Enterprise Action 6.Align organizational culture, structure, capabilities, systems, and incentives with purpose and strategy

Action is mapped to practice indicators as follows:

- ✓ Embed respect for human rights, planetary boundaries, and other responsible business practices in policies and procedures (2.1.1, 2.1.2)
- ✓ Develop outside-in ways of working, involving Stakeholders in decision-making, engaging with government bodies, and collaborating with peers and potential partners on collective solutions (2.1.3, 2.1.4)
- ✓ Develop capacity, integrate accountability, and align incentives with purpose and strategy (2.1.5)

Guidance notes can be found below:

- ✓ **Embed respect for human rights, planetary boundaries, and other responsible business practices in policies and procedures (2.1.1, 2.1.2)**

Guidance Note 2.1.1

Respect for human rights, planetary boundaries and other responsible business practices

Commitment to operating with respect for human rights, planetary boundaries and other responsible business practices and acting to prevent, mitigate and remediate actions any breach to that commitment – in direct operations and through business relationships and promoting the same through supply and value chains – is foundational.

The enterprise's policies and practices should be aligned with, or the enterprise should have a demonstrated commitment and progress towards aligning policies and practices with, the:

- UN Guiding Principles for Business and Human Rights (which incorporates the International Labour Organization – 8 fundamental conventions for labour standards)
- Ten Principles of the UN Global Compact, and
- UN Women's Empowerment Principles

Such policies include but are not limited to those labelled code of conduct, responsible business, Environmental, Social and Governance (ESG) policies and those concerning specific sustainable development issues such as climate change, human rights, and equal opportunities.

Practices may include, for instance with respect to workers, the role of trade unions being recognized and supported, collective bargaining rights and mechanisms for the application of ILO convention 169 (ILO, 1989) and as evidenced by the response, for example, a change to products or services, a change in operations or to working conditions, evidence of proposals that are rejected by those that are or may be impacted – even though they may generate financial returns.

Commitment is reinforced through visible senior leadership endorsement internally and externally in emails, newsletters, speeches, social media, website, etc. and coherence between stated policies and behaviors.

Effective grievance mechanisms

The goal is that stakeholders are easily able to submit complaints or claims, get a fair assessment of cases, and receive compensation/ reparation as applicable through effective accountability mechanisms. Effective accountability mechanisms are principles based and adhere to all of the following principles: (1) Legitimacy; (2) Predictability; (3) Accessibility; (4) Equitability; (5) Transparency; (6) Rights compatibility; (7) A source of continuous learning; and (8) Based on engagement and dialogue.

In general, accountability mechanisms:

- receive complaints from people harmed, or likely to be harmed, by the enterprise
- determine whether the complaint is eligible under the mechanism's rules; and then, if it is eligible, the accountability mechanism may:
  - resolve the dispute through mediation, fact-finding or other methods; and/or
  - investigate whether the enterprise's own policies or procedures have been violated by the institution and whether those violations have caused or are likely to cause harm to people or the environment.
- Finally, the accountability mechanism issues a public report with their findings of the investigation and recommendations, if any.

Policies and guidelines should be in place for receiving complaints, giving complaints serious consideration, ensuring remedial actions are taken and commensurate to the magnitude of the damage and taking action to reduce the likelihood of future negative impacts. Cases, status, and resolutions are monitored and reported and available to senior management, the board, and other relevant stakeholders.

Enterprises should have an independent office to receive complaints from people alleging harm from the activities of the enterprise. The independent office should be equipped to address complaints through two primary functions: dispute resolution[1] and compliance review[2]. The purpose of dispute resolution is to provide a process for resolving concerns and remedying harm collaboratively with aggrieved stakeholders through a neutral facilitator. The purpose of compliance

[1] Dispute resolution (also called conflict resolution) is a process that facilitates a dialogue between affected people, project sponsors, and other local stakeholders toward resolving the issues raised in a complaint. Typically, an accountability office will hire a neutral mediator or facilitator to aid the process. Dispute resolution frequently entails information-sharing, utilization of independent experts to better understand the extent of harm and possible solutions, and negotiation between the parties. The process often takes several months. Agreements reached through dispute resolution are typically followed by a monitoring period where the accountability office reports on the progress of implementing agreed-upon commitments. Source: Accountability counsel

[2] Compliance review (also called compliance investigation or compliance audit) is the process of probing whether an institution violated its own policies or procedures by engaging in activities that lead to the harm described in a complaint. Source: Accountability Counsel.

review is to determine whether harm resulted from non-compliance with the enterprise's environmental and social policies. If the conclusion of a compliance review is that harm has resulted from non-compliance, the enterprise should commit to remedy the harm (or potential harm), remediate it, and report on it. All reports should be substantiated by evidence.

Organizations like Accountability Counsel and SHIFT create resources that make it easier and more efficient for businesses to incorporate human rights and other responsible business practices into their policies and practices. In many countries, options now exist for organizations to participate in cost effective external complaints and dispute resolution schemes that support accountability to stakeholders.

Source: Adapted from [Accountability Counsel]

Guidance Note 2.1.2

Additional guidance not provided.

✓ **Develop outside-in ways of working, involving Stakeholders in decision-making, engaging with government bodies, and collaborating with peers and potential partners on collective solutions (2.1.3, 2.1.4)**

Guidance Note 2.1.3

Stakeholder engagement/involvement

Involving stakeholders and giving them meaningful agency in decisions that impact them (noting that inaction is also a decision) is an overarching theme throughout the Standards. Decisions will be more robust if the perspective and input from those experiencing the impacts of the Enterprise's actions and decisions is incorporated into organizational decision-making for instance:

- In the design process for products and services
- In determining what impacts matter and to understand and quantify the relative importance (value) of those impacts on their well-being along the whole enterprise supply and value chain, its products and services
- In understanding Stakeholders' tolerance for unexpected outcomes and the impacts on them if impacts do not occur as expected
- In collecting and analyzing impact data (while not being overly burdensome or intrusive)
- In identifying effective consultation mechanisms and reporting
- In identifying communication channels between stakeholders and the enterprise

This necessitates the involvement being sought from those that experience the impacts, that those stakeholders are feel comfortable to share their perspectives, and that the information received is interpreted objectively.

Guidance note 1.1.5 sets out the process for identifying stakeholders and planning for Stakeholder engagement/involvement.

Stakeholder involvement requires the allocation of financial and non-financial resources and thus should be included in budgets, resource plans and job descriptions/KPIs and a systematic approach supported by stakeholder management systems and communications plans.

Stakeholders should be kept informed about decisions, actions, execution progress and lessons learned on matters impacting them.

Nature of engagement with Stakeholders

Engagement should be appropriate in context, for instance, if the enterprise's relationship with stakeholders is direct, the engagement strategies employed by the enterprise will include direct engagement with stakeholders to understand their views. If the enterprise's relationship is indirect (for instance as may be the case where a bank is lending to entities which in turn impact stakeholders), it is likely the enterprise will not engage with stakeholders directly, but in its due diligence look to ensure that the relevant entities have done so. Where it can be shown to be appropriate to do so and relevant in context, evidence-based proxies and information from reputable civil society agencies may also be used, however should not diminish stakeholder's rights, including for meaningful agency.

Additional sectoral due diligence (and follow up impact evaluations) may be appropriate in high-risk sectors (e.g., agri-business, apparel, housing or land acquisition related activities that may result in relocation or displacement), or when dealing with marginalized stakeholder groups (e.g., indigenous peoples). Consideration should also be given to issues of provenance e.g., with respect to indigenous land rights.

Assessing the impacts on different groups of Stakeholders separately is also important to ensure that the overarching objectives of the SDGs (to leave no one behind) are met – for example, benefits to stakeholders already above thresholds should not be at the expense of stakeholders currently experiencing outcomes below threshold levels. Care should be taken to recognize that under-represented stakeholder populations may not be aware of the negative impacts that business or other activities may have on their or others access to basic rights and services. However, this does not impede informing them and engaging them.

Examples of organizations acting on behalf of those impacted that call out negative impacts of organizations include Accountability Now, Corporate Responsibility Organization, Oxfam, among others.

The Enterprise should also consider how it corroborates information about stakeholders (e.g., by collecting and analyzing various perspectives from different stakeholders as well as through third party research or evidence – e.g., using data triangulation), and identifies and mitigates the risks associated with using information received from different stakeholder groups (e.g., reliability, bias, relevance to context).

Guidance Note 2.1.4

The Sustainable Development Goals (SDGs)

The 2030 Sustainable Development Agenda and SDGs call on all businesses to apply their creativity and innovation towards solving sustainable development challenges. This includes exploring different business models and new ways of working – including collaborating and partnering with a broader range of actors and constituents than in the past to achieve the SDGs, being more connected across the system, and looking for opportunities to target activities where sustainable development needs are greatest and aligned with in-country policy priorities.

Sustainability and achieving the SDGs is a shared accountability that requires all actors across the system to work together in realizing the SDGs. The SDGs help to break down silos between different actors and geographies – creating space and opportunities for new ways of working towards solutions around a common purpose and shared goals and targets (see also 1.1.7).

✓ **Develop capacity, integrate accountability, and align incentives with purpose and strategy (2.1.5)**

Guidance Note 2.1.5

Organizational culture and diversity

Respect for human rights, planetary boundaries and other responsible business practices and operating sustainably and contributing positively to achieving the SDGs should be embedded in organizational culture and "how we do things around here", and reinforced through business processes, systems, job descriptions, training, organizational and personal KPIs and internal controls. Particular care should be taken to ensure that what gets rewarded (financial and/or non-financial incentives) is consistent with the stated organizational purpose and values and commitment to respect human rights, planetary boundaries and other responsible business practices and impact goals – including holding people at all levels accountable for their actions. Goals, KPIs and incentive structures should be designed and implemented in a way that avoids unintended consequences (including by creating perverse incentives).

Diversity of thought and effective challenge in decision-making is sought out, valued, and celebrated in an open, curious, inclusive, culture (acknowledging that there are cultural variations in how this is achieved), contributing to break-through thinking and decision-making. Consequently, diversity should be evident across the enterprise, including in leadership roles – not only in terms of capabilities (including in sustainable development and impact management), but in terms of gender, minority representation and lived experiences, perspectives and thinking styles. A culture of continuous improvement and evidence-based learning should be evident from how the enterprise responds when outcomes are different to what is expected and how impact data is used systematically to monitor performance and identify opportunities for improvement.

Impact management capabilities

Internal sustainable development and impact management capabilities and capacity should be developed commensurate with the enterprise's size and complexity and in line with its commitment to embed sustainable development issues and impact management into organizational purpose, strategy, and business model. Some of these capabilities may include:

- Expertise in impact measurement and management, sustainability, international development, stakeholder engagement, systems thinking, theories of change, integrated thinking, change management, understanding of key sustainable development challenges and sectoral issues (including key SDG priorities in context)
- Diversity of lived experience, perspectives and thinking styles
- Expertise in dealing with impact data including how data can be manipulated, identifying key data elements that may be missing or unrealistic
- Ability to conduct high quality impact assessments and reviews, diagnose issues and opportunities, and integrate impact and financial analysis into decision making.

Where internal sustainable development and impact management expertise is supplemented with outside support, there is a baseline level of internal expertise to identify skill gaps, select third parties with appropriate skills and experience to fill those gaps and manage/oversee third party arrangements, key person risks and institutional knowledge transfer.