



17. Governance and grievances

Relevant SDGs



SPOTT indicators: Does the company disclose...

120) Commitment to ethical conduct and prohibition of corruption?	123) Grievance system accessible to internal stakeholders (i.e. employees)?
121) Whistleblowing procedure?	124) Grievance system accessible to external stakeholders?
122) Own grievance or complaints system? And...	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."¹ Grievance mechanisms (also known as 'dispute-resolution mechanisms') initiated by companies are non-judicial, voluntary tools.

¹ The Office of the Compliance Advisor/Ombudsman for the International Finance Corporation (IFC). 2008. A Guide to Designing and Implementing Grievance Mechanisms for Development Projects. Available from: cao-ombudsman.org/howwework/advisor/documents/implemgrieveng.pdf

Investec Asset Management: Sound governance for sustainable, long-term business

"Sound governance practices and systems are essential to ensuring a sustainable long-term business. These include appropriate management systems and platforms such as whistle-blower policies, grievance mechanisms, and dedicated resources where appropriate.

"Governance at its core should encompass a strong board, appropriate oversight and incentivisation, accounting practices, and a strong audit process. When assessing companies, we consider all of the above to gain comfort with the businesses in which we invest."

**Naasir Roomanay, ESG Analyst
INVESTEC ASSET MANAGEMENT**

- 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 37001:2016² 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.

²International Organization for Standardization (ISO). 2016. ISO 37001:2016. Anti-bribery management systems -- Requirements with guidance for use. [Accessed 25 August 2017]. Available from: iso.org/standard/65034.html

³OECD. 2011. Guidelines for Multinational Enterprises. [Accessed 25 August 2017]. Available from: mneguidelines.oecd.org/guidelines/

⁴Roundtable on Sustainable Palm Oil. Complaints. [Accessed 25 August 2017]. Available from: rspo.org/members/complaints

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 or contact SPOTT@ZSL.org.

About ZSL

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Published: November 2017



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