POSITION STATEMENT ON LAND GOVERNANCE

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Contents

1. Introduction 2
2. FMO Vision & Strategy 2
3. FMO Position Statement on Land Governance 3
   3.1. Land Governance 4
   3.2. FMO Approach 4
   3.3. FMO Implementation 5
      3.3.1. General Implementation 5
      3.3.2. Willing Buyer/Willing Seller Principle 8
      3.3.3. Land Acquisition Involving Involuntary Resettlement 8
4. Stakeholder Feedback 9
Appendix I: FMO's Sustainability Policy Universe 10

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1. Introduction

FMO is the Dutch entrepreneurial development bank. Since 1970, it has been a driving force behind investments that enable entrepreneurs to increase inclusive and sustainable prosperity in emerging markets and developing countries.

By engaging with underserved markets, FMO invests in some of the world's most challenging business environments and economies, many of which have fragile private sectors, limited job security, and high poverty rates.

2. FMO Vision & Strategy

FMO envisions a world where, by 2050, more than nine billion people live well within planetary boundaries[1].

FMO is committed to promoting inclusive and sustainable economic growth and addressing inequalities in emerging markets and developing countries—both of which are essential for reducing poverty.

FMO strives to create value, opportunities, and development impact[2] through its investments and works closely with customers and financing partners to manage—including avoiding and mitigating, and, where not possible, minimizing—potential and actual negative impacts on people and the environment. It also aims to ensure that this development impact is sustained without compromising resources for future generations.

FMO aims to maximize its development impact and contribution to the United Nations Sustainable Development Goals (SDGs) by focusing on three priorities where it can have greatest impact: SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, and SDG 13: Climate Action.

[1] For further information on FMO's vision and strategy, refer to FMO's Impact webpage.

[2] Development impact is the overall positive impact that FMO's investments and activities have, either primarily or secondarily, on people and environment.

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3. FMO Position Statement on Land Governance

The Position Statement on Land Governance is an integral part of FMO's Sustainability Policy Universe—a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impact[3] across its investment portfolio.

FMO's Position Statements are supplementary to the Sustainability Policy and are not stand-alone policy documents. They provide further context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.

The Position Statements also underpin FMO's commitment to responsible business conduct by upholding high standards of ethics and integrity—including transparency and accountability in FMO's investment actions and decision-making—which safeguard its assets and reputation.

FMO's approach to sustainability is shaped by many factors and continues to evolve as part of an ongoing process. This process involves monitoring and responding to changes in the broader context in which it operates, continuously engaging with stakeholders, effectively addressing dilemmas and challenges in order to uphold its commitments, and taking appropriate steps based on lessons learned.

Consequently, the Position Statement on Land Governance is a living document that is regularly reviewed and updated over time[4].

[3]FMO has updated the language in the Sustainability Policy Universe to align with the terminology and definitions in the ESRS 2 'double materiality assessment' (DMA) regarding "impact" and "impact materiality." The DMA helps FMO identify which sustainability-related matters are material from an impact and/or financial perspective and therefore need to be included in its reporting under the EU Corporate Sustainability Reporting Directive (CSRD). A sustainability-related matter is considered material from an impact perspective when it relates to FMO's potential or actual—positive or negative—impacts on people or the environment over the short, medium, and long term.
[4]This Position Statement was approved by FMO's Management Board on 29 August 2017. It was last updated in April 2026.

3.1. Land Governance

FMO invests in projects that may require land acquisition[5] or result in restrictions on land use[6], which can lead to negative impacts on people and the environment.

Human rights impacts related to land acquisition and restrictions on land use arise from their central role in people's livelihoods, identity, culture, and participation. For example, land acquisition or restrictions on land use can be particularly significant for the people who rely on land for their livelihoods and for communities that may have depended on it for many years.

According to the United Nations Guiding Principles on Business and Human Rights—which outlines the roles and responsibilities of states (to protect) and business enterprises (to respect) with regard to human rights—it is the duty of the state to establish and enforce the regulatory framework that safeguards human rights when they are related to land use.

However, in many of the countries where FMO operates, land ownership and tenure are often unclear or insufficiently protected, which can increase the risk of land-related conflicts and negative impacts on local community livelihoods and well-being. Respect for human rights in the context of land acquisition and land use also requires particular attention to the needs and challenges of individuals or groups who may be at heightened risk of becoming vulnerable or marginalized, with due consideration to the potential negative impacts on specific groups, such as women, Indigenous Peoples, and nomadic users of land.

3.2. FMO Approach

FMO recognizes its responsibility to respect human rights in line with applicable international standards, and it acknowledges that its customers likewise hold their own responsibility to respect human rights. Further information on FMO's approach to human rights can be found in FMO's Position Statement on Human Rights.

[5] Land acquisition refers to the process by which a public or private entity secures land or land-use rights—including the purchase of property and acquisition of access rights, such as easements or rights of way—to implement development or infrastructure projects.

[6] Restriction on land use can be both short-term, for example during project construction, and long-term, such as a land lease.

The standards that primarily guide FMO's due diligence and assessment processes with respect to land acquisition are the IFC Performance Standards on Environmental and Social Sustainability (IFC Performance Standards) and the associated World Bank Group General Environmental, Health, and Safety Guidelines (EHS Guidelines). The IFC Performance Standards address a significant portion of the ESG-related requirements set out in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines) that are relevant to FMO's investments. While they do not explicitly reference the United Nations Guiding Principles on Business and Human Rights—which are embedded within the OECD Guidelines—the IFC's approach aligns with internationally recognized human rights principles and standards and informs FMO's human rights due diligence with respect to its customers.

FMO is further guided on land-related issues by the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the Food and Agriculture Organization (FAO) Voluntary Guidelines on the Responsible Governance of Tenure (VGGT), and the FAO guidance on Compulsory Acquisition of Land and Compensation (2008).

3.3. FMO Implementation

FMO follows a general implementation process for all investments involving land-related issues, as described in Section 3.3.1: General Implementation.

Additionally, investments involving land acquisition can be classified into two sub-categories: (a) acquisition based on the 'Willing Buyer/Willing Seller' principle, and (b) acquisition involving involuntary resettlement. Specific implementation considerations for these types of investments are detailed in Sections 3.3.2: Willing Buyer/Willing Seller and 3.3.3.: Land Acquisition Involving Involuntary Resettlement, respectively.

3.3.1. General Implementation

As outlined in FMO's Sustainability Policy, FMO expects all customers to comply with the applicable ESG-related and human rights laws and regulations in their host country.

FMO adopts a risk-based approach, as outlined in Section 5.1 of its Sustainability Policy, to assess and manage the potential ESG and human rights impacts of its investments. FMO conducts rigorous due diligence and comprehensive assessments to identify and assess the potential negative impacts of an investment involving land-related issues, taking into account the country- and sector-specific risks, and other relevant contextual factors.

As a first step and key priority, FMO aims to determine whether an investment involves land acquisition, as well as any legacy tenure issues[7] that require further assessment during the due diligence process.

In its due diligence, FMO takes a broad view of land rights, encompassing legal land rights, customary land rights, other restrictions on land use (including those related to squatting), and impacts on food security. FMO considers the needs of vulnerable groups, including the rights of women—who may face discrimination regarding land rights—in impact assessments, resettlement plans, and livelihood restoration plans. When land rights are at issue, FMO deepens its due diligence with a focus on identifying the material negative human rights impacts and related mitigation measures, for example by conducting a land acquisition audit. A similar approach is applied to tenure rights for fisheries and forests.

Depending on the risk category and the type and potential magnitude and materiality of negative impacts identified, FMO may require customers to assess the scope, scale, likelihood, and potential materiality of negative E&S and human rights impacts as part of an Environmental and Social Impact Assessment (ESIA), and to implement an Environmental and Social Management System (ESMS) to manage and monitor these impacts in accordance with the IFC Performance Standards. If the customer cannot adequately mitigate negative E&S and human rights impacts, FMO will not proceed with financing.

Where investments involve any involuntary resettlement—whether economic or physical, as defined in the IFC Performance Standards—FMO expects customers to review their approach and find ways to avoid or minimize resettlement. In addition, FMO encourages customers to identify opportunities to strengthen tenure rights for local communities.

[7] For example, if there is evidence of gaps in the original land acquisition process—such as non-compliance with the applicable legal framework at the time or inadequate treatment of local communities—the objective would be to determine appropriate measures to address those gaps.

Additionally, customers are expected to engage stakeholders, including project-affected communities[8], through an inclusive, meaningful, and transparent consultation process. The scope and scale of the consultation process should reflect, and be commensurate with, the potential impacts identified and the extent to which they may affect stakeholders. At a minimum, it must include disclosure of relevant project information and be conducted in a manner that allows stakeholders to express their views without fear of reprisal. Customers are also expected to consider and respond to these views, and to take them into account in the project design (where possible), execution, and strategies for mitigating negative impacts.

Indigenous Peoples are often among the most marginalized and vulnerable segments of the population, with particularly close ties to their lands and related natural resources. This creates an increased responsibility for business enterprises to respect the rights of Indigenous Peoples.

In alignment with IFC Performance Standards 1 and 7, when Indigenous Peoples or project-affected communities are likely to be subject to material negative impacts, customers are expected to provide evidence of informed consultation and participation. Additionally, as applicable, FMO assesses and monitors whether the customer is fostering broad community support.

Furthermore, as outlined in IFC Performance Standard 7, the customer is expected to seek free, prior, and informed consent (FPIC) from project-affected Indigenous Peoples and provide evidence of the process and that such consent has been obtained, when related to the use of their lands, resources, traditional knowledge, or intellectual property.

FMO conducts close monitoring of investments involving land-related issues and may also commission independent, qualified, and reputable experts to provide support.

Finally, where appropriate, customers are expected to establish and administer suitable and effective grievance mechanisms to address complaints from project-affected communities, enabling early identification, timely intervention, and prompt remediation of project-related impacts.

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[8]FMO's Position Statement on Human Rights and Position Statement on Gender Equality provide additional information on the approach to stakeholder engagement with affected communities and in relation to their respective topic areas.

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3.3.2. Willing Buyer/Willing Seller Principle

Land acquisition qualifies as 'Willing Buyer/Willing Seller' when project-affected individuals voluntarily agree to sell their property in circumstances where the buyer has no legal authority to resort to compulsory acquisition.

To ensure that property transactions are fair, FMO requires as a minimum that: (i) land markets or other opportunities exist for the productive investment of sales income; (ii) the transaction occurs with the seller's informed consent; and (iii) the seller receives fair compensation based on prevailing market values. Where land acquisition affects land users other than the 'Willing Seller', FMO requires customers to compensate such land users in accordance with the requirements of IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement.

3.3.3. Land Acquisition Involving Involuntary Resettlement

These are investments in which individuals are physically or economically displaced by land acquisition—either permanently or temporarily—and have no legal right to refuse the acquisition. This typically occurs in cases of government expropriation or negotiated settlements where the buyer has legal recourse to expropriation if negotiations fail, such as when land is required for power generation facilities or electricity transmission line routes.

FMO aims to avoid involuntary resettlement or involuntary land acquisition, for example by modifying project design or location where feasible. FMO encourages and works with customers to reach negotiated agreements on land acquisition and resettlement, even when they have the legal authority to acquire land without the seller's consent. While, FMO recognizes that states have rights to expropriate land, it will only invest where land has been expropriated for a legitimate 'public purpose'[9]. Determining whether expropriation serves a legitimate public purpose requires careful judgment and context-specific assessment. Factors include whether the investment is defined as meeting a public purpose in the jurisdiction where it will be implemented.

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[9]The FAO defines 'public purpose' as encompassing uses such as transportation, public buildings (including schools, libraries, and factories), public utilities, parks and recreational areas, and defense. Further details can be found in the FAO guidance on [Compulsory Acquisition of Land and Compensation]() (2008).

Where involuntary resettlement is unavoidable and carried out in accordance with the legal system of the host country, it should be minimized—both in terms of land-area and number of people affected—and appropriate measures to mitigate and/or compensate negative impacts on displaced persons and host communities should be carefully planned and implemented. FMO requires that affected individuals are as well as, or better off than, prior to the acquisition and requires customers to provide evidence of livelihood restoration.[10] In line with IFC Performance Standard 5, land-based compensation is preferred for people displaced from land-based livelihoods.

Forced evictions—where individuals are removed from land without legal protections, remedies, and other safeguards[11]—are not acceptable to FMO.

4. Stakeholder Feedback

FMO considers stakeholder feedback an integral part of policy development and strives to ensure that its policies are ambitious, relevant, realistic, and enforceable; contribute to societal needs; and underpin its license to operate.

FMO welcomes feedback on its position statements, which can be submitted by email to consultation@fmo.nl.

[10] In line with the requirements of IFC Performance Standard 5, individuals who encroach on land after the communicated cut-off date are not entitled to compensation.
[11] For further information, refer to IFC Performance Standards Guidance Note 5: Land Acquisition and Involuntary Resettlement p.21, para GN55.

Appendix I: FMO’s Sustainability Policy Universe

The Sustainability Policy Universe is a comprehensive policy framework that defines FMO’s approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impacts across its investment portfolio.

The Sustainability Policy Universe consists of the following documents:

- Sustainability Policy;
- Exclusion List; and
- Position Statements
  - Combined Position Statement on Fossil Fuels
  - Position Statement on ESG Impact and Financial Intermediaries
  - Position Statement on Human Rights
  - Position Statement on Gender Equality
  - Position Statement on Land Governance
  - Position Statement on Hydropower
  - Position Statement on Responsible Tax
  - Position Statement on Animal Welfare

The Sustainability Policy defines FMO’s commitment to achieving development impact and serves as a guide for its investment decisions and actions.

The Exclusion List is an EDFI-harmonized document that defines activities that FMO will not finance or support, directly or indirectly.

The Position Statements are an integral part of the Sustainability Policy Universe and are supplementary to the Sustainability Policy. They are not stand-alone policy documents; however, they provide additional context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers’ ESG performance.