The Iran Business Responsibility (**IBR**) project encourages and guides companies to act responsibly when doing business in Iran

Briefing

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Special Issue: Responsible Exit

The quickly developing political landscape has important implications for foreign investment in Iran. Some companies will continue operations in Iran despite the return of US-imposed sanctions. For others, in particular small and medium-sized enterprises, Iran will continue to offer opportunities for new investment. Yet for many companies, the renewal of US-imposed sanctions means that they will exit the country. **This IBR Special Issue briefing highlights what international responsible business standards imply for exiting and provides suggestions based on company practice to address the challenges that exiting poses in Iran.**

CHALLENGES FOR A RESPONSIBLE EXIT FROM IRAN

Responsibly leaving any market can be complex, and companies may not be accustomed to identifying, mitigating or remediating the adverse impacts on people and the environment of their exit. The teams that are tasked with making the exit may not have expertise in social and environmental impacts or may not be empowered to account for those issues. **Pursuant to international standards on responsible business such as the OECD Guidelines for Multinational Enterprises, when a company leaves a market** (which can be effectuated by any number of methods such as selling shares in a project, simply shuttering operations or other) **they are responsible for the potential adverse impacts on people and the environment that can result.**

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Some of the major potential impacts on people and the environment to consider when leaving Iran include: (1) potential impacts on workers (directly and indirectly employed by the company); (2) potential impacts on other stakeholders, such as those that currently benefit from ancillary service provision (e.g. the provision of drinking water or health services); (3) potential environmental and social impacts related to handing over the project or business to companies with lower internal standards, know-how or capacity to manage social and environmental risks. Each company should do its own assessment of the potential or actual impacts of leaving, as these three areas may not cover all the risks posed and the specific impacts of every company's exit will vary.

1 Potential impacts on workers

When companies wind down or sell off assets, workers at all levels are impacted. They may lose their jobs or have their pay or other benefits cut. They can also see health and safety standards deteriorate under new company ownership. While international standards do not dictate that companies alone provide a social safety net for displaced workers, **they are expected to help workers mitigate the adverse impacts of job loss, with special attention to the most vulnerable workers, such as those employed in unskilled or low-skilled jobs.**

2 Potential impacts on other stakeholders

In many countries, including Iran, foreign investors may offer ancillary services to people that might have no connection to the project itself. For example, the company might provide access to potable water or electricity to communities located near a project site. In some geographies, health clinics or emergency services are run by companies where those services are lacking locally. Often companies will have philanthropic involvement in any number of social projects. International standards on responsible business do not expect companies to offer ancillary services to people unrelated to business impacts or to carry out philanthropic activities. **However, once companies embark on offering ancillary services, international standards expect them to mitigate and remediate any adverse impacts associated with their cessation.** Where exiting markets could mean loss of these critical services to people who have come to depend on the company, responsible handover of such services should be part of the exit plan.

3 Potential impacts associated with transfer of business or project

In Iran, as in other countries, local regulation may not be sufficient to guarantee projects are carried out in a manner that reflects international standards regarding respect for people and the environment (see IBR briefings #3 on occupational health and safety and #5 on environmental and social impact assessments). Responsible companies often make up for gaps in legislation with operational practices and internal codes of conduct that they pass on in contractual language with business partners or suppliers. Where they are operators of joint ventures they may also impose those standards for the project. Raising operating standards may also include the provision of training or capacity building for local business partners.

Where companies are actively raising operating standards in Iran, the handover of the business could threaten the continuation of such standards. This presents the risk of adverse impacts to people and the environment. One key element of a responsible exit strategy is effective support for the transfer and maintenance of enhanced social and environmental standards in future operations.

WHAT COMPANIES CAN DO

The core advice for companies is to **formulate a responsible exit strategy that incorporates assessing and mitigating any adverse impacts to people and the environment that may result.** Key actions in any responsible exit strategy should include:

Employing social and environmental expertise that can help identify the potential social and environmental impacts of leaving in the formulation of the exit strategy.

Ensuring timely disclosure and regular communication with relevant stakeholders. When the decision to leave has been made, companies should disclose the decision to all relevant stakeholders, including employees, suppliers, sub-contractors and impacted communities. Companies should also keep open a regular channel of communication to inform stakeholders of the implementation of the exit plan and address the concerns and expectations of stakeholders in relation to the exiting.

Providing support for impacted workers.
With respect to personnel that may lose their jobs following the exit, companies should at a minimum terminate employment contracts in line with what local law requires and mitigate the impact of severance. Company practice in this area has included:

> Extended severance payments;
> Provision of training and capacity building to help employees find jobs in other areas or start their own business;
> Creation of microcredit schemes to help mitigate the loss of employment;
> Integration of higher skilled employees from the country of exit into other parts of the company elsewhere.

Where personnel will be transferred to a new company taking over the business, companies have:

> Negotiated pay and benefits to ensure that the new employer maintains the same standards;
> Facilitated, through contractual requirements, the maintenance of the selling company's standards regarding health and safety and other areas of responsible business.

With respect to the personnel of subcontractors and suppliers, companies have:

> Negotiated agreements that require subcontractors and suppliers to terminate employment contracts in line with the relevant legal regime and the exiting company's internal code of conduct;
> Provided extended severance payments to the employees of subcontractors in the case of forced exit.

Taking steps to help prevent lowering of operating standards going forward.
When negotiating with a potential buyer or successor in the project or business, companies should ensure that adequate provisions are made to maintain operating standards to the highest possible level, in particular with respect to health and safety and environmental impacts. In cases where the acquiring company does not have the capacity to sustain the level of operating standards, exiting companies may consider providing training and capacity building, or other support, to help ensure standards are maintained.

Taking steps to ensure continuation of ancillary services. When communities are dependent on the company for the provision of ancillary services, companies can take steps to ensure the continuation of the services, either by negotiating with governments to take over the respective service or by putting measures in place that ensure the company or another designated entity continues to provide the service, at least until that service is ensured by the government or another private actor.

In Iran, responsible entry means planning for a responsible exit

Early planning can facilitate many of the mitigation steps outlined in this briefing. Indeed, responsible exit from any country (including Iran) will be easier, more efficient and secured if the company has created an exit strategy upon entry in which discussions with business partners, contracts and management plans have integrated basic contingency plans for eventual exit as well as agreed principles for what should happen in the case of an urgent exit from the market. Early planning may not resolve all issues, but it will go a long way toward facilitating the exit team's work.

In geographies like Iran, where there may be uncertainty regarding the company's ability to do business long-term in the market, planning for a responsible exit is part of a responsible entry into the market.

Responsible exit lays the ground for a successful return

A responsible exit will contribute to building trust with stakeholders and can therefore also facilitate future re-entry to the country.

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IBR is a nonprofit initiative that works with companies, governments and other stakeholders to foster responsible business practices that respect people and the environment, enhancing the benefits business can bring and reducing the risks for companies.

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