GRI Sector Standard Project for Financial Services Exposure drafts public comment questionnaires

COMPLETE

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Page 1: Respondent details

Q1

Please confirm whether you agree to have your name (for individual submissions) or your organization's name (for organizational submissions), country, and stakeholder constituency published with your comments on the GRI website. If you do not agree, your comments will not expressly be considered by the GSSB.

Agree

Q2

Please confirm whether you agree to GRI contacting you to clarify your responses and/or to follow-up on comments submitted through this survey.

Agree

Q3

First name

Gregory

Q4

Last name

Berry

Q5

Are you responding on behalf of an organization?

Yes

Q6

Organization name

Accountability Counsel

Q7

Email address

. gregory@accountabilitycounsel.org

Q8

Country(Please indicate the country you/your organization represents)

United States

Q9

Constituency(Note that if this submission is on behalf of an organization, the name of the organization will be published, and not the name of the individual person making this submission)

Non-governmental organization

Page 2

Q10

Do you want to provide feedback to the Banking exposure draft?The Sector Standard for banking will apply to organizations undertaking any of the following:• Consumer banking• Commercial banking• Corporate banking• Investment banking

Yes

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Q13

Q1. For this Standard, is the sector’s scope clear and practical?

Yes

Q14

Are there any other activities or types of organizations that should fall within the scope of this Standard? Please suggest what could be improved.

Respondent skipped this question

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Q15

Q2. Do you agree with the inclusion of investment activities in the Banking Sector Standard?

Yes

Q16

If not, please explain.

Respondent skipped this question

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Q17

Q3.a. Is this section clear?

Yes

Q18

If not, please explain what could be revised and how.

Respondent skipped this question

Q19

Q3.b. Do you agree with the placement of this section before the likely material topics in the Standard?

Yes

Q20

If not, please explain what could be revised and how.

Respondent skipped this question

Q21

Q3.c. Is the information requested in Disclosures XX.0.1 – XX.0.10 meaningful in understanding how banking organizations incorporate sustainability and assess and manage impacts related to their customers and investees?

Yes

Q22

If not, please explain why and what could be improved.

The information requested by Disclosures XX.0.1-XX.10 is meaningful to understand how actors in the banking sector assess and manage impacts related to their customers and investees. We fully support disclosures XX.0.4, XX.0.6, XX.0.7 and XX.0.8 particularly, as they stand to provide important contextual information to complement reporting under Disclosure 3-1 of GRI 3: Material Topics (2021), which instructs all organizations to, among other things, describe how they identify actual and potential negative human rights impacts.

XX.0.4 would provide banks the opportunity to describe what environmental and social safeguards are applied as minimum standards in their contracts; under XX.0.6 financial sector actors will be able to describe the policies and processes they follow to assure that environmental and social impacts are abided; and XX.0.7-8 will offer insight into how those policies and processes are undertaken and enforced. Together, these disclosures will help to develop standards of good and best practice in investor stewardship.

Recognizing that many financial sector actors have yet to develop formal grievance mechanisms for environmental and social impacts, these disclosures complement GRI's Universal Standards on grievance and remediation mechanisms by asking financial institutions to reflect on how they encourage positive human rights impacts and facilitate remedy for unintended harm.

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Q23

Q4. Do the topics included in the exposure draft represent the banking sector's most significant impacts and are therefore likely to be material for most organizations in the sector to report?

Yes

Q24

If not, please explain which topics should not be listed as likely material for the sector or which topics or significant impacts are missing.

The topics included in the exposure draft represent areas of most significant impact for the banking sector and are likely to be material for most organizations' reporting. The material topics on biodiversity, climate change, local communities and rights of Indigenous Peoples, forced labor, and child labor are especially important as these are areas where banking sector operations can have significant risk of adverse impacts harmful to local communities and the environment, and presenting sustainability risks to banks and their stakeholders.

Our research on the complaints filed to the independent accountability mechanisms (IAMs) of development finance institutions has revealed that the financial intermediary (FI) clients of development banks consistently fall short of transparent engagement with rightsholders, which can hinder accountability for environmental and social safeguards.

Transparency challenges, often combined with complex corporate structures, financial transactions, and bank secrecy laws, create challenges for local communities trying to track who is ultimately responsible for harmful projects, what protections they are entitled to, and how they can seek remedy. As a result, a relatively small number of complaints to IAMs specifically implicate FI institutions in adverse environmental, social, and human rights impacts. Nonetheless, data demonstrates that complaints implicating financial intermediary sub-projects tend to produce a dispute resolution agreement or a publicly disclosed compliance report finding non-compliance. Issues raised by FI-related complaints often relate to loss of livelihood and physical and/or economic displacement.

See, Lama Almoayed, Out of Sight, Out of Mind: How Financial Intermediaries Obscure Accountability for Community Harm, Accountability Console Newsletter (May 2023), available at https://accountabilityconsole.com/newsletter/articles/out-of-sight-out-of-mind-how-financial-intermediaries-obscure-accountability-for-community-harm/.

See also, UN OHCHR, Remedy in Development Finance: Guidance and Practice report, p. 15 (2022).

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Q25

Q5.a. Are the disclosures listed in this exposure draft (the recommendations and disclosures in the reporting sections) relevant for most banking organizations to report?

Yes

Q26

If not, which disclosure(s) are not relevant and why? (Please include the number of the disclosure in your response)

Respondent skipped this question

Q27

Q5.b. Are the included additional sector recommendations and disclosures understandable?

Yes

Q28

If not, please identify which recommendations or disclosures are difficult to understand and what could be improved and include the number of the disclosure in your response.

Respondent skipped this question

Q29

Q5.c. Can the additional sector recommendations and disclosures be reported?

Yes

Q30

If not, specify which ones and why, considering data availability, capacity, digital tools, regulations, or confidentiality (Please include the number of the disclosure in your response).

The additional sector recommendations and disclosures can be reported and similar disclosures are already made on issues like greenhouse gas emissions by many banking and other business institutions.

The creation and maintenance of grievance redress mechanisms (GRMs) can further inform disclosures by connecting banking organizations directly with the communities on-the-ground. While many financial sector actors have yet to develop publicly accessible mechanisms to connect directly with the downstream impacts of finance, regulatory reporting requirements such as under the European Union's Sustainable Finance Disclosure Regulation, enables financial market participants to receive information on principal adverse impacts.

Banks that embrace GRMs are able to gather up-to-date information about existing and potential adverse impacts, even those not anticipated as material. Banks that exercise diligence in reviewing regulatory reporting are able to better understand environmental/social risk factors and the effectiveness of the banking organization's policies. Institutional learning from the management of community complaints can also inform disclosures by providing an opportunity to explain how and why policy has changed in response to due diligence shortcomings. Leveraging GRM data to inform reporting will improve accountability for downstream environmental and social impacts and help financial sector actors build and compete on a reputation of trustworthiness.

Q31

Q5.d. Is it clear whether the disclosures listed in this exposure draft (the recommendations and disclosures in the reporting sections) apply to a banking organization's activities, its business relationships, or both?

Yes

Q32

If not, please explain and include the number of the disclosure in your response.

Respondent skipped this question

Q33

Q5.e. Are there any significant impacts on the economy, environment, or people that are not reflected in the reporting of this exposure draft but are relevant for most organizations in the sector?

Respondent skipped this question

Q34

If so, please explain what should be included and why.

Respondent skipped this question

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Q35

Q6.a. Are the disclosures listed in this exposure draft (the recommendations and disclosures in the reporting sections) critical and useful for information users to understand an organization's impacts related to each topic?

Yes

Q36

If not, please explain what could be improved (Please include the number of the disclosure in your response).

Respondent skipped this question

Q37

Q6.b. Are there impacts currently not (sufficiently) covered by the disclosures in this exposure draft that you would expect to see reported by banking organizations?

No

Q38

If so, please explain what should be included and why.

Respondent skipped this question

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Q39

Q7.a. Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on banking organizations' approach to climate change?

Yes

Q40

Is there anything missing? Please explain what could be revised and how and include the number of the disclosure in your response.

Respondent skipped this question

Respondent skipped this question

Q41

Q7.b. Does the proposed reporting meet transparency expectations for the sector regarding climate change?

Yes

Q42

If not, are there any gaps or additional information that should be included?

Whether the recommendations and disclosures generate critical information on a banking organizations' approach to climate and their management of related impacts depends on (a) whom that information is generated for and (b) how it is generated.

While it is likely useful for shareholders in making investment decisions, there is limited use for the information if it is not publicly available. Transparency of information generated allows for communities and civil society to better understand and proactively address adverse impacts from bank financed projects and to hold banking institutions accountable to their environmental commitments. Also, the availability of such information can allow potential customers to make informed decisions and banks to better align themselves with good practice and to share institutional learning. Disclosure can be a reputation and trust building exercise for banking institutions with both their clients and affected communities. Although some information may need to be kept confidential, there is precedent for such public disclosures, especially in environmental reporting. For example, GHG emissions reporting is a commonly required public disclosure for international frameworks like the Equator Principles. We urge clear guidance that preferences public reporting.

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Q43

Q8.a. Are the disclosures listed (the recommendations and disclosures in the reporting section) likely to generate critical information on banking organizations' approach to biodiversity and how they manage related impacts?

Yes

Q44

Is there anything missing? Please explain what could be revised and how and include the number of the disclosure in your response.

Respondent skipped this question

Q45

Q8.b. Does the proposed reporting meet transparency expectations for the sector regarding biodiversity?

Yes

Q46

If not, are there any gaps or additional information that should be included?

We urge clear guidance that preferences public reporting.

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Q55

Q11.a. Is the content of this topic clear? Are there impacts missing from the description? If so, please explain what could be revised and how.

The content of the Local Communities and rights of Indigenous Peoples topic generally covers important potential impacts, however, in comparison to other topics, the explanation of the origins of the law and associated requirements and expectations is much more limited. For example, while the Biodiversity topic discusses the Kumming-Montreal Global Biodiversity Framework as a both a key path for organizations to follow to achieve biodiversity targets as well as a source of expectations, the Local Communities and rights of Indigenous Peoples topic does not address any of the treaties or frameworks which establish key concepts like Free Prior and Informed Consent (FPIC). None of the international law instruments key to outlining the rights of indigenous people are explicitly mentioned, namely the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), Convention on Biological Diversity, and the International Labor Organization Convention 169 which all support and inform key international standards like FPIC. Additionally treaties and international conventions like the International Covenant on Civil and Political Rights (ICCPR) and International Covenant on Economic, Social, and Cultural Rights (ICESCR) further enshrine legally binding protections of Indigenous Peoples. Recognizing the sources of the expectations and responsibilities outlined in this section is important to ensuring they are taken as seriously as possible. Additional details on where the rights of Indigenous Peoples come from and their status as international laws and standards can also aid and further inform banking organizations to better comply with these frameworks and utilize them to improve their own practices.

Additionally, recommendations on reporting and disclosures should emphasize the importance of grievance redress mechanisms (GRMs). Given the high risk in development activities of negative impacts on local communities and indigenous peoples, GRMs are especially important to ensuring the protection of rights such as FPIC and the management of impacts. In addition to allowing affected communities an opportunity to report problems and concerns, GRMs can also generate critical information on the effectiveness of banking organizations' and their clients' approach to and management of environmental and social issues. By providing a channel of communication directly to affected communities, GRMs offer an additional source of up-to-date on-the-ground information and opportunities for institutional learning. GRMs with investigative functions may be able to conduct site visits, community consultations and additional stakeholder outreach, offering further opportunities for data collection, informing banking organizations about a project's comprehensive social and environmental impacts. This allows banking organizations to more effectively assess the quality of both their own safeguards and stakeholder engagement activities, as well as those of its customers and investees. As the risks assess the quality of both their own safeguards and stakeholder engagement activities, as well as those of its customers and investees. As the risks of negative impacts, including retaliation, are especially high for indigenous peoples, an emphasis on GRMs in the recommendations for this section is especially important for ensuring proactive management of impacts, protection of rights, institutional learning, and sufficient information for reporting and disclosures.

Q56

Q11.b. Additional sector recommendation XX.8.1 suggests organizations describe their approach to managing impacts from customers and investees on local communities and rights of Indigenous Peoples, including quality assessments of customers and investees' stakeholder engagements, safeguarding human rights defenders, and direct engagement with affected stakeholders.This additional sector recommendation is currently included for the topic of local communities and rights of Indigenous Peoples. Should it also be included for other human rights topics? If so, which topics?

Yes, the additional sector recommendation XX.8.1 on managing impacts from customers and investees should be included in the topic areas of biodiversity, labor, child labor, forced labor, conflict affected areas, and freedom of association. All of these topic areas are likely to be directly or indirectly affected by or connected to the activities of customers and investees, meaning that assessment and management of impacts is important. The approach of the organization to managing impacts in these areas, including quality assessments of customers and investees' stakeholder engagements, safeguarding human rights defenders, and direct engagement with affected stakeholders, is important to determining whether or not adverse impacts have occurred or have risk of occurring, as well as addressing issues of remedy and risk of retaliation. Investors have a duty to understand the contexts in which they are investing and to appropriately make decisions about investments given those contexts and the potential for adverse impacts. Biodiversity, labor, child labor, forced labor, conflict areas, and freedom of association are all contexts which come with different human rights and environmental risks that cannot be appropriately addressed without knowledge of both the specific circumstances and the approaches being taken by customers and investees to reduce risk and avoid adverse impacts.

All of these topic areas should also include recommendations for the creation and operation of grievance redress mechanisms (GRMs). GRMs are key to identifying, preventing, and mitigating adverse impacts and are an important channel of communication and information gathering about issues relating to all of these topic areas. GRMs offer banking institutions an additional avenue for understanding how their customers and investees are impacting human rights and environmental issues with their operations.

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Q71

Would you like to provide feedback to the capital markets questionnaire?The Sector Standard for capital markets will apply to organizations undertaking any of the following:• Asset ownership• Asset management• Wealth management• Custodian activities• Investment advisory

Yes

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Q114

Q9.a. Is the content of this topic clear? Are there impacts missing from the description? If so, please explain what could be revised and how.

Yes, the content of the topic is clear. To add additional support justifying coverage of this topic, we refer you to the Impact Performance Reporting Norms for Investors in Private Markets, developed by the Impact Frontiers initiative to establish shared expectations for the reporting of impact results by asset managers in private markets (see https://impactfrontiers.org/work/impact-performance-reporting).

The reporting norms for impact management include describing how stakeholders, and the outcomes and impacts significant to stakeholders, are identified by the entity and/or by individual investees or assets. Sections 2.2 and 4.1 of the norms recognize that reporting on the governance of environmental and social impacts shold include fund- or organizational-level grievance mechanisms, complaints registries, and other accountability mechanisms that allow stakeholders to communicate concerns and seek redress for adverse impacts.

Q115

Q9.b. Additional sector recommendation XX.8.1 suggests organizations describe their approach to managing impacts from investees on local communities and rights of Indigenous Peoples, including quality assessments of investees' stakeholder engagements, safeguarding human rights defenders, and direct engagement with affected stakeholders.This additional sector recommendation is currently included for the topic of local communities and rights of Indigenous Peoples. Should it also be included for other human rights topics? If so, which topics?

Yes, the additional sector recommendation XX.8.1 on managing impacts from customers and investees should be included in the topic areas of biodiversity, labor, child labor, forced labor, conflict affected areas, and freedom of association. All of these topic areas are likely to be directly or indirectly affected by or connected to the activities of customers and investees, meaning that assessment and management of impacts is important. The approach of the organization to managing impacts in these areas, including quality assessments of customers and investees' stakeholder engagements, safeguarding human rights defenders, and direct engagement with affected stakeholders, is important to determining whether or not adverse impacts have occurred or have risk of occurring, as well as addressing issues of remedy and risk of retaliation. Investors have a duty to understand the contexts in which they are investing and to appropriately make decisions about investments given those contexts and the potential for adverse impacts. Biodiversity, labor, child labor, forced labor, conflict areas, and freedom of association are all contexts which come with different human rights and environmental risks that cannot be appropriately addressed without knowledge of both the specific circumstances and the approaches being taken by customers and investees to reduce risk and avoid adverse impacts.

All of these topic areas should also include recommendations for the creation and operation of grievance redress mechanisms (GRMs). GRMs are key to identifying, preventing, and mitigating adverse impacts and are an important channel of communication and information gathering about issues relating to all of these topic areas. GRMs offer banking institutions an additional avenue for understanding how their customers and investees are impacting human rights and environmental issues with their operations.

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Q132

Would you like to provide feedback to the insurance questionnaire?The Sector Standard for insurance will apply to organizations undertaking any of the following:• Life insurance • Non-life insurance • Reinsurance • Insurance intermediation, for example, by agents and brokers

No

Page 15: Thank you for taking part in this survey.

Q199

By submitting this survey, you agree to the GRI Privacy Policy

Yes