

Why communicate about sustainability?

IFU encourages all our investments to be transparent and informative about business and sustainability performance in order to create the best possible platform for a continuous and proactive dialogue with stakeholders.

Like most other investors we require that you as a minimum have a written policy that explains what you want to achieve within your sustainability work. We also expect you to communicate how your policy is working in practice, including your progress and achievements, and how your sustainability work contributes to your overall business success.

Disclosure of relevant information will help stakeholders understand the risks, impacts and opportunities of your business. Transparent communication and a systematic approach to handling concerns and complaints will:

- strengthen stakeholders' confidence in you,
- improve your reputation and
- ensure good community relations.

A proactive stakeholder dialogue will help you understand and be aware and be ahead of stakeholder expectations and concerns and will give you an opportunity to handle potential conflicts before they develop.

Visible external communication about your sustainability performance can maintain motivation internally and help you stay focused on ensuring on-going improvements.

These guidelines can help you in taking the first step and adopt a sustainability policy as well as plan your further sustainability communication.

How to write a sustainability policy

The sustainability policy provides the framework and determines the level of ambition for your sustainability effort. A formal and written sustainability policy is your narrative on what you want to achieve within sustainability and an easy way for internal and external stakeholders to read about your commitments. It offers clear evidence of your sustainability commitment that can enhance your credibility and be crucial in bidding for contracts or obtaining financing from investors.

What should the policy include?

Emphasise your commitment to sustainability and continuous improvement

The policy must include an overall commitment to operate in compliance with host country regulations. It should also include a commitment to comply with international sustainability standards relevant for your business area/sector and to aim at continuous improvement of your sustainability performance. You can for example consider a commitment to support the UN Global Compact Principles¹.

Focus content on the significant sustainability issues

The policy should address the most significant issues relevant for your business. Therefore, the policy should build on an assessment of sustainability risks and impacts of your business on the community and in the value chain. Depending on the assessment, the policy should include a commitment to:

¹ UN Global Compact Principles: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

- Respecting and promoting all basic human rights across your activities and business relationships, including labour rights and occupational health and safety, and address adverse human rights impacts that your business may cause or contribute to.
- Improving environmental performance through a preventive and precautionary approach that addresses environmental challenges, including climate change, loss of biodiversity and land use changes as well as relevant sector-specific environmental issues.
- Securing good corporate governance and business ethics, including anti-corruption, anti-fraud, transparency and alike.
- Ensuring good animal welfare, if applicable.
- Promoting sustainability issues in interaction with suppliers and business partners.
- Providing transparent, accountable information/reporting about the business' sustainability performance in order to create the best possible platform for a continuous and proactive stakeholder dialogue.
- Handling complaints by individuals and communities, who may be adversely affected by your business' activities.

Walk the talk and align with business aims

The policy is a promise to your stakeholders as to what they can expect from you in relation to sustainability. This means that you must ensure that you do not promise too much. It is of utmost importance that there is consistency between the communicated ambition and the actual effort. When it comes to areas beyond compliance with legislation you should be realistic about what is achievable and ensure alignment between sustainability aims and business aims.

Ensure consistency with values and other policies

The policy should reflect the core values of the business. There will probably be links between your sustainability policy and other existing policies such as human relations and procurement and you should make sure there are no conflicting aims. You should review your other policies for inconsistencies with your commitment to sustainability.

Keep it short and overall

The length of sustainability policies varies, and as such there are no rules for how long or short a policy should be. A short overall policy (e.g. 2 pages) can be supplemented by more specific policies in the various strategic areas, for example an environmental policy, a health and safety policy or an anti-corruption policy.

How to implement and communicate the policy

Ensure top commitment

The board of directors or similar governance body should approve the sustainability policy. There is a need for a top management commitment to lead the changes to the business culture that may be required to implement the policy in the organisation.

Involve key stakeholders

The policy also needs to have support of employees and other key stakeholders, who should be part of the risk assessment and involved in the development of the policy. Any internal or external consultative processes that formed the development of the policy should be included in the communication of the policy.

Communicate the policy to all employees

The policy must be communicated to all employees so they understand what behaviours are expected of them. It is not enough to hand out the policy or post it on the intranet. Management should introduce the policy at meetings for employees and others who work for

the company. Management should explain the background and the purpose of the policy and what they expect of the employees and give the employees the opportunity to ask questions. The policy could be discussed at team meetings to ensure that all employees understand your commitment and what it means for their daily work. The policy could also be part of the employment contract and introduction programmes for new employees.

Communicate the policy directly to business partners

The policy should be communicated directly to all business partners that are expected to adhere to it, e.g. contractors and suppliers. It can be communicated to business partners through pre-business conversations, contract negotiations, contractual terms, training sessions, written guidance, etc.

Make the policy available to relevant external stakeholders

The policy should be available for relevant external stakeholders that could have an interest in its implementation, e.g. potentially affected communities, investors, consumers, and civil society organizations. It should be available in local language(s) so local community can read it.

How to ensure access to sustainability information

In high-risk business, stakeholders should have access to more sustainability information than just the policy. Your annual sustainability report can be used as a basis for drafting sustainability information for stakeholders. If you use IFU's reporting template, you should be aware that it doesn't have a format where it can be used directly. The content will have to be processed and tailored to the stakeholders that you want to target. But if the template is completed in a comprehensive manner, the content will reflect the significant issues, efforts undertaken and results created during the year.

What are the minimum expectations for sustainability information?

Your communication should live up to internationally recognized principles for sustainability communication and reporting. The following requirements are based on the principles in the EU Directive on non-financial reporting² and the UN Guiding Principles Reporting Framework³:

- The purpose, nature and scale of the business: What is your business model? How is responsibility for sustainability organized within your company? Which management systems and processes are in place?
- Any risks to and potential sustainability impacts on the communities and relevant mitigation measures: What are the most severe actual and potential impacts associated with the activities and business relationships? Did any severe impacts occur during the year, and, if so, what were they? What action was taken to prevent or mitigate impacts during the year?
- Gains and successes: What are the main sustainability results and achievements during the year?
- The envisaged stakeholder engagement process: How do you identify which stakeholders to engage with and when and how to do so? Which stakeholders has your company engaged with during the year, and why? How have you taken the perspectives of the stakeholders into account in your decisions and actions?
- The complaints and concerns process: Through what means can your company receive complaints or concerns? How do you process complaints and assess the effectiveness of outcomes? Did you provide or enable remedy for any actual impacts

² EU Directive on non-financial reporting: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

³ UN Guiding Principles Reporting Framework: <http://www.ungpreporting.org>

during the year and, if so, what are typical or significant examples?

How to make the sustainability information relevant and interesting

Ensure meaningful and understandable information

Sustainability information should be objective, meaningful and easily accessible for the affected communities and stakeholders. You should use case stories and examples and make the information available in local languages and understandable formats. Also try to avoid technical terms.

Target the content to selected stakeholders and use existing channels

Selecting significant information beyond the minimum expectations for your sustainability communication will depend on whom you wish to target. If you want to tailor your content so it is relevant and interesting for selected target groups, the best way to get to know their expectations of your communication is to ask them. You can use your existing dialogue with stakeholders to find out more about their expectations of your sustainability communication.

When you communicate about sustainability to your stakeholders, you should use your existing channels of communication, e.g. your annual report, website, social media and sales and marketing material.

Be open about dilemmas and challenges

Do not let fears of negative media publicity prevent you from communicating openly about the sustainability dilemmas and challenges you face and how you try to handle them. Companies that are known for their open and transparent communication are in a stronger position and typically far better off if they suddenly come under fire for their own or their suppliers' adverse impact.

How to handle concerns and complaints

A systematic approach to handling concerns and complaints sends a strong signal to workers as well as external stakeholders that they are taken seriously. It can ensure that adverse impacts are identified at an early stage and handled quickly and in this way avoid minor cases developing into unresolved conflicts, costly lawsuits or negative press coverage.

You should always ensure open channels of communication between management and workers regarding work-related issues. This includes transparent and fair procedures for receiving, processing and settling concerns and complaints. In high-risk companies, the procedures must also be open to external individuals and groups, who may be adversely affected by the company's activities.

The following recommendations are based on the UN Guiding Principles on Business and Human Rights⁴:

How to establish a transparent and fair complaints procedure

Build on existing procedures

You may already have procedures in place that could be expanded. This might be an existing public e-mail address or telephone line for customers that wish to raise issues. Or an internal, anonymous mailbox your employees can use to make suggestions or raise issues.

⁴ UN Guiding Principles on Business and Human Rights:
http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

Make the procedure clear, predictable and accessible

You must provide clear and easily accessible information on how to use the procedure, what concerns/complaints can be reported and how concerns/complaints are processed and resolved. There must be an indicative time frame for each stage of the complaint process.

Your communication must take account of groups for whom access to the procedure is a special challenge. For example, you can provide information on the procedure in local languages, prepare printed material for groups without Internet access, communicate verbally with groups with reading difficulties, etc.

Make the complaint processes fair and transparent

You must ensure that the complaint processes take place on a fair basis. All parties involved must have access to relevant information and advice, so they all can participate in the process on an informed and respectful basis. You must also keep all parties involved informed about the developments in the case.

The group responsible for hearing, processing and settling concerns/complaints should include representatives of the concerned/complaining party, and you should prioritise dialogue in the resolution of complaints. You should agree with workers' representatives about the requirements of a fair hearing to be followed in relation to all disciplinary cases and worker concerns and complaints. The relevant worker(s) should be allowed to participate in hearings held and be informed of the outcome of the resolution process. Community organisations or consumer representatives could represent external stakeholders.

Learn from the complaint cases

The complaint cases could reveal opportunities to improve the procedures and prevent future complaints and adverse impacts. You can evaluate the quality of the procedure on an ongoing basis and include representatives of your stakeholders in the evaluation and further development of the procedure.

Ensure the compatibility with human rights

You must ensure that the outcomes of complaints do not have negative impacts on human rights. This means that you should consider if a solution to a complaint could create a problem in another area.

Take part in an existing joint complaint mechanism

If you do not have the resources to establish your own complaint procedures, you could take part in an existing joint complaint mechanism, for example via your industry organisation or other fora you are part of. You should inform all your stakeholders about such an arrangement.

If you reject a complaint, you should also inform about alternative resolution mechanisms available, e.g. OECD National Contact Points or other multi-stakeholder initiatives.

How to facilitate stakeholder dialogue

High-risk business should identify the affected communities and stakeholders that may be interested in their actions and enter into a dialogue that is scaled to the business' risks and impacts and tailored to the interests of the stakeholders.

Stakeholder dialogue can be important to gain community support for a business, build trust in the organisations involved and to help counter external opposition. Being at the forefront of the interests around a business and entering into dialogue with affected groups at an early stage gives you an opportunity to handle potential conflicts proactively. If conflicts occur at a later stage, it can be crucial that you can demonstrate and document that you have consulted

and involved relevant stakeholders.

How to identify relevant stakeholders

Pay particular attention to vulnerable groups

Potentially affected stakeholders can be supply chain workers, communities, consumers and end users of products. Particular attention should be paid to identify stakeholders who may be disadvantaged, marginalized or excluded from society and therefore particularly vulnerable to impacts on e.g. their human rights, such as children, women, indigenous peoples, people belonging to ethnic or other minorities, smallholder farmers or persons with disabilities.

The best way may be to engage with organisations that represent these groups, e.g. trade unions representing value chain workers and civil society groups who work with or advocate for potentially affected stakeholders.

Be clear about the purpose of the dialogue

The dialogue can include differentiated measures to allow the effective participation, e.g. dialogue tables, stakeholder advisory councils and consultative groups. However, the appropriate measure is generally nation and culture specific.

First you should decide on what occasions, at what times and how often you should engage with stakeholders in relation to sustainability issues, e.g. whether at certain points in the establishment of a business, on a regular basis, in response to legal or other requirements, in response to stakeholder requests. Next you should set clear goals for the engagement processes, e.g. to convey information, to hear views, to work in collaboration, to reach agreements. And when you invite stakeholders to join the process you should be clear about the purpose and where influence is possible.

Participate in a joint dialogue

You could contact your trade organisation or other industrial networks to organise a joint dialogue with stakeholders. You could also take part in existing processes, e.g. national or international multi-stakeholder initiatives or local industry-union or industry-community dialogues. Participating in a joint dialogue will be less resource demanding and at the same time give you the benefits of networking and knowledge sharing with other companies.