

**Questionnaire: The State as an Economic Actor, Promoting Corporate Respect for  
Human Rights through Trade and Investment Promotion**

**Official reply by the Government of Finland**

**15.3.2018**

**1. *Policy commitment by ministries that address cross-border trade and investment promotion to address human rights as part of their activities***

Based on the Human Rights Strategy of the Finnish Foreign Service, Finland recognizes that the promotion of international trade and investment and the opening of markets boost economic growth, which in turn creates economic conditions for the realization of several human rights. In its trade policy, Finland emphasizes the liberalization of trade and the deepening and broadening of regulation concerning international trade, in a manner that promotes human rights objectives. Finland is committed to seeking to strengthen the protection of fundamental rights at work and human rights in the preparation, implementation and dispute resolution phases of international trade and investment agreements.

Finland emphasizes in its strategy that it is paramount that companies pay increasing attention to accountability as part of their international activities. It is acknowledged that through global production value and supply chains companies can contribute to the positive opening of the economy in a way that has positive effects for human rights. The objective is that Finnish companies could act as pioneers in the field of corporate social responsibility.

Finland has made a policy commitment to support the principles and implementation of the UN Guiding Principles on Business and Human Rights. Further, Finland is committed to promote the implementation of the OECD Guidelines for Multinational Enterprises. Many companies have already responded to global development challenges, including the need to respect human rights, by developing internal procedures, guidelines and corporate social responsibility policies. The Government supports the efforts that actors working in this field have taken in order to develop well-functioning monitoring systems aimed at tracking international activities and origin.

**2. *Requirement by relevant trade/business oriented ministries and agencies for businesses to demonstrate respect for human rights / alignment with the UN Guiding Principles on Business Human Rights as a condition of receiving government support through export credit, investment guarantees, and political risk insurance***

The Finnish MFA has in 2015 adopted a Guidance Note on the Human Rights Based Approach (HRBA). It requires the implementation of the human rights based approach also in private sector initiatives funded by the MFA. It clarifies concepts related to the HRBA and provides practical advice for businesses and all stakeholders when applying the approach. The Guidance note discusses the definition of HRBA to development and outlines three levels, human rights sensitive, progressive and transformative interventions. It covers the implementation of the HRBA in the central channels of development cooperation: bilateral, multilateral and civil society cooperation as well as private sector instruments.

The minimum level is that activities financed through the Ministry for Foreign Affairs' (MFA's) private Sector instruments are human rights sensitive. In line with the UNGPs, this entails that partners receiving funding from the various private sector instruments have conducted a basic assessment of the impact on human rights of their business operations funded by the MFA and they

are taking the findings into account to avoid or mitigate adverse human rights impacts. The aim, also explicitly outlined in the HRBA Guidance note, is that private sector act fully in line with the UNGP's in particular through adapting due diligence processes. This entails that private sector entities carry out impact assessments but also have monitoring and communication mechanisms in place as well as mechanisms for complaints regarding adverse effects of their activities.

Private sector initiatives funded by the MFA, apart from having conducted impact assessment, should offer solutions to promote decent employment and inclusive economic development and to meet social and environmental development challenges. The HRBA Guidance note outlines that funding priority should be given to projects that directly or indirectly enhance human rights or socially responsible business that empower vulnerable and marginalized groups. In the monitoring of private sector partners' operations and in dialogue with them the MFA focuses on application of human rights principles in implementation of companies' operations in line with the UNGPs and the UN Global Compact. In the case of concessional credits, support to state institutions can be considered to develop their capacities to fulfil their human rights obligations. The MFA also encourages the institutions to apply the safeguards policies of the IFIs where applicable.

An example of such MFA-funded instrument is the Public Sector Investment Facility (PIF), regulated by national legislation and OECD guidelines on export credit. PIF investment credits are listed internationally among the so-called mixed credits which combine development cooperation funding and export credits. PIF projects must be compatible with the target country's national development plans, at the minimum human rights sensitive, and in line with the 2030 Agenda for Sustainable Development. Support can be given for investments focusing on, for example, the social, water supply, energy, cleantech or other sectors.

In PIF, the project partners, both project owners and contractors are expected to demonstrate environmental and social responsibility, including the identification of human rights risks and impacts. A human rights based approach requires that a human rights impact assessment is conducted and that the partners acknowledge the findings of this assessment with a view to preventing adverse human rights impacts. Furthermore, it is expected that the project owner has in place a mechanism as envisioned by the UN Guiding Principles on Business and Human Rights for identifying and addressing any adverse impacts emerging during the course of the intervention.

In addition to providing financing, the MFA plays an important role in the governing bodies of the institutions managing the private sector instruments. In these bodies the MFA uses its role as an owner to strengthen the application of HRBA in strategies, policies, guidance and operations. This year, 2018, the MFA has embarked a new initiative, in order to strengthen the human rights approach in all its funding instruments for private sector. In order to carry out its own due diligence, the MFA initiated a two-year Human Rights Capacity Building project, with the support of Shift as service provider. The project provides tailored support with regards to strengthening the human rights based approach for all private sector financial instruments with development impacts not only the PIF but also Finnpartnership, Finnfund, Beam and Finnvera (for more information on existing private sector instruments, please see: [file:///C:/Users/03041461/Downloads/UM\\_factsheet\\_Funding\\_instruments\\_vedos3%20\(1\).pdf](file:///C:/Users/03041461/Downloads/UM_factsheet_Funding_instruments_vedos3%20(1).pdf)). Shift's representatives, together with the aforementioned financial instruments, are carrying out a needs analysis to determine how the instruments could be further strengthened with regard to the implementation of UN Guiding Principles. Based on the analysis, Shift will make recommendations for action, and support the instruments to implement the recommendations while offering training to various stakeholders such as businesses on the UN Guiding Principles. The project is supporting Finland's policy commitments.

**3. Have such ministries or agencies involved with export promotion, required businesses to demonstrate commitments to human rights/ alignment with the UN Guiding Principles as a**

***condition of participating in trade missions, receiving export promotion assistance, and being eligible for trade advocacy services***

Although no formal commitment exists, this is expected from all businesses participating in such activities.

There are naturally stricter rulings on various segments, for instance, Finnish arms exports. They are subject to human rights monitoring, the purpose of which is to prevent Finnish arms from being used to commit human rights violations in third countries. Finland has made significant efforts to restrain arms exports in situations where they would be used to commit war crimes and large-scale human rights violations. Finland underlines the need for assessing gender-based violence in relation to arms exports.

**4. *Training or guidance on human rights to trade officers who assist companies with export promotion and other forms of trade and investment support***

Training on human rights issues and is available to all diplomatic personnel and locally employed trade officers. Further to this, ad hoc capacity-building and training is available to staff of other agencies involved in export promotion.

**5. *Will relevant ministries take any steps to address such issues with a company that is receiving trade and investment support if a company/business is the subject of a credible complaint by victims, relating to adverse human rights impacts***

Finland is committed to promoting the OECD Guidelines for Multinational Enterprises. The OECD National Contact Point serves as a liaison and provides a forum for the settlement of disputes with regard to the application of the Guidelines in specific instances. The contact point in Finland is the Ministry of Economic Affairs and Employment, acting in collaboration with the Committee on Social and Corporate Responsibility. At the request of the Ministry of Economic Affairs and Employment, the Committee on Social and Corporate Responsibility will provide its opinion on whether a company has operated according to the Guidelines, and look into any complaints raised by any stakeholder. Any complaints are dealt with case by case.

**6. *Whether relevant ministries will take any steps to address issues with a company that is receiving trade and investment support if a company/business is the subject of a credible complaint by victims, relating to adverse human rights impacts***

The Finnish Government, and in particular the Ministry for Economic Affairs and Employment overseeing the OECD National Contact Point, does not have an official policy regarding to what extent sanctions can be imposed in case of a non-accordance with the Guidelines but public financial institutions can take NCP decisions as part of their own due diligence when making decisions.

**7. *In what way State-run grievance mechanisms (e.g.national contact points) relating to business link to whether a business receives trade and investment support***

The Finnish Government, and in particular the Ministry for Economic Affairs and Employment overseeing questions on grievance mechanisms, does not have an official policy regarding to what extent sanctions can be imposed in case of non-compliance with the voluntary guidelines and in what respect the sanction (for example, refusal of export credit) has been violated, but public financial institutions can take NCP decisions as part of their own due diligence when making decisions.

**8. Description of official Export Processing Zone or Special Economic Zone**

Not applicable.

**9. To what extent government entities responsible for investment promotion also require business to respect human rights as set out in the UN Guiding Principles**

There are currently no formal requirements.