

THE MOST SENIOR GOVERNING BODY AND/OR ITS RELEVANT SUB-COMMITTEES...

has systems in place to regularly hear the experiences and views of external stakeholders about how they are affected by the business, and informs them about how their inputs have influenced company decision-making.

GOVERNANCE
NO.

5

OVERVIEW

A range of people beyond a company's own workforce can be impacted through the company's activities and business relationships, including workers across the value chain, communities around company/supply chain facilities, and consumers/end-users of products or services. A governing body may be constrained in the extent to which it can directly engage affected stakeholders outside the company in often diverse settings and situations, and it may not always be appropriate for them to do so. However, engagement with stakeholders' legitimate representatives, such as trade union representatives or community leaders, can be a viable and valuable alternative.

Where the governing body engages with these stakeholders, they can gain an unfiltered view of whether and how people outside the workforce may be harmed by company operations, product or services. Where they provide these stakeholders with evidence that their feedback is taken seriously and can shape decisions, it is more likely that stakeholders and their representatives will feel it is safe and worthwhile to surface issues.

Evidence of these practices provides a signal that the organization is attuned to the broader potential impacts of its business on people and is concerned to understand where this may be the case so that it can take a role in addressing the issues. By providing feedback to those stakeholders it signals that the company views them as more than a statistic, values its relationships with them, and understands the importance of doing so to the success of the company.

APPLICATIONS

CONNECTION TO CULTURE



AUTHENTICITY



LEARNING



EMPATHY



ACCOUNTABILITY



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APPLICATIONS

KEY QUESTIONS FOR LEADERS TO ASK OR BE ASKED

- Does the Governing Body have a formalized or ad hoc means of hearing directly from the affected stakeholders beyond the workforce on their experience of the company and how working there affects them?
- If the Governing Body engages with representatives of these stakeholders, how does it assess their legitimacy to speak for these groups?
- Do any engagements include the affected stakeholder groups at greatest risk of harm in the company's operations and value chain, and how is this assessed?
- How does the content of these discussions relay back into discussions of the Governing Body about how well the company understands and addresses significant risks to people?
- Does the Governing Body have a means of informing any external stakeholders with which it engages of how these interactions play into its discussions and company decisions?

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TYPE OF APPLICATION

The types of use, whether inside a company or by those outside a company, to which this indicator particularly lends itself:

Internal

- Self-assessment / internal audit
- Third party assessment / culture audit

External

- Investor engagement

APPLICATIONS

SOURCES OF EVIDENCE



DOCUMENTATION

- Governing Body briefing documents and Minutes including action points
- Records of who attended meetings with the Governing Body



CONVERSATIONS

- with Board Chair; Company Secretary; Other Board Reps
- with individuals who took part in discussions with the Governing Body as directly affected stakeholders or as their representatives

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OVERVIEW

APPLICATIONS

SUPPORTING
INDICATORS

ADDRESSING LIMITATIONS

The limits of this indicator lie in the need for external stakeholders to feel able to raise concerns and to see value in doing so, and for insights that the governing body identifies as requiring further action to be taken forward within the company.

This indicator will therefore be strengthened where there is complementary evidence in relation to one or more of the following indicators:

G7

The most senior governing body and/ or its relevant subcommittees... requests and reviews a root cause analysis of any incident resulting in severe human rights impacts, in order to ensure that systems, processes and practices are adapted to avoid their recurrence.

Where the governing body does this, it is more likely that insights gained by the board regarding workforce concerns will be reflected in leaders' decision-making.

L1

Senior leaders at corporate, regional, country and business unit levels...talk regularly - both internally and publicly – about the company's commitment to address risks to people across the company's operations and value chain, and key challenges and opportunities for achieving this goal.

Where senior leaders do this, it is more likely that external stakeholders and their representatives will feel able to raise concerns and that there is value in doing so.

L6

Senior leaders at corporate, regional, country and business unit levels...engage constructively with affected stakeholders or their representatives with regard to any allegations that the company is involved in major human rights-related incidents in its operations or value chain.

Where senior leaders do this, it is more likely that leaders will ensure that feedback received by the board is also translated into action.