

## 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 elaborate on 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 must integrate the United Nations Guiding Principles on Business and Human Rights (UNGPs) in its activities, according to Danish law on IFU<sup>1</sup>. This policy explains how this is implemented in practice. When implementing the UNGPs, IFU will also consider the International Bill of Human Rights, including the Universal Declaration of Human Rights, the International Labour Organization's 1998 Declaration on Fundamental Rights and Principles at Work and the principles and practices developed. IFU's commitment to human rights and the UNGPs is a further development of IFU's engagement in the United Nations Global Compact, which IFU signed up to in 2008.

This Human Rights Policy applies to IFU itself, IFU-managed funds and portfolio companies.

## Commitment to respect for human rights

IFU understands that implementing respect for human rights adds value and competitiveness to IFU's investments. Respect for human rights is important to IFU, and this is reflected by integrating them and the UNGPs into IFU's fund statutes<sup>3</sup> and into IFU's Sustainability Policy.

IFU considers respect for human rights to be a minimum standard applied in its own operations both as a Development Finance Institution and through IFU's project companies around the world. It is expected that IFU's staff and project companies, partners, suppliers and third-party contractors directly linked to its operations, products or services will observe and 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.

## IFU's investment process

IFU will conduct human rights due diligence assessing actual and potential human rights impacts of its direct investments. Considering the impacts human rights violation can have, IFU will prioritize resources and appropriate actions to **identify, prevent or mitigate** those impacts in IFU's project companies and their value chains. Acknowledging the many possible issues, IFU will prioritize actions based on severity.

---

<sup>1</sup> Section 9(1) of the Act on International Development Cooperation, December 2017.

<sup>3</sup> Statutes for IFU, January 2018.

## IFU's portfolio

IFU must ensure that companies and fund managers in IFU's portfolio are obliged to **prevent and mitigate** adverse human rights impacts of their activities through the “**Protect, Respect and Remedy**” framework of the UNGPs 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 will assume active ownership by **monitoring** human rights and work with access to remedy throughout the investment cycle to ensure long-term viability and sustainable development impacts. IFU will regularly review its project company portfolio tracking performance through the mandatory **Annual Sustainability Report** received from the project company.

Where IFU identifies that the funds or project companies have caused or directly 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 and prioritise the most comprehensive for guidance. 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.

Meaningful 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. For greenfield projects where the company is not yet established, these consultations must be conducted and documented by the project sponsor.

In IFU's operation as a Development Finance Institution there are many issues that relate to human rights. Below is a non-exclusive list of those most salient for IFU's operations:

- ***Child labour and exploitation of children***
- ***Employment relationships, decent jobs***
- ***Working conditions, fair wages/compensation***
- ***Freedom of association/ bargaining***
- ***No harsh treatment and non-discrimination***
- ***Occupational Health and safety***
- ***Community health and well-being***
- ***Indigenous peoples' rights***
- ***Land and property rights***
- ***Security of employees, assets & facilities***

Therefore, IFU's due diligence and monitoring efforts will be focused on these areas acknowledging that there may be other human rights areas at risk to be addressed in a given investment project.

---

### **Action plan**

It is IFU's assessment that UNGPs 16-24, 29, and 31 are especially relevant to IFU. IFU will develop and maintain an action plan of which tools and procedures are necessary to address these UNGPs. The action plan will be supported by the necessary training in human rights and the UNGPs primarily aimed at IFU's investment officers.

### **Grievance mechanism**

Despite every effort, there may be cases where grievances and complaints from those affected by IFU-supported business are not fully resolved at the business activity level. Anyone who wants to raise a complaint or engage in a conversation about a potential or perceived human rights issue related to IFU's work must be able to file a grievance to IFU in a safe way through IFU's grievance procedure.

### **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, including anonymous and aggregated information on grievance cases received.

### **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.

The policy is to be approved by IFU's Board of Directors in June 2019.