

Global Impact Investing Network  
One Battery Park Plaza  
Suite 202  
New York, NY 10004, USA

8 July 2021

**Re: Aligning IRIS+ with the United Nations Sustainable Development Goals (SDGs) requires specific governance metrics on institution level grievance redress mechanisms for project-affected people.**

To the Global Impact Investing Network:

We write to comment on the GIIN's draft [IRIS+ and the SDGs Fundamentals document](#). We fully agree that impact investing can play a significant role in setting the pace for achieving the 2030 SDGs, so long as impact investors are able to effectively manage the intended *and* unintended impacts of their operations and projects. However, the IRIS Catalog of Metrics is missing feedback from the most important stakeholders: investment-impacted communities. Communities living near and working at investment sites not only bear the most risk if an investment goes off-course but also are often the first to know. Hearing from communities helps investments meet their *intended* SDG impacts as well as mitigate negative *unintended* impacts.

Our experience at Accountability Counsel, a non-profit organization that amplifies the voices of people harmed by the adverse impacts of internationally financed projects, has illustrated that having effective accountability processes in place helps ensure that investments are more aligned with the SDGs.<sup>1</sup> By providing a process for direct community feedback related to on-the-ground impacts of investments, accountability mechanisms, often referred to as grievance redress mechanisms (GRMs), have proven to be effective tools for ensuring compliance with operational standards, as well as preventing, mitigating, and redressing unintended environmental and social impacts at odds with an institution's mission.

As explained below, the IRIS+ Core Metrics Sets and the IRIS Catalog of Metrics fall short of stakeholder engagement and governance expectations for investments aimed at furthering SDGs. We therefore urge the GIIN to: **(1) update the IRIS+/SDGs Fundamentals document so that it incorporates due consideration of impacts on local communities, ascertained through institutional GRMs; and (2) include effective GRMs in the IRIS Catalog of Metrics and related advice.**

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<sup>1</sup> Accountability Counsel has partnered with investment-impacted communities who bring complaints to grievance redress mechanisms. Two case examples that illustrate how hearing from communities through grievance mechanisms helped investors understand their net impacts and redesign their investments can be found [here](#) (for an investment in Mexico) and [here](#) (for an investment in Myanmar).

**I. It is well-established that furthering the SDGs requires hearing from investment-impacted communities.**

The [SDG Impact](#) initiative of the United Nations Development Programme (UNDP) has developed SDG Impact Standards for [private equity funds](#), [enterprises](#), and [bond issuers](#).<sup>2</sup> Those standards provide practical guidance for integrating SDG-aligned impact management into investment practices and decision-making. The SDG Impact Standards state that “effective grievance and reparation mechanisms for affected Stakeholders” are critical for good governance of impact investments. Stakeholders are defined by the [SDG Impact Glossary](#) as anyone who is “affected, intentionally or unintentionally, directly or indirectly, by an entity’s activities and decisions (noting that inaction is also a decision),” and specifically local communities and human-rights holders.

In developing its standards, the SDG Impact initiative recognized that hearing from communities through grievance mechanisms is crucial for investors to understand their *net* impact and not solely how close they come to their intended impact targets. The importance of having investor-level grievance mechanisms and reporting on their effectiveness is similarly reflected in Principle 5 of the International Finance Corporation’s [Operating Principles for Impact Management](#),<sup>3</sup> which calls on investors to monitor and manage potential negative impacts of each investment by using approaches aligned with “good international industry practice” such as developing effective grievance mechanisms per Principles 29 through 31 of the United Nations [Guiding Principles on Business and Human Rights](#).<sup>4</sup>

By adopting the [OECD-UNDP Impact Standards for Financing Sustainable Development](#),<sup>5</sup> the Organisation for Economic Co-operation and Development has recognized the importance of grievance mechanisms. The standards were designed to guide deploying resources through development finance institutions and private asset managers in a way that “maximises the positive contribution towards the SDGs.” To that end, they require that investors and enterprises adopt an impact management approach that integrates development impact, human rights safeguards, and the SDGs into the design and management of its operations, including by “ensur[ing] that an independent functioning grievance and reparation mechanism is in place.”

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<sup>2</sup> UNDP SDG Impact Standards, available at <https://sdgimpact.undp.org/practice-standards.html>.

<sup>3</sup> International Finance Corporation, INVESTING FOR IMPACT: Operating Principles for Impact Management (2019), available at <https://www.impactprinciples.org/>.

<sup>4</sup> UN Office of the High Commissioner for Human Rights, GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS: Implementing the United Nations “Protect, Respect, and Remedy” Framework (2011), available at <https://digitallibrary.un.org/record/720245?ln=en>.

<sup>5</sup> OECD-UNDP Impact Standards for Financing Sustainable Development (2021), available at <https://doi.org/10.1787/744f982e-en>.

**II. The IRIS+/SDGs Fundamentals document should be amended to better consider impacts of investments on communities.**

Globally, the draft IRIS+/SDGs Fundamentals document provides little instruction for investors as to where to look in the IRIS Catalog of Metrics for guidance on how they should assess impacts on community stakeholders, a central tenet to achieving the SDGs. Insofar as the draft IRIS+/SDGs Fundamentals document references that it is informed by the 2017 Global Reporting Initiative (GRI) and UN Compact publication, *Business Reporting on the SDGs: An Analysis of the Goals and Targets*,<sup>6</sup> we note the authors’ recommended actions to achieve [SDG target 10.3](#) (ensuring equal opportunity and reduce inequalities of outcome) that include:

*Keeping records of all grievances made regarding environment, human rights, and impacts on society and labor practice files, which are addressed and resolved through formal grievance mechanisms. Considering the quality of the grievance mechanism and demonstrating awareness of the effectiveness of such a process.*

Although the draft IRIS+/SDGs Fundamentals document states that the IRIS metrics related to clients, employees, distributors, and suppliers align with [SDG target 10.3](#), none of those metrics specifically include whether investor-level GRMs are available and effective for receiving and addressing concerns from investment-affected communities.

Similarly, the *Business Reporting on SDGs* publication recommends implementing community-accessible GRMs as a possible business action to achieve [SDG target 16.2](#) (ending abuse, exploitation, trafficking and all forms of violence against and torture of children); nonetheless, the IRIS+/SDG document acknowledges that no IRIS metrics directly align to the target. One way to bring the IRIS metrics into alignment is to measure whether investors have effective grievance mechanisms that can receive complaints about violence against children.

IRIS+ alignment with [SDG target 11.4](#) (strengthen efforts to protect and safeguard the world’s cultural and natural heritage) can also be improved. Presently, the draft IRIS+/SDGs document notes that there are no IRIS metrics relevant to the target, without clear guidance as to why not. Nonetheless, the *Business Reporting on SDGs* publication recommends that entities “be[] aware of their own impact on cultural and natural heritage” and assess whether their operational sites have mechanisms and regular monitoring to prevent any negative physical impact on the heritage assets. Again, this would require consideration of how investors interact and communicate with investment-affected community members who are in the best position to ascertain and help mitigate environmental and social risks.

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<sup>6</sup> Pietro Bertazzi, Bernhard Frey, Linda Midgley, et al., *BUSINESS REPORTING ON THE SDGs: An Analysis of the Goals and Targets* (Amsterdam and New York: Global Reporting Initiative and UN Global Compact, 2017).

We therefore urge the consideration of impacts to community stakeholders throughout the IRIS+/SDGs Fundamentals document. To do this effectively, we also recommend updates to the IRIS+ Core metrics.

**III. The GIIN should include effective grievance mechanisms in the IRIS+ Core Metrics and related advice.**

Revising the IRIS+/SDGs Fundamentals document presents an ideal opportunity to update the IRIS Catalog of Metrics so that they describe the necessary governance and accountability tools needed to deliver on the SDGs and impact goals more generally. We urge that the GIIN update specific metrics so that they include effective GRMs accessible to investment-impacted communities.

The GIIN may wish to reference the GRI’s [draft Universal Standards](#),<sup>7</sup> which integrate new disclosure criteria that recognizes the need to implement and report on effective investor-level GRMs for receiving and addressing community feedback. GRI’s fourth disclosure requirement on responsible business conduct (RBC-4) pertains exclusively to *grievance mechanisms and other remediation processes* and will require organizations to describe how they (a) identify and address grievances; (b) involve intended stakeholders in the design, review, operation, and improvement of GRMs and processes; and (c) track the effectiveness of the GRMs and other remediation processes.

A practical way to update the IRIS metrics to help investors track alignment with the governance aspects of the SDGs is to set forth an expectation for effective GRMs under the “stakeholder engagement” (OI7914) and “community engagement strategy” (OI2319). The updated metrics should clearly detail effectiveness criteria for GRMs, as articulated by Principle 31 of the UNGPs, *i.e.*, investors should be able to demonstrate that GRMs are: (1) legitimate; (2) accessible; (3) predictable; (4) equitable; (5) transparent; (6) rights-compatible; (7) a source of continuous learning; and (8) based on engagement and dialogue. We therefore recommend updating the metrics as follows:

Stakeholder Engagement (OI7914)

Describes the mechanisms in place to gather input from stakeholders on product/service design, development, and delivery, **including effective grievance redress mechanisms available to prevent, mitigate, and remedy harm throughout the lifecycle of an investment or project.**

Footnote

Organizations should note at what stages (*i.e.*, concept development, product design, *etc.*) stakeholders were engaged, how they were engaged, and whether they were compensated for

<sup>7</sup> Global Sustainability Standards Board, GRI UNIVERSAL STANDARDS: GRI 10, GRI 102, and GRI 103 -- Exposure Draft (11 June 2020), *available at* <https://www.globalreporting.org/standards/media/2605/universal-exposure-draft.pdf>.

their engagement. Additionally, when reporting on the effectiveness of available grievance redress mechanisms, organizations should state how they meet each of the eight effectiveness criteria outlined by Principle 31 of the UN Guiding Principles on Business and Human Rights (*i.e.*, legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue).

### Community Engagement Strategy (OI2319)

Indicates whether the organization implements a strategy to manage its interactions with local communities affected by its operations.

#### Footnote

Organizations should footnote the relevant details about their community engagement strategy, including existence of and reliance on effective grievance mechanisms to capture community concerns through the lifecycle of investments or projects, and how ~~it is~~ they are being implemented. See usage guidance for further information.

Correspondingly, the “usage guidance” for the metrics can be expanded to shed light on the expectation for and growing proliferation of stakeholder feedback tools and effective GRMs in the impact investing space. The World Economic Forum paper on “[Engaging all affected stakeholders into investments and activities of organizations](#),”<sup>8</sup> which already exists under the usage guidance for “Stakeholder Engagement” metric, could likewise be included under the “Community Engagement Strategy” metric as it discusses the importance of grievance mechanisms to identify and respond to concerns from community stakeholders. In addition, under each metric we recommend referencing the following resources:

- Principle 31 of the Guiding Principles on Business and Human Rights;
- Accountability Counsel’s “[Guide for Impact Investors](#),”<sup>9</sup> written to help define and explain the criteria for effective GRMs per the UNGPs.
- World Economic Forum/International Business Council [Stakeholder Capital Metrics](#).<sup>10</sup> Many metrics speak to the importance of hearing from community stakeholders. For example, a core metric covering Material Issues Impacting Stakeholders requires companies to identify issues that are important, relevant, or concerning to critical stakeholders. An expanded metric on Human Rights Review, Grievance Impact, and Modern Slavery calls for disclosures on the number and type of grievances reported with associated impacts related to salient human rights issues and detail the types of impacts.

<sup>8</sup> World Economic Forum, ENGAGING ALL AFFECTED STAKEHOLDERS: Guidance for Investors, Funders, and Organizations (2017), available at <https://impactmanagementproject.com/wp-content/uploads/Guidance-on-engaging-all-affected-stakeholders.pdf>.

<sup>9</sup> Accountability Counsel, ACCOUNTABILITY MECHANISMS: Benefits and Best Practices for Impact Investors (2019), available at <https://www.accountabilitycounsel.org/wp-content/uploads/2019/05/5-22-19-impact-investing-ams-benefits-w-best-practice-examples.pdf>.

<sup>10</sup> World Economic Forum, MEASURING STAKEHOLDER CAPITALISM: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation (2020), available at <https://www.weforum.org/stakeholdercapitalism>.

Another expanded metric related to Significant Indirect Economic Impacts sets an expectation for disclosures on positive and negative impacts from the perspective of stakeholder priorities, thus providing vital information to assess a company's net impact on community livelihoods and local economies and labor markets.

**IV. GIIN has an opportunity to make a shared grievance mechanism available to its members.**

With emerging human rights due diligence requirements and expectations set forth by numerous standards regimes for institutions to have GRMs, there is opportunity for the GIIN itself to provide an effective grievance mechanism that members can opt into for a fee.<sup>11</sup> Not all impact investors have the resources to create their own effective mechanism and would benefit from the services of a shared mechanism.

A network-wide mechanism need not be conceptualized from scratch, as effective models already exist in the development finance world.<sup>12</sup> For example, the [Independent Complaints Mechanism](#)<sup>13</sup> serves three different financial institutions from France, Germany, and the Netherlands. Each financial institution has agreed for the centralized Independent Complaints Mechanism to audit grievances received against its own safeguards policies.

**V. Conclusion**

Thank you for your consideration of these recommendations. Accountability Counsel is here as a resource and welcomes an opportunity for further discussion.

Sincerely,

A handwritten signature in black ink that reads "Margaux Day".

Margaux Day  
Policy Director  
[margaux@accountabilitycounsel.org](mailto:margaux@accountabilitycounsel.org)  
[accountabilitycounsel.org](http://accountabilitycounsel.org)

A handwritten signature in black ink that reads "Gregory Berry".

Gregory Berry  
Policy Associate  
[gregory@accountabilitycounsel.org](mailto:gregory@accountabilitycounsel.org)

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<sup>11</sup> For more information on Accountability Counsel's vision for an independent grievance redress forum serving a network of impact investors, please visit <https://www.accountabilitycounsel.org/institution/impact-investing/>.

<sup>12</sup> See, e.g., Independent Accountability Mechanisms Network, available at <http://independentaccountabilitymechanism.net/>.

<sup>13</sup> Independent Complaints Mechanism of FMO, DEG, and Proparco, available at <https://www.fmo.nl/independent-complaints-mechanism>.