundation for collaboration enabling a viable future for all.

HOW TO DO IT?

Guides are available to help your organization improve its accountability, transparency and engagement practices, such as:

Reporting:

- **Global Reporting Initiative**
- **International Integrated Reporting Framework**
- **Sustainability Accounting Standards Board**

Traceability:

- **Supply Chain Transparency**
- **A Guide to Traceability**

Stakeholder engagement:

- **Stakeholder Engagement Standard**
- **Tomorrow's Relationship Management**

Here are a few tips you could follow to enhance your relationships:

- Board and management commit to the importance of relationships, and reflect this commitment in the strategic plan and evaluation and remuneration structure
- Identify the key relationships for the long-term success of the company and understand how value is created by each of the relationships
- Identify what new relationships are needed in the future, based on an understanding of the future business context
- Develop an engagement plan in which you have determined your purpose for engagement and how you plan to use the results
- Implement efforts to improve the most important relationships
- Ensure that the relationships are mutually beneficial and create value
- Develop relationship management capability in staff

Building effective stakeholder relationships will require a new set of leader skills: external collaboration. This **tool** lists the foundational and advanced competencies your business leaders will need to excel in stakeholder collaboration.

WHO IS DOING IT?

Natura, a Brazilian manufacturer of beauty, household and personal care products, launched its "Radical Transparency" initiative in 2013 to improve the accessibility of its product information, with the long-term objective to influence consumer choices by educating them about the sustainability impacts of its products. This traceability initiative addresses externalities such as the environmental impacts of sourcing certain ingredients from the Amazon. As part of this effort, Natura launched an online platform, "Co-creating Natura", where consumers, Natura consultants and employees engage one another directly to share information. The first year of the project was dedicated to data collection shared through the site, which has informed priorities for further transparency in the value chain, including environmental and social impacts as well as health and safety information. The next step will include creating an action plan to ensure that consumers have increased access to the information to build on the company's theme of Radical Transparency.

Source

Domtar, a Canadian based paper company, developed The Paper Trail to help give customers more access to the company's paper product information. It is an online tool that provides information on the environmental and social impacts of many of the company's papers. Described as "the only one of its kind in the industry", the paper resource aids customers and consumers in understanding more about paper products and the environmental impacts of their buying choices. It allows users to see the origins of specific Domtar products, together with information about the mill that made the paper including the mill's history, number of jobs it creates, economic impact and specific environmental characteristics. Users can calculate and obtain the precise environmental footprint of their purchasing decisions by entering information about the product of their choice and quantity. The Paper Trail then generates specific information on water, shipping distance, greenhouse gas emissions, waste and renewable energy. For each product, the company provides an analysis of the degree to which they have been successful in environmental management, in addition to details on the challenges and future commitments.

Access more details at this **link.**

WHERE CAN I GO FOR MORE INFORMATION?

- See Change: How Transparency Drives Performance
  http://www.sustainability.com/library/see-change#.VML_S_7F98F

- Six Elements of Effective Transparency, SustainAbility
  http://www.sustainability.com/blog/six-elements-of-effective-transparency#.VO9iZPnF81I

- The Path to Supply Chain Transparency, a Practical Guide to Defining, Understanding and Building Supply Chain Transparency in a Global Economy, Deloitte
  http://dupress.com/articles/supply-chain-transparency/

- A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains, Business for Social Responsibility and UN Global Compact
  https://www.unglobalcompact.org/docs/issues_doc/supply_chain/Traceability/Guide_to_Traceability.pdf

- Making Waves: The Rising Tide of Data for Social Good, BT
  http://www.btplc.com/Betterfuture/news/Makingwaves.htm

- Trends in External Assurance of Sustainability Reports, Global Reporting Initiative
  https://www.globalreporting.org/resourcelibrary/GRI_Trends-in-External-Assurance-of-Sustainability-Reports_July-2014.pdf

- Stakeholder Engagement Standard, AccountAbility
  http://www.accountability.org/standards/aa1000ses/index.html

- Stakeholder Engagement Primer, Network for Business Sustainability
  http://nbs.net/wp-content/uploads/primer-stakeholder-engagement-101124.pdf

- Building Tomorrow's Relationships, Centre for Tomorrow's Company (website, report and maturity continuum)
  http://tomorrowscompany.com/tomorrows-relationships

- Stakeholder Engagement: A Road Map to Meaningful Engagement, Doughty Centre, Cranfield School of Management
  http://www.som.cranfield.ac.uk/som/dinamic-content/media/CR%20Stakeholder.pdf