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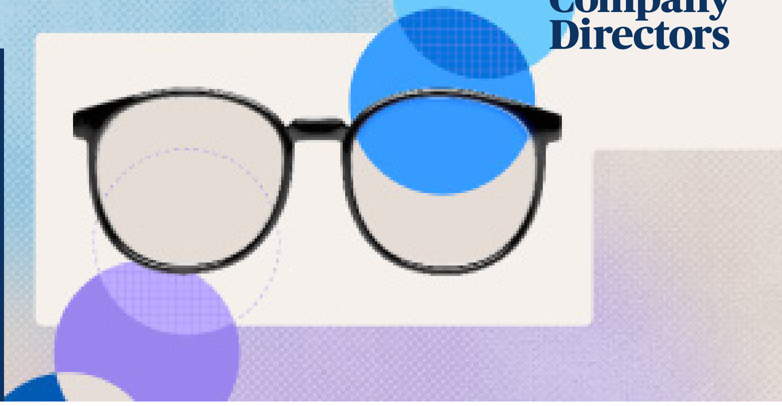
Australian Institute of Company Directors



Governing with stakeholder insight

A guide for boards

Snapshot

Effectively engaging with stakeholders and understanding their perspectives is increasingly central to a board's role. Done well, it can strengthen organisational reputation and support the creation of long-term value.

This snapshot summarises a five-step framework for stakeholder engagement and outlines key questions for boards. It draws on the full *Governing with stakeholder insight* resource, which is grounded in director experience and contemporary governance practice.

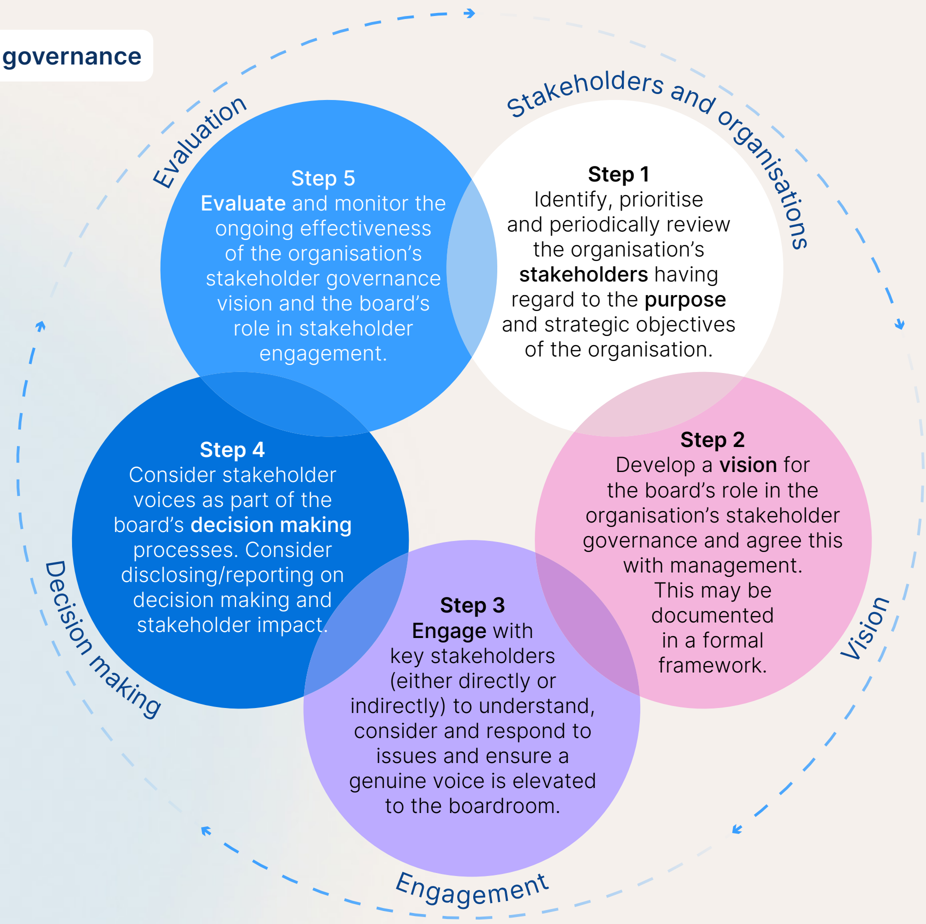
What is a stakeholder?

Stakeholders are groups that have an interest in an organisation, are likely to affect or be affected by its actions, or whose actions can impact its operations or business model.

The guide focuses on non-shareholder/member stakeholders, who sit outside the fiduciary obligations that boards owe to their owners/members. The focus of the guide is stakeholder groups such as employees, customers, suppliers, local communities, First Nations peoples and specific interest groups relevant to the organisation.

Importantly, stakeholders, their prioritisation and the way organisations engage with them will vary depending on an organisation's purpose, operating context and unique circumstances.

Five steps to effective stakeholder governance



Effective stakeholder governance steps	Key questions for boards
Step 1: Stakeholders and organisations **Identify, prioritise and periodically review the organisation's stakeholders, having regard to the purpose and strategic objectives.** Identifying and prioritising stakeholders forms the foundation of effective stakeholder governance. This is a dynamic process, requiring regular review to ensure the organisation's stakeholder focus remains current.	• Which groups are vital to the organisation's success and what are their interests? • Which stakeholder groups are likely to be impacted (positively or negatively) by the organisation's actions? • Which stakeholders are most likely to influence the organisation's operations or strategy? • Is the organisation's stakeholder map current and periodically reviewed?
Step 2: Vision **Develop a vision for the board's role in the organisation's stakeholder governance.** A clear framework for stakeholder governance enables consistent consideration of stakeholder perspectives in decision making, oversight and risk management. The level of formality of the framework will vary across organisations.	• Does the organisation require a formal stakeholder governance framework? • Do existing governance structures provide sufficient insight into stakeholder perspectives? • Is the approach to stakeholder governance aligned with organisational purpose and values? • Is accountability for engaging with stakeholder groups clearly defined?
Step 3: Engagement **Engage with key stakeholders to understand, consider and respond to issues, and have these perspectives reported back to the board.** Most stakeholder engagement occurs at the management level. Effective oversight relies on timely, accurate, and relevant information flowing to the board. The nature and frequency of engagement will vary by stakeholder group and issue and are most effective when tailored to the stakeholder.	• Is the level of engagement with each stakeholder group proportionate to its relevance to the organisation? • Is the form of engagement tailored to the needs and context of each stakeholder group? • Is there a role for direct board engagement with particular stakeholder groups or issues?
Step 4: Decision making **Consider stakeholder perspectives as part of the board's decision making processes, including how decisions and impacts are disclosed or reported.** Stakeholder perspectives inform board decision making. This can be supported by including stakeholder considerations in board papers and discussions, and by establishing structures that enable deeper insight where required. Decision making will often need to consider competing or conflicting stakeholder perspectives.	• How are stakeholder perspectives reflected in board decision making processes? • Does the board receive the right information on stakeholder impacts, and allocate sufficient time to consider these issues? • Are there appropriate structures in place to inform the board of key stakeholders and their issues? • How are differing views prioritised in decision making? • How are decisions communicated to impacted stakeholders?
Step 5: Evaluation **Evaluate and monitor the ongoing effectiveness of the organisation's stakeholder governance framework, as well as the board's role in stakeholder engagement.** Periodic evaluation provides insight into the effectiveness of stakeholder engagement and supports continuous improvement. Management typically leads this work, with board oversight and, where appropriate, external input.	• How regularly is the effectiveness of stakeholder engagement reviewed? • What independent or external data provides insight into stakeholder impacts? • Is there value in external assessment of stakeholder relationships?

Case studies to help bring stakeholder engagement to life

Governing with stakeholder insight features the following case studies:

- AGL Limited
- ACON and Suicide Prevention Australia
- BlueScope
- Carriageworks
- Good Sammy
- A Day in the Life
- The Royal Women's Hospital
- Therapy Focus
- Qantas

Further AICD resources:

- Governing culture in a complex world (2026)
- Ethics in the boardroom 2ed (2026)
- A director's guide to AI governance V2 (2026)
- Not-For-Profit Governance Principles 3ed (2024)
- Directors' "best interests" duty in practice (2022)
- Director Tool – General duties of directors (2020)

For more information:

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