Checklist: Identifying Stakeholders and Assessing their Interests

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Stakeholders are central to corporate ESG programs and materiality determinations, but identifying them and their interests can be confusing.

Here is some guidance to consider when identifying stakeholders and their interests.

1. **Gather cross functional group of internal departments for input.** Because the concept of stakeholders is wide-ranging, it is prudent to gather a spectrum of perspectives across the company as a whole. Different functions within companies interact with different internal and external groups and tend to have a general sense of thoughts/concerns those groups hold relative to the company (at least in relation to the particular function or department). Bringing together a multi-departmental group to begin the process of identifying stakeholders is a valuable first step. To get the most out of this, however, it is best to not make judgements about the groups identified. The purpose is to get as much raw data as possible and assess it later.

2. **Develop categories of stakeholders.** Categorizing types of stakeholder interest is important when assigning rankings/prioritization (Step 4). Similar to the previous step, the intent here is to simply gather information. It is fine for an individual stakeholder to fall into more than one category. Examples of stakeholder interests/categories include:

    a. *Financial interest*: Employees, contractors, advisors, shareholders, creditors, ratings agencies, management, Board members, customers, suppliers, peer companies, unions, local communities, government/regulators

    b. *Nonfinancial interest*: Employees, local communities, government/regulators, the general public/society, standards setting organizations, NGOs, educational institutions, nature/the Earth, media

    c. *Internal parties*: Employees, management, Board members

   d. *External parties*: Contractors, advisors, shareholders, creditors, ratings agencies, customers, suppliers, peer companies, unions, local communities, government/regulators, the general public/society, standards setting organizations, NGOs, educational institutions, nature/the Earth, media

   e. *Affected/influenced by the company*: Employees, contractors, shareholders, management, customers, suppliers, peer companies, unions, creditors, local communities, the general public/society, standards setting organizations, educational institutions, nature/the Earth, media

   f. *Affects/influences the company*: Employees, advisors, shareholders, ratings agencies, management, Board members, customers, suppliers, peer companies, unions, creditors, local communities, government/regulators, the general public/society, standards setting organizations, NGOs, nature/the Earth, media

3. **Identify their relationship to/interest in/impact from the company.** Plug the findings from Step 1 into the framework established in Step 2. Again, an individual stakeholder may fall into more than one category and their interests may not align or even conflict with each other. Be aware that in connecting Steps 1 and 2, you may need to make changes to your initial categories – that is fine.

4. **Determine and rank their importance to the company.** With an inventory of stakeholders and their interests, you can then score and rank them to establish a prioritization scale. Give this careful thought because any one stakeholder may fall into multiple categories, complicating the process.

   It may be valuable to first rank the importance of the categories you have established: are financial interests more important to the company than non-financial interests? Using corporate mission/vision/objectives and other commitments can provide criteria against which you can make such judgements. You should think beyond the basics of your P&L statement for this since financial interests are but a single type of stakeholder interest.

Keep your scoring system simple. One valuable hint: using an even-numbered scale (*e.g.*, 1 – 6) rather than an odd-numbered scale (*e.g.,* 1 – 5) will prevent ratings from simply defaulting to a middle point that is not particularly helpful. Multiple stakeholders may have the same score, which is fine – it isn't necessary for each stakeholder to have its own unique rating.

If needed, several specific frameworks exist on stakeholders and materiality assessments, such as GRI, SASB, PRI, TCFD and others from ESG advisors and information technology providers.

5. **Test these internal decisions, assumptions and rankings by engaging directly with at least some stakeholders.** One criticism of materiality assessments is that they are typically made based solely on internal company perspectives and assumptions about of external stakeholders. There is some truth to that. Even though it is common for companies to engage with stakeholders during information gathering stages, it is much less common for companies to go back to stakeholders to review/confirm the company's conclusion. You may benefit from testing your decisions by having dialogues with some stakeholders. Ways to engage with stakeholders include:

    a. Surveys
    b. Phone call interviews
    c. Meetings
    d. Social media outreach/monitoring
    e. Investor relations engagement mechanisms