

Position Statement on Human Rights

FMO (the Netherlands Development Finance Company) is the Dutch development bank. Since 1970 we have been a driving force behind investments empowering entrepreneurs in emerging markets. It is our role and mandate to create local prosperity in some of the world's most challenging economies.

This Position Statement is an integral part of the [FMO Sustainability Policy framework](#) that steers FMO's activities. The Position Statements explain FMO's choices in relation to major global sustainability issues and further explain how we select investments, work with clients and other stakeholders, and monitor performance. They reflect our objective to apply the highest possible standard of ethics and integrity to our business activities.

Human Rights

The [Office of the United Nations High Commissioner for Human Rights](#) defines human rights as the rights inherent to all human beings, whatever their nationality, place of residence, sex, national or ethnic origin, color, religion, language, or other status. All human beings are equally entitled to human rights without discrimination. These human rights are described in the [International Bill of Human Rights](#).¹ Additional [human rights treaties](#) define in greater detail these rights with respect to particular groups of people or circumstances.

The [United Nations Guiding Principles for Business and Human Rights](#) is the leading instrument aimed at business enterprises. Corporate activities can have a damaging impact on human rights. Poor health and safety practices, for example, could violate workers' right to a safe workplace and discriminatory human resources practices would infringe on the right to equality. Pollution caused by businesses may interfere with affected communities' right to health and adequate standards of living, including rights to food, water and housing. The same is true for a poorly managed resettlement process or adverse business impacts on forests and other natural resources that people depend on for their livelihoods. On the other hand, as well as providing incomes, goods, and services, business enterprises can make commitments and undertake activities that support human rights, such as encouraging gender equality in investment selection and contracting.

Businesses have a responsibility to undertake due diligence to become aware of the actual and potential human rights impacts of their business activities and relationships. Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for

¹ The International Bill of Human Rights consists of the Universal Declaration of Human Rights and the main instruments through which it has been codified: The International Covenant on Civil and Political Rights and the International Covenant on Economic Social and Cultural Rights.

or cooperate in their remediation through legitimate processes. Further, businesses need to be aware that people and groups that protest about business activities may face violent reprisals.

FMO's choices

FMO is committed to acting consistently with the [International Bill of Human Rights](#); the [International Labor Organization Declaration on Fundamental Principles and Rights at Work](#); the [OECD Guidelines on Multinational Enterprises](#) and the [United Nations Guiding Principles for Business and Human Rights](#) (UNGPs). FMO is a signatory to the [International CSR Covenant for the Dutch Banking Sector](#), which focuses on Human Rights. We recognize that there are circumstances where other human rights instruments, for example, relating to the rights of women and children², should be considered in our investment activities as we pursue our Strategy 2025. Strategy 2025 links to the Sustainable Development Goals and includes promoting gender equality, contributing to reducing inequality by pursuing inclusive investments, and undertaking climate action.³

FMO takes measures through the due diligence process to avoid supporting activities that may contribute to or cause human rights violations, and we acknowledge the responsibility of our business clients to respect human rights.

FMO uses the [IFC Performance Standards](#)⁴ to define our expectations of our clients' social and environmental performance. The Performance Standards include requirements relating to, for example, labor rights, protection of vulnerable groups including women and Indigenous Peoples, and community consultation. As described under 'Implementation' below, the IFC Performance Standards will be supplemented with additional human rights due diligence for high-risk transactions when and where FMO is the lead investor.⁵

We recognize that, within the broader field of human rights, the protection of environmental and human rights defenders in particular is an issue of increasing importance internationally. FMO strongly values freedom of expression, the value of civil society, and recognizes the need to protect dissenting voices. We do not tolerate any activity by our clients that amount to the oppression of, violence towards, or any other violation of the human rights of those who voice their opinion in relation to FMO activities and the activities of our clients. We will take seriously credible allegations that a client has acted inappropriately, examine the veracity, and instigate further action as and where appropriate.

² Convention on the Elimination of All Forms of Discrimination Against Women (1979); Convention on the Rights of the Child (CRC, 1989)

³ Read more on our direct and indirect contribution to the SDGs here.

⁴ IFC – The International Finance Corporation of the World Bank group

⁵ In some cases, FMO finances activities as a 'follower' to other banks. For more information, refer to [FMO's Sustainability Policy](#).

In 2014, FMO established an Independent Complaints Mechanism that ensures the right to be heard for Complainants who feel affected by an FMO-financed operation in order to enable resolution of disputes and assist FMO in drawing lessons learned for current and future operations.⁶

At a corporate level, FMO has committed to equal opportunity and non-discrimination in hiring and employment practices, and the appointment of confidential advisors to whom employees can address grievances. Participation of employees in decision-making is implemented through the FMO Works Council.

Lastly, we seek to provide the public with accurate and timely information regarding our investment activities as well as more general institutional information. As a signatory to the Dutch International CSR Covenant for the Dutch Banking Sector, FMO is committed to providing meaningful information on the processes and results of human rights due diligence in 2018.

Implementation

We are a learning organization with a strong commitment to continuous improvement, often and where possible in dialogue with like-minded others. We are actively working on more systematically including human rights in our Environmental & Social (E&S) Due Diligence and client engagement. FMO undertakes Due Diligence of the risk and impact assessment process carried out by prospective clients, commensurate with country, sector and client capacity and formulates measures to be implemented to comply with FMO standards and expectations. In the ongoing monitoring and review of FMO's investments, new actions may be triggered in line with the standards as described in Section 4 of the FMO Sustainability Policy.

FMO requires its clients to identify, assess and address their social and environmental risks, and to have an Environmental and Social Management System (ESMS) that respects rights consistent with the IFC Performance Standards.⁷ FMO may provide support to clients to develop their ESMS and human rights Due Diligence. FMO requires its clients to engage with local stakeholders in a way that enables people to express their views, without fear of reprisal, on risks that the project might present to them or to others, and to consider and respond to these views. Our Independent Complaints Mechanism is available to people who believe that FMO or its clients have directly adversely impacted on their human rights and we take concerns reported to us directly seriously.

We are looking at strengthening approaches to verifying broad community support for projects and enhancing explicit human rights references in our investment processes, i.e. how we assess

⁶ For more information on the Independent Complaints Mechanism, see [here](#).

⁷ Except for Category C activities. See [FMO's Sustainability Policy](#), Annex 1, for explanation of project categorization.

contextual risks, risks of project-related conflict and of other infringements on civil and political rights. We are enhancing our internal human rights capacity.

We are developing internal protocols in the event that there is reason to believe that a client of FMO has acted inappropriately or opponents of a project are facing threats. Our choice of action will be informed by the situation as it presents itself and the extent of leverage we can reasonably bring to bear.

Clients with high-risk projects report to FMO on the implementation and monitoring of agreements reached with communities. Furthermore, FMO requires that these clients set up and operate systems consistent with the IFC Performance Standards and the UNGPs to address grievances and complaints from affected communities. We require evidence of free, prior and informed consent (FPIC) where projects impact indigenous communities as set out in IFC Performance Standard 7, and broad community support where projects might have significant impacts.

Following a pilot in 2016, as of 1 January 2017, FMO discloses information about risk category A and B+ investments⁸ *before* contracting, for a period of 30 days, in order to generate greater transparency by creating an opportunity for stakeholders to provide input to FMO's proposed investments.

There may be concerns, grievances and complaints from those affected by FMO-supported business activities that cannot be fully resolved at the business activity level. Our commitment under the UNGPs to have an operational level grievance mechanism is demonstrated in FMO's Independent Complaints Mechanism. This is open to any person living in the area of operations or who has an economic or other defined interest in the area where he or she can demonstrate to be adversely affected by the activities or impacts of operations financed by FMO.⁹

Please see the FMO Position Statements on Disclosure¹⁰, Corruption and Bribery¹¹, Gender¹² and on Land Governance¹³ for more information on FMO's position and choices in these issue areas.

Feedback

We welcome feedback on our Position Statements. Please contact us at consultation@fmo.nl

⁸ See [FMO's Sustainability Policy](#), Annex 1, for explanation of project categorization.

⁹ For more information on the Independent Complaints Mechanism, see [here](#).

¹⁰ FMO's current position on Disclosure can be found [here](#).

¹¹ FMO's current position on Anti-bribery and Corruption can be found [here](#).

¹² FMO's current position on Gender can be found [here](#).

¹³ FMO's current position on Land Governance can be found [here](#).