

1 April 2022

FMO Management Response to the Independent Expert Panel's Report on the Conclusion of the Dispute Resolution Process regarding the Complaint on the investment in Rwenzori Hydro (Private) Limited and Nyamagasani 2 HPP Ltd. run-of-the-river hydropower projects

On 31 March, the Independent Expert Panel (IEP) issued its report (available here), concluding the Dispute Resolution Process (DRP) in response to the complaints received regarding the Nyamagasani 1 and 2 run-of-the-river hydropower projects in Uganda. This was the first time since the establishment of Independent Complaints mechanism (ICM) that a DRP was started -instead of a Compliance Review- by the IEP. Both the complainants and the customer companies expressed their willingness to participate in a DRP, mediated by an independent mediator. We are happy to see that the process has been brought to successful conclusion. We are grateful to both the complainants and the customer companies involved, and to the mediator, who has played a key role in facilitating the process.

The report describes the completion of the DRP that was triggered by several complaints received by the ICM in 2020 and 2021. The complaints were centered on inadequate compensation including appropriate replacement housing during the project's land acquisition process, despite earlier commitments made by the project. Additionally, complainants expressed concerns about the fairness and integrity of the project's grievance mechanism.

FMO acknowledges the complaints and underlines the importance for the complainants to raise these issues and to have them addressed. We are grateful that the DRP successfully led to mutual agreements signed by the participants, addressing the issues raised by the complainants.

FMO requires its customers to uphold environmental, social and governance standards that are outlined in our Sustainability Policy. As elaborated in the IEP's report, the parties in the DRP have agreed on a review of the project-level grievance redress mechanism with a view to strengthen its effectiveness and to increase trust and confidence given to it by community members. We welcome this agreement and the contribution that the mediator, who has facilitated the DRP, can continue to make.

In addition to the outcomes of the process so far, we acknowledge and appreciate the importance of the monitoring role of the IEP, assisted by the mediator. They are responsible for monitoring the implementation -before June 2022- of the agreements reached through the DRP and for issuing a concluding report. The IEP will also monitor the handling and resolution of complaints that were received by the ICM after 27 June 2021. FMO is a learning organization and looks forward to improving further with the lessons learned from this DRP. The input from the complainants, the nature of the agreements reached, the insights gained during the mediation process, and the improvements to the project's grievance mechanism will help us to do this.

Based on the outcomes reported thus far by the IEP, we are confident that all parties involved will be successful in implementing the actions and in continuing to engage with each other and the mediator.

FMO would like to express its appreciation to the IEP, the mediator, the complainants and our customers for their active participation in this process.