



جائزة الملك خالد  
KING KHALID AWARD

**Sustainability Award**  
Capacity Building

# ESG Foundation Training 2022

Toolkit



# ESG Foundation

## Training 2022

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# Letter to Participants

The King Khalid Foundation (KKF) is pleased to publish, in partnership with AccountAbility, this practical and insightful Sustainability Award Capacity Building Toolkit on Environmental, Social, and Governance (ESG) for companies in the Kingdom of Saudi Arabia.

The King Khalid Foundation continues to advance the sustainability agenda by collaborating to deliver impactful sustainability programs and support the growth of responsible business practices. The Foundation has partnered with the Kingdom's corporate sector through the King Khalid Sustainability Award, formally the Responsible Competitiveness Award, for the past thirteen years. This Capacity Building Toolkit builds upon years of experience, feedback, questions, and needs that KSA companies have shared with KKF during the past thirteen years and during each annual King Khalid Award process. The Toolkit supports the Capacity Building Program by providing practical sustainability solutions and guidance for Training participants.

The Toolkit introduces the concepts of ESG and Sustainability in a broad sense, highlights their importance, relevance, and how they impact organizations, both, globally and in the Kingdom. It sets a foundation for a deeper discussion on selected ESG themes that are material to companies in Saudi Arabia.

## The ESG Foundations Training

The ESG Foundations Training is intended to provide an introduction to these concepts and methodologies and highlight the relevance to your company. The training includes lectures, discussions, and practical learning activities.

The content of the Capacity Building training and this Toolkit is tailored to the needs identified based on 13 years of Award participant feedback and needs.

This Toolkit contains explanatory content, relevant case studies, and discussion questions to complement the Workshop materials. We hope it will be a useful reference tool for implementation of Workshop learnings in the future.

**The Toolkit contains the following sustainability focus areas:**

- **ESG Sustainability**
- **Stakeholder Engagement**
- **Materiality Assessment**
- **ESG Strategy**

Upon completion of the Training, you will have the basic tools necessary to start implementing sustainability in your company and supporting your company's journey in ESG sustainability.

# ESG Sustainability

# What is Sustainability?

**Sustainability** refers to the creation of **value** and **impact** for an organization and its stakeholders – through the responsible management of its **Environmental, Social, and Governance (ESG)** practices, programs, and performance.

People and companies may refer to Sustainability by different names, including:

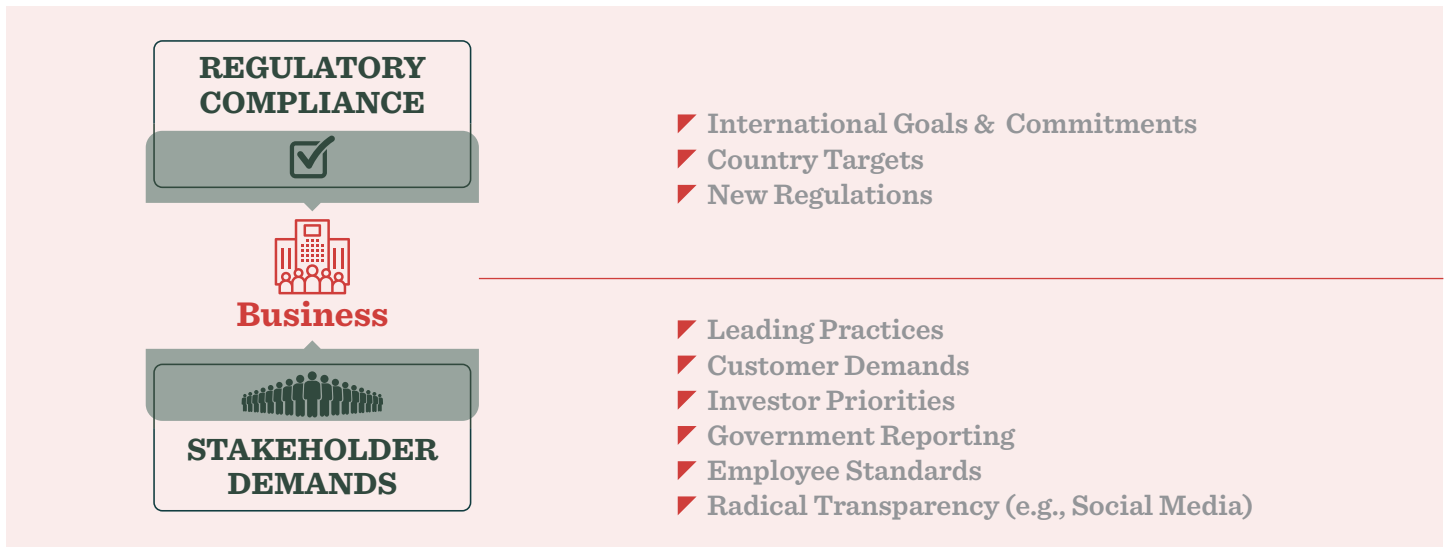
- ▶ Sustainable Development
- ▶ Corporate Citizenship
- ▶ Corporate Sustainability
- ▶ Corporate Social Responsibility (CSR)
- ▶ Corporate Responsibility (CR)
- ▶ Strategic CR
- ▶ People-Planet-Profit
- ▶ ESG
- ▶ Shared Value
- ▶ Responsible Business

## Sustainability as a Business Imperative

Throughout recent decades, companies have been exposed to mega-trends that have positively contributed to permanent change in the way the private sector thinks and operates. A mega-trend is a great over-arching direction that changes the business world (positively or negatively) for more than a decade. Today, the mega-trend is sustainability.

The successful businesses of tomorrow will be those that lead and create positive impact both inside and outside the walls of the organization, in their industries and communities. Within the international, regional, and local business communities, sustainability is now recognized as intelligent business practice out of necessity. Regulatory compliance and stakeholder demands, coupled with radical transparency, are the key drivers that have pushed sustainability to the core of successful business strategy.

Corporate stakeholders – including investors and consumers – have become increasingly aware of the impact of their investments and purchases. ESG metrics have grown in popularity among investors as a key performance indicator. Likewise, consumers now recognize the value of social and environmental impact management when it comes to the goods and services they purchase. As a result, transparency and reporting have become a vital component of sustainable business practices. This often requires impact assessment, product labeling, and sustainability reporting.



Sustainability is no longer just a consumer trend, but is increasingly perceived as a business imperative. Sustainability is now recognized as a strategic priority on a number of global business agendas:

**99%** of CEOs\*

agree that sustainability issues are important to the future success of their businesses

**82%** of CEOs\*\*

see ESG as a value driver to their business

**94%** of CEOs\*

feel a personal responsibility for laying out their company's core purpose and role in society

**73%** US CEO\*\*

respondents have adopted ESG for strategic reasons – such as competitive advantage and lower cost of capital – rather than pressure from regulators

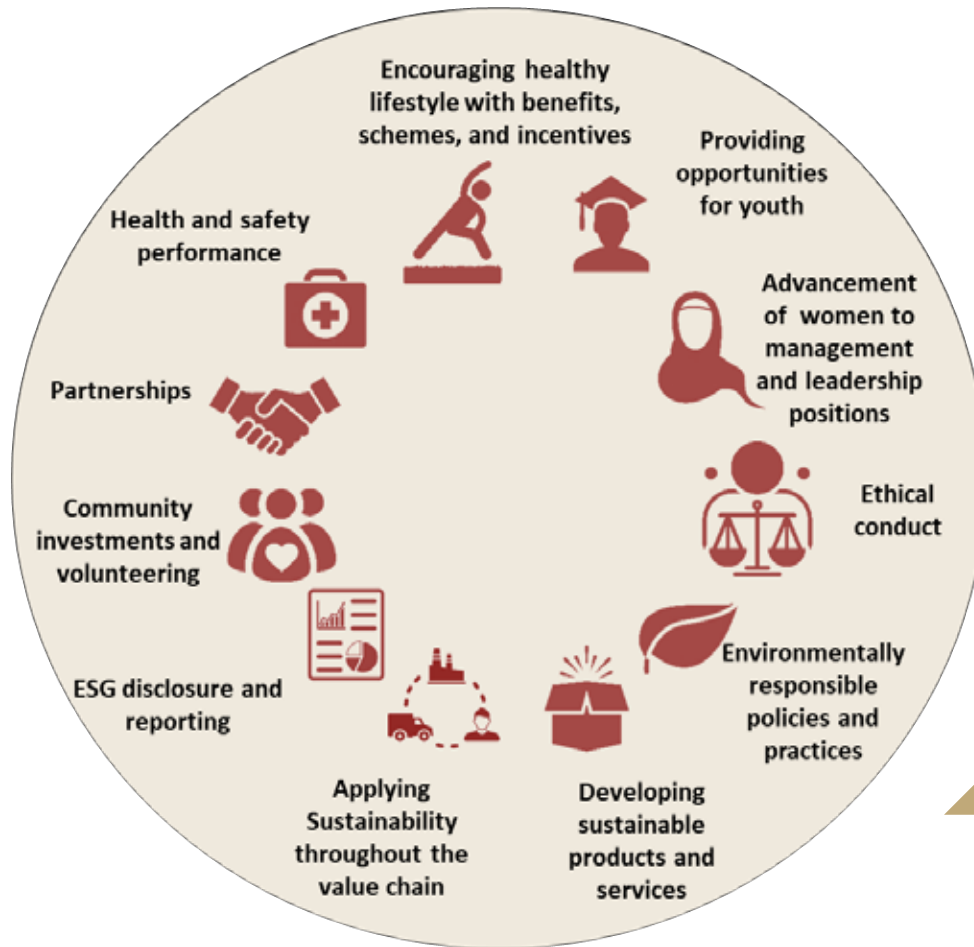
**60%** of global consumers

rate sustainability as an important purchase criterion as consumer behavior is shifting towards sustainability awareness and impact reduction.

\* UNGC – Accenture survey insights from more than 1,000 global executives (2019)

\*\* EY survey insights of more than 2,000 CEOs globally (2022)

Sustainability means different things to different companies – it is very sector-focused, and the organization’s size and geography have an influence to a lesser extent. However, the process of embracing sustainability is similar no matter what industry a company is in or the size of a company. Companies embrace sustainability by creating and implementing sustainability strategies, engaging with stakeholders, implement sustainability initiatives, reducing their environmental footprint and addressing community needs via strategic community investments and partnerships, among others.



**KSA perspective:** There is a major shift from “Philanthropic CSR” to “Strategic Corporate Sustainability”, while Saudi companies increasingly address ESG topics and align their Sustainability Strategies with core competencies of their companies.



# ESG Themes and Programs

Corporate Sustainability can be broken down into three primary categories: **Environmental**, **Social**, and **Governance** – often referred to as “**ESG**”. These categories capture the most critical components of sustainability management within an organization’s structure, policies, operations, programs, and impacts.

**Environmental theme** refers to programs, initiatives, and products that address environmental topics for the company. For example: energy, water, waste, emissions, climate change, etc.

**Social theme** refers to programs, initiatives, and products that address social priorities for the company. For example: workforce development, CSR, employee wellness, human rights, etc.

**Governance theme** refers to policies and initiatives that address governance topics for the company. For example: formal policies, reporting, ethics, transparency, supply chain, etc.



## ENVIRONMENT

The natural environment affecting and affected by the organization



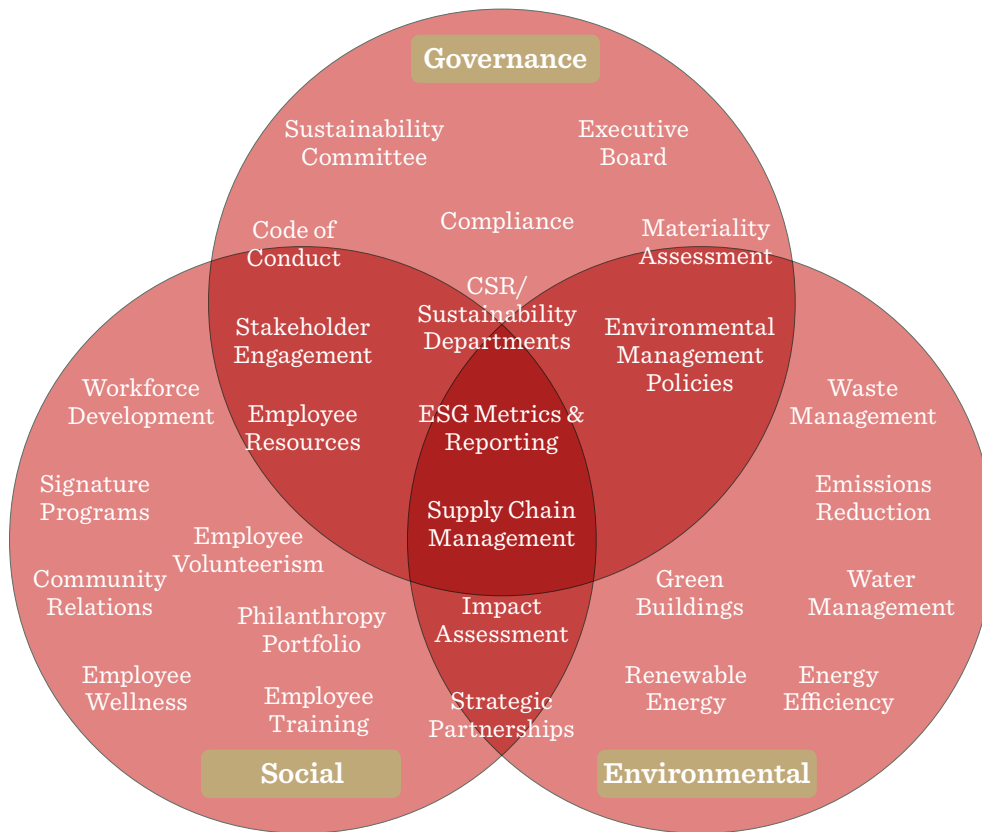
## SOCIAL

The people –both internal and external –with whom the organization interacts



## GOVERNANCE

Oversight, management, and reporting and disclosure of material financial and non-financial issues, risks, and performance



## Why is ESG important?



### Global context

Organizations worldwide are committing to sustainable development and aligning to international ESG frameworks.



### National context

The KSA government and regulatory institutions are promoting holistic sustainable development, expecting companies to demonstrate ESG commitment and performance.



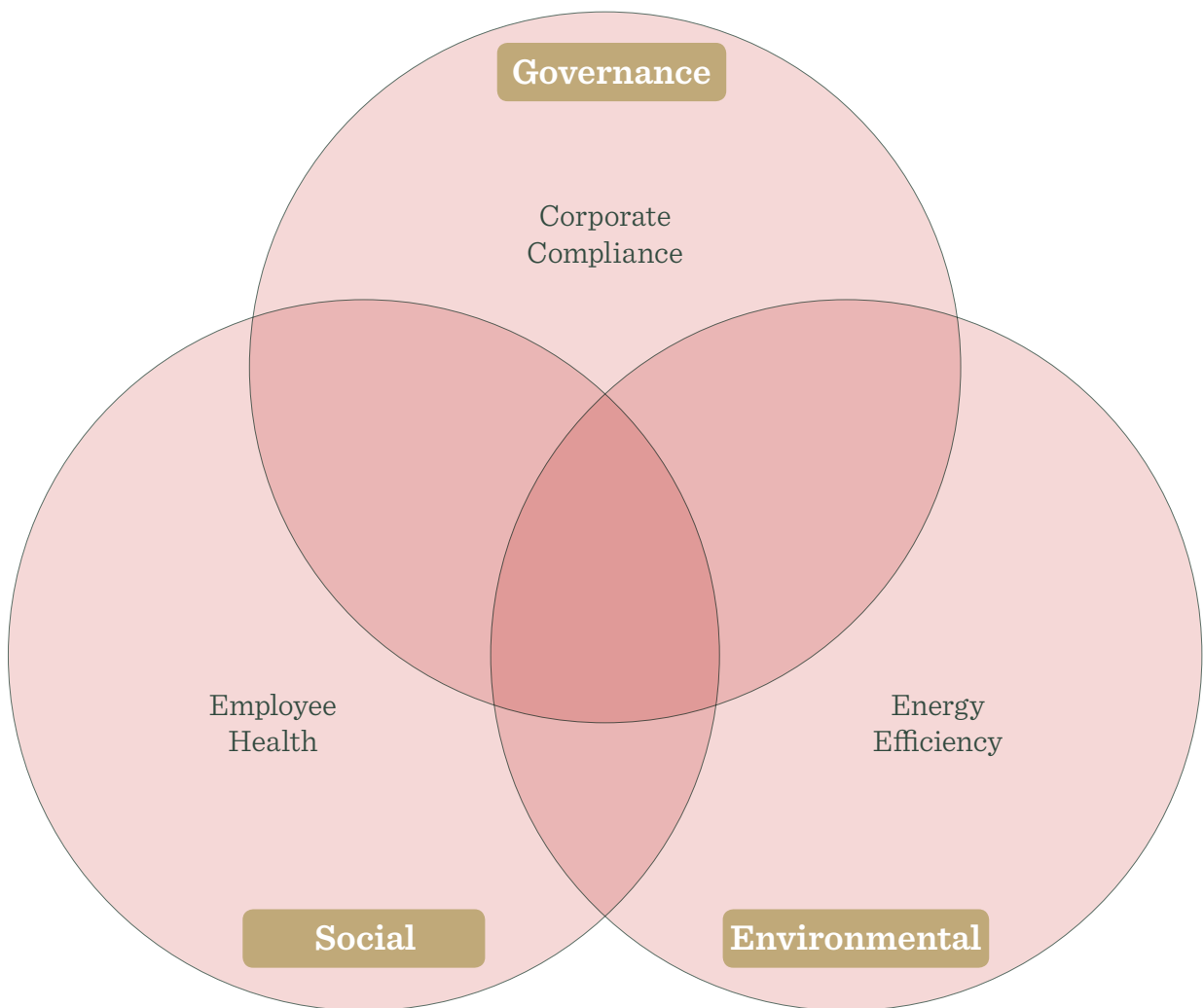
### Company context

Companies across industries and sectors, at the global, regional, and local levels, are investing in strategic ESG efforts to derive a variety of benefits and better manage risks.

## How To Activity

This activity will deepen your understanding on ESG topics. With your group:

- ▶ List as many individual Environmental, Social, and Governance topics as possible on the post-it notes provided.
- ▶ Place each post-it note on the provided Venn Diagram poster in the E-S-G section it best applies to. If a specific topic fits into more than one ESG area, please place it in between the relevant circles.



# Business Case for Sustainability

**The Business Case for Sustainability** refers to the economic value of and return on investment from a company's environmental, social, and governance efforts and performance.

Many companies are still reluctant to place sustainability at the core of their business strategy, mistakenly believing that the costs outweigh the benefits. On the contrary, the latest business experience and research point to the opposite: embedded ESG and sustainability efforts result in a positive impact on overall business performance.

Sustainability has become an imperative business practice across international markets as investors and other stakeholders demand transparency and accountability around ESG topics that impact business performance. In addition to helping a company meet these expectations, there are other important drivers for ESG / Sustainability.

# Key Business Case Benefits

## Risk Management

As global markets continue to price in future climate risks, companies with stronger ESG profiles are proven to enjoy a “sustainability premium”. This refers to a price premium that customers and investors are willing to pay for more sustainable products and services.

## Stakeholder Confidence

Stakeholders increasingly expect business to adopt sustainability practices, which is an opportunity for organizations to build trust with the groups and individuals that impact the business.

## Purpose

Having a purpose that is aligned to sustainability delivers value to customers, employees, and communities, and is proven to help companies outperform peers.

## Additional Benefits

By integrating responsibility, innovation, and efficiency into its practices, organizations can use sustainability as a value creator for both themselves and society. Sustainability practices can provide a wide range of benefits to an organization, such as:

- ✔ Cost savings through improved operational efficiencies
- ✔ Improved risk mitigation and management
- ✔ Employee attraction and loyalty
- ✔ Return on investment
- ✔ Competitive advantage
- ✔ Increased productivity
- ✔ Increased reputation
- ✔ Customer retention
- ✔ Shared value creation
- ✔ Improved efficiency
- ✔ License to operate
- ✔ New markets
- ✔ Access to capital
- ✔ Stronger financial valuation through transparent reporting of ESG factors
- ✔ Increased innovation through design thinking and systems thinking

## Discussion Activity

This activity will deepen your understanding about the “Business Case” of implementing ESG. With the group:

- Discuss the “Business Case” of implementing ESG and whether your company has already realized some of the benefits.
- Discuss about the “low-hanging fruit” (benefits that can be realized rather quickly) and the long-term benefits (benefits that might take some time to be realized).
- List the “Business Case” benefits discussed on the poster provided.
- Have all of the companies in your group had similar experiences? What differs? What are the most common benefits? Are there any benefits that none of the companies have realized yet?

## Sustainability Trends

Sustainability is a constantly evolving field, with shifts in the most prevalent, impactful, and sensitive topics. The focus of Sustainability areas needs to evolve to meet the changing needs of society and the world.

## Current Global Trends

- In general, corporate climate action is becoming more ambitious. Currently, over 2,000 companies have set greenhouse gas emission reduction targets through the Science Based Targets initiative (SBTi).
- Renewable energy will continue to become less expensive. The costs of large-scale renewable energy projects have decreased by %85 over the last decade.
- Strengthened by attractive business models, stronger political support and societal pressure, the circular economy will become dominant by the 2030s. The estimated worth of global circular economy is 4.5\$ Trillion in 2030.
- A dynamic approach to ESG Risk Management to better assess risks and opportunities is becoming more important. The COVID19- pandemic taught the business world that there are material risks that have been overlooked and these risks must be monitored dynamically.
- Increasing Pressure from Institutional Investors to Incorporate ESG into Corporate Agendas
- Linking Senior Executive Compensation to ESG Performance Against Formalized and Publicly Stated Commitments, Goals, and Targets
- Rethinking Diversity, Equity, and Inclusion (DEI) Policies, Programs, and Commitments to Be More Systemic and Impact-driven in Nature
- Leveraging “Corporate Purpose” as a Strategy to Drive Competitive Advantage and Business Resiliency
- Even Greater Emphasis on Monetizing Sustainability Performance, Investments, and Impact Within Corporate Finance and Accounting
- Adopting a “Dynamic” Approach to ESG Risk Management That Integrates Big Data and Artificial Intelligence to Better Assess Risks and Opportunities
- Growing Recognition of Climate Risk as “Material to Corporate Valuation” by Asset Managers, Investors, and Transaction Specialists

## Current KSA Trends

The Kingdom has prioritized corporate Sustainability Reporting in order to measure contributions to the UN SDGs at the national level and monitor progress towards the Saudi Vision 2030. Increasingly, Saudi companies are aligning their Reports to the National Standards for Sustainability, which aim to provide guidance for corporations in the Kingdom to issue Sustainability Reports in alignment with global frameworks.

Other recent local trends include:

- A significant progress has been made in environmental management and physical infrastructure areas. For example, many Award-winning renewable energy projects have been implemented.
- Saudi Arabia has set a [Net Zero target](#) which it aims to reach by 2060.
- The Kingdom plans to plant 10 billion trees as part of the [Saudi Green Initiative](#).
- The country is increasing the surface of protected land to help achieve over %20 [protected land by 2030](#). This land includes nature reserves, desert preservation, and designated biodiversity protected areas.
- Tadawul has set [ESG guidelines](#) in alignment with the United Nations (UN) Sustainable Development Goals (SDGs).

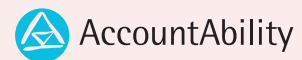
# Sustainability Frameworks and Standards

**Sustainability Frameworks and Standards** are internationally accepted and recognized tools that facilitate strategy development and standardized non-financial Sustainability reporting on environmental, social, and governance topics. Many companies use Standards and Frameworks to promote organizational growth and demonstrate value to specific stakeholders, notably: institutional investors, shareholders, employees, and customers.

## Example KSA Initiatives



## Example Global Sustainability Standards and Frameworks



There are many well-established Frameworks available to guide sustainability management and initiatives. Some of them are introduced in this Toolkit.



## Sustainable Development Goals (SDGs)

The United Nations (UN) is widely perceived as a credible authority with regard to sustainable development and promotes best practices on local, regional, and global levels. In September 2015, the UN launched the **Sustainable Development Goals (SDGs)** – 17 goals with 169 targets – as part of the 2030 Agenda for Sustainable Development.



The SDGs cover a broad range of sustainable development issues, from poverty and inequality to climate change and education, and now serve as the primary intergovernmental roadmap for the Global Development Agenda. Governments, nonprofits, and corporate organizations worldwide have begun aligning their practices and programs with the SDGs to support these international ambitions and conform to leading sustainability practices.

For Saudi companies, the SDGs are a practical blueprint to identify sustainable development issues that align with their core business models. This helps identify and design sustainability strategies with the maximum potential impact. For example, a Saudi construction company might help advance SDG 11 in the Kingdom. The SDGs also overlap with the goals of the Vision 2030\*, as the same construction firm would also help advance the Vision 2030 goal to have three Saudi cities be recognized in the top-ranked 100 cities in the world.

**Insight:** For the business sector, the SDGs provide a practical blueprint to identify sustainability issues that align with their core business strengths and objectives. This can help to prioritize issues and design sustainability strategies that maximize impact.

To find out more about the UN SDGs, please visit: [sdgs.un.org/goals](https://sdgs.un.org/goals)

\* Vision 2030 is presented later in this chapter

## Global Reporting Initiative (GRI)



The Global Reporting Initiative (GRI) Standards are the most globally recognized framework for Sustainability Reporting. GRI provides standardized management and performance disclosure guidelines for all environmental, social, and economic topics that might be material to an organization. GRI offers a global common language for organizations to report their impacts, enabling informed dialogue and decision making around those impacts.

To find out more about the GRI, please visit:

[www.globalreporting.org](http://www.globalreporting.org)

## Sustainability Accounting Standards Board (SASB)



The Sustainability Accounting Standards Board (SASB) has emerged as one of the leading frameworks used by publicly listed companies. SASB connects businesses and investors on the financial impacts of sustainability by guiding the disclosure of financially material sustainability information. SASB Standards are industry-specific and available for 77 industries. The Standards identify the subset of ESG issues most relevant to financial performance in each industry. They are designed to guide investors' decisions and be cost-effective for companies.

To find out more about the SASB, please visit:

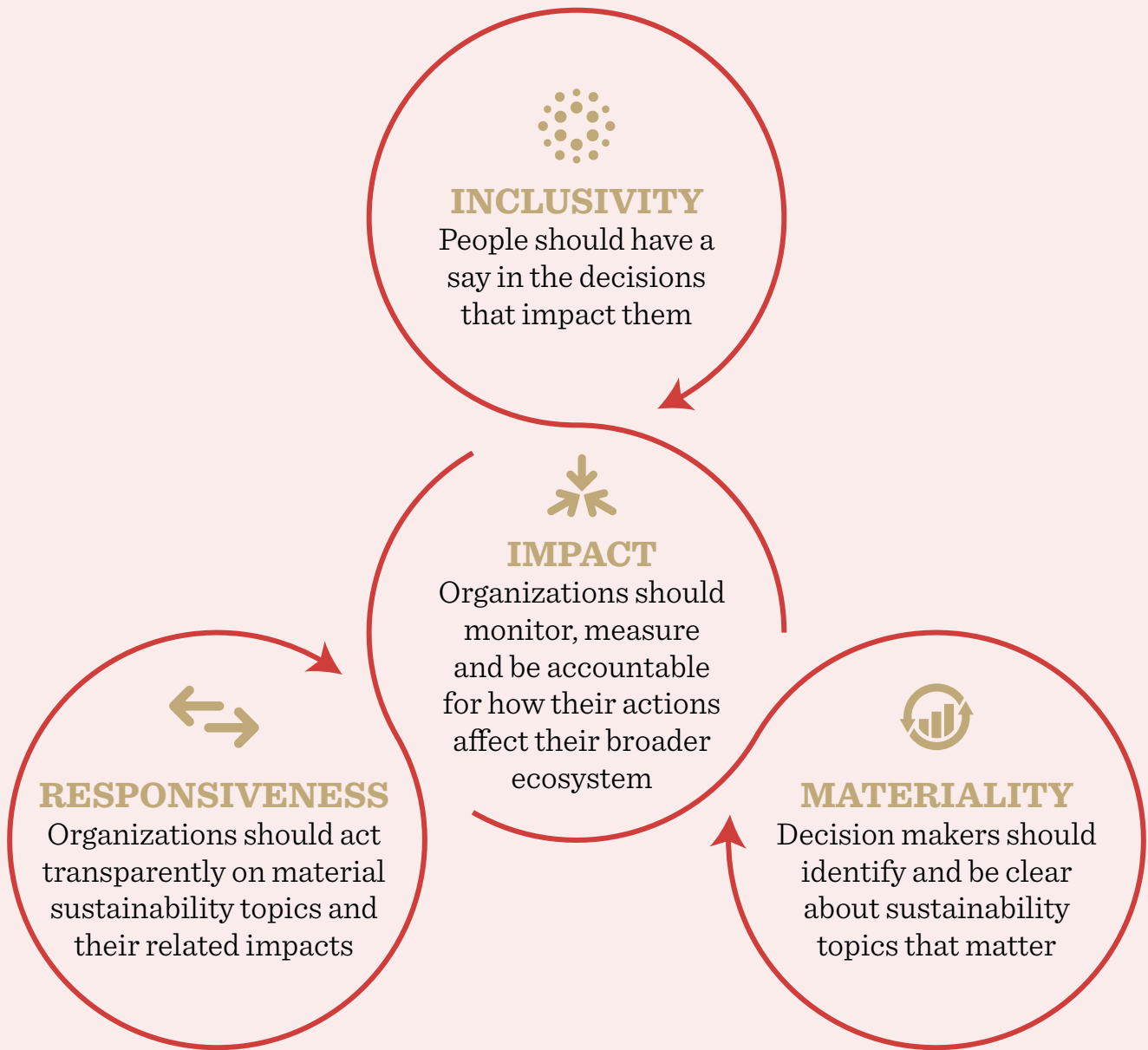
[www.sasb.org](http://www.sasb.org)

## AA1000 AccountAbility Principles



The AA1000 AccountAbility Principles (AA1000AP, 2018) offers a practical set of internationally accepted guiding principles which any organization, regardless of size, maturity, or industry, can use to assess, manage, improve, and communicate their accountability and sustainability performance.

**The four AA1000 AccountAbility Principles are:**



### **Inclusivity**

Inclusivity is actively identifying stakeholders and enabling their participation in establishing an organization's material sustainability topics and developing a strategic response to them. An inclusive organization accepts its accountability to those on whom it has an impact and who have an impact on it.

### **Materiality**

Materiality relates to identifying and prioritizing the most relevant sustainability topics, considering the effect each topic has on an organization and its stakeholders. A material topic is a topic that will substantively influence and impact the assessments, decisions, actions, and performance of an organization and/or its stakeholders in the short, medium and/or long term.

### **Responsiveness**

Responsiveness is an organization's timely and relevant reaction to material sustainability topics and their related impacts. Responsiveness is realized through decisions, actions, and performance, as well as communication with stakeholders.

### **Impact**

Impact is the effect of behavior, performance and/or outcomes, on the part of individuals or an organization, on the economy, the environment, society, stakeholders, or the organization itself. Material topics have potential direct and indirect impacts — which may be positive or negative, intended or unintended, expected or realized, and short, medium or long term.

### **Advantages of effective implementation of the AA1000 AccountAbility Principles:**

- Affiliation with an internationally recognized and accepted principles-based approach to long-term performance management;
- Complements, and can be used with, other international, national, sectoral and/or topic-driven sustainability-related standards, frameworks and guidelines;
- Establishes a responsive framework to capture stakeholder sentiment, build trust, and ultimately improve stakeholder relations;
- Drives effective governance practices and thereby improves an organization's risk profile;
- Improves organizational efficiency and the effective allocation of resources; and
- Enhances the robustness, accountability and relevance of decisions made by the organization.

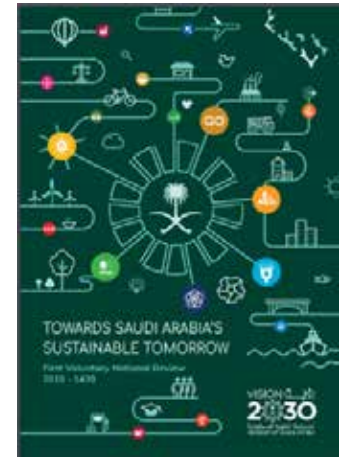
To find out more about the AA1000 Series of Standards, please visit:

[www.accountability.org/standards/](http://www.accountability.org/standards/)

## KSA Frameworks and Standards

For the Saudi business sector, the SDGs provide a practical blueprint to identify sustainability issues that align with their core business strengths and objectives. The UN SDGs and the Saudi Vision 2030 share the same timeframe and ultimate goals.

In Saudi Arabia, there is a growing interest in sustainable practices as the country seeks to enhance the long-term prosperity of its economy and compete internationally as a global leader.



### Example KSA Initiatives



Guided by the Saudi Vision 2030, the government, nonprofits, and businesses are taking concrete and often collaborative actions to meet international benchmarks and standards, developing strategies and programs to drive environmental and social impact, and beginning to disclose alignment of initiatives and activities to external audiences.

**Saudi Vision 2030:** Led by HRH Prince Mohammad bin Salman bin Abdulaziz Al-Saud, Crown Prince, First Deputy Prime Minister and Minister of Defense with the support of His Majesty King Salman Bin Abdulaziz Al-Saud, the Custodian of the Two Holy Mosques, Vision 2030 is a set of initiatives developed by the Saudi government to pursue a bright future for the Kingdom.

#### Priorities identified in the Vision include:

- Global Competitiveness
- Long-Term Economic Sustainability
- Citizen Wellbeing
- Strong National Identity
- Drive International Trade



**Vision 2030 is built around three themes:**

- ✔ A Vibrant Society
- ✔ A Thriving Economy
- ✔ An Ambitious Nation

Within each of these, the government has identified goals and commitments for the Kingdom to aspire to by 2030. Some of the goals that are directly related to sustainability in the corporate sector include:

- ✔ Increase women's participation in the workforce
- ✔ Raise ranking in the Government Effectiveness Index
- ✔ Raise ranking on the E-Government Survey Index
- ✔ Raise ranking in the Social Capital Index
- ✔ Increase private sector contribution to GDP
- ✔ Decrease unemployment
- ✔ Increase foreign direct investment (FDI)
- ✔ Increase non-oil exports
- ✔ Raise recognition of Saudi cities as top-ranked in the world
- ✔ Move to top 15 largest economies in the world
- ✔ Rally one million volunteers per year

To find out more about the Saudi Vision 2030, please visit:

[www.vision2030.gov.sa/](http://www.vision2030.gov.sa/)

The Kingdom has prioritized **corporate Sustainability Reporting** to measure contributions to the UN SDGs at the national level and monitor progress towards the Saudi Vision 2030. Increasingly, Saudi companies are aligning their Reports to the National Standards for Sustainability, which aim to provide guidance for corporations in the Kingdom to issue Sustainability Reports in alignment with global frameworks.

**The National Standards for Sustainability** highlight the disclosures of the greatest importance to the KSA, with the aim of advancing Vision 2030 by providing Sustainability Reporting guidance for corporations in the Kingdom.

The criteria for disclosure under the National Standards have been selected to support the monitoring of progress against Vision 2030 and enhance the role of the SDGs at the local level. Priorities identified in the Vision include:



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#### **General National Standards**

- ▀ Basic disclosure requirements, including the corporation's sustainability practices, corporate structures, geographical distribution, and markets reached.

#### **Economic and Governance National Standards**

- ▀ Direct and indirect economic impacts of the corporation on stakeholders and local economies.

#### **Social National Standards**

- ▀ Social impacts of the corporation on local communities, including how the corporation defines and measures these impacts and the mechanisms to manage them.

#### **Environmental National Standards**

- ▀ Environmental impacts of the corporation on the local environment and ecosystems, including how the corporation defines and measures these impacts and the mechanisms to manage them.

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To find out more about the Saudi National Standards for Sustainability Reporting, please visit: [saudisustainability.org](http://saudisustainability.org)

In addition to the above-mentioned frameworks and standards, the [Social Responsibility Guide](#) for Saudi companies will be issued soon. This Saudi standard aims to guide social responsibility management based on ISO SASO 26000.

## **Benefits**

By adhering to leading international and local ESG Standards and Frameworks, companies have the opportunity to gain benefits such as:

- ▀ Common language for internal and external stakeholders around common objectives
- ▀ Strengthened communication and benchmarking of sustainability performance
- ▀ Credibility of actions
- ▀ Alignment to evolving local, national, and global priorities and regulations
- ▀ Improved understanding of stakeholder needs and expectations
- ▀ Enhanced reputation
- ▀ Structured approach to assessing sustainability performance, risks, and opportunities
- ▀ Improved platforms to guide long-term Strategy development



# Sustainability Frameworks in Action

Ma'aden's Sustainability Strategy has been developed in alignment with leading Sustainability Frameworks, including local, international, and industry-specific frameworks.

A formal framework mapping exercise has provided guidance on selecting the most suitable and relevant frameworks for the company.

Sustainability efforts, programs, and initiatives are aligned to both company priorities and the goals of the frameworks.



Tetra Pak identified and prioritized a number of SDGs that are most relevant to the company's business activities and sustainability initiatives.

Efforts, programs, and initiatives aligned to both company priorities and the framework goals.

By aligning to the SDGs, Tetra Pak not only contributes to the achievement of the SDGs on locally in the markets it operates in but also on a global level.



**Our ambitions and commitments**

Food Supporting the UN SDGs			People Supporting the UN SDGs				Planet Supporting the UN SDGs			
<p><b>Food safety</b></p> <p>The ambition is to ensure that all food is safe and secure, from farm to fork.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is safe and secure, from farm to fork. This includes ensuring that all food is free from contamination and that all food is safe to eat.</p>	<p><b>Food availability</b></p> <p>The ambition is to ensure that all food is available, from farm to fork.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is available, from farm to fork. This includes ensuring that all food is accessible and that all food is available to all people.</p>	<p><b>Food loss and waste</b></p> <p>The ambition is to ensure that all food is lost and waste is minimized.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is lost and waste is minimized. This includes ensuring that all food is used and that all waste is recycled.</p>	<p><b>Responsible value chain</b></p> <p>The ambition is to ensure that all food is responsibly sourced.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is responsibly sourced. This includes ensuring that all food is sourced from ethical and sustainable sources.</p>	<p><b>DIg and wellbeing</b></p> <p>The ambition is to ensure that all food is safe and secure, from farm to fork.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is safe and secure, from farm to fork. This includes ensuring that all food is safe to eat and that all food is available to all people.</p>	<p><b>Diversity and inclusion</b></p> <p>The ambition is to ensure that all food is diverse and inclusive.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is diverse and inclusive. This includes ensuring that all food is sourced from diverse and inclusive sources.</p>	<p><b>Transparency and active communication</b></p> <p>The ambition is to ensure that all food is transparent and actively communicated.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is transparent and actively communicated. This includes ensuring that all food is sourced from transparent and actively communicated sources.</p>	<p><b>Climate</b></p> <p>The ambition is to ensure that all food is climate friendly.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is climate friendly. This includes ensuring that all food is sourced from climate friendly sources.</p>	<p><b>Circularity and recycling</b></p> <p>The ambition is to ensure that all food is circular and recycled.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is circular and recycled. This includes ensuring that all food is sourced from circular and recycled sources.</p>	<p><b>Biodiversity and forests</b></p> <p>The ambition is to ensure that all food is biodiversity and forest friendly.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is biodiversity and forest friendly. This includes ensuring that all food is sourced from biodiversity and forest friendly sources.</p>	<p><b>Water</b></p> <p>The ambition is to ensure that all food is water friendly.</p> <p><b>Our commitments</b></p> <p>Ensure that all food is water friendly. This includes ensuring that all food is sourced from water friendly sources.</p>



# Stakeholder Engagement

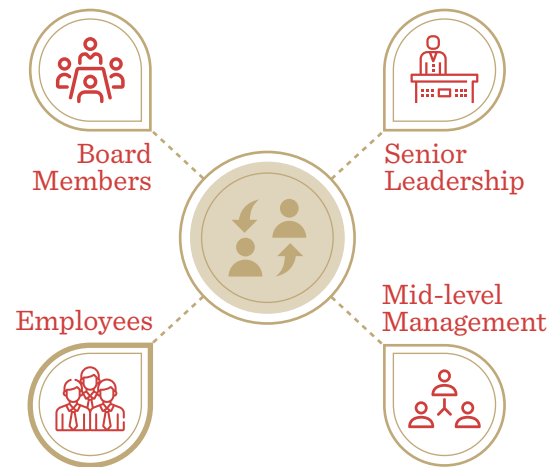
# What is Stakeholder Engagement?

**Stakeholder Engagement** is the process used by an organization to engage relevant stakeholders for a clear purpose to achieve agreed outcomes.

**Stakeholders** are individuals and groups that affect and/or could be affected by an organization's activities, products, and/or services, and associated performance. Stakeholders can be both **internal** and **external** to an organization, and can include the following:

## Internal Stakeholders\*:

- ▀ Employees
- ▀ Mid-level Management
- ▀ Senior Leadership
- ▀ Board Members

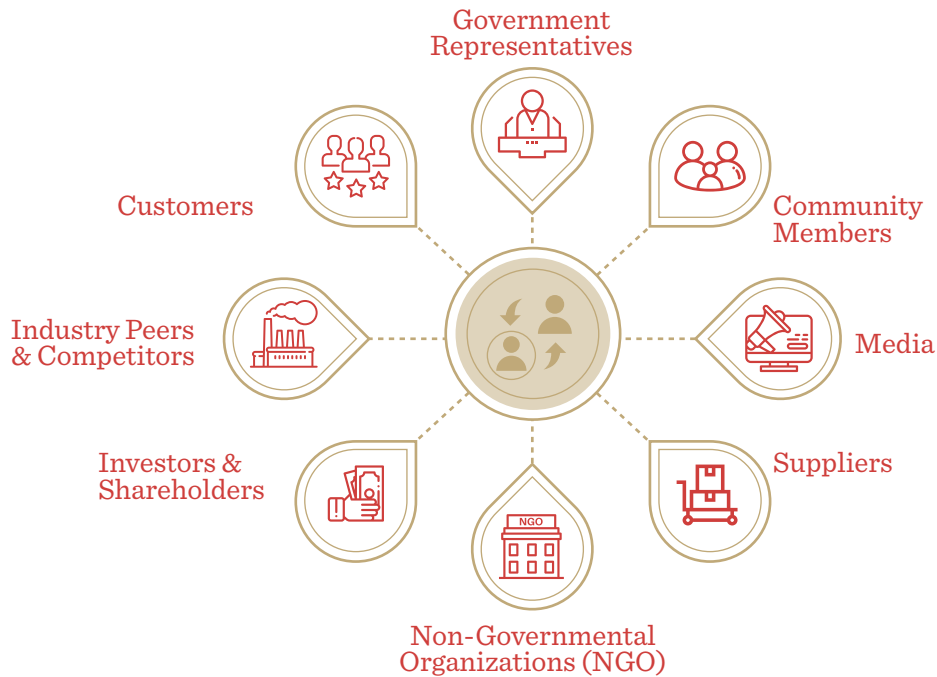


**Insight:** Stakeholder Engagement is recognized as a fundamental accountability mechanism that facilitates involving key stakeholders in identifying, understanding, and responding to Sustainability issues and concerns within an organization, and to report, explain, and answer to stakeholders for decisions, actions, and performance.

\* Representative sample of internal and external stakeholders, non-exhaustive list

## External Stakeholders\*:

- ▣ Government Agencies & Representatives
- ▣ Investors & Shareholders
- ▣ Community Members
- ▣ Non-Governmental Organizations (NGOs)
- ▣ Industry Peers & Competitors
- ▣ Customers
- ▣ Suppliers
- ▣ Media



**Discussion Prompt:** Government agencies and ministries are important external stakeholders and have significant impact on a company's business operations. Think about the role of the government in relation to your organization and consider the following questions:

- (1) What role does the government play for your company?
- (2) In what ways does your organization engage with this key stakeholder?
- (3) What are some ways your company can improve its engagement with the government?

\* Representative sample of internal and external stakeholders, non-exhaustive list

## Stakeholder Engagement in Action

Shell goes beyond mapping and managing its stakeholders when it practices stakeholder collaboration. Shell collaborates with **governments, non-governmental organizations, other energy producers, industry bodies, consumers and local communities.** These collaborations help the company to **learn new things, share best practices, achieve objectives, set goals,** and **build trust** with the many different stakeholders who have an interest in the company.

Shell collaborates in many areas, such as implementing its investment in communities more successfully, reducing environmental impact, to protect biodiversity and to improve human rights. **Partnerships and collaborations** are seen **essential** to improve safety and environmental standards and practices within the industry.



**A GUIDE TO SUSTAINABILITY ACROSS THE LIFE OF A PROJECT**

	Identify and assess	Engage	Plan	Execute	Monitor	Review and improve
Identify people who may be impacted or affected by the project	✓	✓	✓	✓	✓	✓
Engage with stakeholders (e.g. communities, local governments and NGOs) and build responses into the risk analysis and decision-making process	✓	✓	✓	✓	✓	✓
Conduct baseline studies of the local environment (e.g. water, biodiversity and social livelihood) and consider how the project may affect it	✓	✓				
Based on assessment of potential impacts and stakeholder engagement, identify mitigation and enhancement measures		✓	✓	✓		
Implement a mitigation plan for project development, construction operation, decommissioning and restoration				✓	✓	✓

**Discussion Prompt:** Leading practice encourages companies collaborate with stakeholders to address common challenges and share resources. Has your company engaged in stakeholder collaborations to address ESG challenges? What have been the benefits your company has realized? What have been the challenges?

## Benefits

Effective Stakeholder Engagement offers the following benefits:

- ✔ Enriched Sustainability Strategy
- ✔ Collaboration on trending topics
- ✔ Social license to operate
- ✔ Improved stakeholder trust
- ✔ Increased employee loyalty
- ✔ Improved market understanding
- ✔ Improved problem-solving capacity
- ✔ Enhanced risk identification and management
- ✔ Increased reputation
- ✔ Cost savings
- ✔ Operational improvements
- ✔ Continuous monitoring of trending issues
- ✔ Learning from stakeholders, resulting in product and process improvement and innovation
- ✔ Improved impact on organization and society by informing, educating, and influencing stakeholder decision-making
- ✔ More equitable and sustainable social development through inclusivity; gives underserved stakeholders an opportunity to be considered in the decision-making process

**Discussion Prompt:** Think about a sustainability initiative that your company has put in place. How you would use stakeholder engagement to advance the initiative? How does/should your company disseminate information? To whom? When?

## Implementation Steps

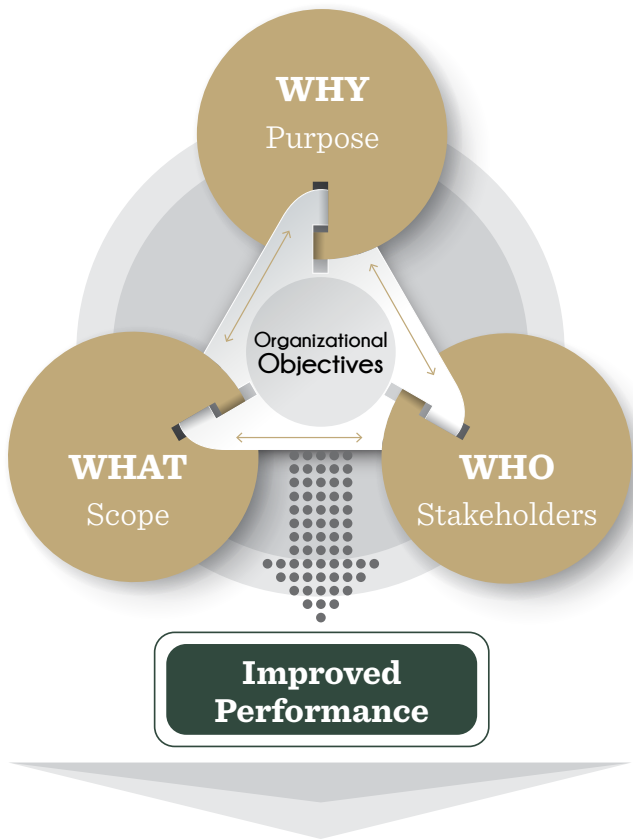
AccountAbility's AA1000 Stakeholder Engagement Standard (AA1000 SES) establishes the benchmark for good-quality stakeholder engagement, built on the AA1000 Accountability Principles – particularly that of Inclusivity.

**Steps to performing a quality stakeholder engagement include:**

1. Identify key stakeholders internal and external to your organization and group them, as appropriate
2. Classify each stakeholder's view toward your organization as either:
  - ✔ Positive
  - ✔ Neutral
  - ✔ Negative
3. Identify key concerns and topics for each stakeholder
4. Prioritize stakeholders to determine those needing active engagement
5. Plan for key engagements by defining the parameters
  - ✔ Purpose: What is the objective of the engagement?
  - ✔ Scope: What topics will be addressed in the engagement?
  - ✔ Stakeholders: Who is being included in the engagement?
6. Document the engagement process, communicate results to stakeholders, and evaluate process for ongoing improvement.

**Tip:** When determining the priority of your stakeholders, consider each stakeholder's importance to your company as well as their influence on your company. Both factors are relevant to understanding how your organization can best prioritize and manage valuable stakeholder relationships.

# Spotlight: AA1000 Stakeholder Engagement Standard (AA1000SES) Framework



The AccountAbility Stakeholder Engagement Standard (AA1000SES) provides a framework to help ensure stakeholder engagement processes are robust and effective.



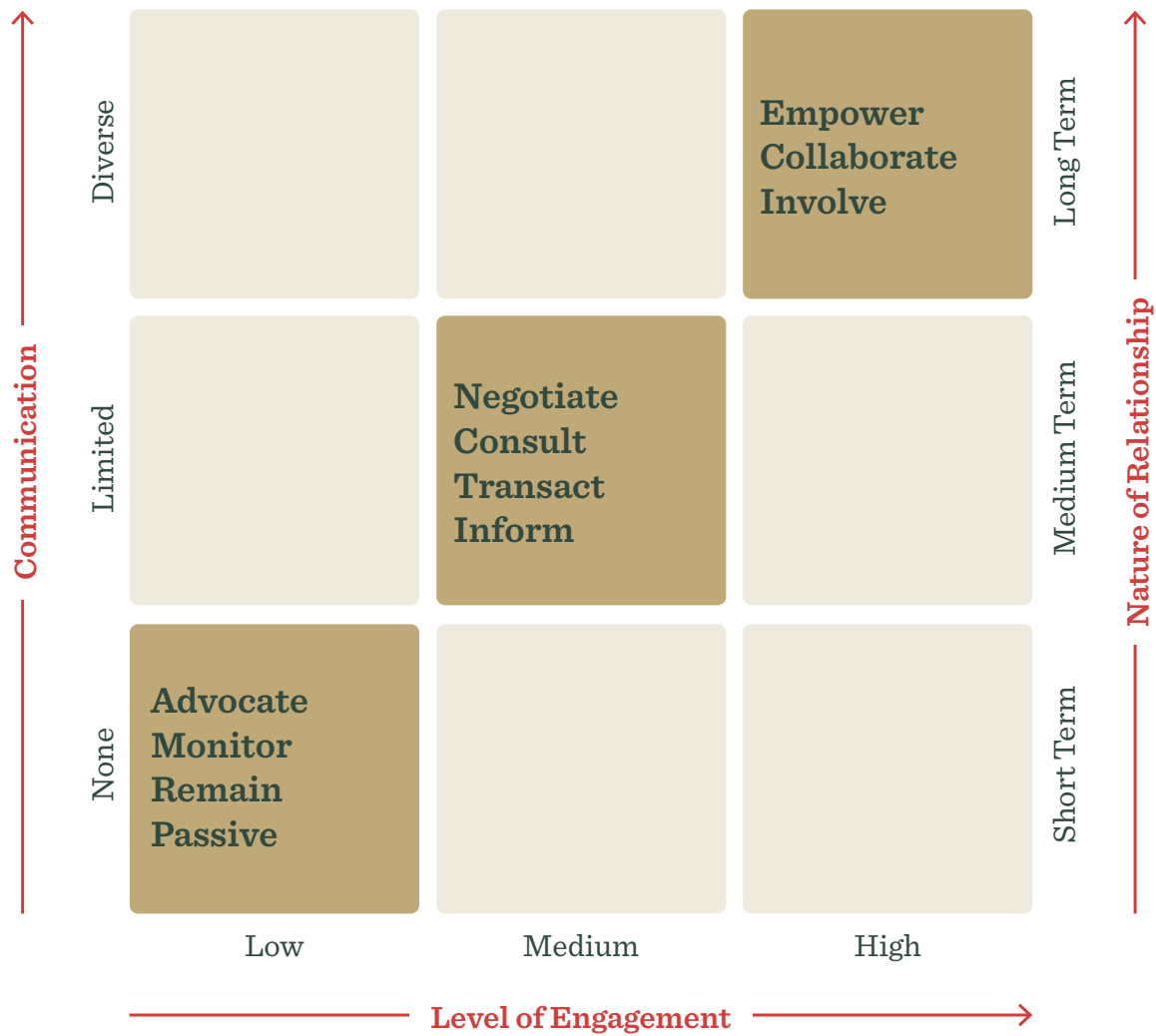
## How To Activity

This activity will guide you through the implementation steps of a Stakeholder Engagement process. With your group:

- ✔ Select one person at your table whose company will be used for this activity.
- ✔ Identify stakeholders for this company. List these on the table provided on the poster.
- ✔ For each stakeholder, discuss their primary needs and concerns. Write these in the table.
- ✔ For each stakeholder, identify their impact on the company. Write this in the table.
- ✔ For each stakeholder, discuss and select an appropriate Engagement Strategy from the AA1000SES. Write this in the table.

	Stakeholders	Primary Needs & Concerns	Impact of Stakeholder Group to Business (Low, Med, High)	Engagement Method
<b>INTERNAL</b>	Employees			
	Mid-level Management			
	Senior Leadership			
	Board Members			
<b>External</b>	Government			
	Investors			
	Community Members			
	NGOs			
	Industry Peers & Competitors			
	Media			







# Materiality Assessment

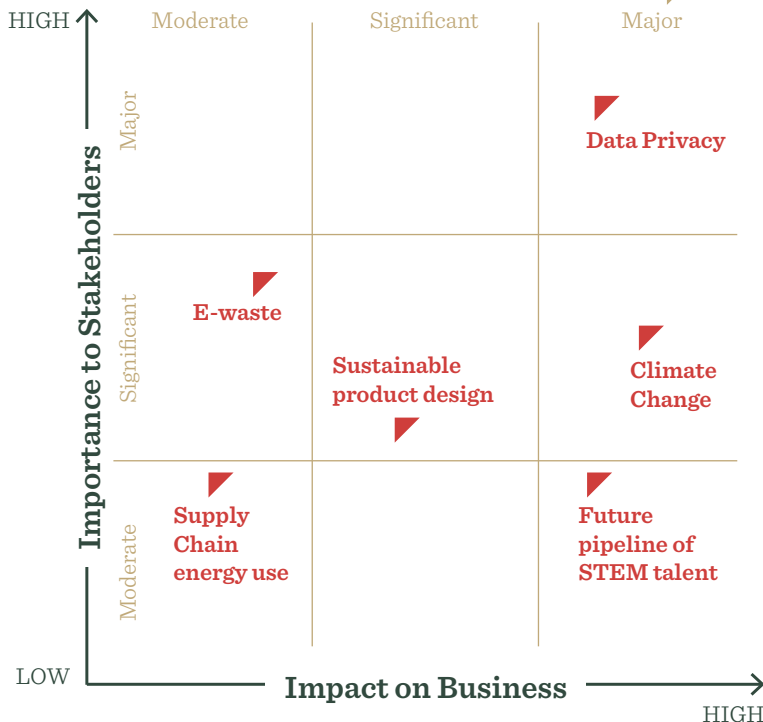
# What is a Materiality Assessment?

**Materiality Assessment** is the process by which organizations identify and prioritize the ESG matters (both risks and opportunities) that are most important to their stakeholders and the business.

A **material topic** is something that can meaningfully influence and impact the assessments, decisions, actions, and performance of an organization and/or its stakeholders in the short, medium, and/or long term.

An illustrative Materiality Assessment result of a company in the IT sector is presented below, with the most material ESG topics:

**MATERIALITY MATRIX (Illustrative Example)**



## Discussion Prompt:

What makes an issue “material” to an organization? In what different ways can issues be material, and how does that affect their importance to an organization?

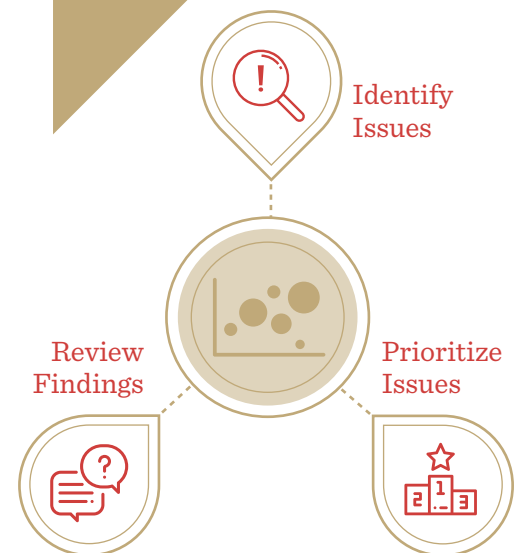
**Insight:** Leading practice mandates that material issues are not identified solely by the organization but needs to involve the participation of key external stakeholders. Materiality Assessment can be designed to inform both Sustainability Reporting and Strategy development.

The stakeholders involved and questions asked in a Materiality Assessment vary to meet the needs of the following two objectives:

- ▀ a backward-looking assessment to determine what to disclose in a Report
- ▀ a forward-looking assessment to inform the focus areas of a Sustainability Strategy

### Elements of a successful materiality assessment include:

- ▀ Identification of Issues
- ▀ Prioritization of Issues
- ▀ Review of Materiality Assessment & Findings



**Insight:** Material issues differ by industry, and often differ for companies within the same industry. Factors like location, geographies served, size of the company, company structure can determine what issues are material to a specific company. In the telecom industry, for example, large-scale digitization, customer/public perception, and government regulation would likely be important material issues. In the industrial manufacturing industry, material issues may focus more on emissions regulations, supply chain continuity, and employee health and wellbeing.

## Benefits

A comprehensive materiality assessment provides significant benefits:

- ✔ Opportunity to identify new products and services
- ✔ Understanding of how a company is creating or reducing shared value
- ✔ More embedded sustainability management in general business processes
- ✔ More efficient resource allocation
- ✔ Better focus on relevant topics
- ✔ Identifying gaps in current risk management practices
- ✔ Identification of long-term risks that have potential to impact operations
- ✔ Clear content areas for an organization's Sustainability Report

## Steps to Implementation

When considering conducting a Materiality Assessment, the following key steps should be a part of the process:

1. Identify issues important to your company and its external stakeholders
2. Assess each issue according to several critical factors, including importance to stakeholders, impact to business, and relevance to key standards and frameworks
3. Assign a weight for input from each type of stakeholder
4. Map each issue within a matrix using importance to stakeholders as the y-axis and impact to business as the x-axis
5. Validate the results of the Materiality Assessment with senior leadership and embed material issues into strategy
6. Disclose results to external stakeholders as part of Stakeholder Engagement efforts
7. Repeat the Materiality Assessment at least every 1-2 years to ensure that the information is up-to-date and that it considers any internal and external changes

**Tip:** Materiality Assessments help to encourage companies to consider material issues that may affect the business now as well as in the future. Issues that may not be considered top priority right now may become more important over a longer time horizon. By proactively considering the effects of ESG issues on the business, materiality assessments can be a helpful tool for resource planning and future business strategy.

## Materiality Assessment in Action

**BT** regularly undertakes a Materiality Assessment and gathers qualitative and quantitative data for this assessment **throughout the year.**

The company has developed a **robust Materiality Mapping and Assessment process**, which includes **input** from **internal** and **external stakeholders**, such as social media, senior BT colleagues, several surveys, reports and studies.

The process helps to identify critical economic, environmental, social, and governance trends and issues that may have a material impact on the company's business performance or fundamentally influence its stakeholders.

**Material topics** are **ranked** according to **impact to business** and **significance to stakeholders.**

**The results are used to inform the Strategy and reporting** for the year ahead.

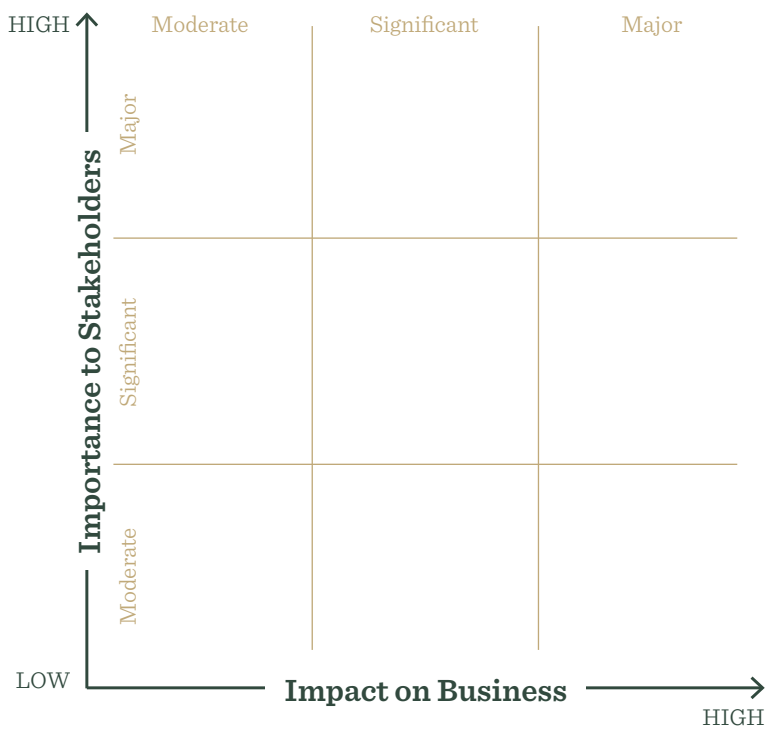


**Discussion Prompt:** What factors would you include (market size, geographies, regulatory environment, future growth plans, etc.) when thinking about material issues for your organization? How would the materiality of these issues change with time?

## How to Activity

This activity will guide you through the implementation steps for Materiality Assessment. With your group:

- Select one person at your table whose company will be used for this activity.
- Identify issues that are important to the company and its internal stakeholders. Write these issues on the yellow stickers.
- Identify issues that are important to the company's external stakeholders. Write these on the blue stickers.
- Discuss the group's views on each issue, according to two factors:
  - ▣ Importance to stakeholders
  - ▣ Impact on business
- Place the issue sticker on the materiality matrix poster provided, based on these two factors.



Example Issues	
External	Internal
Carbon Emissions	Working Conditions
Waste	Saudization
Alignment with Vision 2030	Workforce Inclusion of Women



# ESG Strategy

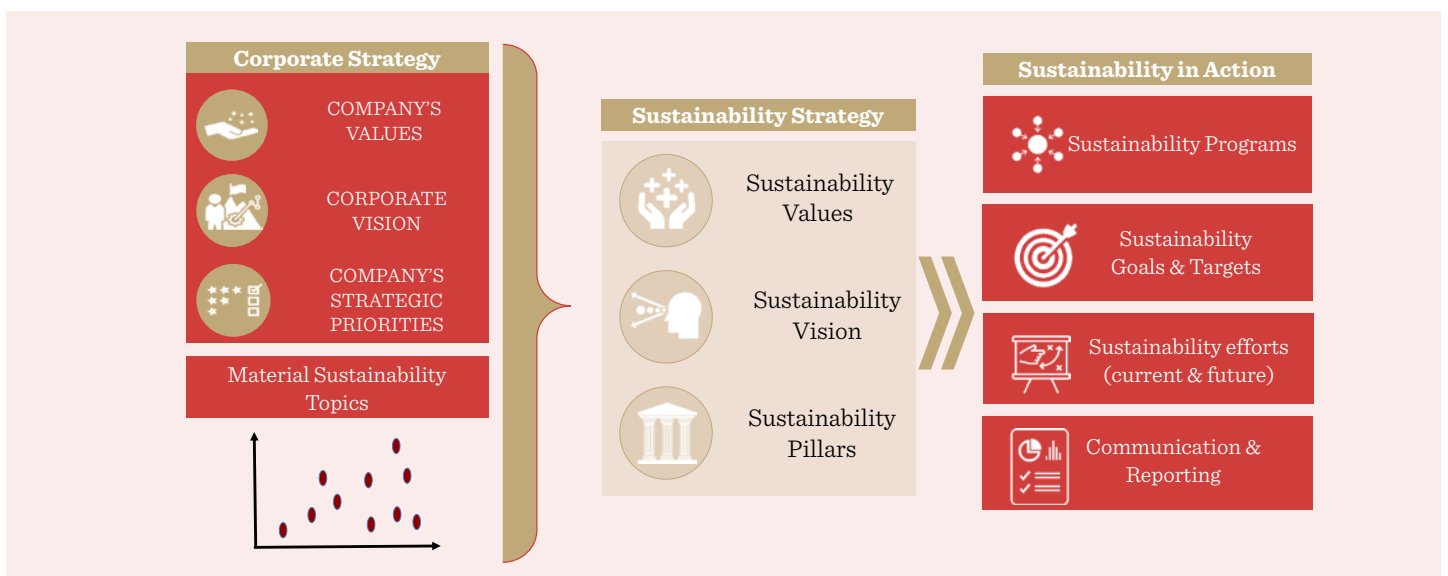
# Designing an Integrated ESG Strategy

**ESG Strategy** (or Sustainability Strategy) is a clear and relevant plan actively used to develop and align an organization's sustainability efforts to effectively realize its commitments. A dedicated and comprehensive ESG Strategy facilitates developing sustainability objectives, defining key focus areas, establishing metrics to monitor progress and success, and identifying how sustainability will be embedded within the organization's governance and operations.

A robust ESG Strategy should:

- ✔ Be integrated with and aligned to the company's overall business strategy, sustainability mission and vision, and core competencies
- ✔ Be clearly defined and comprehensive, with a balance of Economic, Environmental, Social, and Governance components
- ✔ Have clear focus areas and objectives
- ✔ Addresses current and future material topics
- ✔ Align to relevant frameworks and industry leading practices
- ✔ Have established metrics to monitor success
- ✔ Support national and/or global initiatives for sustainable development
- ✔ Have a roadmap for execution with clear and public facing targets, KPIs, processes and timelines

When developing an integrated ESG Strategy, it is important to identify how sustainability will be embedded within the organization's governance and operations. A company's sustainability initiatives and programs should be aligned to the ESG Strategy too. A sound ESG Strategy should include a clear roadmap, with targets and metrics for execution. Progress against the targets must be continually measured and communicated with key stakeholders.



**Insight:** The establishment of **SMART** (Specific, Measurable, Achievable, Realistic, and Time-bound) **targets** and **public-facing goals** is critical to ensuring an ESG Strategy is effectively realized and implemented within a designated timeframe. This approach eliminates simplifications and guesswork, sets a clear timeline, and makes it easier to track progress and identify missed milestones.

## Benefits

By designing and implementing a robust ESG Strategy, companies have the opportunity to gain benefits, such as:

- ✔ Aligned actions
- ✔ Improved accountability
- ✔ Clarity, focus, and direction
- ✔ Enhanced image and reputation
- ✔ Structured goal setting
- ✔ Structured reporting & disclosure processes
- ✔ Guidance to long-term investments
- ✔ Sustainability knowledge and expectations embedded across the business
- ✔ Investor attraction
- ✔ More efficient and effective operations and services
- ✔ Improved brand recognition
- ✔ Employee attraction

# ESG Strategy in Action

Global consumer packaged goods company **Unilever** is one of the leaders in Corporate Sustainability, and in performance and impact measurement.

According to the company, **“it is no longer good enough to have a sustainability plan that sits apart from business strategy”**.

Unilever **aligned its whole business strategy with its sustainability objectives**, fully integrating sustainability into everything it does.

**Each sustainability goal is underpinned by clear, tangible, and public metrics** that are used from stakeholder outreach to program improvements. Each metric has a **transparent methodology** and has been **independently reviewed by third-party auditors**.



Improve the health of the planet		
Climate action	Protect and regenerate nature	Waste-free world
<p>Fast lane solutions from all our products, from laundry to point of sale by 2025</p> <p>Make greenhouse gas impact of our products across the lifecycle by 2030</p> <p>Zero emissions in our operations by 2030</p> <p>Replace fossil fuel-derived carbon with renewables or regional carbon in all our cleaning and laundry product formulations by 2030</p> <p>Shed the carbon footprint of every product we sell</p>	<p>Deforestation-free supply chains in palm oil, paper and board, tea, soy and cocoa by 2023</p> <p>Help protect and regenerate 1.5 million hectares of land, forests and oceans by 2030</p> <p>100% sustainable sourcing of our key agricultural crops</p> <p>Empower farmers, land custodians to protect and regenerate farm environments</p> <p>Implement water stewardship programmes in 100 locations in water stressed areas by 2030</p> <p>None of our ingredients will be bioextractable by 2030</p>	<p>10% virgin plastic reduction by 2025, including an absolute reduction of 100,000 tonnes</p> <p>25% recycled plastic by 2025</p> <p>Collect solid plastic waste, globally, where we sell by 2025</p> <p>100% reusable, recyclable or compostable plastic</p> <p>Make food safer in our operations by 2025</p> <p>Maintain zero waste to landfill in our factories</p>
<p>41 billion plastic bottles eliminated</p> <p>Double the products that deliver positive nutrition by 2025</p> <p>70% of our portfolio to meet WHO-aligned nutrition standards by 2023</p> <p>90% of packaged ice cream to contain no more than 22g total sugar per serving by 2025</p> <p>90% of packaged ice cream to contain no more than 250 kcal per serving by 2025</p> <p>85% of our Foods portfolio to help consumers reduce their salt intake to no more than 6g per day by 2022</p>	<p>100% plant-based by 2030</p> <p>We will focus on:                     <ul style="list-style-type: none"> <li>Gender equity</li> <li>Race and ethnicity equity</li> <li>Body confidence and self-esteem</li> <li>Mental wellbeing</li> <li>Sexual hygiene</li> <li>Substance use</li> <li>Oral health</li> <li>Skin health and hearing</li> </ul> </p> <p>Accelerate diverse representation at all levels of leadership</p> <p>3% of our workforce to be made up of people with disabilities by 2025</p> <p>Spend €2 billion annually with diverse businesses worldwide by 2025</p> <p>Increase representation of diverse groups in our advertising</p>	<p>Living standards</p> <p>Future of work</p> <p>Help 5 million small and medium-sized enterprises grow their business by 2025</p> <p>Help 10 million young people with essential skills by 2030</p> <p>Pioneer new models to provide our employees with flexible employment options by 2030</p> <p>Rebuild or upskill our employees with future-fit skills by 2025</p>
<p>Supported by €1 billion Climate &amp; Nature Fund</p>		
<p>Respect human rights</p>		

### Ma'aden's Sustainability

Strategic Direction focuses on four main areas and has a balance of Economic, Environmental, Social and Governance components.

The Strategy has clear focus areas with metrics.

The Sustainability Strategy is integrated with and aligned to the overall business strategy, sustainability mission and vision, and core competencies of the company.

The Strategy adopts leading global standards and practices.



## Implementation Steps

To design and implement a comprehensive and effective ESG Strategy, the following key steps should be followed.

1. Review your organization's current practices and policies and conduct benchmarking against peers and industry leaders
2. Identify and assess key issues according to a number of critical factors, including importance to stakeholders, impact to business, and relevance to key standards and frameworks
3. Assign a weight for input from each type of factor to prioritize issues
4. Define your organization's sustainability values, vision, pillars, focus areas, and objectives to guide decision-making and implementation
5. Develop Key Performance Indicators (KPIs), impact metrics, and SMART goals to monitor, analyze, and report on performance and impact
6. Develop a governance framework, policies, and protocols to guide Strategy implementation and embed sustainability across the organization
7. Communicate results with key stakeholders and review and improve processes. For each impact assessment, identify specific, customized metrics/KPIs that measure impact quantitatively or qualitatively

## Discussion Activity

This activity will deepen your understanding on a robust ESG Strategy. With your group:

- ▀ Find the "Sustainability Strategy" section in the Sustainability Report provided.
- ▀ Familiarize yourself with the Sustainability Strategy, its focus areas, metrics, and targets.
- ▀ Discuss the following questions:
  - ▀ What are the strengths and weaknesses of the Sustainability Strategy?
  - ▀ Is the Sustainability Strategy aligned to the Corporate Strategy and the core competencies of the company?
  - ▀ Are there SMART targets and public facing goals?

## How To Activity

This activity will deepen your understanding on ESG Strategy. With your group:

- ▀ Familiarize yourself with the case study that is provided to your group.
- ▀ Your group has 20 minutes to complete the exercise and develop a Sustainability/ESG Strategy for the case study company (filling out the table).
- ▀ The last 15-10 minutes are dedicated to a short presentation by each group (approx. 3-2 mins) on their developed ESG strategy.



جائزة الملك خالد للاستدامة  
KING KHALID SUSTAINABILITY AWARD

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KKFoundation