



# Human rights due diligence and the Finnish private sector instruments – Case Finnfund



# Human rights in Finnfund's operations

- Ministry's requirement to use the HRBA in all investments funded by MFA
- Finnfund's policy is to respect human rights as defined in International declarations (International Bill of Human Rights, ILO declarations, UN Guiding Principles)
- Taken into account as a part of the environmental and social due diligence
- Procedures and requirements for clients are based on international standards and guidelines (IFC PS version 2012, EDFI declaration...)
- Finnfund applies the IFC performance standards and requires its clients to comply with them. The IFC PS is aligned with the relevant HR principles (2012)
- Finnfund looks into supply chain for investments where a potential HR risk is identified (e.g. certain sectors, certain countries, certain commodities)
- Finnfund's human rights procedures are continuously being developed and improved
- Finnfund monitors its investments on a yearly basis
  - Riskier investments are monitored more closely

## IFC PERFORMANCE STANDARDS

### Performance Standard 1:

#### ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

Underscores the importance of identifying E&S risks and impacts, and managing E&S performance throughout the life of a project.

### Performance Standard 2:

#### LABOR AND WORKING CONDITIONS

Recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection of basic rights for workers.

### Performance Standard 3:

#### RESOURCE EFFICIENCY AND POLLUTION PREVENTION

Recognizes that increased industrial activity and urbanization often generate higher levels of air, water and land pollution, and that there are efficiency opportunities.

### Performance Standard 4:

#### COMMUNITY HEALTH, SAFETY, AND SECURITY

Recognizes that projects can bring benefits to communities, but can also increase potential exposure to risks and impacts from incidents, structural failures, and hazardous materials.

### Performance Standard 5:

#### LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

Applies to physical or economic displacement resulting from land transactions such as expropriation or negotiated settlements.

### Performance Standard 6:

#### BIODIVERSITY MANAGEMENT AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

Promotes the protection of biodiversity and the sustainable management and use of natural resources.

### Performance Standard 7:

#### INDIGENOUS PEOPLES

Aims to ensure that the development process fosters full respect for Indigenous Peoples.

### Performance Standard 8:

#### CULTURAL HERITAGE

Aims to protect cultural heritage from adverse impacts of project activities and support its preservation.

## WHAT ARE THE BENEFITS OF THE PERFORMANCE STANDARDS

### GUARD AGAINST UNFORESEEN RISKS AND IMPACTS

Implementing the Performance Standards helps companies identify and guard against interruptions in project execution, legal claims, brand protection, and accessing international markets.

### IMPROVE FINANCIAL AND OPERATIONAL PERFORMANCE

Meeting the Performance Standards can help clients improve their bottom line. Implementation of the Standards can help optimize the management of inputs such as water and energy, and minimize emissions, effluents, and waste, leading to a more efficient and cost-effective operation.

### SOCIAL LICENSE TO OPERATE

The Standards help clients find ways to maximize local development benefits and encourage the practice of good corporate citizenship. This often results in greater acceptance of the project by local communities and governments, allowing companies to acquire a social license to operate. Enhanced brand value and reputation may also be attractive to new investors or financiers.

### GAIN AN INTERNATIONAL STAMP OF APPROVAL

The "Equator Principles", which have been adopted by more than 70 of the world's leading investment banks in developed and developing countries, are based on IFC's Performance Standards.

# IFC Performance Standards and human rights

- IFC PS and human rights
  - The Performance Standard 1 captures the client company responsibility to respect human rights > requires establishing a grievance mechanism where deemed necessary\*
  - The IFC Sustainability Framework supports many important human rights, such as labor rights, right to health and rights of Indigenous Peoples
  - E.g the right of protection for the child is addressed in PS 1, PS 2, PS 4

## Important to understand:

- There are no "Finnfund's projects". There are private companies' projects that Finnfund finances – provided they comply with Finnfund's stringent responsibility and development effect requirements
- Client companies are mainly responsible for respecting human rights in their own operations. Finnfund is responsible for using its leverage to ensure respect for human rights and continuous improvement in its client companies

- Finnfund is "an external" party seeking to ensure that investments are responsible – this is the role of a ***Development*** Finance Institution
  - Finnfund uses the tools of a financier to make the investee act more responsibly - i.e. conditions, active ownership, monitoring, incentives for compliance,..
  - Finnfund's involvement comes not just with standards but also with more public exposure and accountability
    - Incentives to act responsibly, even beyond legal requirements and international standards
    - Finnfund's influence comes with involvement

Thanks for attention!

