

January 1<sup>st</sup> 2019

## Finnfund's Human Rights Statement

Finnfund's mission is to build a better world by investing in responsible and profitable businesses in developing countries. This Human Rights Statement is an integral part of [Finnfund's Environmental and Social Policy](#).

Human rights are internationally agreed basic standards aimed at securing dignity and equality for all: they are universal, indivisible and inalienable<sup>1</sup>. Human rights are defined in a series of UN conventions and agreements, including the [International Bill of Human Rights](#) which consists of the Universal Declaration of Human Rights (adopted in 1948), the International Covenant on Civil and Political Rights (ICCPR, 1966) and the International Covenant on Economic, Social and Cultural Rights (ICESCR, 1966); and international human rights conventions such as the International Labour Organisation's (ILO) [Declaration on Fundamental Principles and Rights at Work](#) and for example the [Convention on the rights of the Child](#) (1989).

Finnfund holds human rights in high regard and conducts its business with respect for, and a view to promote internationally recognized human rights.

Finnfund provides different forms of long-term financing directly to companies but may also provide funding for companies through financial institutions and funds. The nature and complexity of the financed activities in challenging geographies, imply that while there is great potential for positive development impact, there are human rights risks and impacts that can be severe.

Finnfund endeavours to actively and continuously identify, avoid, mitigate and manage potential and actual adverse human right impacts related to its transactions, and take actions to address them using the [UN Guiding Principles for Business and Human Rights](#) (UNGPs) as a practical framework.

Finnfund may be connected in different manners to potential human rights impacts. It may be [causing, contributing to or by its business relationships be linked to potential human rights impacts](#). Connection to an impact is a key concept of the UNGP and is defined on a case by case basis, depending on several factors.

Finnfund believes that responsible companies can have a direct or indirect positive impact on human rights, such as on decent work, gender equality, freedom of association, through their own operations; as an employer, a corporate citizen and as a neighbor for local communities. As a development financier Finnfund is committed to encourage and strengthen as well as assess and monitor these positive impacts.

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<sup>1</sup> According to The Office of the United Nations High Commissioner for Human Rights "Human rights are rights inherent to all human beings, without distinction as to race, colour, gender, language, religion, political or other opinion, national or social origin, property, birth or other status. All human rights, whether they are civil and political rights, such as the right to life, equality before the law and freedom of expression; economic, social and cultural rights, such as the rights to work, social security and education, or collective rights, such as the rights to development and self-determination are indivisible, interrelated and interdependent."

We as Finnfund recognize that many of the most severe potential human rights impacts Finnfund is likely to be connected with will occur through the business relationships with the companies and the activities we finance. At the same time, we recognize that our ability to manage these human rights impacts in practice may vary depending on the leverage we have and can create in specific cases. We expect the companies, the financial institutions and the funds we directly finance to manage human rights risks and impacts of the activities we finance in ways that are aligned with the UNGPs.

Using the UNGPs as a framework for the management of human rights impacts means that Finnfund has embedded a human right perspective into its management and investment process including environmental and social risk management.

Finnfund develops and implements **tools and procedures** as well as adequate **capacity and expertise** in order to perform its human rights due diligence and support human rights awareness and capacity of the companies it finances. The human rights due diligence is an on-going human rights impact management process that encompasses and enables the following:

- assess prospective investments **to identify potential or existing impacts on human rights both** prior to investment decision and on an on-going basis. The scope and depth of Finnfund's assessment of human rights impacts will be determined on a case by case basis depending on the results of the first screening, the context and magnitude of any envisaged human rights impacts and case specific risks of the activity to be financed.
- pay specific attention to **local and country contexts** before investment and during the lifetime of the financed activity particularly in geographies where there are specific human rights challenges.
- understand the **nature of Finnfund's connection** to the potential adverse human right impact and the level of proximity to it.
- evaluate the likelihood and **severity** of harm to people from potential adverse human rights impacts – based on the criteria of scale, scope, vulnerability of the rightsholders, and remediability – and **prioritize** the management of the most severe human rights impacts.
- pay specific attention to **indigenous peoples** and other **vulnerable and marginalized groups**, depending on the operating context and situation, as Finnfund recognises that vulnerable groups, such as women, persons with disabilities, children, indigenous peoples as well as human rights defenders – may be more affected by adverse human rights impacts and therefore need to be given particular consideration.
- **incorporate the findings** of human right assessments into Finnfund's decision making, investment agreements and continuous monitoring and management of our investments, using external experts as needed.
- seek to **use and build leverage** and ability to positively influence our investees and our business partners to take steps to assess the human rights impact of their activities; prevent, mitigate or take corrective actions; and provide remedies to those whose human rights have been adversely impacted. Finnfund endeavours to develop and increase its ability to influence the actions of its investees. However, Finnfund recognises that its **leverage varies** and depends among other factors on the

nature of the financing provided and the share of the total financing. Leverage will often be determined on a case by case basis, and building leverage is particularly important in geographies where there are human rights challenges. Using and increasing Finnfund's leverage may take different forms. Where possible, Finnfund aims to increase its leverage by co-investing with other likeminded investors.

- Where actual adverse impacts on human rights have occurred, **take steps and use our leverage to have them addressed, and promote effective access to remedy** for those who have been harmed, bearing in mind Finnfund's degree of connection to the impact and its possibilities to exercise and increase its leverage on the companies financed. Remedies can take different form depending on the situation and be escalated. The views of the affected rightsholders are considered in determining the appropriate form of remedy.
- Companies financed by Finnfund are required, as appropriate, to have an effective operational level **grievance mechanism** to facilitate non-judicial access to remedy.
- promote **meaningful rightsholder and stakeholder engagement** and take steps to ensure that the rightsholders' and stakeholders' perspectives are considered in the human rights due diligence process. In practice, this often translates into Finnfund stressing the importance of a meaningful engagement to the companies it finances, assessing the quality and adequacy of the rightsholders' and stakeholders' engagement performed by its investees – and using its leverage to improve it where necessary. A special attention is put to circumstances where **FPIC** (Free Prior and Informed Consent) applies. Finnfund can also consult and engage with potentially affected rightsholders and stakeholders at different stages of the project cycle.
- regularly assess and manage adverse human right impacts and risks at **portfolio level and for existing individual investments** on an on-going basis.
- gradually develop, maintain and improve **indicators**, criteria and processes to measure the effectiveness and implementation of Finnfund's human rights due diligence approach and engage with various stakeholders in this work. Finnfund will inform about the implementation of this human rights statement as part of its sustainability reporting. We encourage the companies we finance to communicate how they address their human rights impacts.

Finnfund adheres to the [Human Rights Based Approach \(HRBA\) of The Finnish Ministry for Foreign Affairs of Finland](#) (2015). For private sector instruments, the HRBA requires **Human Rights sensitivity** i.e. “a basic assessment of the impacts on human rights of their business operations” must be conducted and “the findings [have to be taken] into account to avoid or mitigate negative effects on human rights”.

In addition to this Human Rights Statement, Finnfund applies the [IFC's Performance Standards](#) in accordance with its Environmental and Social Policy and depending on the environmental and social risk level of the activity financed. The IFC Performance Standards incorporate certain principles related to international human rights including labour rights and working conditions, protection of vulnerable groups and indigenous peoples or resettled

groups, community consultation and engagement, and grievance mechanisms.

In addition to the grievance mechanisms of the financed companies, Finnfund has its own **grievance and whistleblowing mechanism**. Rightsholders and stakeholders from different groups can report any concerns over suspicion of abuse or human right infringements, either in Finnfund's own operations or connected with any of the companies financed through [Finnfund's website](#) or via telephone or mail to. Rightsholders and stakeholders can also discuss directly with Finnfund's representatives, for example in connection with monitoring visits.

Finnfund endeavours to protect the privacy and security of the whistle-blowers. The whistleblowing mechanism, designed to protect privacy, supports anonymous complaints. Finnfund does not accept threats, or other forms of pressure or retaliation against whistle-blowers, human rights defenders or other stakeholders. When needed, Finnfund cooperates with external experts and other third parties such as Finland's diplomatic missions.

Finnfund follows international discussions on human rights and continues to develop its own expertise. Active cooperation is maintained e.g. with other European Development Finance institutions (EDFIs). When necessary Finnfund will utilize external expertise and communicates with different stakeholders, such as consultants and the civil society. This Human Rights Statement and the related processes and tools are updated as and when necessary.

Obligations of international law are, as a rule, legally binding only for States, and the content of this human rights statement should not be interpreted as creating legal responsibilities for Finnfund which it would not otherwise have.

Finally, Finnfund recognises that human rights issues may also arise in connection with its own operations (for example, in its capacity as an employer) and in connection with its own service providers and suppliers. Such issues are addressed and managed through specific policies and procedures.

This Human Rights Statement has been developed through a consultative process and in cooperation with stakeholders.

**This statement has been approved by the Board. It is effective from January 1<sup>st</sup> 2019 and applies to investments approved thereafter, and where applicable, to investments already in Finnfund's portfolio.**