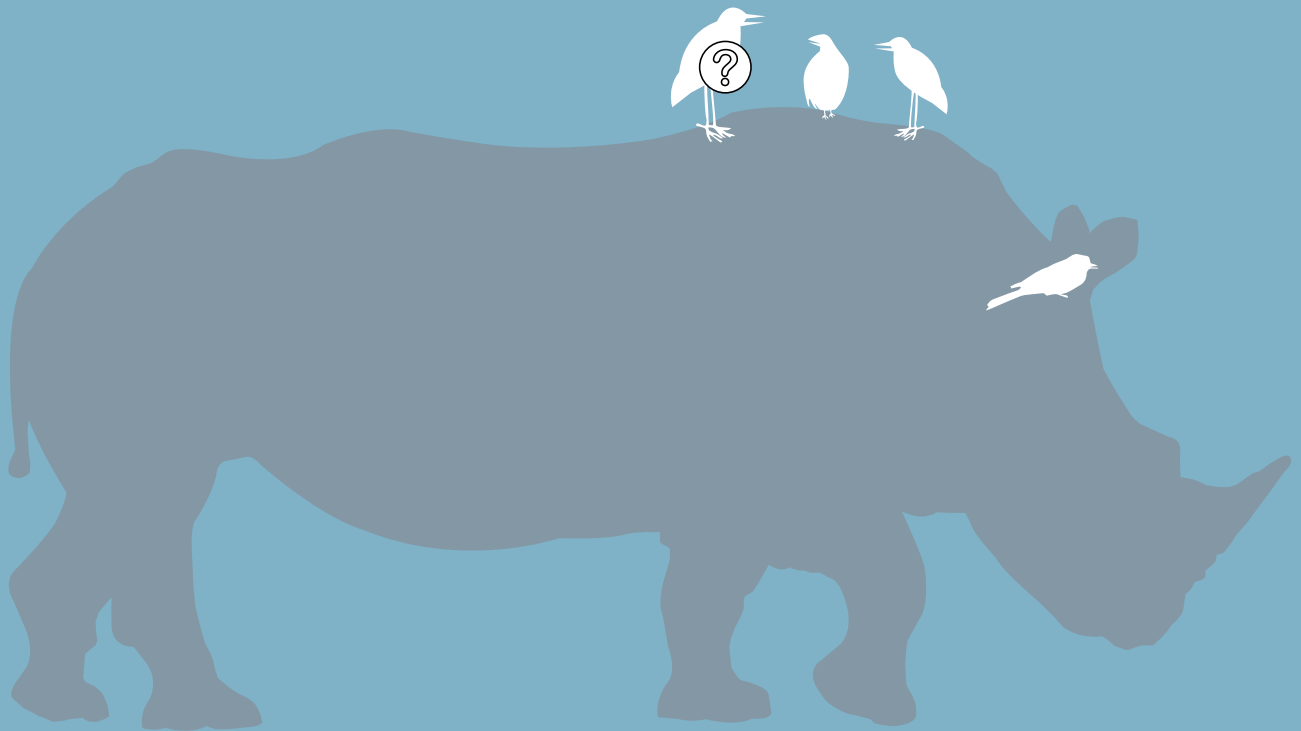


CRITICAL FRIENDS

The Emerging Role of Stakeholder Panels
in Corporate Governance, Reporting and Assurance

March 2007



AccountAbility

UTOPIES®
sustainability & business strategies

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FOREWORD



If you work in the area of corporate sustainability, reporting and performance management, or if you are a critical commentator on a business's social or environmental impact, chances are you may already have been invited onto a stakeholder panel. You may have convened one, or be thinking of convening one, or you may have wondered if this is just a fad that will pass.

AccountAbility and Utopies have pioneered the development of panels and convened as well as participated in quite a few ourselves. We see panels as an increasingly important means of stakeholder engagement that help companies advance beyond a defensive or compliance approach to social and environmental issues to one of understanding strategic opportunities and risks. They can help companies and their stakeholders step off the 'more information' treadmill onto a 'more trust' pathway. They can turn distrustful opponents into critical friends.

A panel's 'first date' is a nervous occasion for all: stakeholders question whether the corporation's intentions are honorable, while senior managers wonder whether this is a waste of their time, and both sides concerned about putting their reputation on the line. Yet this is how it should be - a panel that is comfortable will not be challenging or effective. Good panels bring stakeholders and companies together in a way that ensures everyone has something to lose by being in the room, and something to gain by stepping out of their accustomed roles of attack and defence.

There is no 'one-size fits all' approach to creating panels that are able to work together, influence strategic decisions, and build trust externally. The Framework outlined in this report offers guidance to help both companies and panelists get the most out of engaging in a stakeholder panel.

Panels are disruptive processes which set off internal and external dynamics of their own. Just as this is true within individual companies, it is unlikely that stakeholder panels themselves will stand still. Will they become formal sites of negotiation and deliberation or will they remain a flexible mechanisms for learning and advice? We see today's panels as experiments in collaborative governance, possibly forming the basis of new means of securing sound decision-making and accountability for sustainable development.

Alan Knight
AccountAbility

Handwritten signature of Alan Knight in black ink.

Stanislas Dupré
Utopies

Handwritten signature of Stanislas Dupré in black ink.

KEY FINDINGS

Companies are increasingly using stakeholder engagement to help them understand and respond to emerging social and environmental issues. However, engagement often remains disconnected from strategy development and falls short both, in helping stakeholders judge corporate actions and in helping businesses identify risks and opportunities ahead.

Corporate stakeholder panels are an innovation which aims to help bridge the gap between stakeholder engagement and governance. Panels bring together experts and stakeholders from outside a company with high-level decision-makers from inside to consider social and environmental issues material to business strategy, policies and performance. They are not just a place for stakeholders to air their views, but a forum for dialogue and mutual learning which feeds into corporate decision-making. Panels can support:

- **Corporate Governance:** Corporate stakeholder panels can bridge the gap between an organization's wider stakeholder engagement and its governance, by bringing experts together with senior management. Companies are increasingly using panels to advise how to respond to emerging social and environmental issues in a way that is strategically aligned to the organization's business model.
- **Reporting and Assurance:** Panels can provide a working connection with the intended users of sustainability reports, ensuring that disclosure covers what really matters in a way that is meaningful to readers.

Panels work. Both company and practitioners and stakeholders reported that participating in the panel had accelerated their own learning, and strengthened their ability to understand and influence the links between business strategy and societal issues. They were able to use the panel to solve issues which could not be dealt with effectively by involvement in projects or negotiations on policy at a lower level in the company. Critical to this was the careful design of the panel - its composition, ground rules and mandate.

Serious influence involves serious commitment. Panels are not negotiating tables, but they do bring stakeholders and companies together in a way that ensures everyone has something to lose and something to gain. Panels that are directed towards low-risk confidentiality or ring fenced sustainable development policies may feel like more comfortable territory, but they lack real leverage for change. Panels evolve over time as panel members develop greater knowledge of the business, as business responses to social and environmental issues become more strategic, and as trust is built on all sides. In many cases the initial mandate and ground rules for the panel provide useful 'training wheels' of security that panels outgrow as their role develops.

There is a wide diversity of views on the role that panels should play in corporate governance, now and in the future. Some see them becoming more formalized in today's advisory or assurance roles, others believe they are evolving to become antechambers for expanded and more diverse Boards of Directors.

The panels examined in this report offer a clear framework for developing an effective stakeholder panel tailored to a company's particular context:

STEP 1: PLAN

Be clear about the purpose and focus of stakeholder involvement in decision-making that is needed, in order to determine the ambition and mandate of the panel at the outset. Do the risks and benefits make sense on all sides?

Make connections to other processes within the company including both other stakeholder engagement activities and governance.

Secure internal support for the involvement of senior executives, specific commitments for responding to the panel, and the budget needed to develop the panel.

STEP 2: SET THE RULES

Design panel mandate, make-up and ground rules clearly to meet strategic objectives. Key issues will need to be debated and agreed by the panel itself and reviewed as the panel develops.

Consider whether an external facilitator would be helpful in designing the process and reassuring potential panelists that the panel will be run fairly.

STEP 3: RECRUIT MEMBERS

Recruit panelists that are able to reflect the concerns of major stakeholder groups. Critical to this is offering a 'good deal' in terms of their expertise, reputation, time and goodwill in return for a chance to influence corporate decision-making and impacts.

STEP 4: SUPPORT THE PANEL

Help panelists to gain a better understanding of corporate strategies and operations as for example through background materials, meetings and site visits, research and formal training.

Build trust through proactive sharing of information, informal as well as formal meetings, bilateral partnerships and an accurate reflection of the panel's role in public communications.

Follow-through on commitments to respond and always inform members of progress or changes made.

STEP 5: MEASURE SUCCESS

Regularly review the panel's progress and make any changes necessary to its make-up and operation to enable it to deliver against its evolving purpose.

THE GOVERNANCE GAP



STAKEHOLDERS MEAN BUSINESS

Stakeholder engagement is not new. Successful businesses have always needed to understand and respond to the opportunities and risks posed by employees, customers, suppliers and host communities. Interaction and dialogue with stakeholders is something most companies already do through diverse processes located within marketing, public affairs, industrial relations and day-to-day management.

What is new is the focus and strategic importance now being given to stakeholder engagement. Companies facing diverse and sometimes difficult markets, increasing scrutiny and rapidly evolving demands recognise that engaging more effectively with stakeholders pays off in knowledge, innovations in products, processes and strategy, reputation, relationships and 'license to operate'. Furthermore, as issues traditionally seen as outside of the business remit are becoming recognized as critical factors to long-term business success, companies are seeking new ways of engaging with stakeholders to respond to these challenges.

Existing means of formal engagement such as investor road-shows, site-specific consultations and employee dialogue and negotiation have long been institutionalized through policies, agreements and regulation. However these mechanisms have struggled to respond to evolving

challenges. As new groups of stakeholders demand to have their say, and as more familiar stakeholders seek to influence decisions not previously considered material to them, experimental approaches to engagement have emerged.

The current landscape of stakeholder engagement is therefore a bewildering display of diversity.

Engagement ranges from online surveys to ongoing partnerships, covering particular issues and sites, the quality and scope of annual corporate reporting or the future direction of overall business strategy. It can operate on different rungs of the 'ladder of participation' from gathering information, to consulting, to involving stakeholders directly in

decision-making. Different approaches to engagement have been developed to meet different needs and constraints. As in any area of rapid evolution, where rights and responsibilities are contested, the quality of the newly emerging engagement processes has been inconsistent and subject to challenge.

There is increasing agreement that an inclusive approach to stakeholders is critical, not just to credibly meet their demands to be heard, but also to drive learning, innovation and performance within business. It is clear that for businesses to make sound decisions they need to heed to the signals that their stakeholders are giving them on issues which can materially affect the business. They therefore need processes that ensure that emerging social issues are discussed at the highest levels as of corporate governance well before they become problems. Important instruments such as The OECD Principles on Corporate Governance, AA1000 Stakeholder Engagement Standard and the Global Reporting Initiative G3 Guidelines, all emphasize the core principle of *inclusivity*: organizations should identify, listen to and account to stakeholders in taking decisions.

WHO ARE STAKEHOLDERS?

Stakeholders are individuals or groups that affect or could be affected by an organization's activities, products or services and associated performance.¹

Stakeholders range from those often called primary stakeholders, such as employees, customers, or shareholders, to a diverse mix including competitors, regulators, government, NGOs, partners, the media, suppliers and local and national communities.²

STAKEHOLDERS AND CORPORATE GOVERNANCE

Debates on corporate governance are often presented as a battle between the traditional approach to governance, whose purpose is to hold executives accountable to shareholders and 'stakeholder democracy', where managers take into account the rights and interests of all legitimate stakeholders.³ More specifically the debate has often focused on whether stakeholders should have seats on the Board of Directors and how the interests of stakeholders should be codified into 'rights' within the regulations of corporate governance.

Increasingly, progressive business leaders are saying that both views obscure the real

“Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.”
Sir Adrian Cadbury⁵

relationship with society, and that it is time the debate was recast to reflect the long-term alignment between people's needs and business's ability to meet them.⁴ In principle, as Sir Adrian Cadbury put it, there is little disagreement that corporate governance should encourage the efficient use and stewardship of resources for the benefit of society.

But there is less agreement about how to put this into practice. In countries such as Germany and France employees are represented in many Boards.

An increasing number of companies including Camelot, Centrica, and GSK have established Corporate Responsibility, Sustainability or Public

Policy committees at Board level. They take responsibility for ensuring that key stakeholders are consulted, but consist of existing executive and non-executive directors, rather than stakeholder representatives.⁶

The OECD principles on corporate governance which are a key international benchmark for policy makers, investors and corporations recognize the right of stakeholders to “participate in the corporate governance process”⁷. They focus on non-financial reporting, especially for state-owned enterprises, but so far most governance frameworks remain quite unspecific regarding the composition of Boards or the way stakeholder groups should be represented in governance processes.

WHAT ARE STAKEHOLDER PANELS?

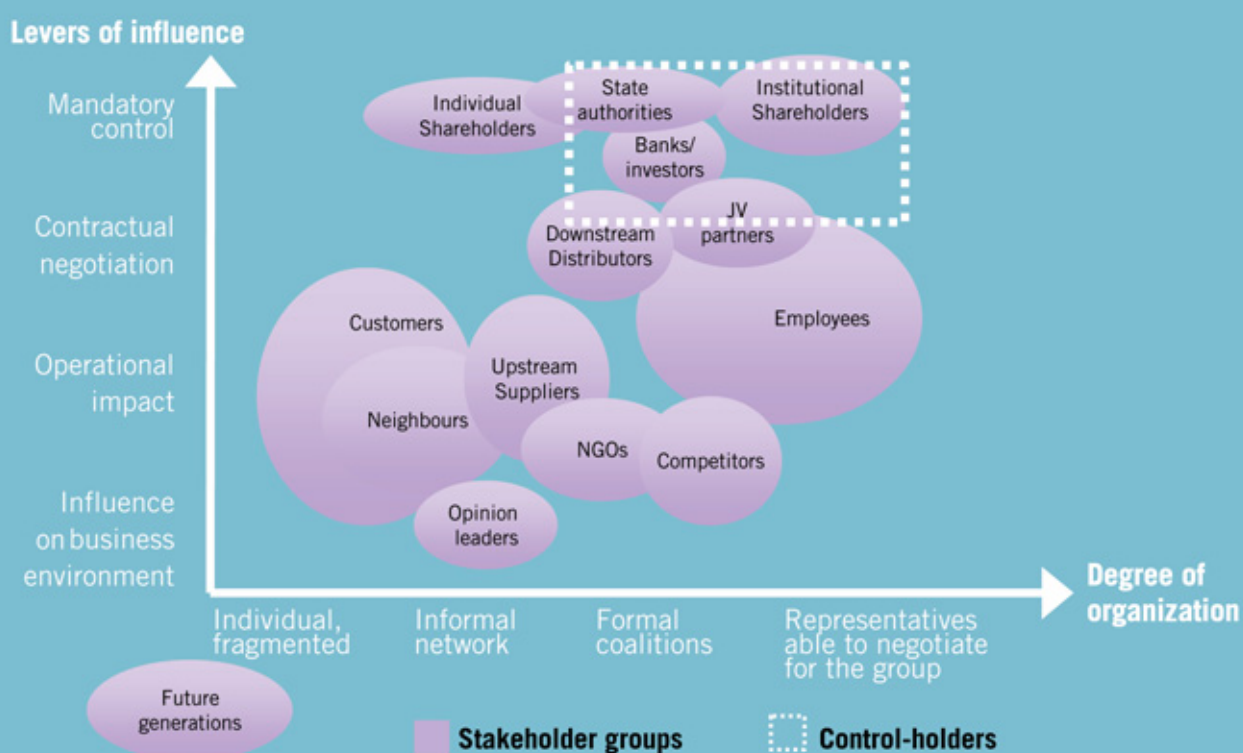
The Stakeholder panels examined in this report are groups of experts, stakeholders or their representatives who have been brought together at the invitation of a company to examine some aspect of its policies, actions or performance and deliver a mandated output or series of outputs (for example: commentary, advice or assurance) which the company has made a specific commitment to respond to (for example by publishing, issuing a response, or acting on recommendations.)

UNDERSTANDING STAKEHOLDER INFLUENCE

Any analysis, or attempt to include stakeholders' voices in business decisions must begin with an understanding of who these stakeholders are and how they seek to influence corporate decision-making. In particular, stakeholders' influence depends on their ability to voice their concerns consistently, through credible representative organizations and structures, and the levers that they have to negotiate or put pressure on for change.

The exact map of stakeholders' influence and organization varies depending on the company, sector and issue in question, but a typical map of stakeholders might look something like this:

FIGURE 1: Stakeholder Influence and Organization



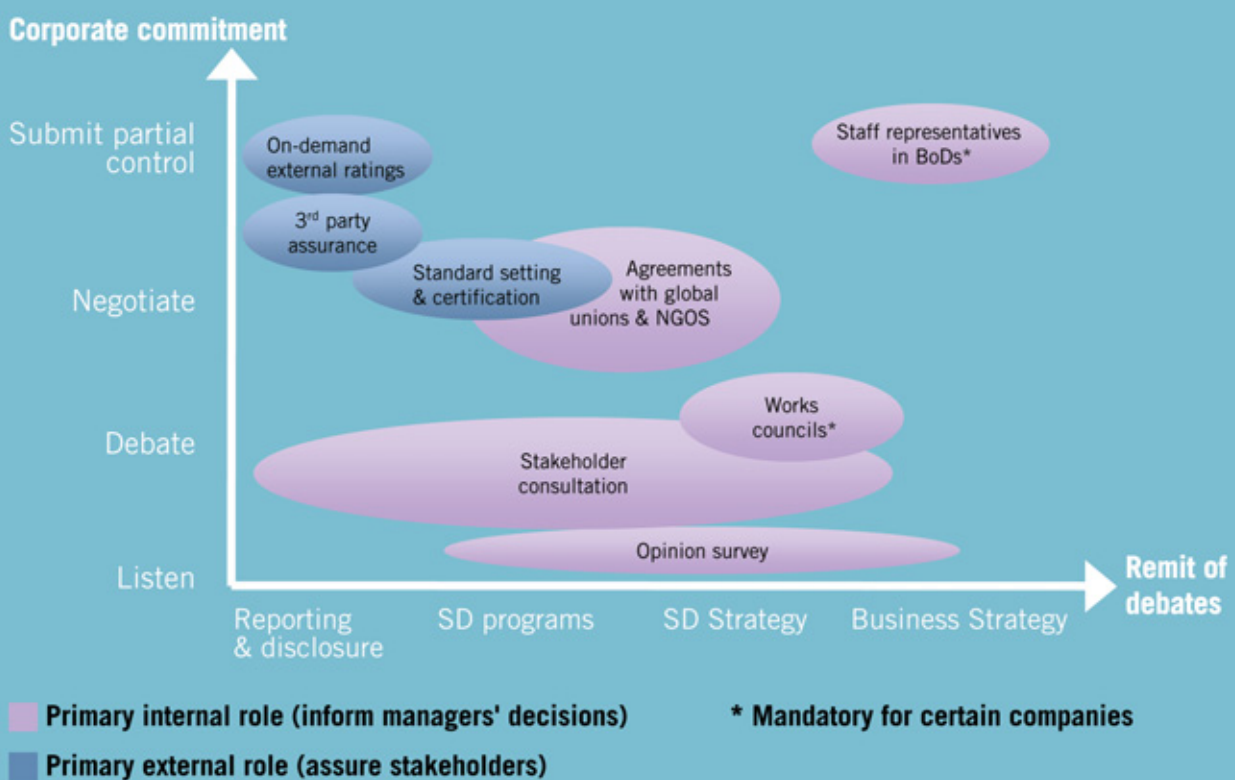
Groups scoring high on both of these axes include shareholders, banks and regulators who act as the 'control holders' of businesses through their formal and direct influence on corporate decisions. In some cases, major clients, business or supply chain partners join the ranks of formal control holders.

Other stakeholders have an indirect influence on corporate decisions, either through pressure on particular control-holders (for example through lobbying, advocacy and campaigns) or their influence on the environment of business risk and opportunity (for example through changing consumer demand, industrial action or influence on corporate reputation).

These non-controlling stakeholders are the ones that are usually being referred to by corporate responsibility standards and by companies themselves when discussing stakeholder engagement in decision-making processes.

From an operational point of view, stakeholder groups further to the right of the map are generally easier to engage with since they are represented by formal organizations, and those higher up have traditionally been seen as more urgent to engage with as they can formally and directly impact on business decisions. However, as every manager knows, *ease* plus *urgency* do not equal *importance*. Whilst the map of stakeholder influence reflects the current ease with which particular stakeholders can control or influence corporate decision-making, it does not necessarily reflect the extent to which their actions, or the issues they raise could influence future corporate performance. Therefore companies have developed a range of mechanisms for bringing stakeholders views more directly into decision-making.

FIGURE 2: Mechanisms of stakeholder participation



In recent years, for example many of these mechanisms have focused on the development of corporate reporting on social and environmental performance – with stakeholders involved in setting the terms for reporting, providing feedback on performance and assessments of the quality of disclosure.

As shown in the chart above (➡ Fig. 2) different vehicles of participation and accountability have been developed to provide different levels of influence on decisions from just 'having a say', to engaging in dialogue to taking responsibility for particular decisions. They also focus on influencing decisions at different levels within the corporation from developing strategy, to setting policies, to operational and tactical decisions about putting these policies into action to decisions on what to report on.

Stakeholders formally represented in governance

In some specific cases stakeholders other than those representing the interests of investors are given decision-making influence through seats on the Board of Directors⁸:

- The most well known cases are in Germany, where large corporations should have half of their Supervisory Board composed of employee representatives⁹. Japanese corporate governance presents a similar picture with employee representatives making up between a third and half of many Boards¹⁰.
- In economies still strongly influenced by the legacy of state-ownership such as France, employee representation on the Board of Directors is common. State-owned Enterprise (SOE) Boards include representatives of employees and user groups. After privatization, former SOEs usually keep an employee representative in the Board. Furthermore, when employee share ownership reaches 3% in large companies, employees can nominate one or more directors.

Stakeholder participation

Stakeholders can also take part in a '*softer way*' in processes which enable them to directly input into particular decisions, without becoming part of the control-holding structures of the company, for example through:

- **Works councils** are mandatory for large European companies and offer a vehicle for voicing the interests of employees, but are limited to consultation. (➡ box 1)
- **Framework agreements** have emerged more recently between multinational corporations and international trade unions, or in some cases, advocacy NGOs to enable stakeholder groups to negotiate commitments with the company and co-monitor progress. (➡ box 2 and 3)
- **Stakeholder consultations** have been developed by companies to inform their strategy, address particular issues or local dilemmas, or get feedback on their non-financial reports. They include face-to-face interviews, workshops, public meetings and annual stakeholder sessions.

In these cases companies seek to engage with individuals or organizations who are seen to represent particular stakeholder groups, either through their own accountability to their membership or constituencies, through representative sampling, or open invitation for feedback. The role offered to participants ranges from voicing their opinion to negotiating particular agreements.

BOX 1

European works councils

Since 1995, a European Directive¹¹ makes European Works Council mandatory for companies with at least 1000 employees within the EU and at least 150 employees in each of at least two Member States. These councils composed of elected employees representatives meet at least once a year with the top management. According to the Directive, companies are supposed to consult the council on major business decisions. They have no bargaining role, but can challenge the management for withholding information. In practice, many agreements focus on HSE issues, while excluding from their scope issues that are subjected to collective agreements and negotiation. Whilst implementation of the Directive has been patchy, they have been credited with improving the quality and extent of stakeholder dialogue amongst implementing companies.¹²

BOX 2

Framework agreements with Global Unions

Framework agreements with global unions have been developed since the beginning of the 1980s. In 2006, the European Commission identified 91 international agreements, 48 of which were global. These agreements are voluntary and mostly driven by 5 global unions, with 10 to 25 million members each. The companies' commitments focus on labor rights, increasingly include other aspects of corporate responsibility. While the first agreements were based on very general principles (inspired by the OECD principles and ILO core standards), the new generation includes more precise and wide ranging commitments and put the emphasis on co-monitoring, including the release of annual statements on progress. Most monitoring

FIGURE 3: Framework agreements signed



programs remain based on a whistle-blowing approach rather than on ongoing assessments, and it is still too soon to determine whether these agreements have led to significant improvement in performance. Among the companies studied in this report, EDF and Lafarge have also developed a framework agreement, and in the case of Lafarge the global union representative also participates in the stakeholder panel.¹³

BOX 3

Partnership agreements with NGOs¹⁴

Some companies have entered into strategic partnerships with high-profile advocacy NGOs in order draw on their skills, knowledge and networks and add to the credibility of their corporate responsibility strategy. For example:

- The environmental NGO WWF has partnered with several companies since 2000, under its 'Climate Savers' programs which negotiates CO₂ reduction targets.¹⁵ Companies involved include Lafarge, Johnson & Johnson, IBM, Polaroid, Nike, Tetra Pak and AEG. WWF work with the firms to support the implementation of their reduction plans, and emissions are monitored and externally audited each year. Some companies, such as Lafarge have extended the partnership to other environmental issues.
- The development NGO CARE co-developed corporate programs with various companies, including Lafarge, EDF, Sanofi-Aventis and Thomas Cook, to help them tackle issues in their scope of influence such as HIV/AIDS, access to medicine and local economic development. The companies agree annual objectives with CARE and are supported in the implementing their programs through connections to the NGO at field, regional and group-levels.
- Amnesty International Business Group partners with several companies including Casino and ST Microelectronics (in France) to deliver a critical eye on their corporate policies and suppliers audit schemes.
- Rainforest Alliance has developed specifications, audit schemes and 'sustainability labels' for several companies including Chiquita and Kraft Foods.

Participation in the sustainability reporting process

Stakeholder engagement has been integral to sustainability reporting since its inception: stakeholders may be involved in defining the scope of reporting by helping to identify material issues and/or at a later stage in the cycle by providing assurance - via opinion statements included in the reports. Some companies including BP Plc, BT Group Plc, Ford Motor Company and Nike Inc. further developed this practice through a rigorous formalization and disclosure of their approach to materiality, turning the process of identifying material issues into a working link between accountability to stakeholders and strategic decision-making¹⁶. At the product level, stakeholder groups have often also been involved in negotiating and implementing certification schemes which define both standards for performance and disclosure¹⁷.

Expert participation

Some companies have sought to improve their understanding and responsiveness to social and environmental issues by involving external people as experts able to reflect stakeholders' concerns. For example:

“Admittedly, companies undertaking a stakeholder dialogue with NGOs will be more aware, in advance, of potential issues. But tracking NGO opinion is only part of the process of understanding the social pressures that can ultimately affect core business drivers such as regulations and consumption patterns. The mapping of long-term options and responses clearly needs to be rooted in the development of strategy. Yet typical CSR initiatives - a new ethical policy or a glossy sustainability report - are often tangential to it. It is possible for a company to follow many prescriptions of CSR and still be caught short by seismic shifts in this field.”¹⁹

Ian Davis, Managing Director of McKinsey & Co.

- Experts or academics invited to become non-executive directors and bring sustainability concerns to the Board and Board level committees.
- Members with expertise on the social and environmental risks associated with particular technological and scientific developments invited to sit on scientific and ethical panels in science-based industries. (➡ page 34)
- Specialist CSR consultancies, SRI rating agencies or NGOs commissioned to conduct public assessments of corporate responsibility performance or reporting.¹⁸
- NGOs providing skills, knowledge and networks in problem solving or product certification partnerships with companies. (➡ box 4)

Despite these innovations and experiments, there remains a gap between stakeholder engagement and governance. The principle of 'inclusivity' has yet to be translated into a widespread, workable and meaningful practice that is able to influence strategic direction and help drive operational excellence – especially in

large multinational companies, where the distance between the decision-makers and people impacted by the decisions is the greatest.

Too often engagement remains a one-way conversation in which stakeholders highlight their concerns or collaborate on individual projects, but these engagement processes are not clearly linked into strategic decision-making, such as by corporate responsibility committees at Board level. Meanwhile, despite an ever-increasing number and size of sustainability reports, trust in business remains fragile. NGOs demand further disclosure, but it is not clear that there is any amount of data that will satisfy society's information addiction. With no connection between stakeholder engagement and corporate decision-making, people can only assess business actions against their own concerns and find corporations wanting.

This gap between engagement and governance poses an immediate risk that stakeholders will retreat from dialogue in favor of non-cooperation, litigation, civil unrest, boycotts or lobbying for more prescriptive regulation. Unless corporate decision-making and stakeholder engagement are able to forge a working link, companies will be forced to navigate blindly of the signals that highlight risks and opportunities.

STAKEHOLDER PANELS IN PRACTICE

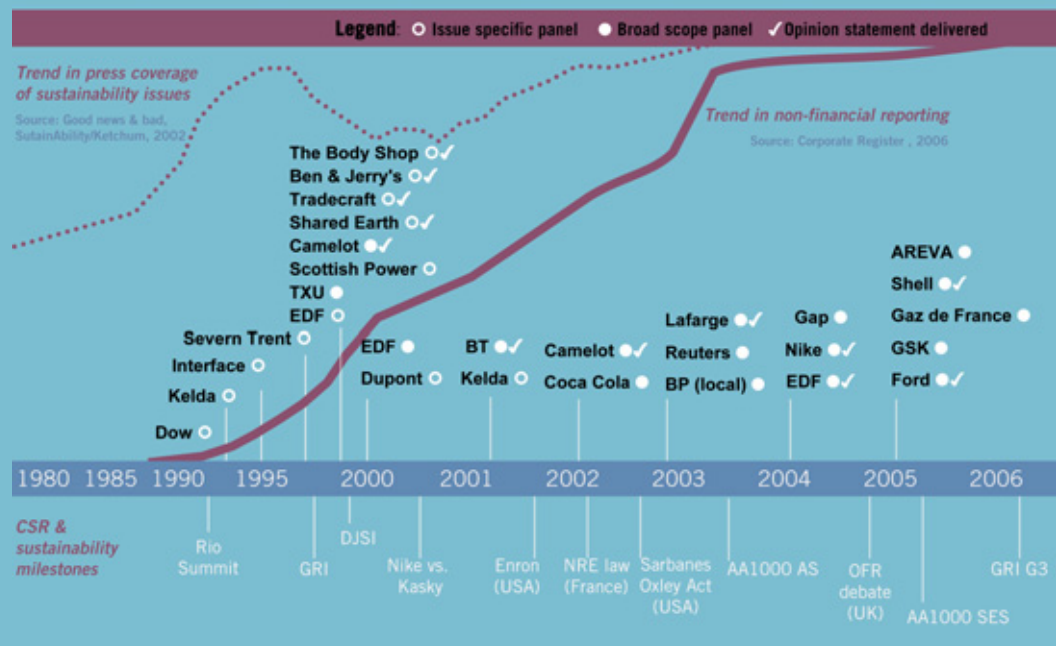


THE EMERGENCE OF STAKEHOLDER PANELS

One of the most recent innovations in corporate stakeholder engagement, which aims to help bridge the gap between stakeholder engagement and strategic governance, has been the development of formal stakeholder panels.

Panels bring experts and stakeholders from outside a company together with decision-makers from inside to identify and consider the social and environmental issues material to business strategy, policies and performance. They are designed not just as a place for stakeholders to air their views, but as a forum for dialogue and mutual challenge where participants learn and develop solutions together. Critical to this is that panels are mandated to deliver an output, or series of outputs (for example: commentary, advice or assurance), designed to feed into decision-making and to which the company has made a commitment to respond. The timeline illustrates their development.

FIGURE 5: Three waves of panel development



The first wave of corporate panels in the 1990s focused on providing advice focused on particular environmental topics or partnerships. Then in the mid-nineties these were joined by 'report review panels convened by values-led innovators including The Body Shop, Ben & Jerry's and fairtrade companies; Traidcraft and Shared Earth as part of their new 'social audit' processes. As social and sustainability reporting became a mainstream business practice over the past five years, professional assurance providers, both from major accounting firms or from specialist consultancies, took over from panels in an attempt to provide more rigorous and replicable assurance. However, the last few years, faced with the problem of ensuring that their reports were not just accurate, but complete, and trusted by stakeholders, companies have again turned to stakeholder panels, in particular to help them to identify material issues and impacts.

Of course stakeholder panels are not just concerned with reporting. As the case studies in the following pages highlight there is a great deal of diversity in panel practice. Some are convened to provide an outside perspective on corporate responsibility strategy, while others focus on improving and attesting to the quality of sustainability reporting, or on particular issues or localities.



CASE STUDY

Company name: **BT GROUP PLC.**

Sector: **Telecommunications**

Name of panel: **Leadership Panel**

Since: **2001**

Contribution: **Advice & Assurance**

Frequency of meetings: **4-5 times a year**

PURPOSE: The purpose of the panel is to encourage innovation and leadership on sustainability and corporate responsibility in BT. Its remit includes advising the Corporate Responsibility (CR) team on key areas of CR performance and strategy; ensuring BT doesn't avoid difficult subjects and bringing independent scrutiny to bear on our understanding of societal issues.

PRACTICE: The panel meets four or five times a year. Examples of issues considered by the Leadership Panel in 2006 included, CSR governance, base of the pyramid business models and BT's approach to materiality in its social & environmental reporting. Senior managers with decision-making power attend meetings regularly, particularly where they are responsible for areas relevant to the discussion. The panel provides an annual independent comment on BT's social and environmental performance within the non-financial report.

MEMBERSHIP: The panel membership is made up of thought leaders in the field of corporate responsibility including Jonathon Porritt, Chair of the Panel and Co-Founder and Programme Director of Forum for the Future, Mark Goyder, Director, Centre for Tomorrow's Company, Elizabeth Laville, Director of Utopies, Jorgen Randers, Professor, the Norwegian School of Management. Each member participates in an individual capacity and are not seen as stakeholder representatives.

FACILITATION: BT's CR team are responsible for selecting the panel members and set the agenda of each meeting to focus on issues and processes important to BT, in consultation with, Jonathon Porritt, the Chair of the panel.

LINK TO GOVERNANCE: The panel acts in an advisory capacity, and is not seen as a forum for decision-making. The primary contact for the panel is BT's CR team. [💡 On occasions members have presented to the Board.](#) Panel members stress that the panel's effectiveness does not just come through formal structures but through the creative partnerships [💡 and working relationships, between members, the BT CR team and BT's senior management which as developed over time.](#)

→ Sources: BT's website and report including review of panel's effectiveness by panel members. Interviews with Susan Morgan from the CR team and panel members Elizabeth Laville and Rob Lake.



CASE STUDY

Company name: **DOW**

Dow has had a Corporate Environmental Advisory Council since 1991 to give advice on corporate environment, health and safety priorities, policies, strategies and performance. The objective was to improve dialogue and problem-solving. It is composed of an external group of global environmental policy and opinion leaders who represent Dow's geographic areas. Dow asks them for a warning of issues and trends, insight on legislative, regulatory, and public opinion pressures, a review of Dow's EH&S plans, programs and activities, comments on the draft of the Public Report, and a forum for discussing priority issues, strategic advice, external views.²⁰

PURPOSE: ADVICE AND ASSURANCE

Some panels such as those of BT, Areva, and GlaxoSmithKline are convened to provide an ongoing external perspective and advice on the company's corporate responsibility strategy. The outputs range from expressing expectations on issues (e.g. Human Rights, biodiversity, etc.) to giving feedback on draft policies, programs and public positions.

Others such as Nike, Ford and more recently Shell have established 'Report Review Committees' which are focused on reporting. Panels of this type complement and strengthen companies' existing reporting and assurance mechanisms by:

- highlighting and debating emerging or difficult issues to assist the company in identifying the sustainability issues that are material to their business strategy (and therefore also the scope of their reporting).
- overseeing the report scope and contents, to ensure that reported information is aligned to what stakeholders want to know about.
- providing some form of public assurance such as a letter or statement commenting on the company's sustainability management, performance and reporting. None of the panels we identified have engaged in detailed investigations to verify performance or audit data.

Often panels evolve over time. BT's panel was initially convened to provide advice, but went on to provide a public opinion statement included in the company's report, while Nike and Lafarge are considering how to evolve their panels to shift from focusing on reports to more broadly influencing strategy. In many cases, panels mix the advisory and assurance roles.

FOCUS: GLOBAL, LOCAL OR ISSUE SPECIFIC

While many panels take a broad overview, some have been convened to focus on a particular issue across the company - Lafarge's biodiversity panel²¹, a particular stakeholder group - Camelot's Players Forum or a single project - BP's panels focusing on the Tangguh and Caspian Sea projects enabled them to engage with stakeholders around particularly complicated and locally sensitive projects. They also used a stakeholder panel in developing their carbon offset scheme to ensure its effectiveness and credibility with consumers.

“We believe it is important to identify people and organizations relevant to each specific issue and circumstance, rather than expecting one set of stakeholders to have a dialogue on all the issues in all the countries where we operate. That is why instead of having a high-level, general stakeholder panel or advisory group, we try to focus the panels at country level and on specific issues.”

Stakeholder engagement in practice at Vodafone²²

Some companies have used their panels to build bridges between stakeholder discussions focused on particular issues, projects or locations and wider strategy. BP panels report their recommendations directly to the CEO but also act as multipliers for wider stakeholder engagement by convening their own engagements with local stakeholder groups. Camelot has developed both stakeholder specific panels for retailers, staff, public interest groups and players as well as an overarching Independent Advisory Panel for Corporate Responsibility reflecting its eight identified core stakeholder groups, including members of the individual stakeholder panels.



CASE STUDY

Company name:

BP

Sector: **Oil and gas**

Name of panel: **Tangguh Independent Advisory Panel (TIAP)**

Since: **2001**

Contribution: **Advice**

Frequency of meetings: **Independent meetings on request**

PURPOSE: This panel focuses on the BP Tangguh Liquefied Natural Gas (LNG) Project in Papua. It was convened at the request of the then CEO, John Browne to provide independent assessment and guidance to ensure that its plans in the area would deliver on the policy BP commitments, as well as respected global norms governing human rights, labor standards, security and environmental impact.

PRACTICE: The TIAP Panel meets independently but can request BP staff's presence if required. The panel reviews the economic, political and social impacts of the project and compliance against BP policies, targets and values but does not review every aspect of BP's compliance with Indonesian and local law. ⚡The panel undertakes visits and meetings with government officials and villagers. This includes conducting formal meetings to consult and involve other experts, opinion leaders or stakeholder representatives as it determines necessary. The panel is supported by a professional secretariat and has complete access to all information it requests and total independence in its inquiries and its finding. ⚡The panel presents directly to other stakeholders at relevant meetings, and as part of its contract has had public meetings in London, Washington, Jakarta and Melbourne.

MEMBERSHIP: The TIAP are independent experts who join in individual capacity and act as advisors. The panel is chaired by U.S. Senator George Mitchell who helped to select and convene the rest of the panel made up of experts able to command credibility both in Indonesia and internationally. The panel is made up of the British diplomat Lord David Hannay, Jakarta Post Editor and former Indonesian Ambassador to Australia Sabam Siagian and the Reverend Herman Saud Chairman of the Christian Evangelical Church in Papua.

FACILITATION: Members are appointed by the BP Group Chief Executive but have otherwise no ongoing direct connection with BP. ⚡BP has set up an independent fund for the panel to enable it to carry out visits, consultations and research as it decides necessary.

LINK TO GOVERNANCE: The TIAP issues independent and unedited public annual reviews to the BP Group Chief Executive, to which BP publicly responds.²³ The response outlines how BP will implement recommendations or explains why they are not feasible. Updates to the panel on progress against the recommendations is normally through a senior BP representative nominated by the BP Group Chief Executive. The Panel's role is an independent advisory one and it has no executive authority or responsibility in relation to the Project. The panel is the only engagement mode that BP uses in relation to the Tangguh project. The panel's mandate is to be a nexus for wider engagement with local stakeholders, authorities, specialists and other interested parties; it is asked to provide a bridge between local level engagement and strategic decision at BP's headquarters.

→ Source: BP's website and annual public reports from the panel including the review of the panel's effectiveness by panel members. Interviews with Matt Taylor – Manager External Affairs, David Meighan – Regional Manager, Gary Klein and Peter Flanagan – Secretariat of the Tangguh and CDAP Panel respectively.

MEMBERSHIP: STAKEHOLDERS AND EXPERTS

The size and background of panel membership varies greatly, and is clearly critical to the success of the panel in offering useful advice and challenge and in securing wider legitimacy. While not seeking to set up lines of formal accountability, most companies seek to recruit a balanced panel that reflects its range of impacts and stakeholders. As shown on Figure 6, panelists were often chosen as issue experts, although a few companies such as Lafarge and Camelot seek individuals able to directly reflect the concerns of particular stakeholder groups such as representatives from the global unions (Lafarge) or the UK Charity GamCare which provides practical help in addressing the social impact of gambling (Camelot).

Members on BP's Advisory Panel were chosen not just for their expertise but for their high profile credibility and ability to initiate dialogue with wider stakeholders. An additional analysis of a sample of 6 panels suggested that companies put the emphasis on the expertise criteria for issue-specific panels.

In most cases panelists take part as individuals rather than organizational representatives, but in some cases panelists have insisted that they participate as organizational representatives. Here for example Karina Litvack on the Lafarge panel insisted on participating on behalf of the SRI fund for which she works, to benefit from the legitimacy of representing a company shareholder. Even where panelists have participated formally as individuals, it is not clear that their individual identity and their membership of the groups and networks which brought them to attention can be clearly divided.

Some participants have worked hard to demonstrate their informal accountability to their own informal constituency. For example Alistair McIntosh, a Lafarge panelist, publishes all correspondence and notes of dialogues as well as proceedings of his own 'discernment' consultation on his personal website.²⁴

Members are generally chosen by the company, sometimes working together with the panel chair or an external facilitator. In AREVA's case, the company contacted a French multi-stakeholder association who suggested the members and facilitated the recruitment process. Camelot actively encourages current members to nominate new members to the panel to cover emergent gaps.

FIGURE 6: Profile of membership in a sample of panels



8 panels analyzed, all group-level and broad scope



CASE STUDY

Company name:

LAFARGE

Sector: **Building materials**

Name of panel: **Stakeholder Panel**

Since: **2003**

Contribution: **Advice & Assurance**

Frequency of meetings: **Twice a year**

PURPOSE: The panel was convened to assess and recommend improvements on selected CR issues as part of the company's sustainability reporting process. It reviews the draft sustainability report to deliver a critical opinion for publication within the report. It does not provide any formal verification of accuracy and completeness of the data presented.

PRACTICE: Lafarge organizes two sessions each year. The panel meets top executives in November to discuss selected CR issues and projects, and identify emerging issues for the report. The second meeting with the sustainability team is held in spring and mostly focuses on the drafting of the assurance statement for the report, but Lafarge often use this opportunity for follow up on previous debates. In the meantime, the panelists are consulted on the draft version of the report and sometimes directly engaged in the drafting.

MEMBERSHIP: The panel mixes experts and stakeholders. The 10 members include the Directors of Utopies (chair) and CEO of AccountAbility, an eco-architect (Livia Tirone), a local environmental activist who led the campaign against Lafarge's main quarrying project (Alastair McIntosh), as well as representatives from the industry international union (Marion Hellmann), the work council (Patrice Ponceau), and an SRI shareholder (Karina Litvack from F&C), two partner NGOs (Jean Paul Jeanrenaud for WWF Int. and Philippe Lévêque for CARE France) and the UNEP (Cornis van der Lugt). Each member has formally selected CR themes to focus on, in order to cover all material issues identified by Lafarge and the panel. A statement of material interest is published each year.

FACILITATION: Utopies recommended and co-recruited the panelists, prepares the meetings, liaises with the panel, writes the minutes and drafts the collective statement and regularly conducts self-assessments. In 2005, Utopies stopped advising Lafarge on sustainability reporting, partly to avoid conflict of interest. Its Director became chair of the panel and thus replaced the CEO as moderator of the meetings.

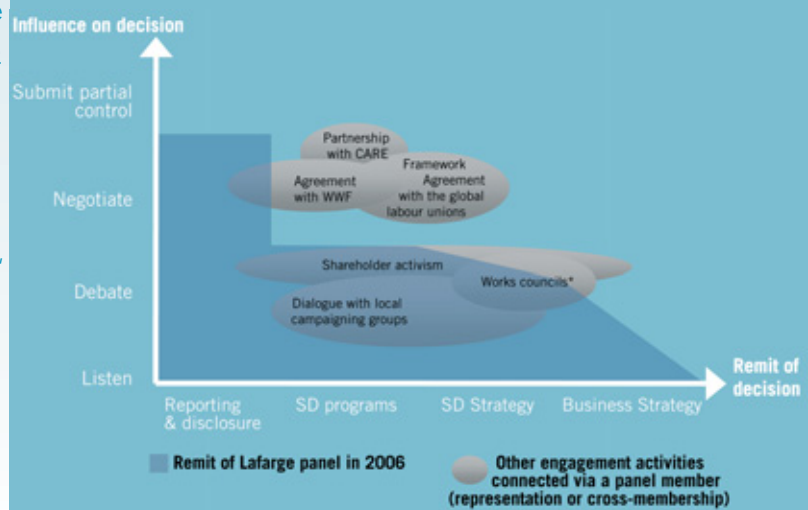
LINK TO GOVERNANCE: The primary contact of the panel is the sustainability vice president.

Almost all members of the executive Board attend the November meeting, including the CEO, as well as occasionally the Chairman of the Board. Beyond the panel activity many panel members are individually engaged with lower level of management, but with a greater involvement in the decision-making process, through partnerships (WWF and CARE), an international social agreement, and the works council.

→ Sources: Lafarge's website, panel 2005 self-assessment, interviews with all panelists and Lafarge management, minutes from all meetings.

FIGURE 7:

Connection of the panel with other stakeholder engagement activities



THE ‘DEAL’ OFFERED

Critical to recruiting and retaining panelists is the implicit ‘deal’ offered in terms of influence on decisions for the time and reputation invested.

One approach to this has been to offer panelists a clear lever on company reputation in the form of published minutes and commentary on sustainability reports (BT, Lafarge, EDF).

Ideally a consensus statement will emerge, though most companies allow for minority views to be featured in the commentary where consensus cannot be reached. Advisory panels that do not offer such a lever tend to offer guarantees regarding the influence on decisions such as a formal feedback on each expectation expressed (AREVA). In some cases companies have made a formal commitment to respond, but none have agreed to be bound by the judgment of the panel.

“Compensation is necessary and is a matter of good governance within CARE since we are accountable to private donors and institutions for the way we spend resources.”

Philippe Lévêque, Director of CARE France

The level of decision makers involved in the panel is also an obvious indication of the level of interest. It ranges from CEO (Lafarge) and Board level executives (Camelot) to functional managers and corporate responsibility teams (EDF, AREVA). In general the panels were managed by the CR team within the companies studied. In many cases the panel members are able to request access to

particular functional managers as deemed necessary. In BT, while the panel is housed by the CR team it has been explicitly set up with an emphasis on looking at sustainability issues in relation to business priorities. In this way the panel has developed a credibility to draw in and advise senior executives. At Camelot, panel members are in contact with relevant staff, depending on the stakeholder group they cover 3-4 times a year and between panel meetings. In most cases panels are mandated to give advice to the Board or senior management, or to Board level CR committees even when they do not attend the meetings (Camelot).

Finding the right balance between transparency and confidentiality is another key factor of success in delivering real influence on decision-making. Confidentiality allows panelists to gain insight into a company’s thinking and future plans while transparency helps them to maintain their answerability and credibility within their own constituencies. This is something that has been deeply debated by many panels to ensure that the company and its panelists both agree on the ground rules at the outset. Examples range from AREVA (energy industry) who maintain confidentiality on both the membership and the proceedings to protect the participating NGOs from controversy, to Lafarge who publish the minutes of each meeting and allows some members to publish their ‘diary’^{24b}, to EDF whose panel’s recommendations are published on the web site.

Finally, while it is no substitute for influence on decisions, compensation can also help stakeholders and experts to make time in busy schedules. While all companies cover related expenses, most also provide compensation (BT) with the option for members to donate the amount to a charity of their choice. Others consider that direct compensation can be seen as a risk for panelists’ independence. Indirect forms of compensation are also possible: while it has no direct link to membership in the panel, Lafarge supports many organizations ‘represented’ in its panel (WWF, CARE, AccountAbility). A statement of material interest is therefore published to make these links public.



CASE STUDY

Company name: **CAMELOT**

Sector: **Lottery operator (UK)**

Name of panel: **Advisory Panel for Corporate Responsibility**

Since: **1998**

Contribution: **Advice & Assurance**

Frequency of meetings: **4 times a year**

PURPOSE: Camelot set up an independent Advisory Panel for Corporate Responsibility (APCR) which is an independent body of specialists with professional experience in areas that reflect Camelot's stakeholder groups. Its remit is to provide external and independent scrutiny of Camelot's performance and decisions in its aim to be a responsible corporate citizen. Furthermore, the panel's mandate is to provide advice about best practice in corporate responsibility so that Camelot can innovate and to provide a forum for debate on key issues relevant to Camelot's corporate responsibility, particularly where the interests of different stakeholders are contradictory. 💡 Members for example review Camelot's Corporate Responsibility Report and commitments for improvement detailed within the report, and advise on 'best practice' gaps in Camelot's approach and performance.

PRACTICE: The panel meets quarterly. In 2006, the Panel focused on topics such as supply chain, responsible play, consumer and retail issues, staff survey results, and signed off the Corporate Responsibility Report.

MEMBERSHIP: The panel members act in an advisory capacity. 💡 Members join as individuals, but take responsibility for representing the views of particular stakeholder groups. Members of the Panel receive no payment from Camelot.

FACILITATION: The panel members are 8 professionals, who have been selected for their experience in reflection of Camelot's stakeholder groups: players and winners, employees, public interest groups, retailers, suppliers, local communities and shareholders. They include; Rodney Garrood - independent consultant; Mark Goyder - Director, Tomorrow's Company; Mahendra Jadeja, President of the National Federation of Retail Newsagents; Geoffrey Godbold, CEO of GamCare, Hugh Somerville - formerly Head of the Sustainable Business Unit at British Airways; Sir Robert Worcester, Chairman and founder of MORI and Val Hammond - Chair of Roffey Park Institute. 💡 The panel is chaired by Gerry Archer who is a non-executive director. 💡 The panel members meet for 30 minutes without the chair present before the meeting start to allow members to catch up and review the agenda as well as identify other issues to be discussed. The Chief Executive attends all meetings. Camelot's external auditor also attends some of the meetings, primarily as observer but also offering comments and challenges as appropriate.

LINK TO GOVERNANCE: The APCR provides advice to the Board. The primary contact is through the chair of the panel and the CR team. The CR Team is present at all panel meetings and the CR Manager reports directly to the Chief Executive. Panel members also 💡 have cross-memberships with other groups. For example the member representing retailers also sits on Camelot's Retailer Forum and the Chief Executive of GamCare attends the Public Interest Group seminar. 💡 If a panel member assesses a particular issues as part of their stakeholder group representation, the relevant senior manager or executive manager will attend these meetings as well. Panel members receive also the minutes from the last Corporate Responsibility Board (CRB) meetings which are chaired by the CEO and vice versa. Responses and outcomes to and fro the APCR are discussed by the CRB beforehand.

→ Sources: : Camelot's website and report. Interviews with Clare Griffin and Anne Pattberg from Camelot's CR team and with Mark Goyder, a panel member and Gerry Acher, the Chair of the Panel.

FACILITATION AND ORGANIZATION

Many panels involve external facilitation, and in some cases such as AREVA's stakeholder sessions, a very formal process was put in place to enable constructive engagement with advocacy NGOs in the highly sensitive nuclear power industry. In the case of BP's panel it was explicitly designed to operate completely independently of the company, with a budget under its own control and staff only attending as requested.

Some panels, particularly those focused on reporting, were convened with a particular standard such as the GRI guidelines or AA1000 Assurance Standard as a reference point. In other cases, particularly when looking at emerging issues rather than performance assessment it was felt that not having to follow a specific standard enabled greater innovation and creative freedom during the debate.

The agenda for panels was generally set by the company in cooperation with the panelist chair or external facilitator and the panel itself. However the Camelot panel last year decided to meet without Camelot staff for the first part of the meeting, to allow members to freely discuss the issues that they want to raise with Camelot.

The majority of the panels have agreed Terms of Reference, although not all make these publicly available. Other companies generally provide public information on their panel's mandate and purpose, membership, standards used and company staff involved. Lafarge also makes the minutes of each meeting public.

BUILDING CAPACITY

Stakeholders often lack knowledge about the industry, in particular about complex and rapidly developing technologies and about business strategy. This can be addressed over

“It is difficult to have a representative group of stakeholders and at the same time to have members with a constructive point of view rather than just critical.”

Nicolas Blanc, Corporate Relations, Comité 21

“Panels members will be more and more specialised in order to be capable to discuss high level strategic subjects.”

Claude Fussler, Chairman of the EDF Panel, Sustainability and innovation expert - Special advisor to the UN Global Compact

time through ongoing dialogue, site visits and information sharing. Lafarge for example organizes site visits and arranges for informal discussion over dinner before the panel meetings, while BT organized an onsite visit and training at one of its facilities. However, many company practitioners reflected that after gaining insights into the industry, these stakeholders cease to represent the views of 'the man in the street', and the company is in danger leaving its wider audience behind.

Connection with other stakeholder consultations is also another way to keep members up-to-date: BP provides its panel members with an independent fund for consulting other experts and organizing consultations or workshops. Camelot ensures synergies through cross-memberships and information.



CASE STUDY

Company name: **AREVA**

Sector: **Energy industry**

Name of panel: **Stakeholders Sessions**

Since: **2004**

Contribution: **Advice**

Frequency of meetings: **2 sessions (2 meetings for each session)**

PURPOSE: The panel delivers a critical opinion on AREVA's approach as well as recommendations regarding sustainability strategy, management and reporting. A summary of stakeholders' expectations and AREVA's responses and commitments has been made publicly available for the first Stakeholders Session. The second Stakeholders Session has just been completed in early 2007. Each session is composed of 2 meetings.

PRACTICE: During the first session, each panelist received a detailed briefing note on AREVA's functioning and issues at the outset, and raised questions and expectations in the first meeting. ⚡AREVA published written responses in advance of the second meeting 6 months later (early 2005). Following this dialogue, AREVA undertook a number of commitments, published in its Activity and Sustainable Development Report 2005.

AREVA replicated the process for a second Stakeholders Session at the end of 2006 and early 2007. These two meetings enabled AREVA and its stakeholders to discuss different themes and share points of view on the actions undertaken since the first Stakeholders Session. Before the meetings, a written document was sent to the stakeholders with information about AREVA's commitments (Human Rights, fight against HIV/AIDS, diversity, renewable energies etc.).

MEMBERSHIP: ⚡The composition of the panel is kept confidential. The 14 members mostly come from French organizations or the French branch of international bodies – including environmental, human development and human rights NGOs, SR investors, trades unions, national and international institutions. Selection criteria include independence, willingness and ability to engage constructively, connection to the issues in question and reflection of a diversity of stakeholder groups.

FACILITATION: Comité 21 (a French association composed of companies, state owned enterprises, local authorities and NGOs, focused on dialogue on sustainability issues) ⚡recommends and recruits the panelists, sets the rules, moderates the sessions, writes the minutes and ensures that all questions are addressed. The official summary of each Stakeholders Session is written by the Comité 21 and made available on the internet.

LINK TO GOVERNANCE: The primary contact of the panel is the sustainability team, the head of which reports to the CEO and is a member of the Nuclear Executive Committee. The heads of key corporate departments, such as Strategy, Research, Health and Safety, Communication, Investors Relations and Human Resources take part in the briefing notes drafting, attend meetings and are actively involved in the writing of AREVA's documents for stakeholders.

→ *Sources: AREVA's website, interviews with the sustainability team, Comité 21, the head of strategy, the head of financial communication and two panelists from NGOs.*



CASE STUDY

Company name: **REUTERS**

Reuters' Corporate Responsibility Advisory Board gives advice, feedback and guidance on the company's responsibilities. In 2006 the panel's goals were to develop a code for suppliers to adhere to when they work with the company, roll out a program of mentoring for senior managers by more junior employees on diversity issues, raise employee participation in Community Events Week 2006 to 15% in 45 locations, create a system for recording Reuters impacts on the environment and roll out a new Code of Conduct.



CASE STUDY

Company name:

GAZ DE FRANCE

Sector: **Energy / Utilities**

Name of panel: **Stakeholder dialogue**

Since: **2005**


Contribution: **Advice**


Frequency of meetings: **Every 18 months**

PURPOSE: The stakeholder dialogue process, initiated in 2005, aims at establishing dialogue and formulating recommendations to influence the Group's policy and action. The objective of the panel is to cover a wide scope of topics in line with the GDF sustainability concerns.

PRACTICE: The Panel met at the end of 2005 for a one day session which was split into two phases: the first one was dedicated to the expression of stakeholders' expectations, which was followed by a formal response from Gaz de France in the second phase.

MEMBERSHIP: People involved in the stakeholder dialogue process are mainly French environmental & social NGOs representatives, CSR professionals, SRI Investors and representatives of institutional bodies. The scope of issues and competences covered by the members is very comprehensive, including human rights, climate change, extreme poverty alleviation. Members selected to represent Gaz de France into the stakeholder dialogue process are from top management level engaged in human resources and marketing.

FACILITATION: Comité 21, (a French association composed of companies, state owned enterprises, local authorities and NGOs, focused on dialogue on sustainability issues)  recommended and recruited the panelists, organizes and moderates the debates. Comité 21 produced a written summary of the debates, which is kept confidential.

LINK TO GOVERNANCE: The stakeholder dialogue process is dealt with at top management level within the Sustainable Development Department. The sustainable development manager is a member of the panel and attends the meetings, while members of the executive committee are not directly involved. Collecting and discussing the expectations of members has lead Gaz de France's top management to make some critical decisions in the fields of prevention of corruption & human rights abuses. In 2006, the  Group joined the Extractive Industries Transparency Initiative (EITI) and contributed to set up a French version of the Business Leaders Initiative for Human Rights.

→ Source: The summary of the debates, interview with 2 panelists and a practitioner from GDF



CASE STUDY

Company name:

COCA-COLA

Coca-Cola has an international advisory Board which provides strategic insight for the chairman and senior management team, extends Coca-Cola's strategic networks of key leaders around the world in government, business and non-profit sectors and gives targeted advice on specific issues. The company also has an India advisory Board to guide the company on various issues including future strategies, corporate citizenship, and corporate governance and a separate Indian Environment Advisory Council.²⁵



CASE STUDY

Company name:

GlaxoSmithKline

GSK has a panel of external stakeholders to provide advice on emerging issues related to business strategy and comments on draft policies and public policy positions. It is composed of 10 members, among whom are customers, suppliers, regulators, environmental organizations, Socially Responsible investors. It is facilitated by the Environmental Council, an independent NGO.²⁶



CASE STUDY

Company name: **EDF**

Sector: **Energy / Utilities**

Name of panel: **Sustainable Development Panel**

Since: **2000, reshaped in 2004**

Contribution: **Advice & Assurance**

Frequency of meetings: **Twice a year**

PURPOSE: Initiated in 2000 following the launch of EDF Agenda 21, the SD panel was set up initially to advise the company on the design of the SD road map. It was reshaped in 2004 to focus on their SD practices & reporting and to influence the group's strategy more broadly. Today, EDF stakeholder panel is mainly dedicated to internal awareness raising and to giving advice and examples on new SD issues. All the recommendations of the Panel are published on the corporate website.

PRACTICE: The EDF stakeholder panel meets twice a year for full-day meetings. The internal facilitator and external chairman agree the agenda. Some managers and experts from EDF regularly attend the meetings when a Director and its project coordinator present a project to panel members. The panel is engaged in producing recommendations about the theme of each meeting and an opinion statement in the SD report on members' expectations in order to improve the Report as well as the SD actions. However the panel does not engage in formal verification or assurance processes regarding the accuracy or completeness of the information or data presented in the report.

MEMBERSHIP: The EDF panel is made up of ten members, including two EDF practitioners: Brenda Boardman - Environmental Change Institute, Oxford University; Claude Fussler - Sustainability and innovation expert, special advisor to the Un Global Compact and member of the Board of the WBCSD; Peter Goldmark - Director of the Climate Campaign at the Environmental Defence Fund; Daniel Lebègue, President of the French Institute of Directors, Director of Transparency International France; Philippe Levêque - President of CARE International France; Ezio Manzini - Design professor at the Politecnico Milano; Fritz Vahrenholt - Repower; Farid Yaker - Enda (NGO concerned with investments and development in developing countries); Claude Nahon -Senior Vice President for SD at EDF; and Fabienne Cardot - Head of Group's ethics and dialog with stakeholders at EDF. Rajendra K. Pachauri - General Director of the Tata Energy Research Institute is special advisor of the panel. They are convened as a group of experts rather than as a stakeholder representative body. The SD Panel is just one of the established Committees at EDF: it is the only international one and the most recent. Other Panels give advice to the company: the medical council (since 1980), the scientific council (since 1985) and the environmental one (since 2001).

FACILITATION: EDF facilitation process is carried out by Claude Fussler, an external facilitator who has a wide experience of stakeholder panels and set up the EDF panel in 2004. He moderates the debates and produced the opinion statement in the SD report. It is co-facilitated by a top manager of ethics and SD for EDF. She draws up a file on each meeting issue and they both liaise with the panel, define the agenda and produce the final recommendations.

PRACTICE: The SD manager is a member of the panel and attends all meetings, while members of the executive committee attend part of the meetings. The recommendations and advice of the SD Panel are shared by the experts and top managers of the Group. For now, panel's discussions have had no direct impact on strategic decision-making, except for the discussion around 'access to energy' which resulted in the definition of a corporate public position. However, generally speaking, panel's discussions have enriched the EDF managers' vision.

→ Source: External facilitator, EDF practitioners and internal facilitator, 3 panel members

IMPACT

Panels vary in their means of influencing corporate decision-making. Some advise or report formally to the CEO or a Board committee; some are mandated to produce tangible outputs such as public meeting minutes, or a commentary on performance reports, policies or plans. Review committees have direct input into the content and structure of the company's sustainability reporting. However they also have a less tangible influence through awareness raising, collaborative learning and strengthened relationships between the company and panel members.

All panels studied have some sort of assessment in place but practice varies greatly. Lafarge for example surveyed members and top executives with a feedback questionnaire while the BT Panel

conducted an assessment on its practice which was made publicly available. DuPont's biotechnology advisory panel is independently assessed by its facilitator Keystone (NGO). Key impacts identified included:

“Instead of engaging stakeholders one on one, you are convening them altogether – you are getting everything on the table all at once. This helped us to move from strategy and concept to implementation with many aspects of the report, for example the materiality analysis, faster than we might have done otherwise.”
Krista Gullo, Sustainability Reporting Manager, Ford

“One of the most efficient meetings about access to electricity was followed by the decision to define public positions for the company. The panel has helped in improving the quality of debates on this matter.”
Claude Nahon, Director of Sustainable Development, EDF

“Commitments on human rights are one of the most tangible impact of the panel: after the meeting, an internal seminar has been organized and the company joined the Business Leaders Initiative on Human Rights in 2006.”
A member of AREVA's panel

- **Accelerated learning.** The companies are generally positive about the panel's contribution to helping the business respond to their changing business environment.
- **Informed decision-making.** Companies were able to cite a number business decisions which had been informed by panels' inputs. AREVA and Lafarge, for example, announced investments in renewable energy and sustainable construction programs respectively. Nike agreed to publish information of all major subcontractors.
- **Effectiveness of internal change agents.** Many also reported that the involvement of external experts strengthened the corporate responsibility team's hand in generating discussion and pushing for change within their companies.



Panelists involved in established panels were often able to identify progress and improvements over time which they had observed and contributed to through the panel – for example in addressing progressively more difficult and complex topics such as corruption.

“As a practitioner, you are often trying to get the business to do something new or something differently. Even if you are a senior practitioner it is helpful to have an external person on a Board level panel saying the same thing; as an agent for change, it is very powerful.”
Anne Pattberg, Corporate Responsibility Manager, Camelot

• **Better crisis management.** As well as challenging and debating company policy and commitments, standing panels were also able to help companies to deal with instances where their systems for meeting these commitments broke down. Panel members for example intervened in a crisis at BT, to help address concerns underlying a series of advertising complaints.

“Panel members can help drive broader systems learning as they transmit their insights and learning to society through engagement with their networks.”
Krista Gullo, Sustainability Reporting Manager, Ford

CASE STUDY name of panel: CAMELOT PLAYER FORUM

To help better understand both the views and needs of players Camelot set up the Player's Forum in December 2005. It is a  consultative consumers group with membership that is regionally and demographically representative of the UK population. The Forum meets quarterly, is chaired by Camelot's Marketing Director, 'so that members have a direct line to company decision-makers' and the discussion agenda is shaped by forum members themselves. While members are kept informed about how Camelot is responding to any questions or concerns via a running 'feedback' agenda item,  Camelot intends for the Player's Forum to have 'teeth' in terms of influencing policy and commercial decisions. Since starting, the group has considered a range of subjects including: National Lottery games, National Lottery Day, player protection and breakdown of the lottery pound. Like the Retailer and the Staff Consultative Forum the Player's Forum is part of a broader engagement strategy and in particular a network of platforms through which Camelot intends to engage key stakeholder groups directly in a dialogue.

CASE STUDY Company name: DUPONT

DuPont Biotechnology Advisory Panel guides and challenges the company in the development, testing and commercialization of new products based on biotechnology. It is composed of 5 experts in biotechnology or related subjects (human genetic engineering, agriculture, sustainable food and nutrition security) and accounting for a diversity of international interests (Africa, India, Mexico, China, the U.S.), academic expertise and cultural backgrounds, all optimistic and independent organization.²⁷ The panel is facilitated by Keystone, an independent NGO.  Reports on the panel's detailed activity, achievements and assessment were published in 2002 and 2005 by Keystone, as consensus documents based on input from all the Panel members.

- **Improved credibility and trust.** Few companies had assessed the impact of the panels externally, but many felt that the panel process helped to contribute to wider learning and debate. BP's panel formally facilitated further dialogue between different stakeholders in the area and its reports of the panel are viewed with credibility and often cited.

“The panel helps us but also external parties to understand the complexity of the project. It can help articulating very complicated issues in a clear way. And because the panel comprises of a diversity of peoples, one of whom is a Papuan, it just feels much more credible. [...] I have done 2 meetings now and the interchange amongst people who would never ever normally meet is great. They would look at reports and here they get this refreshed set of data and views from people who have actually been there, not just the corporate view.”
Matt Taylor, Corporate Responsibility Manager, BP

- **Partnership development.** Some panelists also stressed that a panel can support field collaboration undertaken with the company:

“The real impact of a partnership lies in our ability to dialogue with the company at several levels: with the project manager, with the head of the business unit and with the group sustainability director. Being part of a Board-level panel complete the puzzle, giving us direct access to the CEO. It gives us a lever to solve remaining issues if any, as well as a broader picture of the company's CR challenges to make sure that our mission is not focused on minor issues.”
Francois Jung-Rozenfarb Senior Advisor - Private Sector Engagement CARE

CASE STUDY Company name: **SHELL**

Shell's External Review Committee, initiated in 2005, has an orientation toward the corporate responsibility report and communication. The objectives are to give an opinion, assess the sustainability report in relation to two main questions: does the report contain the right information about the full range of issues that Shell stakeholders care most about? How well does it reflect understanding of stakeholders' expectations? The Panel is composed of 5 members, all experts in sustainability and who meet twice a year. The output is a double page in the annual sustainability report of the company.²⁸

“Auditor verification of data at the early stages of reporting is a powerful tool to get your systems and data in order. But it has diminishing returns as your reporting matures. It can then become a drain on resources and can divert your attention from tackling more critical issues.

We were looking for a challenge from experts who understood the issues and knew how our business works. We wanted to have a conversation with these experts to help us manage the issues better. We feel our data systems and the numbers are sound and the auditors have helped us achieve this. Now we want to concentrate on improving performance.”

Mark Weintraub, Head of Sustainable Development, Shell



CASE STUDY

Company name: **NIKE**

Sector : **Apparel**


Name of panel: **Report Review Committee (RRC), FY04 Corporate Responsibility Report**

Since: **2004**

Contribution: **Assurance**

Frequency of meetings: **Twice a year**

PURPOSE: In 2004 Nike started to prepare to report on its corporate responsibility again, after several years without reporting following the 'Kasky' case²⁹. They were keen to make sure that they could produce a really good, credible report. Following on from the experience of The Gap Inc. in using a stakeholder committee to support their reporting, they convened a committee to help in setting the scope and focus for the report and to explore assurance options.

PRACTICE: The RRC met for the first time in September 2004, during the initial planning stages for this report. It met again in February 2005 to comment on the draft report and Nike's response to their suggestions. Nike asked the RRC to  work with the AA1000 Assurance Standard and provide an opinion on whether the report covered all the material issues to Nike and its stakeholders, and to assess Nike's awareness and ability to understand and address its impacts and its responsiveness to stakeholders.

LINK TO GOVERNANCE: The outcome of the process was an unedited public letter commenting on the process of the panel practice itself as well as on the organisation's sustainability management, and which was included in the company's report to inform Nike's management.

MEMBERSHIP: The RRC had varied expertise in labor, human rights, environmental, social, economic and diversity issues, and a common commitment to transparency and multi-stakeholder engagement. Its membership included experts from the NGO, academic, and business communities. Andrew Brengle, KLD Research & Analytics, Inc; Chris Tuppen, BT. (chair); Deb Hall, Ceres; Liz Cook, World Resources Institute; Liz Umlas, Senior research analyst specializing in human rights and labor issues, KLD Research & Analytics, Inc; Maggie Burns, ethical trade specialist; Neal Kearney, General Secretary, International Textile, Garment & Leather Workers Federation (ITGLWF); Thomas N. Gladwin, Max McGraw Professor of Sustainable Enterprise University of Michigan; Vidette Bullock-Mixon, Director of Corporate Relations and Social Concerns, General Board of Pension and Health Benefits of the United Methodist Church. These constituencies reflect the intended audience for the report, and in some cases are direct representatives of key stakeholders such as garment workers and investors. Some came to the RRC with experience engaging with Nike; others were familiar with Nike through its reports, media, marketing and/or third-party analysis. The committee members were identified by Ceres and AccountAbility and in consultation with Nike. All members of the RRC participated in their individual capacities rather than as representatives of the organizations with which they are affiliated. They volunteered their services, receiving a small honorarium and the option to reclaim related expenses.

FACILITATION: The committee was chaired by Ceres. SustainAbility and AccountAbility designed and facilitated the engagement process.

→ Sources: Nike's website and report, which is located at www.nikeresponsibility.com. Interview with Charles F. Gatchell from the CR team at Nike and panel member/ chair Debra Hall from Ceres.



CASE STUDY

Company name:

FORD

Sector : Automotive industry


Name of panel: Report Review Committee


Since: 2005

Contribution: Assurance


Frequency of meetings: Twice a year

PURPOSE: In preparation of its sixth Corporate Citizenship report Ford sought to increase its direct engagement with stakeholders. Inspired by a similar process undertaken by Nike, Ford worked with the environmental network CERES, and consultancy SustainAbility to create a Report Review Committee. The purpose of the RRC was to assist in development of the report and to increase its usability and relevance.

PRACTICE: The committee met twice in person and  communicated extensively with Ford and one another by email and teleconference before, between and after the two meetings. The first meeting was to gain insights and feedback from panel members on the draft report and the second to further the discussion and for members to inform the public letter. The Committee was not asked to engage in formal verification or assurance processes regarding the accuracy or completeness of the information or data presented in the report.

MEMBERSHIP:  Thirteen diverse individuals familiar with Ford and its sustainability issues or expert in sustainability reporting and assurance joined the Panel, representing the areas of human rights, environment, investor, safety and academic communities. Panel members participated in an individual and voluntary capacity, and include: Bill Boyle - Director of Performance Reporting, BP, Marc Brammer - Director of Research, Innovest, Anthony Ewing - Lecturer in Law, Columbia Law School, Tom Gladwin - Prof. of Sustainable Enterprise, University of Michigan, Debra Hall - Director, Corporate Accountability Program, CERES, Ritu Kumar - Director, TERI-Europe, Jason Mark - Clean Vehicles Program Director, Union of Concerned Scientists, J. Bo Young Lee -Director, Advisory Services, Catalyst, Garel Rhys - SMMT Chair in Motor Industry Economics, Cardiff Business School, Amanda Sauer – Sustainable Enterprise Program, World Resources Institute, Peter Sweatman - Director, University of Michigan Transportation Research Institute (UMTRI), Betsy Taylor - President, Center for a New American Dream and John Wilson - Director for Socially Responsible Investing, Christian Brothers Investment Services.

FACILITATION: Potential participants from all regions of the globe were identified in early 2005 by Ford, CERES and SustainAbility. The committee was chaired by Deborah Hall of CERES. SustainAbility designed and facilitated the engagement process. The process was managed internally by the Sustainable Business Strategies (SBS) team.

LINK TO GOVERNANCE: In addition to SBS staff, the Panel process  involved more than 20 Ford staff and senior management from different parts of the Company, including Purchasing, Governmental Affairs, Public Affairs, Marketing, Automotive and Workplace Safety, Environmental Quality, Economics and the Scientific Research Lab. The Panel was mandated to produce an opinion letter, which was published with the company's report. They also provide ongoing advice on the content and structure of the report.

→ Sources: Ford's website and report. Interview with Krista Gullo from the CR team and Panel member/ chair Debra Hall from Ceres.



CASE STUDY

Company name:

VODAFONE

Sector: **Telecommunications**

Name of panel: **Local opinion leader panel (Albania)**

Since: **2005**

Contribution: **Advice**

Frequency of meetings: **4 times a year**

PURPOSE: “Many important stakeholders have a local focus. For example, government officials, community representatives and landlords are most interested in companies’ activities in their own country.”³⁰ This is why in May 2005 Vodafone Albania established a local opinion leader panel to create and strengthen relationships, to build trust and create “bridges of communication with key stakeholder groups” by liaising with experts and opinion leaders connected to the current debate. Thereby the panel is an opportunity for Vodafone to inform experts and opinion leaders about its activities and programs as well as to hear their views and be able to learn how those actions are perceived by those outside the company. Vodafone hopes that this panel can be a platform for dialogue further help creating a dialogue that drives change in Albania’s business culture.

PRACTICE: “Although we say an hour, it is never an hour”³¹. The panel meets quarterly for about two hours. 🕒 Meetings are usually held in the evening to allow members to fit them in with their existing work schedules and at a Hotel where they “... are out of the microphones and cameras and pictures” – allowing them to speak freely. It is often 🕒 continued over a cocktail allowing for informal conversations between panel members as well as one-to-one with local senior management.

MEMBERSHIP: The panel brings together 25 members from civil society, academics, local business, media and government organizations, representatives of entities, responsible for actions in CR issues as well as international organizations such as WHO, UNICEF and the Helsinki Committee. The panel also 🕒 invites special guests, who are either interested or whose work is directly related to theme of the meeting – such as suppliers, partners (from sponsored projects), academics etc.

FACILITATION: The theme for the quarterly meetings are chosen by Vodafone, but members are encouraged to provide input and on occasion are invited to give short presentations. The first part of the meeting, which provides an update on local CR news followed by a Q&A session and is usually chaired by the highest ranking manager. The second part of the meeting focuses on a specific theme chosen in advance and is led by a moderator, usually one of the members fully aware of the subject and able to give priority to issues that are of high importance or the local CR manager.

LINK TO GOVERNANCE: Each meeting is used to review a different aspect of the company’s Corporate Responsibility programmes in presence of members of the company’s top level management. For example, Joaquim Croca, Corporate Responsibility Executive from Vodafone Group, attended the last meeting held in January 2007 focusing on the code of ethical purchasing in Vodafone’s supply chain. “Attending Vodafone’s Stakeholder meeting on Supply Chain Management was an enriching experience. These meetings are good opportunities for top management to learn the views of stakeholders on specific topics. It was particularly interesting and rewarding to see how stakeholders challenged Vodafone to maintain its role to drive change in the Albanian society.”³² Minutes of the meeting are shared among the members of the panel, as well as managers within the company to help inform decisions internally as well as future discussions and theme for the next meeting.

→ Sources: Vodafone’s website and 2006 CR report. Interview with Ramon Arratia - Corporate Responsibility Manager, Vodafone Group Plc and Albi Grevi – CR Specialist, Vodafone Albania.

CHALLENGES

Companies and panelists highlighted a number of key challenges from their experience to date:

- **Lack of real influence.** Some participants were skeptical that the panel had been able to influence corporate strategy because meetings were disconnected from the business decision-making cycle and 'the priority of the top managers are elsewhere'. Some panels were by design directed towards ring fenced 'sustainable development' strategies and policies rather than towards a business focus which would be able to provide more useful input to top managers. In some cases self-assessment reviews revealed a gap between the panelists and the executives perception of the panel's influence. At Lafarge, for some issues nearly all the executives surveyed felt significantly influenced, while most panelists felt not able to judge the influence of the panel at this stage.
- **Difficulty in bridging stakeholder concerns and corporate priorities.** Companies for their part complained that stakeholders were only able to focus on generic impacts and theoretical debate, and that it therefore took a long time to bring stakeholders to looking at the issues from a perspective that was relevant to the particular business context.
- **Difficulty in finding the right balance between representation and expertise.** Panels face the inherent difficulty of seeking to combine both the expertise necessary to provide useful advice to the senior executives with the ability to reflect the concerns of stakeholders. Many stakeholder groups (such as consumers, not to mention children and future generations) are difficult to include within formally representative organizations. Others such as labor unions and environmental NGOs have developed coalitions to voice their interests, but conflicting agendas prevent genuine representation by a single contact. Finally, in some cases it was felt that while the organization had credibility to voice the concerns of a particular stakeholder group, the particular individual on the panel lacked links to campaigners and country offices to make this connection.
- **Difference of opinion on the role of the panel.** For stakeholders, particularly those critical of the company, the key concern was that the panel would be seen as placation device and a threat or replacement to stronger accountability mechanisms. Some agreed that panels are valuable as places for advice and learning together, but others would have preferred for panels to have negotiating 'teeth'. There were more difficulties and tensions in this area where panels did not have a formal and mutually agreed mandate, although equally in some cases the formal mandate and facilitation style failed to evolve with participant trust and learning and became a hindrance to the effectiveness of the panel.

Of course some of these difficulties and limitations can be overcome through careful panel design, and others confirm that panels cannot and should not be asked to 'do it all' in terms of stakeholder engagement, but should be part of a wider approach to engagement. However, some companies have turned away from panels, at least as a tool to inform overall strategy development. Ford, for example, will not continue the panel it convened for previous reporting cycles. Although its general panel was thought useful in building relationships between CR staff, stakeholders and functional managers they now plan to carry on these dialogues through a series of stakeholder convenings. Vodafone also believes that focused stakeholder panels are more useful than full-scope ones.

At PSA-Peugeot-Citroën, the question of creating a panel was explored, but they decided against it because they did not want to pick and choose between stakeholders, favoring one partnership over another or moving away from other forms of dialogue³³.

These difficulties and challenges, and the diverse experience of the panels studied indicate

“A panel is a piece in the corporate communication puzzle: it is a way for companies to claim that they engage with stakeholders and improve their corporate governance processes. It would only be interesting if panels hold the power to ‘block’ Boards’ decisions or if expectations expressed by stakeholders were turned into precise roadmaps.”

Aurèle Clémencin, Corporate Accountability, Greenpeace France

that there is unlikely to be a one-size-fits all model for panels: should they be places for focusing on particular issues or taking a business centered view, for listening, for pooling knowledge, for accelerating learning, seeking advice or taking decisions? Should they be a meeting of experts or of stakeholder representatives? Each purpose can be legitimate and sound, in particular circumstances.

In particular, what makes a panel a ‘good fit’ to a company’s ambitions for stakeholder engagement is the maturity of the issues in question and the company’s relationships with its stakeholders. Novo Nordisk, for

example considered setting up a report review panel in 1997 but decided it was not the right forum at the time. They felt that there were too many fragmented and divergent views to be able to bring together a single working panel and instead decided to employ a series of convenings and workshops with different stakeholder groups. They are now considering whether to convene a panel.

Clarity about the role of the panel, and its linkages into decision-making processes is crucial for designing a panel which is able to work together, and can influence corporate decision-making and performance and hence helping to build trust externally.

The following chapter, builds on the experience of the companies outlined here, to offer a practical framework for developing panels.



CASE STUDY

Company name: **GAZ DE FRANCE**

Sector: **Energy / Utilities**

Name of panel: **The Scientific Council**

Since: **2004**

Contribution: **Advice**

Frequency of meetings: **3 times a year**

PURPOSE: The purpose and objectives of the Scientific Council, defined by its chairman (appointed for 3 years), have changed over time. It used to be focused on scientific peer review, but has evolved into a strategy driven general service to the group, based on meetings with operational divisions. Topics addressed include social acceptance of CO2 sequestration or study of behavior for industrial safety.

PRACTICE: There is one plenary meeting per semester and one site visit per year. There are a few inter-sessions between the plenary meetings dedicated to the coverage of operational issues. The SC has established no links with other committees so far but this is in the pipeline: there is going to be a transversal organization regarding prospective strategic issues. There is no formal TOR – the rules are implicit and more or less contained in the letters of appointment (which are signed by the President).

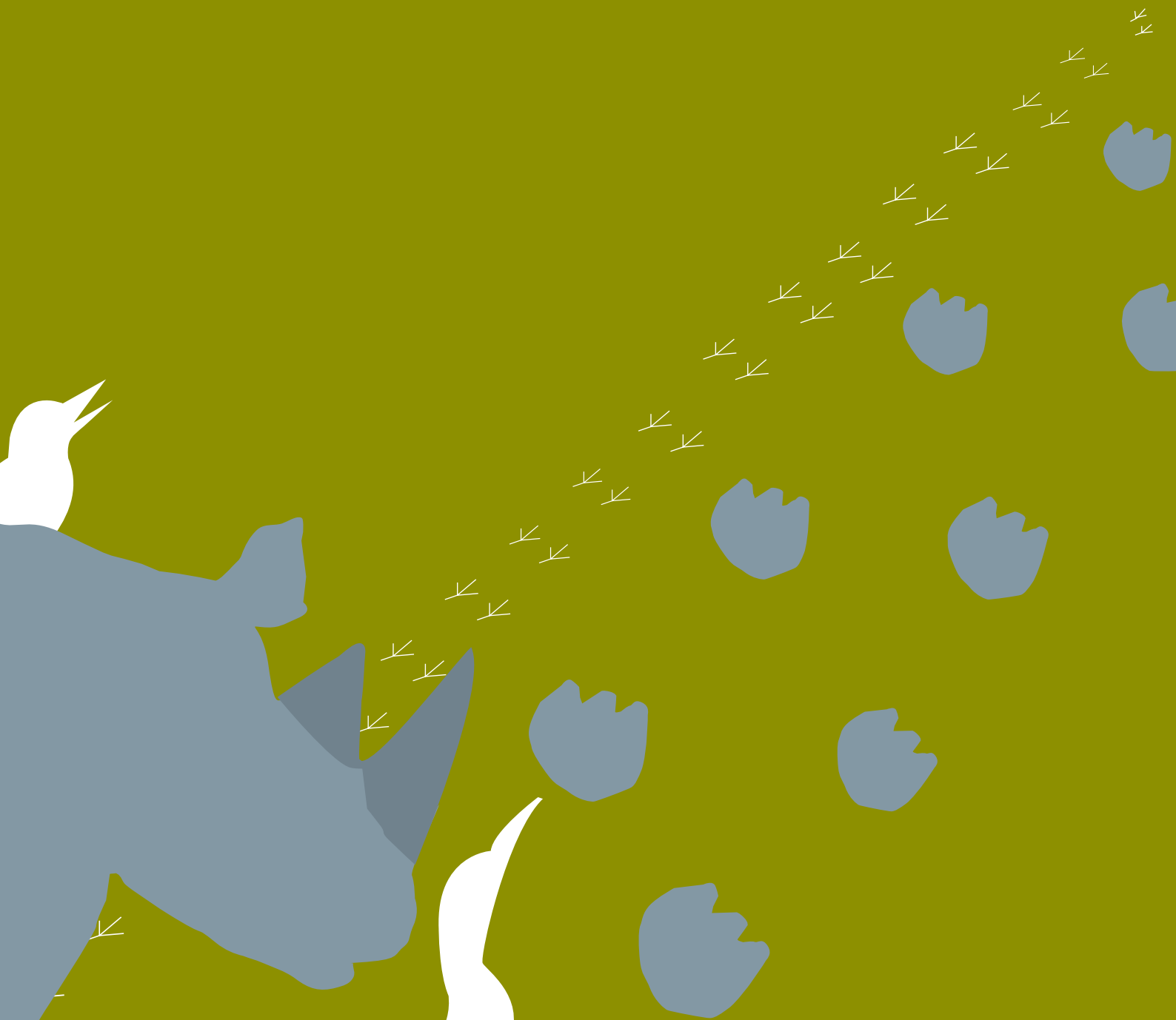
MEMBERSHIP: Members of the Scientific Council are appointed by the group's chairman, following suggestions by the members. Their competencies cover a wide scope of areas, ranging from social science, to environment and urbanism. The profiles of members (university professors, high level experts, etc.) suggest that the Scientific Council is comprised more of professionals than activists. Each member being at the head of a network, the Scientific Council operates therefore as a meta-network. Members include Jean Salençon – Professor at Ecole Polytechnique, Paris, Giancarlo Baldi – Professor at Politecnico di Torino, Michel Berry – Research Director at the CNRS, Monique Blez – executive assistant France Telecom International Laboratories, Luigi De Paoli – Professor at L. Bocconi University, Milan, Patrick Lagadec – Professor at Ecole Polytechnique, Paris, Hervé Le Treut – Director of the Meteorology research center (CNRS, Polytechnique), Jean Rossier – Professor at ESPCI, Fabien Squinazzi – Director of the Hygiene research center of the city of Paris.

FACILITATION: The chairman of the Scientific Council sets the agenda and moderates the debates. Members of the Council are given the opportunity to raise their issues to the top of the agenda. For each meeting, a summary of decisions as well as detailed minutes are produced and kept confidential.

LINK TO GOVERNANCE: Day to day communications between the company and the Scientific Council occur through the Direction of Research & Development, at middle/top management level. Once a year, the Scientific Council produces a summary document, called 'The 4 pages', which is sent over to Gaz de France's chairman. The latter meets the chairman of the Scientific Council on an annual basis to hear his recommendations. Members were involved in improving industrial safety policy could see the outcomes of their contribution to that specific process.

→ Source: a member of the Scientific Council, a coordinator within the R&D department at Gaz de France.

A FRAMEWORK FOR STAKEHOLDER PANELS



THE FRAMEWORK

This chapter outlines a practical step-by-step guide to develop an effective stakeholder panel tailored to a company's particular context. The recommendations throughout are based on the main two success factors identified through the case studies:

- **Rooting the panel in stakeholder engagement**, so that it reflects their concerns and
- **Connecting it to corporate decision-making**, so that it is able to influence action.

FIGURE 8: Stakeholder Panels Framework



1

STEP 1: PLAN

The aim of this stage is to start develop a panel that is fit-for-purpose and that can influence decisions at the appropriate level within the company.

1.1 Make your company's motivations clear

First consider your organization's motivations for setting up a stakeholder panel. This will help you determine whether a panel is a suitable approach for you and what shape and form it should take:

What are your motivations?

- to save time and money on consultations
- to do like our peers
- to raise the profile of the CR department
- to raise the profile of our CR report
- to strengthen the credibility of our strategy
- to feed new ideas into strategy
- to act as a change agent for our top management

- If you only have answers in this category, think twice before initiating a panel.
- if you mostly have answers in this category, give an assurance role to your panel.
- if you mostly have answers in this category, ask your panel to focus on advice.

1.2 Define the focus

The panels studied focus on different things and many companies studied have several panels. The chart below highlights the strengths and weaknesses of each type of panel.

Legend: Easy ■ ■ ■ Difficult

| Corporate level | | Local level | |
|-----------------|------------------|-------------|---|
| Issue specific | Full scope of SD | | |
| | | | Deliver assurance on a group level SD report |
| | | | Inform the group (SD) strategy |
| | | | Have action-oriented debates |
| | | | Connect the panel debates with wider stakeholder engagement |
| | | | Have panelists well informed about your activities |
| | | | Have panelists able to represent stakeholder groups |

1.3 Consider the balance of factors that will attract or ‘put off’ potential panelists:

The ability to attract panelists depends on whether they see this as a useful opportunity to drive changes. This will depend in part on their assessment of your company and industry’s track record.

What is your profile and corporate image?

- Low profile company, or industry
- Seen as a follower on sustainability issues
- Poor reputation for transparency and responsiveness to stakeholders
- Global influence, high profile, high impact industry
- Seen as an opportunity to drive leadership on sustainability issues
- Good reputation for engaging with stakeholders

- If you only have answers in this category, your panel is likely to be viewed sceptically as a talking shop or attempt to placate critics (➡ page 30)
- If you only have answers in this category, your panel will be seen as an opportunity to promote significant change. Panelists are likely to be keen to join your panel.
- If you have mixed answers, you will need to offer panelists a good deal (➡ page 18 and step 1.5) to recruit them.

1.4 Define the extent to which you are ready to involve stakeholders in decision-making

The level of ambition of your panel will be determined by the particular questions you are seeking to answer. Underpinning this is your company’s appetite for risk, its level of discomfort in engaging in a challenging process with stakeholders, and conversely, the risk you face in not being able to recruit and motivate panelists (➡ challenges page 30).

Highest ranking decision makers in attendance

| | | | |
|---------|-------------------------------|---|--------------------------|
| SD team | Relevant operational managers | Relevant senior managers and occasionally CEO | CEO and Board executives |
|---------|-------------------------------|---|--------------------------|

Remit of the panel

| | | | |
|-----------------------------|---------------------------------------|--------------------------|---|
| SD reporting and disclosure | SD programs and policy implementation | SD strategy and policies | Business strategy, investment decisions |
|-----------------------------|---------------------------------------|--------------------------|---|

Commitment to respond

| | | | |
|----------------------|-----------------------------|----------------------|--------------------------------|
| No formal commitment | Feedback on recommendations | Negotiated solutions | Agree to be bound by decisions |
|----------------------|-----------------------------|----------------------|--------------------------------|

Information shared with panelists

| | | | |
|-----------------------------------|-----------------------------|---------------------------|--------------------------------|
| Only information in public domain | Insights into CR management | Difficulties and dilemmas | Strategic business information |
|-----------------------------------|-----------------------------|---------------------------|--------------------------------|

Legend: High level of involvement ■ ■ ■ ■ Low level

1.5 Secure internal support

It is essential to clearly establish and communicate high level support for the panel if it is to be credible and effective.

- Be clear about how the panel's remit fits with in existing decision-making process.
- Get clear support from senior executives as well as relevant operational or functional managers.
- Secure specific commitments for responding to the panel (for example publishing their recommendations, acting on their decisions in particular areas, explaining why an action was taken or progress achieved).
- Develop and secure the budget needed to support the panel, including time inputs from the implementing team and senior managers.

| Budgeting for panels | Comments |
|----------------------------------|--|
| Management and coordination time | Do not forget the time required to produce briefing notes and responses |
| External advice/ facilitation | Reaching consensus between meetings is very time consuming |
| Members recruitment | Preliminary contacts can take time |
| Meeting and travel expenses | Depends upon the panel's focus, scope and associated recruitment (if very international these expenses could be important) |
| Member remuneration | Usually €1500 to €3000 per meeting |
| Support for panel's work | Research, advice from experts, site visits, etc. |

OUTPUT:

Description of the panel purpose, remit and connection with corporate decision-making process, signed off by the top executives and supported by a budget.

2

STEP 2: SET THE RULES

The aim of this stage is to set the rules to enable a fair and effective process that is able to contribute to sound decision-making both inside and outside of the company.

Decisions about the panel's mandate, facilitation, transparency, confidentiality, outputs and links to governance need to reflect both the company's purpose in setting it up (as defined in step 1), as well as the needs of panel members (➡ step 3 for details). The rules need to enable a panel to:

- **Operate effectively** – panelists are well informed, able to speak freely and autonomously and are focused on discussing issues that are relevant to stakeholders and the company.
- **Influence decisions** – the panel is able to make timely and useful inputs into decision-making and the company responds to them.
- **Communicate more broadly** – the panel's activities and outputs influence wider debates, perceptions and stakeholder decisions and actions.

The panel needs its own agreed purpose and ground rules clearly set out in Terms of Reference that are agreed by panelists. There is no standard set of ground rules that will work for all panels. Key issues may need to be debated by the panel itself – such as the right balance between the desire to communicate externally and the ability to share confidential information.

The Terms of Reference drafted by the company or other facilitator should be subject to discussion between the company and panelists before agreeing a final version at the outset of the panel. Ground rules may also need to be revised as the panel develops over time. For instance, confidentiality about panel membership might be useful at the beginning of a dialogue, but might be less important in later rounds.

Key design issues that should be covered in the Terms of Reference are highlighted below. In each case the options to the right give the panel greater autonomy and ability to impact on decisions, but also involve a greater loss of control and more risk for the company.

| Panel operation | | | |
|--|--------------------------------|--|--|
| Responsibility for panel design | | | |
| Staff member | Independent expert advices | Independent facilitator | Jointly designed with panelists or their organizations |
| Responsibility for reviewing panel membership | | | |
| At company discretion | Regular reviews by company | Regular reviews involving panel | In agreement with panel |
| Responsibility for setting the agenda | | | |
| Company alone | Company advised by facilitator | Company in consultation with panelists | Company and panelists jointly |
| Facilitation | | | |
| Staff member | Independent facilitator | Member chairing | Member chairing and pre-meeting |

| Panel accountability | | | |
|--|--|---|--|
| Communication of panel's opinion | | | |
| Summary by the company | Public statement the by panel without review by company | Panel statement + individual statements | Public disclosure of all minutes |
| Corporate disclosure about panel | | | |
| Only its existence | Who is involved | Full description | Evaluations |
| Communication about panel by participants | | | |
| None | <ul style="list-style-type: none"> Panelists can say that they are involved (and can publicly withdraw from the process) Panelists can make public statements with approval by the company | Panelists can communicate freely (apart from particular confidential information) | Panel members mandated and supported to conduct broader stakeholder engagement |
| Link to the assurance provider | | | |
| No link | Advisory | Assurance provider attends meetings | Panel collaborates to provide assurance |

Legend: High level of autonomy ■ ■ ■ ■ High level of corporate control

OUTPUT:

Draft Terms of Reference ready for submission to people invited to join the panel.

3

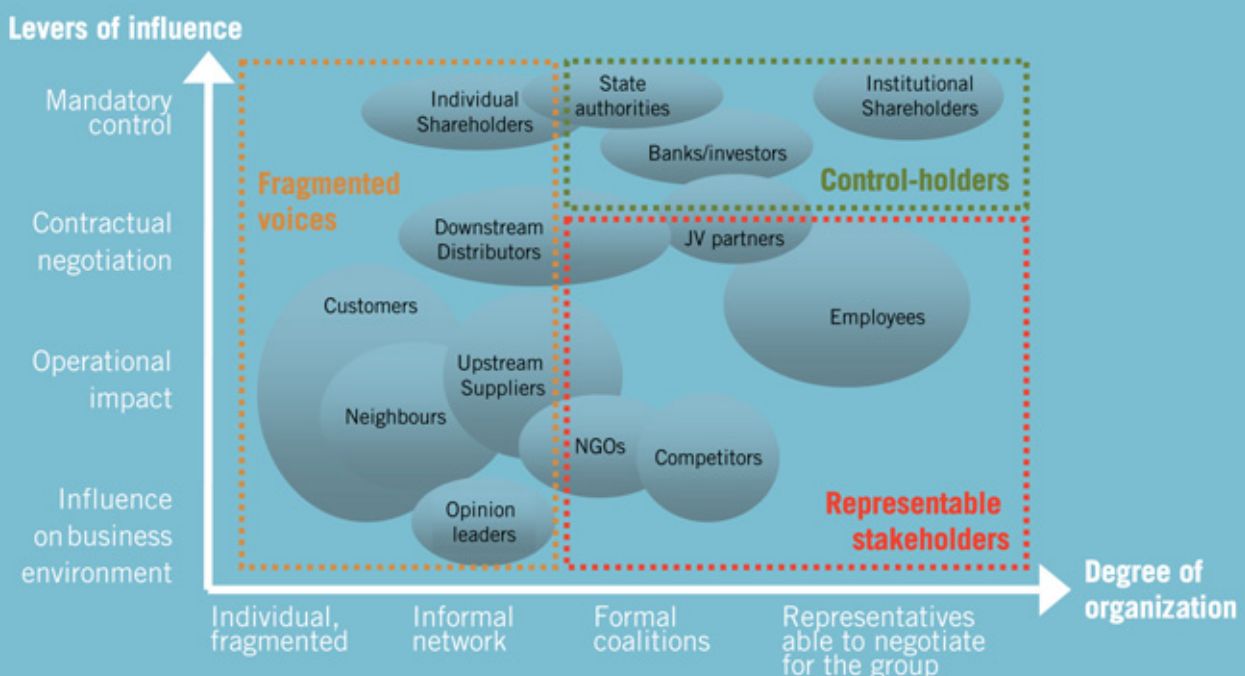
STEP 3: RECRUIT MEMBERS

The aim of this stage is to recruit a panel able to reflect the concerns of your major stakeholder groups (or represent them directly, if that is your aim) and that is willing to provide constructive inputs.

3.1 Map your stakeholders

- Supported by the AA1000 Stakeholder Engagement Standard and the UNEP Stakeholder³⁴ Engagement Manual³⁵ identify your material issues and your stakeholder groups.
- List your stakeholder groups, using the criteria of the chart below (➔ details on how to proceed page 6)

FIGURE 9: Who are my Stakeholders?



- In general, 'representable' stakeholder groups (red zone) should be given the opportunity to sit on the panel or be indirectly connected to it through information sharing with other existing stakeholder engagement processes. Being already involved in decision-making through others channels, the control-holders (green zone) do not necessarily have to sit on the panel. However it can be useful to have minority views represented through socially responsible investors for instance.
- The fragmented and informal stakeholder groups (orange zone) can only have their concerns voiced through experts (vs. representation). Make sure that the expertise of your panelists match with all major material issues identified: to do so some companies directly ask them to select issues for which they feel informed enough to challenge the group (➔ Lafarge case page 17).

3.2 Map the context of stakeholder engagement and governance

To avoid opposition from stakeholders, the panel should not be seen as a competitor to established or developing engagement channels. To be credible in the eyes of some stakeholder groups already engaged, it should 'add value' by broadening the scope of dialogue and/or reducing the distance to decision-making. Some companies (➡ Lafarge case, page 17 and Camelot case page 25) address these challenges by making connections between the panel and other channels, through cross-membership and information sharing. Using Figure 2 (➡ page 7), understand how the panel can link to other stakeholder engagement activities and decision-making processes within the company.

3.3 Draw up criteria for panel membership

Based on the purpose of your panel (➡ column 1 in the table below) determine the skills, expertise and representation required across the panel as a whole (➡ column 2). Then, based on these priorities regarding the panelists' profile, understand the effort that needs to be reflected in the Terms of Reference to attract and retain these people (➡ next section).

| 1. Select the panel purpose | | | 2. Determine the panelists' attributes |
|-----------------------------|-----------------------|------------------------|---|
| Full scope advice | Issue specific advice | Assurance on reporting | |
| | | | Expertise on your issues |
| | | | Experience with the corporate sector/industry |
| | | | Expertise in reporting and assurance |
| | | | Ability to represent stakeholder groups |
| | | | Independence from the company |
| | | | Leadership in their field |
| | | | Reflection of the local focus of the issues in question |

Legend: ■ Strongly recommended attribute ■ Desirable attribute

- Once you have a draft list of panelists, identify any relevant groups that are excluded from the panel or who are likely to exclude themselves because of the Terms of Reference offered. Where particular stakeholder groups are difficult to recruit, consider other engagement modes, in combination with the panel, or drawing on experts rather than stakeholder representatives to reflect their concerns (for example Camelot invited individual players to join its 'players forum' but recruited a consumer opinion pollster from MORI to represent players' concerns more generally on its corporate level panel). Support the panel to strengthen its expertise and enable it to fulfill its evolving mandate.
- Carefully consider the balance and dynamics of the overall panel: will these people be able to work together? Will critics feel out-numbered and backed into a corner? Will they feel safe to learn from other perspectives?

3.4 Make sure the deal offered matches with the people you want to recruit

- Consider the 'deal' you are offering to panelists: you are asking for the benefit of their expertise and reputation (as well as their time and goodwill) in return for a chance to influence corporate decision-making. Panelists with the most to lose in terms of their own reputation can be the most valuable in offering challenge and credibility, but they will be most careful about the terms on which they join the panel. Those who already work with you as service providers or partners, or who depend on your patronage may be easy to recruit as panelists but are likely to be too compromised by their own motivations to offer a critical or credible independent voice.

To be attractive, the company needs to offer panelists reasonable opportunities to drive changes, judged against their own priorities:

- Corporate responsibility or sustainable development advocates are likely to look for a good track record on stakeholder engagement, leadership on CR issues, and the potential to drive changes that will have wider impacts in a high-profile, high-impact industry.
 - Stakeholder representatives will consider the opportunity to make specific gains for the people or organizations they represent. They are also likely to be thinking about how involvement in the panel might effect other engagement with the company such as campaigns, partnerships or direct negotiations, and the way the panel will be viewed by their members or networks.
-
- Consider whether an external facilitator and process designer would be helpful to reassure potential panelists that the panel will be run fairly and to assist the panel in reaching successful outcomes. External facilitators can be particularly useful in the case of:
 - Assurance panels where the panelists are being asked to comment on the quality of the company's sustainability report in relation to particular standards.
 - Sensitive issues and new or difficult relationships where panel members are worried that the panel is an attempt at manipulation rather than dialogue.
 - Companies with little experience of stakeholder engagement in this area.

In some cases companies first recruit a panelist to chair the panel (➡ for instance EDF, Lafarge cases p. 17 & 23). This then enables them to take over the facilitation role from the outset, select further panel members and negotiate the initial ground rules for the panel.

3.5 Recruit panel members

- Invite people to join the panel, providing a clear outline of why they have been invited to join and the draft Terms of Reference (including both parties commitments).
- Be clear as to whether you are inviting named individuals to participate on a personal basis, or asking organizations or constituencies to nominate or elect people to participate in an official capacity.
- Be transparent about who else you are talking to and why, and allow and encourage recommendations.
- Work on 'Plan Bs' for panelists who are likely to refuse.

OUTPUT:

The list of panelists and the invitation letter.

4

STEP 4: SUPPORT THE PANEL'S WORK

The aim of this stage is to provide the ongoing support needed for the panel to develop and fulfill its mandate.

Build panel competencies

Regularly update members on what is happening in the company. As the panel develops help panelists to gain a better understanding of corporate strategies and operations as well as the related social and environmental issues for example through:

- timely and useful background materials;
- meetings with relevant people within the company to investigate particular issues, projects or functional areas;
- evidence from experts, site visits etc.;
- formal training, for example on standards used;
- feedback from wider stakeholder engagement; and
- support to organize or attend wider stakeholder consultations.

Ongoing education and support should be responsive to panelist's own identified needs as well as corporate priorities. Some companies have provided independent funds to enable panels to commission their own research.

Enable panel members to identify gaps in the panel's expertise and representation and to recommend new members.

Enable relationships

- Provide for informal as well as formal meetings such as meals and joint sites visits.
- Foster bilateral collaboration between the company and panelists and between panelists where relevant.
- Give public recognition of panelists' involvement, commitment and expertise.
Reflect their role and involvement accurately and agree it with them in advance.

Support trust

- Encourage members to feedback on practice at any time and respond to any suggestions.
- Always inform members of any significant changes in relation to commitments you have made or issues discussed. Make sure they hear it from you before they read it in the newspaper or hear it on the grapevine.

OUTCOME:

Mutual trust and empowerment of panel members.

5

STEP 5. MEASURE SUCCESS

The aim of this stage is to regularly review the panel's progress, to make changes to its makeup and operation and to ensure that it is able to deliver against its evolving purpose.

Review panel practice: is it operating effectively

Let panelists assess the process, for example through:

- ongoing informal review through feedback after meetings to identify process changes that could be made, expertise gaps that need to be filled as well as substantive issues for discussion in future rounds;
- a questionnaire, or telephone interview exploring panel members' assessment of the process so far and expectations and recommendations for its future development;
- a public briefing prepared by panel members themselves on the experience and effectiveness of the panel;
- external independent assessment of the panel's practice, for example: Keystone's assessment of DuPont's panel (➡ p.25).

Review panel outcomes: is it able to influence decisions internally and externally?

Review the effectiveness of the panel internally to evaluate how it has influenced learning and decision-making by:

- the team responsible for organizing the panel;
- other managers present at meetings; and
- senior executives to whom the panel has formally reported.

If appropriate, assess the impact of the panel externally. This is particularly relevant where panels have been convened to provide or strengthen assurance.

- Do report users and other stakeholders say that the panel's work is useful to them?
- Are the panel's commentaries and recommendations cited or drawn on by others in the public debate?
- Has the panel resulted in better working partnerships between member organizations and the company?
- Has the panel helped to initiate wider stakeholder engagement?

Plan for further cycles of dialogue

Together with panel members and the internal audience for the panel decide whether to continue the panel's mandate, change it or dissolve the panel.

OUTPUT:

Regular evaluation of the panel effectiveness and update of the mandate.

THE FUTURE OF PANELS



The current remit and approach to panels is as varied as the companies employing them. No doubt further experimentation and innovation will happen over the next few years, deepening our understanding of what makes panels effective.

One key question raised during our research is whether panels will become more embedded in governance in future, driving stakeholders' voices directly into decision-making or whether they will remain a more flexible mechanism for focusing on particular issues, locations or projects. Indeed, in several cases studied, these two different visions largely contribute to the lack of shared vision of the panel's role between the company's management and the panelists.

TREND REVIEW

What will happen is likely to depend on both the success of experiments by pioneering companies in the area and their ability to overcome current challenges (➡ page 30) but also on exogenous trends.

Non-financial reporting

To date, assurance and advice on reporting have been the main drivers for panels. As shown on page 12, the number of non-financial reports has been steadily growing over the past 10 years³⁶. This trend is supported by the development of global standards for process and content (Global Reporting Initiative) and for assurance (AA1000 Assurance Standard), the increasing use of these reports by financial analysts and NGOs to benchmark companies, as well as attempts to make non-financial reporting mandatory in countries such as France and the UK³⁷. Regardless of whether this trend continues, given the difficulties of building a prescriptive check list of 'material issues' to report on, there will be a call for more stakeholder involvement in the materiality determination process.

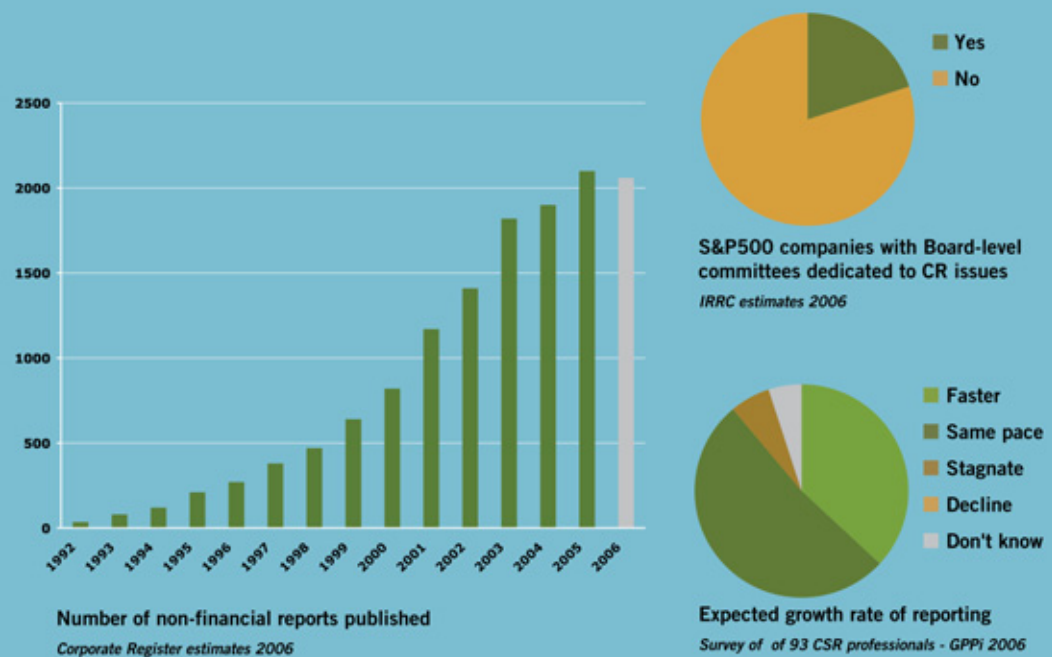
Integration of sustainability considerations into business strategy

The second major driver identified during the research is the need for expertise and fresh views to raise the top management's awareness of sustainability issues and to test the acceptability of planned programs. This was the focus of the first panels identified (➡ page 12) and still one of the main drivers reported by interviewees (➡ page 24). In the near future, the need is likely to rise along with the emergence of 'non-financial' issues on the companies and investors' agenda (climate change, obesity in the food industry, access to medicines in the pharmaceutical industry, toxicity in cosmetics and food, etc.), driven by both market opportunities and new risks like class actions³⁸. Signals of the increasing integration into business strategy include the multiplication of CR Board-level committees in the UK and US³⁹ (➡ page 10) and strategic shifts towards low carbon strategies in companies like BP (investments in renewables⁴⁰), or GE (Ecomagination⁴¹), Toyota (Hybrid and fuel cells programs), or Virgin (\$ 3bn investments in renewables⁴²).

Stakeholder participation in corporate governance

- During the research work, a third potential driver clearly emerged on our radar screens: the integration of stakeholders in corporate governance processes. While this trend has been quite disconnected from the development of stakeholder panels so far, it has taken various forms (→ page 7) that are likely to interact with panels in the future (→ the Lafarge case page 17). More importantly these new stakeholder engagement practices help build stakeholder experience, capacity and willingness to engage, paving the way for the development of panels. A second powerful driver in this field will be the evolution of corporate governance frameworks: current trends suggest that the Anglo-Saxon shareholder-centered model is becoming the global norm at the expense of German and Latin models where some stakeholders (mostly employees) are formally represented (→ page 8)⁴³. If this transition closes the Board room doors to employees, it also multiplies the appointments of new non-executive directors. In the meantime, the global guidelines in this field (The OECD principles) stress the need for stakeholder participation, and most emerging and post-communist economies still have to choose which way they want to go⁴⁴. This context therefore opens the doors for backlashes and innovations inspired by stakeholder panel practice.

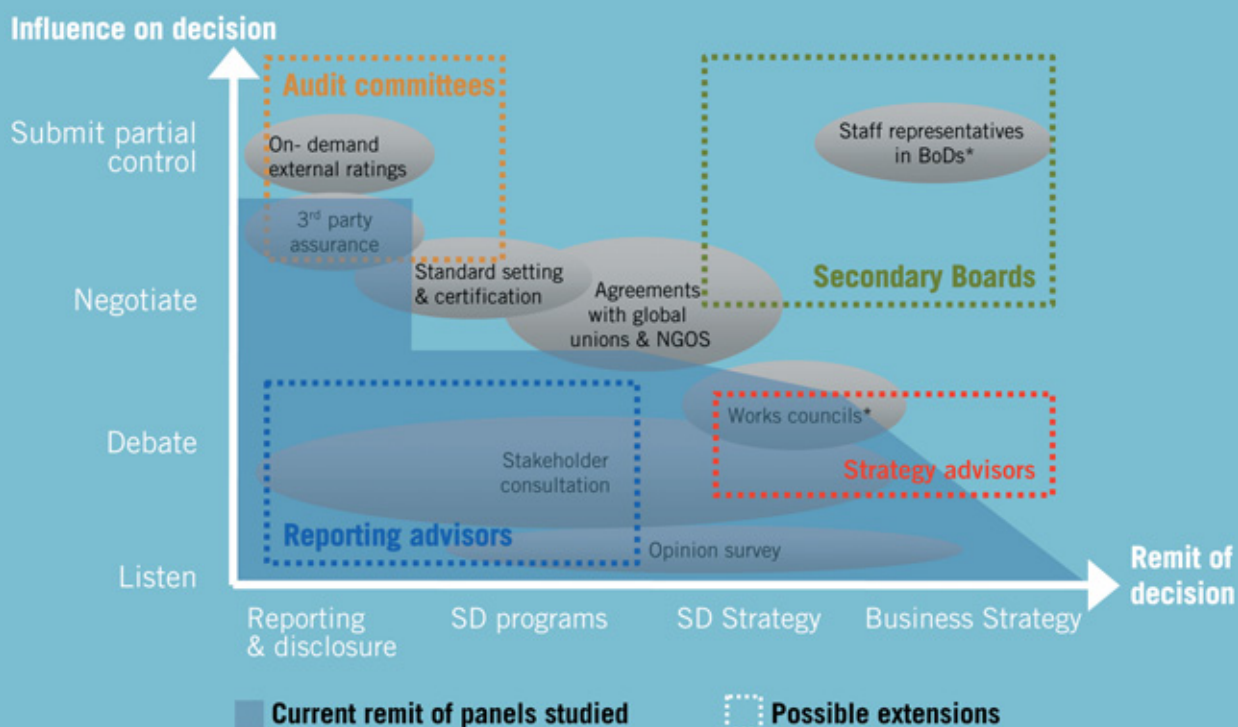
FIGURE 10: Trends in Corporate Practice



POSSIBLE FUTURES

Depending on these trends, there are a number of possible directions for the future development of corporate level panels. These different directions are illustrated in relation to the map of current vehicles for stakeholder involvement in decision-making below.

FIGURE 11: Current remit of panels and possible future extensions



■ **Panels may be predominantly restricted to providing advice on reporting.** Panels would be convened to focus on sustainability reporting and particular sustainable development related projects and would continue to operate primarily at an advisory level, with no formal powers or accountability. Such an approach can help to improve the quality and responsiveness of decision-making, particularly in relation to local or single-issue dialogues. But there is a danger that the lack of accountability mechanisms may result in panelists tiring of offering free advice and panels losing credibility in the eyes of wider stakeholders.

■ **Panels may develop into independent audit committees.** Panels may continue to focus on reporting, but gain more formal control through the evolution of Corporate Governance rules and possible introduction of mandatory sustainability reporting requirements. The purpose of such panels would be to provide rigorous and credible assurance of the materiality of the issues and indicators covered in non-financial reporting to investors and other external stakeholders (→ p.10). In effect, these panels would become forums for negotiating the boundaries of corporate responsibility and reporting between a company and stakeholder representatives and for overseeing the reporting and audit.

■ **Panels may become advisors on business strategy.** Such panels would be forums for non-binding dialogue between senior executives and ‘professional stakeholders’ representing sources of expertise about issues related to long-term business success. This type of development can be driven by either business-led or regulatory imperatives to extend the scope and timescale of issues considered material to companies and investors. Such panels might be seen as ante-chambers of BoDs, as companies seek to bring wider knowledge and representation into their Boards of non-executive Directors.

“ I believe that there will be more and more stakeholders involved in Boards of Directors or similar governance structures. Integration of civil society representatives can increase the number of independent directors and bring social or environmental issues on the agenda. This could improve the board value added in ethical, social and environmental fields.”

Daniel Lebègue, President the French Institute of Directors, member of the EDF Panel

■ **Panels may be precursors to the development of secondary Boards⁴⁵.** Panels may be superseded by mandatory representation of stakeholders on Boards of Directors. In this case members would be formally accountable to stakeholders through election or appointment by recognized organizations accountable to stakeholders. Such a development would depend, therefore, not only on changes in corporate governance regulations but the development of more organized and consolidated stakeholder groups.

“ At this stage, stakeholder panels do not have enough legitimacy and access to strategic information to take part in corporate governance processes but this may change. Above all, a Stakeholder Panel today is a ‘route’ - a route where progress and improvements are observable. Looking ahead, Stakeholder panels will last for sure and might become like an additional ‘Board of Directors’. This will require similar organization as for Board of Directors, with annual audits of the panel, defined length of terms, expiration of terms, compensations, etc.”

Philippe Lévêque, Director of CARE France

“ It would be useful to create norms around panels, to help companies to shape their own panel.”

Jacques-Noël Bouttefeux-Leclercq, former chair of Amnesty International’s French Business Group

CONCLUSION

Today’s stakeholder panels should be watched not only for what individual companies can learn about the factors that will underpin the success of their business strategy, but also as experiments in collaborative governance, which might be the basis of new means of securing sound decision-making and accountability for sustainable development more broadly. Rather than one option vs. another, the future is likely to be a mix of the various scenarios presented above, which reflect the various views, hopes, and fears we heard during the interviews and workshops. It is our hope that this report brought food for thought to the emerging debate on ‘stakeholder governance’ and we look forward to continuing this debate on www.stakeholderpanels.net.

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See for example Centrica's description of its report: www.centrica.co.uk/files/reports/2005cr/index.asp?pageid=5
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ABOUT THIS REPORT

This report, produced by AccountAbility and Utopies, examines the experience of businesses convening stakeholder panels made up of external experts or stakeholder representatives, to help strengthen the company's strategy, performance and accountability in relation to sustainability. At its core is a detailed examination of the experiences of Areva, BT, BP, EDF, Camelot, Gaz de France, Ford, Nike and Vodafone, based on interviews with both company practitioners and panel members. The report provides practical guidance in developing effective panels, and looks at how panels can contribute to the ongoing developments in better corporate governance, reporting and accountability.

It will be particularly useful to:

- Corporate managers considering, developing or reviewing a stakeholder panel as part of their own company's approach to transparency and responsiveness.
- Independent assurance providers and panel conveners supporting companies in developing effective and credible panels.
- Panel members and potential panel members in understanding the role that panels can play in influencing business.

ABOUT THE COVER:

The rhino has a symbiotic relationship with tick birds. The bird eats ticks it finds on the rhino and noisily warns of danger. Although the birds also pester the rhino by pecking at sores on its skin they are tolerated.



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