STAKEHOLDER ENGAGEMENT AND THE GRI: IMPLICATIONS FOR EFFECTIVE RISK MANAGEMENT

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Abstract

Stakeholders expect organisations to assess and manage risk in all areas of business activity including their social and environmental activities, and corporate reporting on these activities is increasing. Acknowledging that a gap may exist between voluntary reports and internal social and environmental risk management practices, this study explores the association between the use of the GRI guidelines, stakeholder engagement practices, and risk management practices with reference to AS/NZS Risk Management Standard ISO 31000:2009. It moves beyond motivations to explore how voluntary reporting practices may facilitate risk management through the process of stakeholder engagement. Results indicate that the use of the GRI in conjunction with external verification encourages more inclusive stakeholder engagement practices as identified in the AS/NZS Risk Management Standard.

Keywords: Stakeholder Engagement, Stakeholders, Risk, GRI, Impression Management, AS/NZS Risk Management Standard

1. INTRODUCTION

Stakeholders increasingly expect that organisations will assess and manage risk in all areas of business activity including the area of corporate social and environmental responsibility. The need for organisations to face previously unforseen, and potentially unforeseeable risks in uncertain and ever-changing environments has accelerated with rapid advances in information and industrial technology (Gouldson & Bebbington, 2007). In Australia guidance is provided through the AS/NZS Risk Management Standard, and under the ASX Corporate Governance Principles and Recommendations (2014). Organisations, as part of their corporate social responsibility (CSR), are expected to manage and disclose not only economic, but also social and environmental risks. A failure to address the latter two can and does lead to serious economic consequences which can be of an ongoing nature both for the organisation and potentially for directors who are expected to make sufficient enquiries to understand the affairs of and disclosures by the organisation. By way of two extreme examples, the clean-up costs to BP subsequent to the 2010 Deepwater Horizon disaster in the Gulf of Mexico initially cost $14 billion, before rising to over $19 billion as the full extent of the disaster unfolded (Schumpeter Business and management, 2012), in addition to a reported $4 billion in criminal costs (Smithsonian Institution, 2013). In the case of James Hardie, a case with no apparent end, the impact of asbestosis continues to impact well beyond those initially affected to embrace those involved in the renovation of properties that have asbestosis content. Whilst the company 'had been aware since 1935 that asbestos was a killer and had received its first compensation claim for asbestosis as far back as 1939' (Verrender, 2012), the failure to adequately address this issue has resulted in the estimated net present value of asbestos liabilities rising from $1.87 billion at March 31, 2014 to $2.14 billion at the end of March, 2015 (Janda, 2015). Further, a High Court decision in 2012 had the potential to 'alter the way in which directors should conduct themselves'. In part the issue for James Hardie was a decision to separate its asbestos liabilities from the operating company, because maintaining the asbestos liabilities within the corporate structure would have hindered earnings for at least two decades (Verrender, 2012). 'Current claims from people who had indirect exposure to asbestos or people exposed later on through renovation work', washing the clothes of family members who had been exposed to asbestos, workers involved in removal or demolition works containing asbestos have been identified as a 'third-wave' of claimants (Janda, 2015).

In applying the risk management standard, organisations are expected to engage with stakeholders to identify and assess risks, which include risks of a social and environmental nature. Social and environmental reporting (S&ER) has been acknowledged as the most common way to communicate the outcomes of stakeholder engagement practices. A number of voluntary frameworks have been developed to guide organisational S&ER, the most prominent being the Global Reporting Initiative (GRI). The GRI is based on the principle of stakeholder inclusivity, and stakeholder engagement is expected. However, the voluntary nature of the GRI means that organisations may choose what is applicable from the available guidance, resulting in various

interpretations in practice, and varying levels of stringency.

The purpose of this paper is to explore the potential relationship between accordance with the GRI, the adoption of more inclusive stakeholder engagement practices, and attention to risk management practices in accordance with the Australia and New Zealand standard and ASX Principles. The remainder of the paper is structured as follows: a brief overview of the stakeholder theory literature is provided in the following section, and stakeholder engagement is discussed in Section 2. Risk management under the AS/NZS standard and ASX Principles is outlined in Section 3, in addition to S&ER and the use of the GRI. The research method is discussed in Section 4 before a discussion of the results is provided, followed by the conclusion and discussion of limitations.

2. STAKEHOLDERS AND STAKEHOLDER THEORY

Stakeholders are defined as being "any individual or group who has an interest in the firm because he [sic] *can affect, or is affected* by the firm's activities" (Freeman, 1984:41). Therefore, stakeholder theory requires that the interests of a broader set of stakeholders than simply those with an economic interest in the organisation such as shareholder and creditors be considered, including employees, suppliers, communities, governments, customers, environmentalists, non-government organisations and the wider society (Cuganesan & Khan, 2008). According to stakeholder theory, organisations are expected to manage the interests of this extended network of stakeholders in a responsible manner (Jamali, 2008).

Whilst a fundamental aspect of the normative branch of stakeholder theory is that all stakeholders are important, and, accordingly, the organisation should consider its responsibilities with regards to all stakeholders' interests, this is difficult to do in practice. The managerial branch of stakeholder theory suggests that rather than attempting to satisfy the interests of every stakeholder, rationality and limited resources result in a tendency for organisations to classify and prioritise their stakeholders with reference to instrumental and normative considerations (Jamali, 2008). Stakeholders are classified according to their perceived importance to the organisation (Gibson & O'Donovan, 2007), and these classifications are generally reliant upon the discretion of individual managers and their personal instrumental and normative tendencies (Jamali, 2008). Whilst much of the extant literature has focused on the management of stakeholder relationships via one-way communication, stakeholder theorists are increasingly moving towards an engagement, rather than management approach (Morsing & Schultz, 2006).

3. STAKEHOLDER ENGAGEMENT

Stakeholder engagement is defined as "the process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes" (AccountAbility, 2008: 45). The emphasis on 'accepted outcomes' highlights the importance of outcomes of the engagement process being fed back into organisational activities. Furthermore, dialogue requires two-way communication; terms such as 'talk' and 'feedback' do not equate to genuine dialogue (Kent & Taylor, 1998). Often it is the information disclosed publicly by organisations that provides the basis for 'dialogue' between organisations and stakeholders (Cuganesan & Khan, 2008). However, what is referred to as 'dialogue' is often only one-way from the organisation to the stakeholder, rather than two-way communication.

A number of different methods for engaging in stakeholder dialogue have been adopted over time including interviews, focus groups, public meetings, consultations and expert or advisory panels (Cumming, 2001; Owen, 2003), which are useful stakeholder engagement tools as they provide an opportunity for participants to voice their opinions in an interactive environment, and help identify previously unforseen risks. The decision regarding which of these alternatives to choose will depend on factors such as time and cost involvement, depth of information or guidance and the nature of the engagement sought. For example, in matters involving a community, focus groups and public meetings/consultations may be most appropriate, but where a specific group is affected a more limited focus group or individual interview may be the wiser choice. In order to facilitate stakeholder engagement, key performance indicators (KPIs) should be adopted around stakeholder categories such as 'employees'; 'members/shareholders, financial community'; 'clients/customers'; 'suppliers'; 'financial partners'; 'state, local authorities and public administration'; 'community' and 'environment' (Perrini & Tencati, 2006: 304). The internet also provides the facilities to engage in real-time dialogue with a number of stakeholders in dispersed geographic regions, simultaneously (Isenmann & Lenz, 2001; Wheeler & Elkington, 2001). Whilst evidence suggests that a limited number of organisations are using their websites to engage with stakeholders (Adams & Frost, 2006), many of these engagement exercises are restricted to simple feedback mechanisms (Paul, 2008).

Whilst there have been instances of successful stakeholder engagement (Collins & Usher, 2004), evidence suggests that most engagement exercises are for the purposes of reputation and stakeholder management (Pérez, Ruiz, & Fenech, 2007; Manetti, 2011). In order for this to change, organisations must see stakeholders as rights holders, and engage with them accordingly (Chetty, 2011). One organisation that has been commended for its stakeholder engagement efforts is Royal Dutch/Shell (Shell), due to the establishment of a web-based stakeholder dialogue forum. This forum allowed stakeholders to post comments under predetermined sections, with responses provided by Shell employees and other members of the forum. Whilst Shell's web forum has been lauded by many as best practice (Delfgaauw, 2000; Cooper, 2003; Maharaj & Herremans, 2008), internet access is not evenly distributed internationally, and the fact that the forum is only provided in English limits the ability of many important stakeholders to participate in the discussion. Furthermore, the effectiveness of the web forum was also found to be severely limited by the failure of stakeholders to

engage in open and cooperative discourse (Unerman & Bennett, 2004).

In order to maximise stakeholder involvement, Cumming (2001) provides three questions to be considered before embarking on any engagement process. First, will the stakeholder group feel comfortable discussing the organisation and potentially making criticisms of the company? Is there an imbalance of power in the relationship and will this impact on the quality of the engagement? Secondly, does the size of the participant group lend itself to a particular engagement method? Is the organisation prepared to adopt the engagement process which yields the 'best' result? What is the intention of the organisation – impression management or meaningful engagement surrounding the activities of the organisation? Finally, has the stakeholder group had any prior involvement in the process of engagement? Have they prior experience in various forms of engagement with organisations and will they be comfortable (and honest) in the engagement? The choice of the most appropriate engagement method will lead to a greater likelihood of success, and it is important that relevant stakeholders are engaged with in a constructive manner and that important stakeholders are not excluded. A final consideration in the stakeholder engagement process is whether the intention is to close the 'reporting loop' (Wheeler & Elkington, 2001; Owen, 2003) and ensure that the concerns and opinions of stakeholders are incorporated back into organisational management systems (Owen & Swift, 2001). This serves the purpose of empowering stakeholders, and helps ensure that their information needs are being met (Owen, 2003; Cooper & Owen, 2007). It also facilitates effective risk management practices by ensuring social and environmental risks identified in the engagement process are adequately addressed. However, there is little evidence to suggest that this is occurring in practice, even amongst leading engagement practitioners (Owen, Swift, Humphrey & Bowerman, 2000; Unerman & Bennett, 2004; Cooper & Owen, 2007).

4. RISK MANAGEMENT

In Australia, the importance of risk management has become increasingly significant with concerns regarding corporate governance practice and the management of risk within organisations that are associated with these practices. The AS/NSZ Risk Management Standard ISO 31000:2009 is a principles-based best practice standard that offers general guidelines for risk management practices that are not industry-specific. Risk is defined as "the effect of uncertainty on objectives" (Standards Australia/Standards New Zealand, 2009: 1). Organisations that adopt this standard are expected to engage in ongoing dialogue with stakeholders regarding the management of risk, and in the establishment of both internal and external communication mechanisms. In terms of communication it is expected that this would involve engaging with appropriate stakeholders in an effective exchange of information, external reporting to comply with legal, regulatory, and governance requirements, providing feedback and reporting on communication and consultation to build confidence

in the organization and to communicate with stakeholders in the event of a crisis or contingency (Standards Australia/Standards New Zealand, 2009: 12). Furthermore, the revised ASX Corporate Governance Principles (2014: 30) state that under Recommendation 7.4 "A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks."

A major approach to this communication with stakeholders has been S&ER. However, there have been concerns raised that this has tended to be one-sided – organisation to stakeholders rather than a two-sided engagement approach. This reporting is one of the most commonly used methods by organisations to communicate the outcomes of their stakeholder engagement strategies, and to signal to stakeholders that they are taking steps to manage social and environmental risks (Spence, 2007; Rankin, Stanton, McGowan, Ferlauto & Tilling, 2012). Furthermore, S&ER and attention to risk management may help minimise risks such as consumer boycotts and other unforseen issues that may otherwise not be considered (Hooghiemstra, 2000). There are several S&ER methods used by organisations such as disclosures in the annual report, triple bottom line reports, stand-alone sustainability reports, and web-based reporting, and a number of voluntary frameworks are available to provide guidance, the most commonly adopted being the GRI.

The GRI has emerged as the dominant framework and is the closest to being considered generally accepted (Burritt, 2002; Frost, Jones, Loftus, & Van Der Laan, 2005; Ballou, Heitger, Landes, & Adams, 2006). Towards the end of 2006, almost 1,000 organisations from over 60 countries were registered with the GRI and issuing sustainability reports using GRI standards (Ballou et al., 2006). KPMG's (2008) *International Survey of Corporate Responsibility Reporting* indicated that approximately 60 per cent of reporting G250 organisations cited the GRI as their reporting framework. The guidelines may be used in a number of different ways with various levels of stringency (Hedberg and von Malmborg, 2003; Ballou et al., 2006). The GRI provides an ABC rating system by which organisations may disclose the extent to which they comply with the guidelines (KPMG, 2008), and organisations may choose to self-assure, or obtain external assurance to verify their level of compliance. Voluntary frameworks and standards, such as that provided by AccountAbility have been developed to provide guidance to assurors of S&ER, and the provision of assurance is a necessary criterion to obtain an A+ level of compliance. In 2008 slightly fewer than 40 per cent of reporting G250 organisations that declared their level of compliance actually did comply with the GRI at the highest level (KPMG, 2008).

The AccountAbility AA1000 assurance standard was first published in 1999 and focuses on the processes involved in the reporting of environmental impacts (Adams, 2004), and the governance structures that should be established (Adams & Evans, 2004). The intention of AccountAbility is to aid organisations and their respective stakeholders in the delivery of enhanced social, environmental

and economic responsibility throughout the course of conducting business (Adams & Evans, 2004). As such, stakeholder engagement is considered to be an integral aspect of the AA1000 process (Adams, 2004) and can also be seen in the context of risk management and role of stakeholder engagement in this process.

The GRI requires organisations to take risks into account when defining material topics, and is based on the principle of stakeholder inclusivity, which requires stakeholder engagement (GRI, 2011). This provides a link to the Australia and New Zealand standard by identifying the more specific guidance available to manage S&ER. An organisation could be expected to utilise both in their social and environmental risk management strategy. However, despite the establishment of these comprehensive standards and frameworks and the growing number of organisations producing social and environmental reports, it has been suggested that voluntary guidelines, such as the GRI, may simply provide a means of legitimising poor organisational performance (Adams & Zutshi, 2004). Furthermore, S&ER practices have been criticised as being biased, self-laudatory exercises in impression management (e.g. Hedberg & von Malmborg, 2003; Frost et al., 2005; Hrasky, 2012). This can be contrasted with research that has explored the question of organisations taking a proactive approach as compared to a reactive approach to S&ER (Staden and Hooks (2007) and Hooks and Staden (2011). Interestingly the question of whether or not a response is reactive or proactive could both potentially be impression management in nature. While the former might be a response to an event such as an oil spill the latter could be an attempt to create a certain perception of the organisation to the or a group of stakeholders. Therefore, the relationship between voluntary organisational reports of social and environmental matters and internal social and environmental risk management practices remains unclear.

In summary, in order to identify and assess the materiality of social and environmental risks, engagement with both internal and external stakeholders is a requirement of both ISO 31000:2009 and the GRI. Stakeholders are those who may impact or be impacted by the achievement of organisational objectives, and accordingly may be able to provide valuable insights with respect to the identification of material risks relating to the achievement of organisational objectives. Therefore, it can be argued that organisations should actively engage in constructive dialogue with stakeholders, and consideration must be given to the appropriateness of the engagement processes for the particular stakeholder group. Whilst stakeholder engagement is a requirement of the GRI, the framework may be used in different ways and with varying degrees of stringency, and whilst the AS/NZS Standard requires 'the effective exchange of information', the level of stakeholder inclusivity in present organisational engagement practices remains unclear. Therefore the research question posed in this study was:

Where management embrace GRI guidelines more fully, do they adopt more inclusive stakeholder engagement practices aligned to those identified in the AS/NZS Risk Management Standard ISO31000:2009?

5. APPROACH TO DATA COLLECTION

In order to address the research question, semi-structured interviews were conducted with ten Australian listed organisations and one external consultant with experience in assisting organisations with the preparation of social and environmental reports. Whilst there has been much discussion and analysis in the literature regarding organisations' decisions to communicate their environmental activities to stakeholders, the majority of studies have been conducted from the outside, looking in, rather than in direct consultation with the preparers themselves.

5.1. Sample Selection

Participants for the interviews with organisational representatives were selected using convenience sampling from those organisations listed in the ASX Top 200 as at 11 July 2011 whose head offices were domiciled in Melbourne and Sydney (and surrounding suburbs), and report upon their social and environmental performance. Of the 200 ASX listed companies 106 were domiciled in Melbourne or Sydney.

In order to obtain the contact details for potential interviewees, each of those companies' website addresses was obtained though the DatAnalysis database, and where available, the company's most recent social and environmental report was obtained from the company website. If the report was not available on the website, a cross-check was done via the Corporate Register website. A search for the terms "feedback" and "contact" was conducted in each social and environmental report to obtain contact details (this search was also conducted where a sustainability section was provided in the annual report, but yielded zero results).Where a separate social and environmental report was not found through either the company website or Corporate Register, the web pages addressing sustainability (where provided) were reviewed to determine whether a specific contact person was noted. Where neither contact details nor reports were provided, the "Contact Us" page of the website was checked to see if a specific contact for investor relations/environment/sustainability was provided. These searches revealed twenty nine potential interviewees who were contacted, of whom ten agreed to participate. In each case the participant was the individual who was directly responsible for the production of the social and environmental report.

The final sample of ten organisations comprised a diverse industry representation. Nine industry sectors were represented including energy, banking, commercial services and supplies, telecommunication services, real estate, pharmaceuticals & biotechnology, transportation services, utilities, and materials.

The external consultant interviewed was also selected using convenience sampling, and was chosen due to their experience in assisting at least one of the organisations interviewed with the preparation of their social and environmental

reports. This consultant has specialised expertise in assisting organisations with their S&ER and stakeholder engagement practices, and the purpose of the interview was to facilitate the triangulation of data and provide a balanced perspective to the first stage interviews. Contact details were obtained from the organisation's website.

5.2. Development of Interview Protocol and Data Collection

The interviews were conducted as part of a broader exploratory study, and a semi-structured interview protocol was developed around the research questions asked in the broader study, and the issues regarding S&ER raised in the extant literature. The interview protocol included questions regarding the interviewee's background in order to provide contextual information, specific questions about organisational processes and practices, and more general questions regarding the interviewee's views on topical issues such as the regulation of S&ER.

A pilot interview was conducted with a Certified Practicing Accountant unrelated to the study. The purpose of this pilot interview was predominantly to ensure that the questions were clear and unambiguous to someone outside the area of academic interest, and that the structure of the interview was sensible. Some minor changes were made as a result of this pilot, such as slight changes to structure and wording. The pilot interviewee also made some useful suggestions about additional questions that could be asked with respect to signing off on the reports. Ethics approval was obtained for the conduct of the interviews, and all interviewees were assured anonymity.

The very nature of semi-structured interviews suggests that the questions may not be answered in the order that the interviewer intends. However, careful consideration was given to the structure of the questioning, and how to best engage the interviewee by building on previous questions. Flow charts of the interview questions were also prepared in an attempt to avoid frustrating the interviewee with superfluous questions. Several advantages were found to using semi-structured interviews. It allowed the flexibility to explore new topics and themes as they emerged, and facilitated the application of lessons learned in each interview to the subsequent interviews.

The first stage of the interviews with representatives from ASX Top 200 organisations were conducted during late September and early October 2011, while the interview with the external consultant was conducted in November 2012. Each of the interviews was one-on-one with the exception of that with Org F, which involved two organisational representatives and the interviewer. Ten of the interviews were conducted face-to-face whilst one was conducted via teleconference, and the interviews were digitally recorded and exact transcriptions prepared by an external party, before being checked for accuracy by the lead researcher.

5.3. Interview Data Analysis

The data analysis method used is consistent with that used and described in detail by O'Dwyer in his 2004 article "Qualitative Data Analysis: Illuminating a Process for Transforming a 'Messy' but 'Attractive' 'Nuisance'". Qualitative data analysis has been described as an 'attractive nuisance', because of the attractiveness of its richness but the difficulty of finding analytic paths through that richness (Miles, 1979; O'Dwyer, 2004).

The ten interviews ranged from 30-90 minutes each, and yielded in total approximately 186 pages of transcription. In order to transform the data set into a logical and enlightening narrative O'Dwyer (2004) outlined three distinct but overlapping phases of analysis including data reduction, data display and data interpretation.

Data reduction involves interacting with the various analysis tools used in the data collection stage such as interview notes, transcripts and contextual information in order to identify key themes and patterns. Data display then involves visually displaying the reduced data through detailed matrices encompassing the key themes and patterns. It is during this stage that 'open' code matrices are prepared, those 'open' codes collapsed into 'core' codes and the 'open' code matrices then reformulated according to the 'core' codes. Data interpretation involves five steps, including a 'detailed analysis tools review', a 'big picture outline', 'formulating a thick description', 'contextualising the thick description' and 'employing the analytical lens' (O'Dwyer, 2004). All coding and sorting was done manually rather than through the use of computer aided qualitative data analysis software (CAQDAS) in order to better to reflect upon, and recall the content of the interviews (Anderson-Gough, 2004).

As with any study of this nature, there is a risk of interviewer bias both during the interviews and in the analysis of the transcripts. An attempt was made to alleviate this risk by carefully constructing open-ended interview questions, and by choosing not to review the social and environmental reports of the organisations prior to the interviews to avoid forming potentially biased judgments and preconceptions. Furthermore, the use of a systematic analytic protocol helps alleviate the risk of interviewer bias in the data analysis and O'Dwyer (2004) advocates using narrative data analysis, suggesting that focusing on telling a story helps avoid selectivity in the analysis.

6. DISCUSSION OF RESULTS

Interestingly, and perhaps surprisingly, of the ten interviewees only three of the reporting entities representative specifically referred to aspects of risk and risk management when discussing organisational motives for S&ER. On the surface this may lead to a sense that S&ER is inclined toward impression management motives rather than a formal part of risk management strategy. But it may also be that management now build many of these considerations into their business strategy as concerns regarding risk and CSR have increased. For example, one interviewee attributed the increase in S&ER, in part, to the "growing sophistication of risk frameworks at the Board level [and] increasing interest from mainstream financial analysts around [...] risk mitigation" (Org F, Respondent 1), while another referred to risks associated with *not* reporting (Org A). A third acknowledged that the

decision to change their strategy and embark on S&ER after early assessments of risks and opportunities had left their organisation in a good position to tackle new challenges such as the introduction of the Carbon Tax (Org G). Therefore, whilst all but one of the interviewees referred to motivations broadly classified as the 'business case' for reporting, the majority do not isolate risk management specifically as a reason for reporting. It would be reasonable to assume that in assessing a 'business case' for S&ER risk would be part of the discussion, though not necessarily a dominant influence. Furthermore, the fact that interviewees do not see risk management as an explicit reason for engaging in S&ER does not necessarily mean that risk management is not occurring, and it would be reasonable to assume that risk management might be implicitly built into a business case. However, further investigation would still seem to be required to assess whether, even with increased risk identification associated with S&ER activities, increased public awareness and the availability of risk management guidelines including stakeholder engagement management processes, organisations still see that they are managing views (impression management) as compared to addressing the issue proactively rather than has been seen in reactive reactions to, for examples, the use of child labour or underpaying staff for services rendered.

As noted above, in order to identify and assess risks stakeholder engagement is expected under both the AS/NZS standard and the GRI[1]. The interviews provided qualitative data on the interviewees' views on the application and effectiveness of the GRI Framework, and their stakeholder engagement practices. Each of the reporting organisations interviewed were at various stages of their reporting journey with some relatively new to the process whilst others had been consistently reporting for a number of years, and each of the organisations used the GRI Framework to varying degrees, ranging from simple guidance to accordance at the A+ level with third party verification.

The consensus amongst the interviewees was that of the available frameworks, the GRI is used because it is the closest to being generally accepted:

"Well it's the globally recognised framework" (Org B)

"Well it's a de facto standard, for want of a better word" (Org D)

"Because it's an international framework, global standard, it allows for comparability" (Org E)

"It's the most recognised, it's the one that's referenced, it's, stakeholders know what it is [...] it's best practice, we'll follow it" (Org G)

and the best of the available options:
"What else is there really?" (Org C)

"it's kind of the best there is out there" (Org E)

"there was no alternative framework that we saw that was actually really viable" (Org G)

"Oh, I looked around. [...] but the GRI just seemed to work best" (Org I)

However, whilst the interviewees agreed that the framework was useful: "I'd be sunk without it" (Org H), and valued it's flexibility, there were also common concerns expressed surrounding lack of

clarity and the limited range of industry-specific supplements, and criticisms that "some of the bits are a little bit onerous" (Org I) and "it can be laborious" (Org F, Respondent 2). Or in the words of Org G:

"Some of the bits of the GRI I think are incredibly annoying and incredibly difficult to even prove that they're not applicable and so it's frustrating I think. [...] obviously the GRI was intended that, here's a whole heap of indicators, you need to pick which are the most material and only report on those, [...] but [...] you basically have to report on everything to get an A+ because in order to prove that something is not relevant, you've done the work anyway, [...] you may as well put it in there and I think that kind of process would be better redesigned so that people don't feel they have to report on everything".

In fact, there appeared to be evidence suggesting that part of the appeal of the GRI is that it is so commonly used, rather than its practical value:

"it's almost like a mass now, there's so many people doing it that I don't understand how you would actually make up anything that would be better that it." (Org B)

"There's no point reinventing the wheel" (Org A)

"If you're going to write a sustainability report and you don't do it to GRI, what do you do it to?" (Org C)

"if somebody came along with a better one, I'd be very happy" (Org H)

The consultant interviewed supported many of these assertions:

"Look, I think GRI has been quite helpful in making the case for sustainability reporting and providing a consistent and coherent framework, but there are lots of weaknesses in GRI, and it's not a standard, it's an inadequate level of specification to be a standard, it's a framework, so there's a lot that's open to interpretation, there is a lot of missing guidance, and sometimes your best friends, or your best advocates for reporting inside an organisation would naturally be the compliance people, because they understand that the organisation needs to become more sustainable, they see compliance as a route to do it, they look at GRI and it looks too fluffy for them, and so they feel that it undermines what they are trying to do rather than help, but on the other hand, if you make it too specific, then I think that you are at risk of losing the reporting principles and the sustainability context which in my view are probably more important than the choice of performance indicators and information, that gets lost if you turn it into a compliance standard rather than a reporting, you know a principles driven reporting framework, so, I think there are so many challenges with GRI, but on balance, it's better to use it than not to use it."

The consensus appears to be that the GRI, whilst with much room for improvement, is very useful to organisations in guiding their S&ER practices. As noted above, the GRI is based upon the principle of inclusivity, which requires engagement with stakeholders. However, the GRI may be adhered to at varying levels, as evidenced in the small sample interviewed in the present study. The purpose of this research is to explore whether a relationship

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[1] At the time of the interviews the ASX Principle had not been enacted.

exists between accordance with the GRI by entities sampled and the adoption of more inclusive stakeholder engagement practices as embedded in the AS/NZS Risk Management Standard ISO31000:2009. Therefore, a comparison of the interviewed reporting organisations' level of compliance with the GRI and the stakeholder engagement activities used in the reporting process may be enlightening. This relationship is displayed in Table 1.

Table 1. Level of compliance with the GRI, and stakeholder engagement activities

Organisation	Industry	GRI Compliance	Engagement Activities
Org A	Energy	Undecided*	-Internal surveys
Org B	Materials	B (GRI checked)	-Internal surveys -Feedback mechanisms
Org C	Pharmaceuticals & Biotechnology	B (Self-assured)	-Internal and external surveys -Feedback mechanisms -Website monitoring
Org D	Materials	A+ (Externally assured)	-Stakeholder interviews -Feedback mechanisms -Website monitoring
Org E	Telecommunication Services	C+ (Externally assured)	-Stakeholder interviews -Internal stakeholder proxy workshops -Online discussion forums -Establishing external advisory council -Feedback mechanisms -External surveys
Org F	Banking	A+ (Externally assured)	-Stakeholder interviews -Online discussion forums -External advisory council -Internal and external surveys -Feedback mechanisms -Website monitoring
Org G	Utilities	A+ (Externally assured)	-Stakeholder interviews -Investor webcasts -External advisory council -Feedback mechanisms
Org H	Commercial Services & Supplies	C (Self-assured)	-Internal stakeholder interviews -Feedback mechanisms
Org I	Transportation Services	Used for guidance	-Stakeholder interviews
Org J	Real Estate	A+ (Externally assured)	-Stakeholder interviews -External surveys

At the time of the interview Org A was about to embark on the preparation of their first stand-alone report

As noted above, engagement involves two-way dialogue. One-way communication methods such as feedback mechanisms and surveys do not constitute engagement activities, and from the results of the present study appear to be largely ineffective, with Org D noting that "We have a feedback mechanism in our sustainability report but it has not had a lot of feedback through that source", and Org G noting that there was "nothing coming back via that mechanism". Both Org B and Org C, which used the GRI at a B level of compliance used only one-way communication methods to gauge stakeholder views, and did not engage in dialogue with stakeholders, whilst Org E, who had a lower level of compliance at C+ engaged in the greatest number of dialogic exercises. These include not only internal and stakeholder interviews, but also a workshop "with internal stakeholders asking them, you know, to really be proxies for their stakeholders [where] they came to represent the stakeholders that they liaise with closely" (Org E), online discussion forums, and plans to establish an external advisory council. Therefore, there does not appear to be a relationship between engagement activities and level of compliance with the GRI. However, there does appear to be a relationship between more inclusive stakeholder engagement activities and S&ER that has been presented in accordance with the GRI and has been externally assured.

Half of the reporting organisations (Orgs D, E, F & J) obtained external assurance for their social and environmental reports, and all of them actively engaged stakeholders in some form of dialogue.

Four of the remaining organisations only undertook passive, one-way communication exercises with stakeholders. It must be noted that Org A had, at the time of the interview, provided only a limited amount of social and environmental information on their website, and were just embarking on the provision of their first social and environmental report, which may explain why little external engagement had taken place. The exception is Org I, who used the GRI for guidance only and did not obtain external assurance, yet did engage external stakeholders in two-way dialogue. Whilst the stakeholders engaged were restricted to customers and industry associations, it is an anomaly that must be considered. Possible explicators are the industry in which the organisation operates: "it's a funny industry. It's sort of duopolies and some of them government" (Org I), and internal organisational characteristics. Org I was unique in that the organisation engaged in a relatively limited amount of external S&ER, yet had an exceptional internal social and environmental accounting and reporting system. Whilst a further exploration of these differences is beyond the purposes of this study, they may go some way to explaining this anomalous result.

If, as it appears, there is a relationship between the provision of assurance for GRI-based reports and more inclusive stakeholder engagement practices, what is it about assurance that encourages stakeholder engagement? Each of the organisations used assurors that adhered to the AA1000 assurance standard. Those interviewees representing

organisations that engaged external assurors emphasised the importance of stakeholder engagement in the reporting and assurance process. However, only one mentioned the importance of stakeholder engagement with respect to risk management:

"[...] it's not just like, we just do one survey and that's it. We actually focus on each of those stakeholder groups and kind of work through a tailored process of trying to understand what are those material issues. We then pull that together and work closely with our risk teams and also our strategy leads because, my view, our view, is that sustainability materiality is absolutely got to be informed by a risk matrix and strategy. So we work through that and prioritise based on their feedback." (Org J).

The consultant interviewed, who has "done hundreds and hundreds of interviews with stakeholders for materiality assessments" (Cons) reiterated the importance of risk management with respect to S&ER and assurance:

"It's a requirement of GRI that the organisation conduct a materiality analysis, or report on what it's material issues are in any case, and it's also a principal in the AA1000 assurance framework which is a stakeholder orientation towards sustainability report assurance, so we, all our materiality assessments include external and internal stakeholder perspectives, we think it's terribly important for the external stakeholders to be, and it's a requirement of GRI, but even if it wasn't a requirement of GRI it makes sense that if sustainability reporting is about accounting for the impacts of the organisation, then you have to talk to those who are impacted, in order to do a fair account of the impacts, not just those who create the impacts, [...] but I think what's becoming more, better understood by reporting companies now is that the materiality assessment has the potential to contribute so much more than just identifying issues for the report, because if you're an A level reporter, you have to report on everything anyway, and so A level reporters, perhaps some of them have looked at the materiality assessment, and looked and said why bother we are going to report on everything anyway so why would we bother to find out what people think are the most important impacts, and we would always suggest to them, well, it's about the emphasis of the report, what are the things that you really want to focus on, [...] but I think the change that we're seeing in organisations' understandings of the value of a materiality assessment is how they can use it to generally inform their sustainability strategy and generally inform their overall business strategy and their risk, appraisals of risks in particular, and we have worked with some organisations that have seen the value in incorporating this into part of their annual risk review" (Cons).

7. CONCLUSION

The level of organisational adherence to the GRI is not necessarily directly related to the adoption of more inclusive stakeholder engagement practices. The adoption of GRI indicators combined with external assurance compliant with AA1000 is suggestive of the adoption of more inclusive

engagement practices. Both the GRI and AA1000 are based on the concept of stakeholder inclusivity as is AS/NZ 31000:2009. GRI and AA1000 operating together may encourage dialogic stakeholder engagement which would enable organisations to identify and assess potential social and environmental risks, and thus comply with the AS/NZS Standard ISO 31000:2009 and the ASX Guiding Principles for risk management. Whilst many of the GRI indicators imply aspects of risk, it may be that independent third party verification using AA1000 adds an accountability obligation to the process of S&ER, thus encouraging engagement with those stakeholders to whom the organisation is accountable.

In terms of the research question posed to underlie this study:

Where management embrace GRI guidelines more fully, do they adopt more inclusive stakeholder engagement practices aligned to those identified in the AS/NZS Risk Management Standard ISO31000:2009?

The risk environment of the 21st century is one of rapid change and uncertainty, and there is an expectation that organisations will engage with stakeholders in order to identify and assess not only economic, but also social and environmental risks. Each of the standards referred to in this study have a focus which identifies stakeholder engagement and inclusivity to be important. In the interviews undertaken there did not appear to be a relationship between stakeholder engagement activities and adoption of GRI indicators. However, there does appear to be a relationship between more inclusive stakeholder engagement activities and the provision of S&ER that has been presented in accordance with the GRI, and has been externally assured. Organisations that obtained external assurance in accordance with AA1000 appeared to place greater emphasis on stakeholder engagement. Therefore it appears that the use of the GRI for S&ER, combined with the provision of external assurance complying with AA1000, may encourage the use of more inclusive engagement practices as identified in the AS/NZS Risk Management Standard.

As with any study of this nature, there are inherent limitations which must be acknowledged. Whilst every effort has been made to minimise the effects of potential bias it is acknowledged that the researcher cannot escape the socially constructed nature of reality. The motivations, impressions and ideals of both the interviewer and interviewee cannot be separated from the interview process, however in knowing this measures were taken to reduce this risk. While the results may not be generalisable, this paper was exploratory in nature and offers insights into stakeholder engagement practices as linked to the guidance and indicators identified.

This study contributes to the literature by providing rich qualitative data that explores stakeholder engagement and the expectations identified in the GRI Framework, ASX Guiding Principles, and the AS/NZS 31000:2009 and AA1000 standards. The study moves beyond motivations to explore how voluntary reporting practices may facilitate effective risk management through the process of stakeholder engagement. The findings indicate that organisations engaging in S&ER

prepared according to the GRI guidelines and accompanied by external assurance in accordance with AA1000 also engage in stakeholder engagement practices, as identified in the Australia and New Zealand standard.

Whilst it appears that the level of accordance with the GRI may not influence the degree to which organisations engage with external stakeholders, those that provide assurance against the GRI engaged in more inclusive dialogue with both internal and external stakeholders. Opportunities exist for future research to explore this relationship in more depth. Further research should also explore whether the feedback loop is closed and stakeholder concerns actually are incorporated into organisational practices.

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