

December 21, 2021

The following comments were submitted by Accountability Counsel to contribute to a [draft discussion document and prototype set of metrics](#) by Impact Management Project, Impact Frontiers, and the Predistribution Initiative to help investors measure and manage their positive and negative investor contributions.

SURVEY QUESTIONS:

1. What changes would you suggest to the metrics already in the document?

As a non-profit organization focused on building direct lines of communication between investors and communities affected by investments, Accountability Counsel commends the inclusion of metrics related to grievance redress in the draft Negative Investor Contribution discussion document developed by Impact Management Project and The Predistribution Initiative. In IMP’s January 2019 Investor Contribution discussion document, it was noted that “Some [investors] pointed to the efforts of Accountability Counsel to establish community feedback mechanisms to ensure that those who have been harmed or fear harm from an investment have a predictable way to be heard and seek remedy, as a necessary complement to enhanced efforts to measure and manage positive impacts.” This statement still holds true, and several impact measurement and reporting standards have since expanded on the need for metrics on institutional grievance and remediation mechanisms, including the UNDP SDG Impact Standards for Private Equity Funds, Bond Issuers, and Enterprises, the UNDP-OECD Impact Standards for Financing Sustainable Development, the World Economic Forum Stakeholder Capitalism Metrics, and the Global Reporting Initiative Universal Standards concerning responsible business conduct. In reflection of the requirements of those standards, we write to encourage consideration of grievance redress as a metric not only for assessing support of stakeholder engagement, but also for demonstrating good governance and accountability for impact.

First, we recommend adding a topic category called “Governance and Accountability” to allow reflection of negative investor contribution from a principled root cause perspective. Notably, both the IFC’s Operating Principles for Impact Management and the UNDP SDG Impact Standards require investors to evaluate their institutional governance and accountability, including whether effective grievance mechanisms are in place to prevent, mitigate, and remedy unintended harm. Metrics specific to the institutional mechanisms in place to monitor, measure, and manage impact would provide insight into whether negative investor contributions could be better prevented.

Second, we recommend tying the metric concerning the “existence and characteristics of grievance mechanisms at the fund manager and corporate levels” explicitly to the topic of governance and accountability, and not merely as a tool for stakeholder engagement. In our experience working with communities to communicate concerns about internationally financed projects, effective grievance redress mechanisms are an essential impact

management tool that can help remedy adverse impacts that result from inadequate stakeholder engagement. Providing stakeholders with a way to engage directly with investors is only half the function of grievance redress mechanisms; the other half is providing tools to remediate harm, manage risks, and bolster the sustainability of an investment project. Accordingly, metrics on grievance redress should be considered more globally in the context of accountability and governance, and not narrowly in the context of stakeholder engagement.

Third, we recommend including the word “effective” before “grievance mechanisms” to reflect the universal criteria of the UN Guiding Principles on Business and Human Rights (UNGPs), recognized as a global standard for preventing and addressing adverse human rights impacts by the IFC Operating Principles for Impact Management, the UNDP SDG Impact Standards, and the Impact Toolkit of the Global Impact Investing Network (GIIN). According to Principle 31 of the UNGPs, grievance mechanisms are “effective” when they 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. Metrics covering the effectiveness of grievance redress mechanisms, and not merely their “existence and characteristics,” would provide needed guidance for investors to evaluate whether grievance redress mechanisms are fit for purpose and helpful to impact management. Updating the metric to allow for focused consideration of effectiveness would also harmonize well with the Global Reporting Initiative’s updated Universal Standards, which require general reporting on the availability of grievance redress processes as well as specific reporting on the effectiveness of grievance mechanisms to reflect organizational capacity to manage impact.

We suggest the following language:

Topic: Governance and Accountability

Practices: Systems, policies, and tools in place to optimize intended impact, minimize unintended impact, and manage risks.

Metrics: The existence and effectiveness of grievance mechanisms at the fund manager and corporate levels as according to each of the effectiveness criteria outlined under Principle 31 of the UN Guiding Principles on Business and Human Rights. Stakeholder engagement and feedback in the design and operation of accountability mechanisms. Other means used to measure and/or remediate unintended impacts.

2. What additional metrics would you suggest?

First, we recommend including metrics on the use and outcomes of grievance redress processes underneath the topic of “Signal that Impact Matters.” To the extent that the metric encourages appropriate transparency about negative and positive impacts, we urge reporting on quantitative information such as (a) the number and types of grievances filed during the reporting period, (b) the number of repeated or recurring grievances, (c) the percentage of grievances addressed and resolved through remediation, and (d) the percentage of grievances

addressed and resolved through a compliance review, as well as qualitative information such as (a) the issues raised by grievances, (b) the projects of concern, and (c) the time dedicated to resolving issues. By providing investors with an opportunity to tell the story of how they have addressed development shortcomings in practice, the metrics would promote beneficial institutional reflection on organizational sustainability commitments and impact performance.

We suggest the following language:

Topic: Signal that Impact Matters

Practices: Providing appropriate transparency to stakeholders about the negative and positive impacts of the enterprises in which you invest, and encouraging enterprises to provide similar transparency.

Metrics: The number and types of grievances filed during the reporting period; the nature of complaints and the projects of concern; and the amount/percentage of grievances addressed with actual outcomes or remedies; the time dedicated to resolving issues.

Second, specific to the criteria of accessibility and rights-compatibility for effective grievance mechanisms, we recommend metrics covering the existence of policies that protect complainants and whistleblowers so that they may safely raise concerns about risks and adverse impacts. Reporting on anti-retaliation policies and practices would provide good insight into whether investors have appropriate governance tools to encourage a culture focused on reducing and remedying negative investor contribution.

We suggest the following language:

Topic: Governance and Accountability (if this is new topic is not added, use Stakeholder Engagement)

Practices: Systems, policies, and tools in place to optimize intended impact, minimize unintended impact, and manage risks.

Metrics: The existence and implementation of anti-retaliation and whistleblower protection policies to encourage reporting on concerns, risks, and negative impacts.

3. Please provide any other feedback on the document or suggestions for future efforts:

Thank you for considering our recommendations concerning more nuanced consideration of metrics on grievance redress and promoting an institutional culture supportive of raising and responding to risks and negative impacts. We would be happy to serve as a resource should you have any follow-up questions on structuring more targeted metrics around grievance redress and remedy.