

## Identifying and understanding stakeholders

### Application note

Implementing corporate due diligence includes your company's communication with stakeholders. This communication is particularly important to understanding and taking into account the perspective of (potentially) affected groups – but it can also serve as a way to get started with corporate due diligence and benefit from expert knowledge. This practical guide is intended to help you identify and classify relevant stakeholders for the five phases in the SME Compass.

### Stakeholders – who are they?

The concept of corporate due diligence requires that your company engage with those stakeholders who can influence your company's activities or who can be influenced by your company's activities.

This communication is important, for example, if your company wants to identify human rights and environmental risks in the value chain. Central to this is exchange with groups that can be negatively affected by your company's business relationships. These groups are also referred to as 'rights holders' who, according to the [UN Guiding Principles on Business and Human Rights](#) should be included in the risk analysis process through accessible consultations. However, direct exchange with these groups is not always possible right away. This is especially the case in the early stages, when contact with (potentially) affected groups in international supply chains is the exception rather than the rule. In these cases, it makes sense to approach stakeholders who know the perspective of (potentially) affected groups and may even be able to represent them.

In general, be open to identifying different perspectives and understanding the underlying interests, wishes and concerns of the (potentially) affected persons and stakeholders of your company. Many organisations in Germany have been dealing with corporate diligence in the value chain for a long time; consider these stakeholders knowledge-bearers who can provide you with important information for the five phases of corporate due diligence.

### Central content

The procedure described below includes the identification and classification of external stakeholders: Who are the relevant stakeholders for your company? What interests do the stakeholders represent? What are the key issues? How can contact be established with (potentially) affected groups on the ground?

## Identification and classification of external stakeholders

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### 1. Identification of relevant stakeholders

To begin, get an overview of stakeholders who are involved in corporate due diligence. You can find a list of relevant stakeholders in Germany [here](#). The following questions can help you with the initial selection of relevant groups.

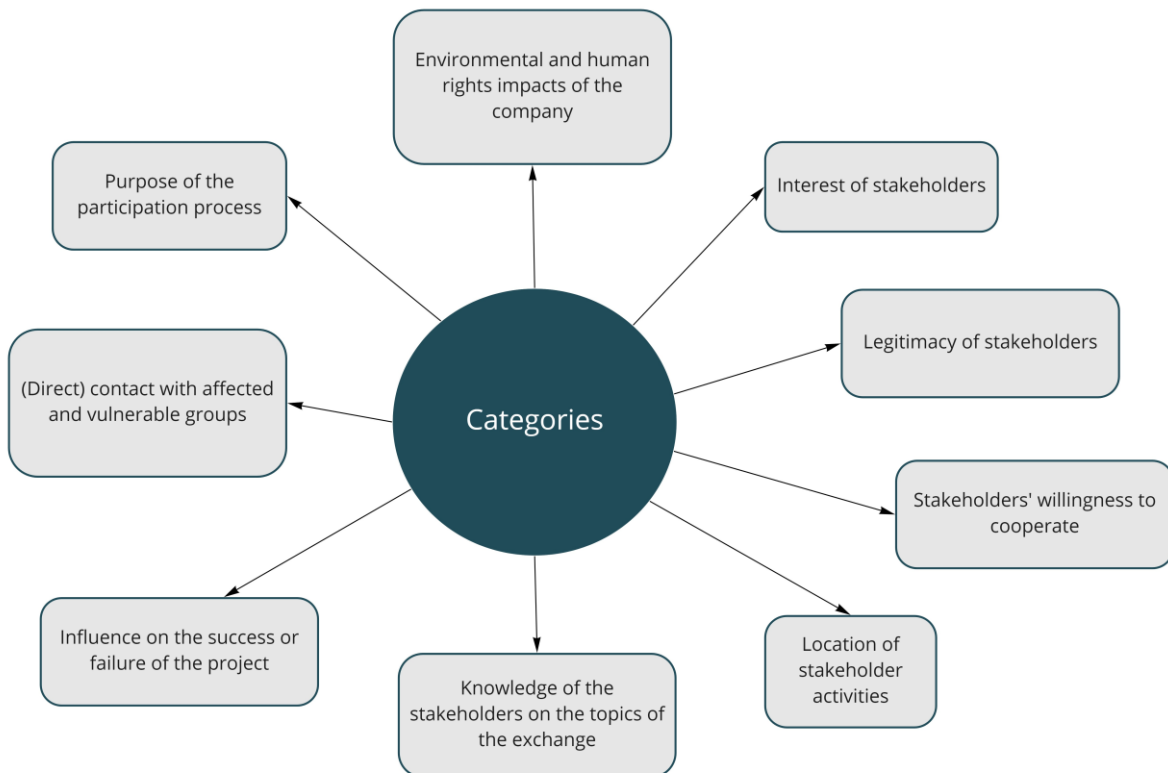
#### Guiding questions

- ✓ Does the exchange relate to corporate diligence in general or to a specific stage in the SME Compass?
- ✓ Which environmental and human rights issues are relevant to your industry, business activity and/or business model?
- ✓ Who are groups that are (potentially) negatively affected by these issues?
- ✓ Which organisations are dealing with these issues at the local, national, European or international levels? Do you already have contact with these organisations?
- ✓ When does it make sense to involve external experts (e.g. environmental and human rights experts, sustainability consultants)?
- ✓ What is the purpose of the engagement with stakeholders? Which level (e.g. professionals, management) or department (e.g. purchasing, compliance) of your company should be involved in the exchange?

### 2. Identification and classification of relevant stakeholders

Communication with stakeholders should be as targeted as possible. To make this happen, you need to better understand the stakeholders. It is important to know which interests stakeholders represent or which environmental and human rights issues are central to their work. Classifying the identified stakeholders in selected categories can help.

### Categories for the classification of stakeholders



Sources: adelphi diagram based on: Guideline | German Global Compact Network | 2014 | Stakeholder participation in fulfilling human rights due diligence | p. 14ff. | [Click here](#).

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### Contact person selection process

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Exemplary stakeholder groups for three central categories of classification are identified below. The guiding questions are intended to help you find an adequate contact person for your concerns as part of the due diligence process.

#### 1. Stakeholders' interests

Each group represents certain economic, ecological and social interests. The interests represented are not always congruent and may conflict. A classification of external stakeholders according to the represented interests can appear as follows:

### Categories of stakeholders according to interests (example classification)



Source: adelphi diagram (the list of stakeholders is exemplary and does not represent an exhaustive list).

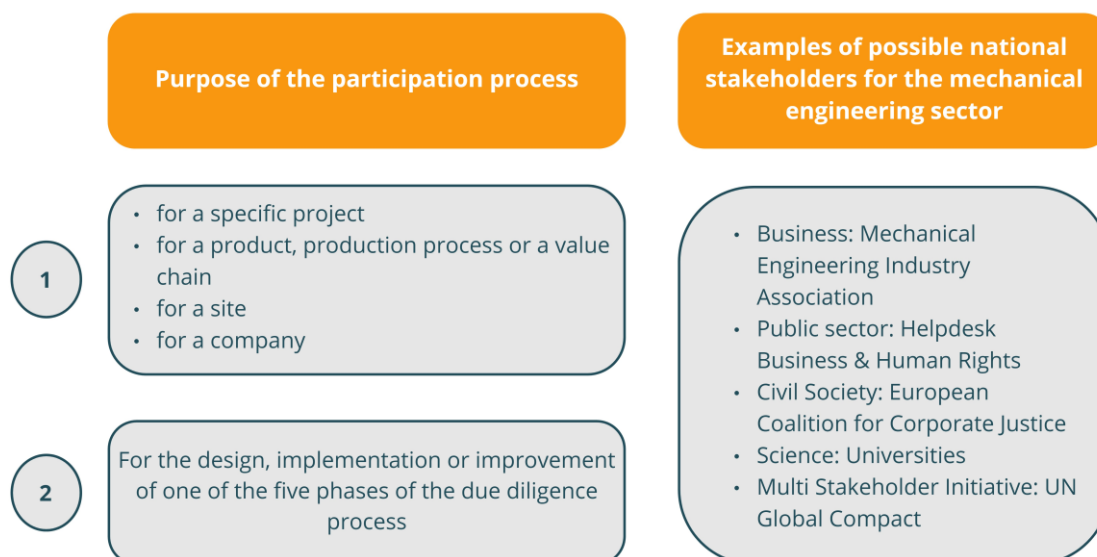
### Guiding questions for the classification of relevant stakeholders

#### Guiding questions

- ✓ Which organisations have analysed the identified environmental and human rights issues from a scientific perspective?
- ✓ Which organisations provide support services to your company or to potentially affected people on the environmental and human rights issues you have identified?
- ✓ Which relevant organisations have spoken out publicly on the environmental and human rights issues you have identified?

## 2. Purpose of the participation process

Illustration of the category 'Purpose of the participation process' (exemplary selection)



Source: adelphi diagram (the list of stakeholders is exemplary and does not represent an exhaustive list).

### Five phase guiding questions for the selection of relevant stakeholders

#### Guiding questions

##### 1. Develop strategy

- ✓ Does the organisation have expertise in your industry, business area or business model, as well as corporate due diligence?
- ✓ Does the organisation provide information materials and/or tools for corporate due diligence?
- ✓ Does the organisation offer SMEs (paid or free) advice on corporate due diligence?

##### 2. Risk analysis

- ✓ Does the organisation have sectoral and/or regional knowledge of the environmental and human rights issues relevant to your business?
- ✓ Does this organisation have foreign offices or contacts/partner organisations in your foreign locations/production sites?
- ✓ Can this organisation establish contact with (potentially) affected groups?

## Guiding questions

### 3. Measures

- ✓ Does the organisation provide support services for the development and implementation of measures for companies in your sector (e.g. practical examples, training, on-site stakeholder engagement, etc.)?
- ✓ Does the organisation have knowledge of or its own audit systems/certifications for supply chain management?
- ✓ Can the organisation support your company in recording the impact of your company's measures (e.g. selection of suitable indicators, advice on the impact of measures)?

### 4. Reporting

- ✓ Can the organisation support your company in creating report content?
- ✓ Can the organisation support your company in choosing appropriate informal and/or formal formats for reporting?
- ✓ Does the organisation offer standards for sustainability reporting? Are these standards recognised at national or international levels?

### 5. Complaint management

- ✓ Does the organisation have experience with and/or expertise in access to remedy and redress?
- ✓ Does the organisation offer support or even a collective/sector-wide grievance mechanism?
- ✓ Does the organisation represent (potentially) affected groups in your foreign locations/production sites or can it help establish contact?

### 3. Seek exchange with local stakeholders

For a closer look at the specific (potential) environmental and human rights impacts of your business, you should seek interaction with local stakeholders where possible – especially if they do not have the means to make their voices heard. You should ensure that you gather all perspectives, both in order to get an overall view of human rights, environmental risks and (potential) negative impacts, as well as properly assess the potential risks.

It is not always possible to contact local stakeholders directly and organise participation (e.g. because they live in countries of the Global South). In these cases, contact representatives of the groups or organisations that understand the concerns of the local stakeholders. This could include, for example, human rights experts from non-governmental organisations or trade unions.

#### Guiding questions

- ✓ Which organisations address environmental and human rights issues relevant to your business at local, national and/or international levels?
- ✓ Do these organisations represent (potentially) affected groups? Are the interests of more vulnerable groups taken into account?
- ✓ Have you collected perspectives/positions/interests? If not, what category of organisations do these perspectives/positions/interests represent?

**Note:** More vulnerable groups are those who are particularly vulnerable to human rights violations. These can include, for example, ethnic minorities, internally displaced persons, persons with disabilities or children and young people. For more information, see the [guide '5 Steps to Managing Human Rights Impacts'](#) (p. 16) from the German Global Compact Network.

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#### Next steps

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The [SME Compass](#) makes clear when stakeholder involvement is required in the five phases. It also demonstrates that stakeholder participation is a key component of corporate due diligence.

The compass enables you to set up a targeted participation process that can help – but not overwhelm – your company. Set up this process in such a way that you get a clear, balanced picture of human rights and environmental risks and take the perspectives of (potentially) affected groups into account.

Use the practical guide [Stakeholder Directory](#) for the selection of specific stakeholders. The guide provides an overview of organisations, industry initiatives or multi-stakeholder initiatives that can help you identify significant human rights and environmental risks along your value chain.

The guideline ['Stakeholder participation in the fulfilment of human rights due diligence'](#) from the German Global Compact Network includes additional information on stakeholder involvement.