

1. Background and scope

IFU, the Danish state-owned Development Finance Institution (DFI), provides equity, loans and guarantees on commercial terms to private sector investments in developing countries and emerging markets. IFU's objective is to promote investments which support sustainable development in developing countries in its three dimensions – economic, social and environmental – in a balanced and integrated manner and contribute to the realisation of the UN Sustainable Development Goals (SDGs).

This Human Rights Policy is part of IFU's sustainability policy framework that guides IFU's efforts towards supporting global sustainable development. IFU's Sustainability Policy is the main policy document, whereas the underlying thematic policies clarify IFU's commitment in relation to major global sustainability issues. This Human Rights Policy further explains how IFU approaches human rights issues and implements responsible business conduct measures.

IFU believes that opportunities exist to create value in companies and communities by integrating human rights in company leadership and corporate culture, business practices, workplace policies and health initiatives to strengthen empowerment of employees.

IFU is committed to respecting human rights as set out in the International Bill of Human Rights, which includes the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR); and international human rights conventions such as the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. IFU's commitment to human rights and the UN Guiding Principles on Business and Human Rights (UNGPs) is a further development of IFU's engagement in the United Nations Global Compact, which IFU signed up to in 2008.

According to the Danish Act on International Development Cooperation¹, IFU must integrate the UNGPs in its activities. As a state-owned entity IFU is responsible towards all three pillars of the UNGPs' "protect, respects and remedy" framework. This Human Rights Policy explains how this is implemented in practice. Furthermore, this Human Rights Policy is also part of IFU's commitment to the United Nations Global Compact, which IFU signed up to in 2008. The policy applies to IFU itself as well as IFU managed funds and includes IFU's requirements to portfolio companies.

2. Commitment to respect human rights

Respecting human rights is important to IFU, and this commitment is reflected in IFU's Sustainability Policy and this Human Rights Policy and applied in IFU's investment process.

IFU considers respect for human rights to be a minimum standard applied in its own operations both as a DFI and through IFU's project companies around the world. It is expected that project companies, partners, suppliers and third-party contractors directly linked to its operations, products or services will respect human rights. Furthermore, IFU expects its employees and all supported project companies to actively encourage those involved in their business activities to adopt the same or similar standards.

¹ Section 9(1) of the Act on International Development Cooperation, December 2016.

IFU recognizes that within the broader field of human rights, the protection of environmental and human rights defenders is important. IFU recognizes the need to protect dissenting voices. IFU does not tolerate any activity by its clients that leads to oppression, violence or any other violation of the human rights of those who voice their opinion in relation to IFU activities and the activities of its clients.

3. IFU's investment process

IFU will conduct human rights due diligence assessing actual and potential human rights impacts of its direct investments. IFU will take actions to **identify, prevent or mitigate** impacts in IFU's project companies and their value chains.

For direct investments IFU will conduct a **pre-investment assessment of potential adverse impacts on human rights** for relevant rightsholders to assess the potential impacts related to each human right relevant for the investment. For environmental and social high-risk projects, IFU will conduct a compliance assessment against IFC Performance Standards. If the pre-investment assessment shows that there is risk of severe adverse human rights impacts, which are not managed through IFC Performance Standards compliance, IFU will complement the work with an assessment of these impacts in order to address them. Where it is not possible to address all human rights impacts simultaneously, the impacts will be addressed in the order of their severity.

For investments in funds and financial institutions (FIs), IFU will require fund managers and FIs to set up systems that assess and address their potentially adverse impacts on human rights in their portfolio.

4. IFU's portfolio

IFU must ensure that project companies and fund managers in IFU's portfolio are obliged to **identify, prevent and mitigate** adverse human rights impacts of their activities and focus on adverse human rights impacts that the project may **cause** or **contribute to** through its own activities, or which may be **directly linked to** its operations, products or services by its business relationships.

IFU uses its leverage to ensure that human rights impacts are prevented or mitigated. IFU will assume active ownership by **monitoring** human rights impacts and work with access to remedy throughout the investment cycle to ensure long-term viability and sustainable development. IFU will regularly review its project company portfolio tracking performance through the mandatory **Annual Sustainability Report** received from the project companies.

Where IFU identifies that the funds or project companies have caused or contributed to adverse human rights impacts, IFU will take action and engage in appropriate remediation processes directly or indirectly in cooperation with other stakeholders.

IFU requires portfolio companies and fund managers to deal with both international human rights principles and applicable host country legislation. Where there are discrepancies IFU always requires the highest standard to be applied. International or local external expertise should be used if required, and findings should be integrated internally in the company and its business plans in order to enable the most effective response.

Consultations must be conducted with potentially affected groups or stakeholders as appropriate to the size of the project and the nature and context of its existing or future operations. These consultations should be conducted in accordance with IFC Performance Standards. For greenfield projects where the company is not yet established, the consultations must be conducted and documented by the project sponsor.

IFU has a diverse investment portfolio across sectors and countries. In IFU's experience, the following areas are often the most important for operations:

- *Child labour*
- *Forced and bonded labour*
- *Working conditions*
- *Occupational health and safety*
- *Freedom of association*
- *Non-discrimination*
- *Indigenous peoples' rights*
- *Land and property rights*
- *Community health and well-being*
- *Freedom of expression, access to information and access to grievance*

The above list is non-exhaustive, and there may be other areas.

5. Grievance mechanism

Despite every effort, there may be cases where grievances and complaints from those affected by project companies are not fully resolved at the company level.

IFU is committed to using its leverage as an investor to ensure that the project companies establish grievance mechanisms and provide access to remedy that are appropriate taking into account the cultural and social context of the investments and in line with the UNGPs. Where IFU is investing in funds, IFU is also committed to promoting the said approach.

IFU is committed to maintaining a grievance mechanism through which external stakeholders can report alleged breaches of this policy. Grievances from those affected by an IFU project can be resolved locally by the project company or the affected individuals, and communities can use IFU's grievance mechanism in an effort to reach a solution.

IFU is committed to addressing grievances in a manner that is fair, objective and constructive, including to investigate the matter and seek to resolve any breach of policy.

6. Transparency and communication

This Human Rights Policy is publicly available and communicated internally and externally to employees and entities with which IFU has contractual relationships, its project companies and others directly linked to its operations. Furthermore, IFU will include reporting on human rights in its own Annual Report and additional communications on progress on embedding human rights in IFU's way of working in accordance with the UNGPs, including anonymous and aggregated information on grievance cases received.

IFU aims for continuous improvement, including continuously developing tools and procedures, building capacity and engaging in dialogue with other DFIs and other relevant partners to ensure learning and sharing of knowledge within the field of human rights.

7. Consultation and approval

This Human Rights Policy has been developed in consultation with external peers. It will be reviewed regularly by IFU's Board of Directors at its statutory annual policy review.

Approved by IFU's Board of Directors on 20 June 2019.