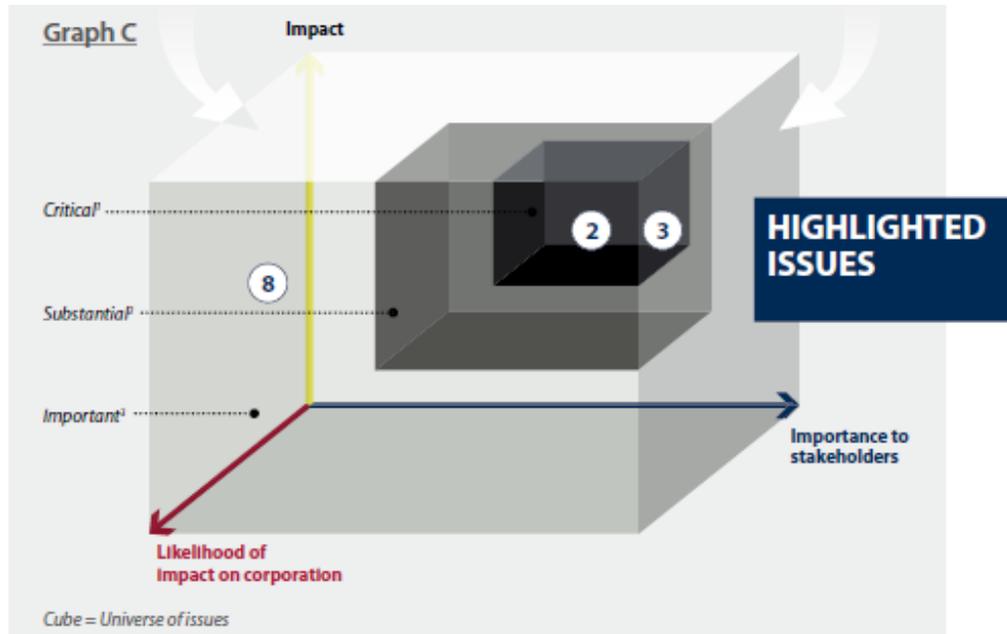


## Top Tip – Master the Materiality Matrix: Making CSR look Easy (Part 2 of 4)

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Constructing a CSR Materiality Matrix is one of the most useful things that a CSR professional can do. Getting stakeholder's perspectives right is as important as getting the business perspective right.

*This is part 2 of a 4 part series: [Top Tip – Master Materiality](#). [Subscribe](#) to receive notification of the remaining parts over the coming weeks.*

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### Mastering Materiality and Stakeholders (The X Axis)

One of the biggest traps companies fall into in relation to a CSR Materiality Matrix is using their own views on stakeholders and what matters to them. Nothing helps to clarify the position of a stakeholder better than a direct conversation with them.

It's also

OUR STAKE HOLDERS \ OUR ISSUES	LOOKING AFTER OUR PEOPLE	ESTABLISHING GOOD CR GOVERNANCE	BECOMING THE UNDISPUTED CUSTOMER CHAMPION	HELPING OUR SUPPLIERS LIVE OUR VALUES	BEING A RESPONSIBLE SERVICE PROVIDER	MANAGING OUR ENVIRONMENTAL IMPACT	UNDERSTANDING OUR ROLE IN THE COMMUNITY
EMPLOYEES	✓	X	✓	X	X	✓	✓
CUSTOMERS	X	X	✓	✓	✓	✓	✓
VIRGIN GROUP	X	X	X	✓	✓	✓	✓
GOVERNMENT / REGULATORS	X	X	✓	X	✓	✓	✓
SUPPLIERS	X	X	✓	✓	✓	✓	X
COMPETITORS	X	X	X	✓	✓	X	✓
NGOs	X	X	X	✓	✓	✓	✓
LOCAL COMMUNITIES	X	X	X	X	X	✓	✓
MEDIA	X	X	✓	X	✓	✓	✓
CR COMMENTATORS/ 'THOUGHT-LEADERS'	✓	✓	X	X	✓	✓	✓

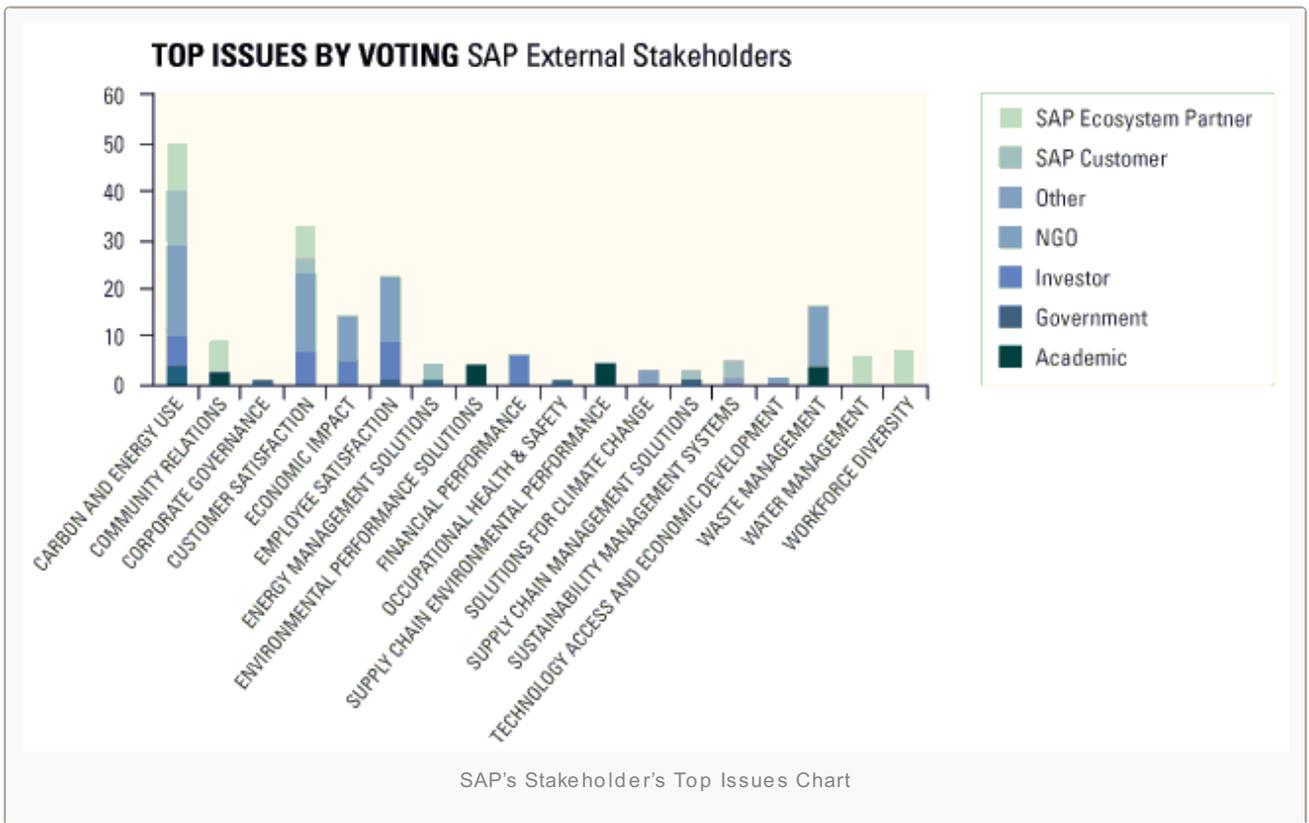
Virgin Media's Issues diagram

important to understand that different stakeholders think very different issues are important, as shown in Virgin Media's stakeholder concern diagram (above). Such a diagram forms the basis of stakeholder concerns, the first axis on the CSR Materiality Matrix. Vodafone is another company that is leading on stakeholder engagement and reporting, and Statoil have done an amazingly good job for a first-time reporter in the last 12 months.

An important lesson from all of those is that while at times it can be useful to have a third party mediate the conversation, nothing can replace direct contact with stakeholders. The trio above have all used a combination of both direct and indirect interactions.

It can also be useful to aggregate issues into a collective graph, as SAP have done (below). Small warning though – a really upset stakeholder can make the issue much bigger than a graph like this might otherwise suggest. Don't forget the value of unmitigated passion, especially when it comes to civil actors.

But perhaps the example of par



excellence in this area is Co-operative Group. Their inputs into stakeholder mapping include things like 'societal norms', ethical policy reviews and input from local community groups.

And for each issue they identify, they tell readers of their 2011



[sustainability report](#) how the issue links to stakeholders and the effect on the business of dealing with the issue well (or sometimes badly). More on how to use a CSR Materiality Matrix to communicate in Part 3 of this series (not yet published).

#### TOP TIPS:

- Talk directly to your stakeholders
- Be open about who your stakeholders are
- Get in at least one stakeholder that will challenge the way your company thinks
- Understand the different views that stakeholders have and areas of commonality
- Seek stakeholders to represent issues or voiceless stakeholders (such as the environment)

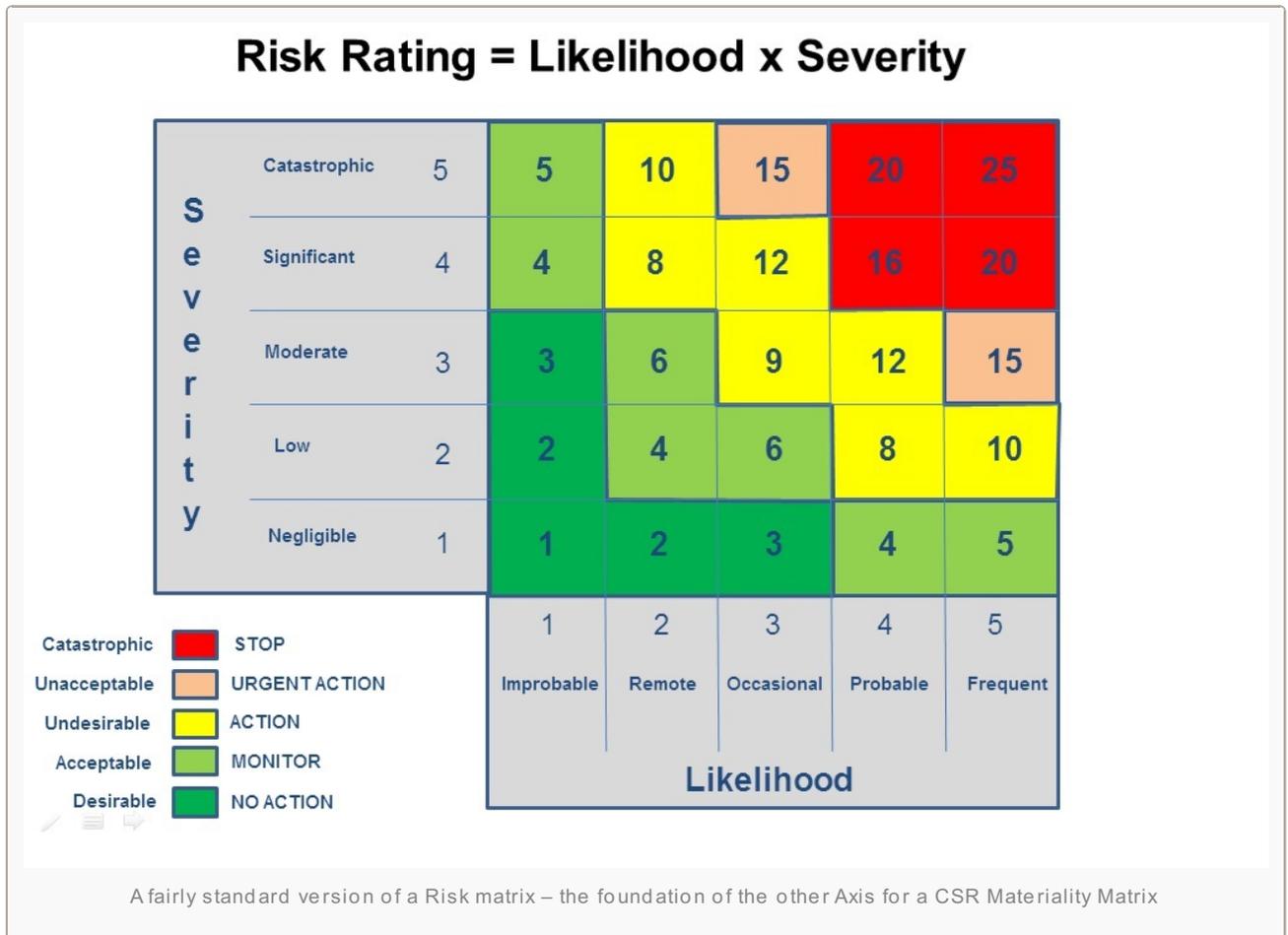
#### TRAPS:

- Don't think that you know stakeholders so well that you don't need to talk to them directly or that their responses cannot surprise you

## Mastering Materiality and Risk / Opportunity (The Y Axis)

Many CSR professionals don't have a great understanding of standard risk frameworks. That's not really their fault – many are from professions that focus on other things – however it is a key skill in relation to the CSR Materiality Matrix. Smart CSR professionals know how to assess risk (and opportunity which is the other side of the same coin) and use risk and opportunity to help their business make more sustainable decisions.

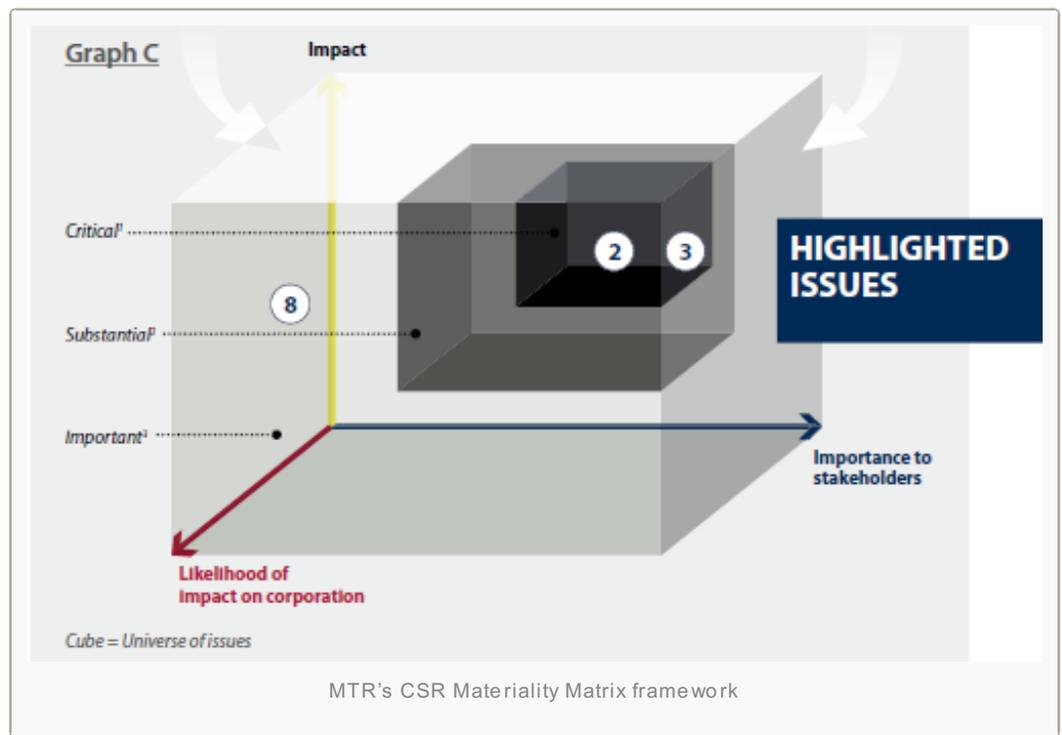
Risk is



essentially a combination of the likelihood that an event will occur along with the severity of consequences if it does occur. By combining severity and outcome, a business can rationally make assessments about which risks should be given priority. The Risk framework gives the relative importance to the business – the second axis for the CSR Materiality Matrix.

It's also important to understand that things like climate change totally change risk modelling – floods that used to happen every 100 years might now happen every 10 years, and therefore both likelihood and severity change.

Hong Kong's MTR has mapped the conceptual inputs into a CSR Materiality Matrix (above), which successfully identifies risk impact and likelihood along two separate dimensions. Ultimately I think that the 3D aspect complicates viewing the matrix, but it may help some to grasp the relationships between the two parts of risk and the dimension of stakeholder influence.



**TOP TIPS:**

- Marry CSR risks to the regular risk processes
- Use the CSR risk framework to identify opportunities and be entrepreneurial
- Use the understanding of risks and opportunities to build the business case for CSR

**TRAPS:**

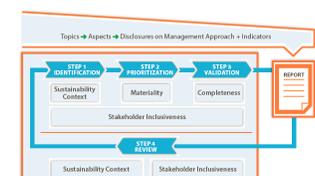
- Don't let the use of the word 'materiality' be a barrier (see part 4 of this series – Lawyers, Directors and Risk (not yet published))

This is part 2 of a 4 part series: [Top Tip – Master Materiality](#). [Subscribe](#) to receive notice of publication of the remaining parts over the coming weeks.

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