17. Governance and grievances

SPOTT indicators: Does the company disclose...

120) Commitment to ethical conduct and prohibition of corruption?
121) Whistleblowing procedure?
122) Own grievance or complaints system?
And...
123) Grievance system accessible to internal stakeholders (i.e. employees)?
124) Grievance system accessible to external stakeholders?
125) Details of grievances disclosed?

Context

Avoiding any form of corruption and committing to ethical business conduct has become a standard expectation and should be central to every company’s legal compliance efforts. However, ethical business conduct goes beyond legal requirements. Stakeholders, including investors, are playing an increasingly important role in scrutinizing companies’ governance processes. Moreover, the palm oil sector relies heavily on the long term development of valuable land, which risks being subjected to community claims, and a diverse workforce whose concerns must be respected. More than in other sectors, palm oil companies are in need of efficient governance mechanisms that help address complaints from stakeholders.

An effective grievance mechanism supports the implementation of anti-corruption policies and enables the early identification of risks from complaints which could be detrimental to shareholder value. Anti-corruption policies and grievance mechanisms, therefore, represent complementary safeguards to guarantee that a company’s conduct is ethical and its policies are fit for purpose.

Obligations and expectations

As of 2017, the UN Convention against Corruption (UNCAC) had 140 signatories and corruption is explicitly forbidden by the national laws of 46 countries. From a legal standpoint, wrongful business practice can have significant repercussions for a company as an entity as well as for its staff or its management. Initiatives such as the UN Global Compact (and its 1200+ signatories) demonstrate that, beyond legality, ethical conduct is a matter of concern for all stakeholders. Good governance underpins a healthy business environment, which is why it is a core component of capital providers’ ESG analyses.

Challenges

• A lack of awareness of, and access to, a company’s ethical conduct policy and grievance mechanism by its staff or stakeholders significantly limits the effectiveness of governance and grievance processes.
• Setting up a robust grievance mechanism at subsidiary or group level as well as running and maintaining an effective grievance process can be resource and capacity intensive.

Glossary

Grievance mechanism

The Office of the Compliance Advisor/Ombudsman (CAO) at the International Finance Corporation (IFC) defines a grievance mechanism as “A locally based, formalized way to accept, assess, and resolve community complaints concerning the performance or behaviour of a company, its contractors, or employees.”

Grievance mechanisms (also known as ‘dispute-resolution mechanisms’) initiated by companies are non-judicial, voluntary tools.

A company may endeavour to resolve a grievance as quickly as possible to address risks and avoid external scrutiny. However the issues raised may need extended attention and long-term mitigation measures – companies should ensure they allocate each grievance the time it requires.

**Best practice for governance and grievances**

There are several steps that a palm oil company should follow to implement good corporate governance:

- A company’s anti-corruption policy should be aligned with existing legally binding anti-corruption frameworks, as well as with existing best practice standards such as ISO 37001:2016\(^2\) or the OECD guidelines for multinational enterprises.\(^3\)

- If a company lacks resources for a dedicated grievance mechanism, it should ensure that stakeholders are aware of external mechanisms accessible to them at national (such as the OECD National Contact Points) or international level. Some mechanisms, such as the RSPO’s, are industry-specific, but may not always be accessible to all stakeholders.\(^4\)

- A solid grievance mechanism should allow claims to be collected not only from a company’s own staff members, subsidiaries and joint-ventures, but also from a wider range of stakeholders, including suppliers, agents, contractors and neighbouring communities.

- Details of how to access a grievance mechanism should be widely circulated to guarantee that all relevant stakeholders fully understand it and know how to access it.

- To ensure that potential whistle-blowing is not discouraged, companies should enable issues to be raised anonymously and guarantee that no adverse action will be taken against whistle-blowers.

- To ensure accountability, companies should publish details of complaints made, including the date, name of the stakeholder (if anonymity was not requested), and nature of the claim. The actions taken to address the grievance should be described.

- A grievance mechanism, however sophisticated, does not substitute for pre-emptive and continued stakeholder engagement.

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Other SPOTT indicator framework factsheets in the series

This document is part of a series of factsheets in the publication: *From disclosure to engagement: A guide to the SPOTT indicator framework for assessing palm oil producers and traders*. Below is a full list of the factsheets:

- Factsheet 1: Sustainability policy and leadership
- Factsheet 2: Landbank and maps
- Factsheet 3: Traceability
- Factsheet 4: Deforestation
- Factsheet 5: Biodiversity
- Factsheet 6: HCV, HCS and impact assessment
- Factsheet 7: Peat
- Factsheet 8: Fire
- Factsheet 9: Greenhouse gas emissions
- Factsheet 10: Water
- Factsheet 11: Chemical and pest management
- Factsheet 12: Community and land rights
- Factsheet 13: Labour rights
- Factsheet 14: Palm oil certification
- Factsheet 15: Smallholder support
- Factsheet 16: Supplier selection
- Factsheet 17: Governance and grievances

About SPOTT

SPOTT is an online platform promoting transparency and accountability to drive implementation of environmental and social best practice for the sustainable production and trade of global commodities. SPOTT assessments score some of the largest palm oil producers and traders on the public availability of corporate information relating to environmental, social and governance (ESG) issues.

Reframed as the *Sustainability Policy Transparency Toolkit* in 2017, SPOTT now supports transparency for other industries that pose some of the greatest risks to the environment, with SPOTT assessments of timber, pulp and paper companies launched in November 2017.

For more information, visit [SPOTT.org](http://SPOTT.org) or contact [SPOTT@ZSL.org](mailto:SPOTT@ZSL.org).

About ZSL

Founded in 1826, the [Zoological Society of London](http://ZSL.org) (ZSL) is an international scientific, conservation and educational charity whose mission is to promote and achieve the worldwide conservation of animals and their habitats.

Our mission is realised through our groundbreaking science, our active conservation projects in more than 50 countries and our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

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