

Finnfund

Human Rights Benchmarking and Gap Analysis: Summary

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INTRODUCTION

In 2019, Finnfund (the Finnish Fund for Industrial Cooperation) published a [Human Rights Statement](#) on its commitment to respect human rights and develop relevant human rights due diligence (**HRDD**) processes and tools. In 2021, Finnfund commissioned [Pillar Two](#) to undertake a review of Finnfund's Human Rights Statement and its implementation to date. Pillar Two is a boutique business and human rights advisory firm that specialises in supporting business and other organisations to respect human rights using a principled, integrated and practical approach.

This review is part of Finnfund's ongoing process of implementation and evaluation of its human rights policies and management systems (HRDD). The review consisted of two parts:

1. A **benchmarking exercise**, in which we compared Finnfund's human rights risk and impact management policies and processes to those of three development finance institutions and two private banks, based on publicly available documents.
2. A **gap analysis report** which built on the benchmarking, based on internal documents and interviews with seven internal stakeholders and six external stakeholder organisations. The report describes the human rights policies, processes and reporting Finnfund has already implemented, identifies gaps with relevant international business and human rights standards, and provides recommendations to address the identified gaps.

We conducted both the benchmarking and the gap analysis against criteria derived primarily from the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#) and the [Human Rights Based Approach in Finland's Development Cooperation \(HRBA\)](#). Where relevant, we also considered the [OECD Guidelines for Multinational Enterprises](#), the [Equator Principles](#), and the [IFC Performance Standards](#).

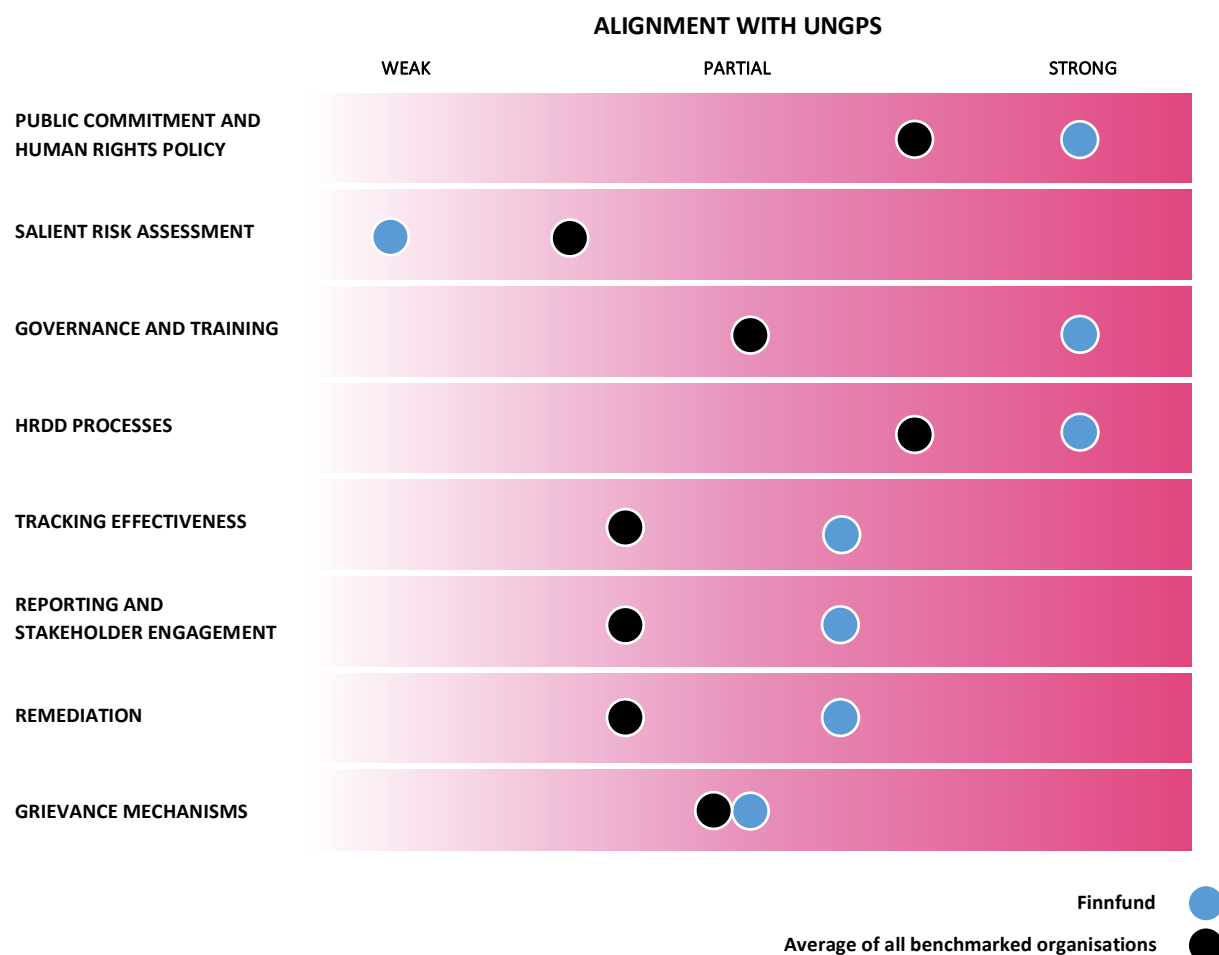
The review focused on Finnfund's policies and systems for human rights due diligence and remediation, and how well they have been implemented, as evidenced by public and internal documentation and interviews. The review did not investigate actual or potential human rights impacts in which Finnfund could be involved through its operations or lending activities.

This document provides a summary of:

- The benchmarking results;
- Feedback from external stakeholders; and
- Priority recommendations from the gap analysis.

SUMMARY OF BENCHMARKING RESULTS

Based on publicly available information, we benchmarked Finnfund against three other development finance institutions and two private banks to explore how well it performs against organisations that engage in similar lending activities, and therefore face similar human rights risks and challenges. Benchmarked organisations were selected based on relatability to Finnfund’s activities and purpose and how much information they had publicly available.



PUBLIC COMMITMENT AND HUMAN RIGHTS POLICY

In the benchmarking, the different organisations generally performed well on this aspect, but Finnfund was among the best-performing organisations. Finnfund’s Human Rights Statement 2019 shows strong alignment with the UNGPs by making a clear commitment to respect human rights in the context of its investment activities, referencing key international standards, and describing all key elements of human rights due diligence.

SALIENT HUMAN RIGHTS RISK ASSESSMENT

Only one third of benchmarked organisations had conducted a salient human rights risk assessment, and Finnfund was not among them. This is an important area of improvement for Finnfund.

GOVERNANCE AND TRAINING

Performance on this aspect varied widely between benchmarked organisations, from quite strong to quite poor. Finnfund performed better than most other benchmarked organisations. It appears to be well-aligned with the UNGPs and other standards by having a core Environment & Social (E&S) team that is dedicated to human rights management, while also embedding auxiliary human rights responsibility throughout the organisation. Finnfund takes an active approach to staff training on human rights awareness and skills, particularly within the E&S team.

HRDD PROCESSES

All benchmarked organisations had a reasonably developed HRDD system including most of the core elements set out in the UNGPs. However, most could still be improved considerably. Finnfund performed better than similar organisations on this aspect, but again with some areas for improvement. Its process is generally well-aligned with the UNGPs in terms of identifying impacts and integrating these findings into management plans for investee companies. However, many of the more granular policies and tools required to fully implement the process have not been finalised (though many are under development).

GRIEVANCE MECHANISMS

The benchmarking showed a varied field in terms of the scope and quality of grievance mechanisms. Finnfund's complaints and whistleblowing mechanism fell somewhere in the middle, with some good foundations, but also opportunities to improve. Finnfund provides a 'Complaints and whistleblowing' function on its website that is not limited in terms of who can make a complaint, or the subject matter. However, this mechanism appears to fall short of an effective grievance mechanism according to the Effectiveness Criteria for Non-judicial Grievance Mechanisms set out in Principle 31 of the UNGPs. Finnfund requires its investee companies to have their own project-level grievance mechanisms, but it does not have clear visibility over these mechanisms or processes to track their effectiveness.

TRACKING EFFECTIVENESS

Performance across the board was fairly low on this aspect. Finnfund performed somewhat better than its peers. However, other than tracking the implementation of Environmental and Social Action Plans for its investee companies, Finnfund does not have specific human rights KPIs, either for itself or for its investees.

REPORTING AND ENGAGEMENT WITH STAKEHOLDERS AND RIGHTSHOLDERS

With regard to reporting, Finnfund reports on some human rights aspects in its Annual Review and describes a number of its human rights processes on its website. However, this information could be expanded and clarified in line with the UN Guiding Principles Reporting Framework. With respect to engagement with stakeholders and rightsholders, the overall performance of benchmarked organisations was quite low. Finnfund performed somewhat better than others, particularly with respect to stakeholders: Finnfund is held in high regard among external stakeholders for its commitment to engaging in dialogue and seeking feedback on the development of its human rights processes and policies. Finnfund performed less well with regard to engagement with rightsholders, which was similar to other benchmarked organisations. Finnfund does not typically consult directly with rightsholders at the level of projects, though this may happen on an ad hoc basis.

REMEDATION PROCESSES

The overall performance of the cohort was fairly low and Finnfund performed somewhat better than others. Finnfund's Human Rights Statement makes a commitment to cooperate in providing a remedy for adverse human rights impacts that occur in relation to the activities of investee companies, which is partially consistent with the UNGPs. The commitment does not clearly extend to providing or cooperating in remedies if Finnfund itself has caused or contributed to harm. The Statement strongly emphasizes Finnfund's distance from potential impacts as a lender, which was common among the other organisations benchmarked.

SUMMARY OF FEEDBACK FROM EXTERNAL STAKEHOLDERS

For the gap analysis, we interviewed representatives of four Finnish and two global civil society organisations. Their key comments were as follows:

- Several external stakeholders commented that Finnfund has made an impressive transition in its human rights practices over the past decade, and particularly the last few years. While previously Finnfund was not seen as a leader on human rights, with limited awareness of the UNGPs or other relevant best practice, today several stakeholders commended Finnfund for its high level of improvement, expertise (in particular in the E&S team), and interest in collaborating to continuously improve its practices.
- External stakeholders expressed an interest in working more with Finnfund, both with offers to provide input on new tools and processes, as well as seeking to learn from Finnfund's work to implement the UNGPs. This is

reflected in our recommendations to explore leading and participating in more peer-learning forums to share lessons while also continuing to seek feedback.

- Stakeholders indicated that Finnfund is seen as an emerging leader in the field of development finance, and in the business and human rights space in Finland generally. However, that opinion came with a clear caveat that Finnfund must continue working to address remaining gaps.
- Stakeholders identified Finnfund’s external complaints and whistleblowing mechanism as well as greater transparency on funding sources and investment decisions as areas where further work is needed to ensure that Finnfund can maintain its increasingly positive reputation.

SUMMARY OF ALIGNMENT WITH THE UNGPs AND PRIORITY RECOMMENDATIONS

The table presents our priority recommendations from the Gap Analysis – those that we considered were the most important to bring Finnfund more fully in line with the UNGPs and other relevant standards. We provided a more comprehensive set of recommendations for Finnfund’s consideration in a separate report.

The Gap Analysis was based on interviews with Finnfund staff and external stakeholders, and a review of internal documents. As a result, the ratings for each category differ slightly to those in the Benchmarking. This is because the ratings in the Benchmarking reflect how Finnfund performed compared to its peers, while the Gap Analysis (and the ratings below) are intended to highlight areas that Finnfund should prioritise for further improvement.

Area	Current UNGP alignment	Recommended priority actions
Policy commitment	STRONG (with improvement opportunities)	<ul style="list-style-type: none"> • Review Human Rights Statement • Consolidate human rights commitment and information on website
Governance, awareness and training	STRONG (with improvement opportunities)	<ul style="list-style-type: none"> • Further develop cooperation and communication between E&S and other teams • Review how human rights issues are incorporated into the processes and manuals of different teams to identify gaps or inconsistencies • Develop and implement a cross-functional process for the escalation of human rights issues across the organisation as appropriate • Conduct additional targeted human rights training and workshops on key challenges including with senior leadership • Conduct a training needs assessment across the organisation and develop a plan for meeting these needs
Assessing and addressing risks (HRDD)	PARTIAL (some gaps)	<ul style="list-style-type: none"> • Review and prioritise the completion of key human rights tools, processes, and guidance documents • Continue to progress work on identifying approaches to systematically build leverage for human rights management into every investment relationship • Conduct sector-based analyses of salient human rights risks
Tracking effectiveness	PARTIAL (significant gaps)	<ul style="list-style-type: none"> • Consider what indicators, criteria and processes would be suitable to measure the effectiveness and implementation of Finnfund's human rights policies and processes
Reporting and communication	PARTIAL (some gaps)	<ul style="list-style-type: none"> • Improve reporting and public communication in line with UN Guiding Principles Reporting Framework
Remediation and grievance mechanisms	PARTIAL (significant gaps)	<ul style="list-style-type: none"> • Review the complaints and whistleblowing mechanism against the UNGPs Effectiveness Criteria and take measures to strengthen the existing mechanism or set up a dedicated alternative mechanism
Engagement with stakeholders and rightsholders	PARTIAL (some gaps)	<ul style="list-style-type: none"> • Clarify and formalise the requirement that investee companies implement meaningful rightsholder and stakeholder engagement, and report on this engagement • Provide additional guidance and training to investees on rightsholder and stakeholder engagement