



**Investing *for* Development**  
Société d'Investissement à Capital Variable

**Investing for Development SICAV**

# **2023 HUMAN RIGHTS REPORT**

**March 2024** | Annual Report

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# ABOUT US



# ABOUT US

**Human rights are fundamental to the dignity and well-being of every individual. And essential for development.**

Our name is clear we are investing not to maximize profit but to contribute to development. We are part of the remarkable growth of the impact investment sector over the last decades and have established ourselves among the pioneers of "blended finance" funds that successfully mix public and private sources of capital for positive social and/or environmental impact.

But development can only occur if fundamental rights are respected. As an organisation we strongly believe that serious consideration of human rights in all our processes not only benefits society but also enhances the financial robustness of our investments. Understanding human rights risks reinforces our value proposition thanks to the application of adequate risk mitigation measures and supports our mission to provide long term sustainable investments with a development objective.

Investing for Development (IforD) is a Luxembourg umbrella fund structure with several Sub-Funds: the **Luxembourg Microfinance and Development Fund**, created in 2009 to contribute to the reduction of poverty around the world through microfinance and the **Forestry and Climate Change Fund**, created in 2017 aimed to contribute to halt deforestation, mainly in Central America, through partnerships with local communities. IforD is also in the process of launching the **Female Entrepreneurship Fund**, which will focus on supporting female entrepreneurs operating in Central America.

Organisation name:

Investing for Development SICAV

Date of signature of the Pacte

Entreprises & Droits de l'Homme :

17<sup>th</sup> of October 2023

Number of employees: 4

Name of entities concerned:

Luxembourg Microfinance and

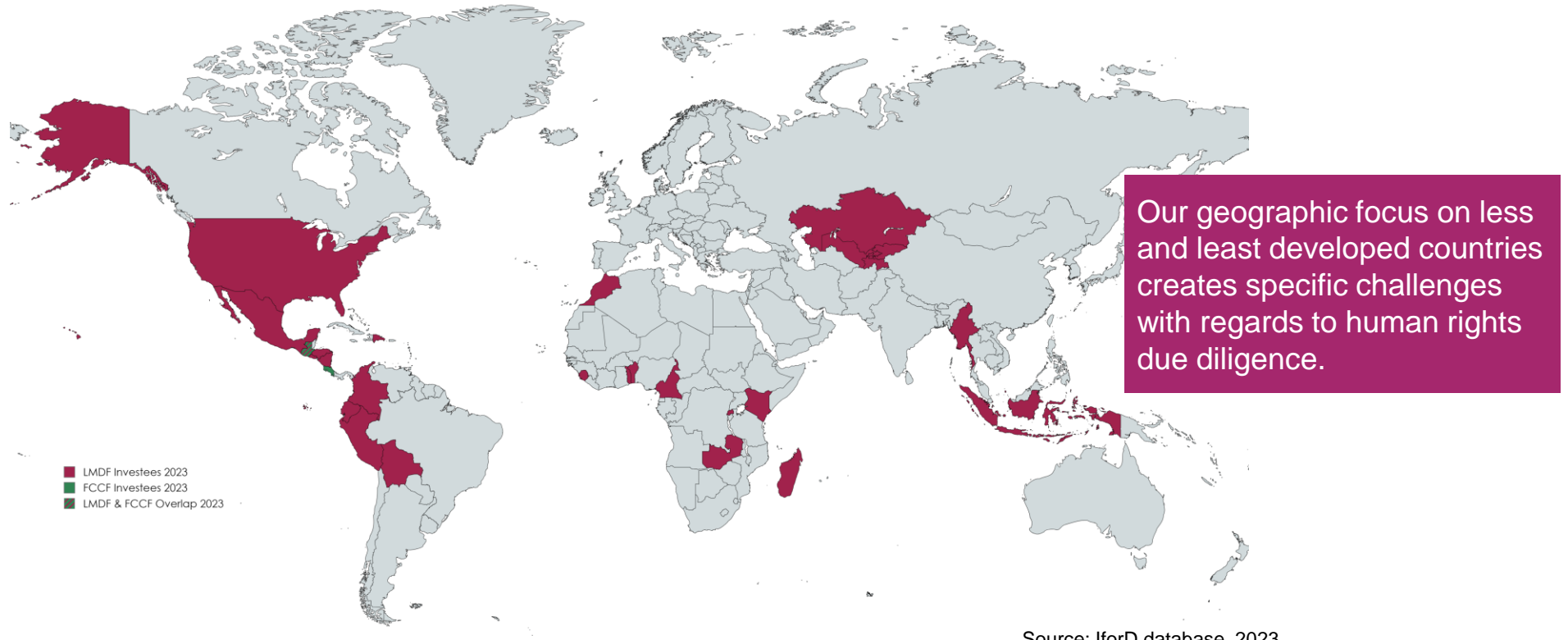
Development Fund (LMDF) and

Forestry and Climate Change Fund

(FCCF)

# ABOUT US

## WHERE WE INVEST



Source: IforD database, 2023



# OUR COMMITMENT

# OUR COMMITMENT

Human rights considerations form part of the core to the investment and monitoring processes of IforD as they ensure that risks and risk mitigation are identified and communicated. Such considerations allow us to make informed decisions that safeguard the investment, stakeholders and the ultimate beneficiaries of IforD's actions, often among the most vulnerable peoples.

We recognise economic agents' responsibility to respect human rights and address adverse human rights impacts that their financing might cause or contribute to.

Several **standards and frameworks** inform both our approach to human rights and accountability towards compliance, including:

- [Pacte national Entreprises et Droits de l'Homme](#)
- “SFDR” or the “[Sustainable Finance Disclosure Regulation](#)”
- [LMDF Social and Environmental Principles](#)
- [FCCF Environmental and Social Principles](#)
- CERISE+ SPTF [Universal Standards for Social and Environmental Performance Management](#)
- [LuxFlag](#) labels' provisions
- [Operating Principles for Impact Management](#)
- [UN Principles for Responsible Investments \(UNPRI\)](#)

# GOVERNANCE





# GOVERNANCE

## THE BOARD OF DIRECTORS AND EMPLOYMENT

The Board of Directors of Investing for Development recognises that respecting and promoting human rights is a moral imperative and a fundamental aspect of responsible business conduct. The commitment to human rights is embedded in the governance structure and informs the decision-making processes. The governance oversees the implementation of responsible lending practices and is promptly notified if non-conformities are detected.

The Board is briefed at least once a year on sustainability matters, compliance with regulatory requirements and international best practices. Each investment under the Sustainable Finance Disclosure Regulation (SFDR) - Article 9 is screened to conform to the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the UN Global Compact principles and compliance with minimum safeguards.

The Funds' employees are treated with respect, their opinions are valued, and they are motivated in their daily tasks. Iford is a fair and inclusive employer that does not discriminate based on gender, religion, ethnicity, or age. The Fund does not accept that its remuneration structure leads to an unjustified gender pay gap.

# GOVERNANCE

## SPECIFIC COMMITMENTS

The commitment varies by Sub-Fund, given that human rights implications are **different for different sectors**. The Prospectus of the Fund identifies human rights violation as a sustainability risk. The Environmental and Social Principles adopted by the Board states:

“The Fund recognises the **responsibility of economic agents not only to respect human rights but also to address adverse human rights impacts that its financing might cause or contribute to**. In this regard, the Fund adheres to the relevant provisions of the UN Global Compact and the OECD Principles for Multinational Enterprises.” (LMDF Sub-Fund)

“The Fund recognises the responsibility of economic agents not only to respect human rights but also to address adverse human rights impacts that its financing might cause or contribute to. In this regard the Fund adheres to the Universal Declaration of Human Rights, and in particular the labour standards of the International Labour Organization and the Declaration on the Rights of Indigenous Peoples.” (FCCF Sub-Fund)

Both principal statements list **particular risks the Sub-Funds are exposed to**, including (as examples):

- Net loss of biodiversity
- Violation of client protection standards
- Financing activities involving harmful or exploitative forms of forced labour or harmful child labour
- Supporting activity involving the illegal trade or transport of wildlife or wildlife products included in the endangered species list maintained under the CITES Convention

# GOVERNANCE

## IMPLEMENTATION

### ES Principles

The Environmental and Social Principles Statement contain the high level commitment of the Fund to different standards, including the respect of human rights.

### Environmental and Social Management System

The Environmental and Social Management System (ESMS) is a set of processes and practices that allow Sub-Funds to incorporate environmental and social considerations into their decision-making and operations.

The objective of the ESMS is to facilitate and promote:

- Proper implementation and institutionalization of ESMS
- Identification and mitigation of E&S risks, and enhancement of positive E&S impacts, involved in financed activities
- Measuring, monitoring, reviewing and reporting E&S risks and impacts of the portfolio

The ESMS also includes supporting tools such as environmental and social risk categorisation, checklists, templates, and guidance notes to assist the Fund in assessing and managing environmental and social risks and enhancing related positive impacts.

### Due diligence process

The main compliance checks and risk assessment is conducted during the due diligence phase.

### Ongoing monitoring

Significant human rights risks are part of the ongoing monitoring process on investments.

# RISK ASSESSMENT



# RISK ASSESSMENT

## RISKS AND MITIGATION FACTORS

Social Risk	Mitigation	Assessment for 2023
<p>Poor labour standards</p>	<ul style="list-style-type: none"> <li>• exclusion list which has strict labour related requirements*</li> <li>• partner commitment to local minimum wage to all staff and minimisation of gender pay gap</li> <li>• compliance with national employment law</li> </ul>	<p>No violations detected</p>
<p>Human rights violations</p>	<ul style="list-style-type: none"> <li>• compliance with local human rights law</li> <li>• partner commitment to string social vision and mission</li> <li>• promotion of the Client Protection Pathway and high standards in terms of Social Performance Management</li> </ul>	<p>No violations detected</p>
<p>Damage to public health</p>	<ul style="list-style-type: none"> <li>• assessment and monitoring of potential adverse environmental impact**</li> <li>• exclusion list for activities that could lead to environmental degradation</li> <li>• assessment the proximity to biodiversity sensitive areas and mitigation actions that might be in place</li> </ul>	<p>No violations detected</p>

Source: IFORD Internal Monitoring System

\* E.g. activities that might involve harmful or exploitative forms of forced labour/ harmful child labour, engage in projects which might limit people's individual rights and freedoms or violating their rights, activities that involve political or religious content or require resettlement or forced eviction of people. etc.

\*\* E.g. activities that have a significant adverse impact on the environment, production or trade in wildlife or wildlife, rely on unsustainable fishing methods, may lead to destruction of critical habitats etc.

# RISK ASSESSMENT

## MATERIAL EVENTS IN INVESTMENTS



### RELATIONS WITH THE INDIGENOUS COMMUNITY BIOITZA IN GUATEMALA

Since 2021, the company Forestal Naj-Ché S.A. engaged with representatives of the Association for the Conservation of the Biosphere Itzá (Bio-Itzá Association) to explore the possibility of jointly undertaking a sustainable forest management project on the Association's property (Bio-Itzá Reserve). Several meetings were held with the Board of Directors to discuss the objectives and scope of the potential project and the social and economic benefits for the community. As a result, Forestal Naj-Ché reached an agreement with the Association and signed a Participation Contract to develop the project for sustainable management and use of the forest, including the possibility of developing a forest carbon credit project.

The Fund assessed the adequacy of the FPIC (free, prior and informed consent) process which was found to be adequate but where attention must be given to involve the entire community and not only the board of directors.

# RISK ASSESSMENT

## MATERIAL EVENTS IN INVESTMENTS



### HUMAN RIGHTS VIOLATIONS IN MYANMAR

Respect for human rights in Myanmar has been severely impacted under the military regime. Since the February 2021 coup, the situation has worsened, leading to arbitrary detentions of opposition politicians, activists, and human rights defenders, widespread torture and abuse of detainees, indiscriminate attacks on civilians and displacement of ethnic minorities, such as the Rohingya.

Iford, with the investments made through LMDF, continues to support the local population to the best of its capacity and is committed to continuing to cooperate with organisations that still provide responsible and viable financial services to unbanked clients in rural and financially excluded areas of the country. The investments are however classed as “high-risk” and subject to an increased monitoring.

# GOOD PRACTICES





# GOOD PRACTICES

## RESPONSIBLE HUMAN RESOURCES DEVELOPMENT

### HOW WE ASSESS

Responsible Human Resources development is essential to building a successful and ethical institution. When financial service providers prioritise their employees' well-being and rights, it positively impacts their ability to serve clients responsibly while growing their businesses. Thanks to the due diligence and monitoring exercises carried out using, among others the SPI Online, IforD is capable to assess its investees against three core standards: fair treatment of employees, health and safety, and employee voice and grievance mechanisms.

### WHAT WE REQUIRE AND MONITOR

All investees are expected to:

- comply with their national employment law;
- pay at least the relevant local minimum wage to all staff;
- strive to minimise the gender pay gap;
- provide a safe and equitable working environment;
- support human and career development plans.

# GOOD PRACTICES

## CLIENT PROTECTION

### HOW WE ASSESS

Client protection ensures that end beneficiaries are not harmed and that their welfare is safeguarded.

Client protection favours that clients are treated fairly, their rights are respected, and they are shielded from harm. By using the SPI Online for due diligence and monitoring purposes, IforD can assess the perspective investee compliance with the eight Client Protection Standards, such as appropriate product design, prevention of over-indebtedness, transparency, fair treatment, privacy of client data, and governance. If gaps or areas for improvement are detected, mitigation measures could be implemented to improve the specific organisation's strategy.

### WHAT WE REQUIRE AND MONITOR

All investees are expected to:

- Abide by an internal code of conduct that spells out the organisational standards of professional conduct and values;
- Endorse policies and documented processes to avoid discrimination against protected categories;
- Ensure that loan debt collection is performed in an appropriate manner.

Investees are strongly recommended to participate in the Client Protection Pathway program. This program helps providers to maintain and adhere to high standards consistently. This, in turn, helps build trust and confidence among clients and allows investees to openly communicate their progress in implementing protective measures.

# GOOD PRACTICES

## COMMUNITY ENGAGEMENT (FCCF SUB-FUND)



Respecting human rights is crucial when collaborating with local communities.

For projects conducted with communities or where the project has a direct link with one or several communities, a baseline assessment is undertaken to evaluate the governance structures in place and to identify any likely social risks. A team of experts, familiar with the context and the local language, culture, and practices, in constant coordination with community members, conducts the assessments. The assessment is designed to shed light on the community's functioning, including decision-making structures, potential conflicts, and human rights abuses and/or risks. Such information collection provides recommendations on possible project setups and working benefit-sharing models with the community.

# GOOD PRACTICES

## FOCUS ON GENDER EQUALITY AND NON-DISCRIMINATION



lforD encourages its partners and stakeholders to adopt a gender-aware perspective in their work to support gender equality productively and successfully. We seek to narrow the gender gap by assisting organisations that create more opportunities for women's employment and enhance women's involvement in leadership roles.

This requires understanding socio-cultural factors inherent in communities before investment, adopting methods and tools to promote gender equality, and measuring the outcomes and impacts of the Funds' activities on women. To ensure that the benefits of the Funds' activities to women are tangible and measurable, the Funds are committed to measuring the outcomes and impacts of the activities on women regularly.



**STAKEHOLDERS**

# STAKEHOLDERS

## SECTOR COLLABORATION – STRONGER TOGETHER



**LuxFlag** – Microfinance label as recognition of commitment to sustainable and responsible investments

**UNEP** – continuous engagement on FCCF’s policies and ESG approach

**UNPRI** – ongoing engagement, alignment of policies and processes and participation at online events

**OPIM** - An OPIM Verification document from July 2021, detailing the Fund’s investment strategy and its contribution to the Sustainable Development Goals (SDGs), as well as a Theory of Change for assessing the impact of financed activities.

### **CERISE + SPTF – Social Investor Working Group**

LMDF is an active member of CERISE+SPTF and a signatory of the social responsible investors [joint statement](#) for the promotion of essential practices for excellence in consumer protection.

# STAKEHOLDERS

## GRIEVANCES

### Grievances in 2023

None of the Sub-Funds received a complaint or grievance during 2023.

As a responsible investor, IforD takes its commitments seriously.

We recognise the importance of responding to any concerns or grievances that our stakeholders and partners might have, and we welcome any feedback that could improve our practices.

Our site-level grievance mechanisms provide clear and immediate access to the needs of different stakeholders.

IforD endeavours to provide an initial acknowledgement of receipt of a grievance within ten days of its receipt. If relevant and appropriate, a complete response to the grievance may be provided simultaneously or after an investigation. Depending on the concerns, such an investigation may involve internal research or may be escalated to the Fund's Governing Bodies, including the Board of Directors.

The Fund handles each comment with diligence, transparency, and objectivity. It aims to respond in good time, where appropriate and applicable. Third-party Comments are treated with discretion, and we take measures to ensure privacy and prevent any possible retaliation.

We value all our stakeholders' opinions and strive to resolve any matters quickly and professionally.

Each Sub- Fund has an easy and accessible grievance mechanism: [Complaints | LMDF](#) and [Complaints | FCCF \(fccf.lu\)](#)



**LOOKING AHEAD**



# LOOKING AHEAD

## PLAN FOR 2024

Improving human rights practices is an ongoing journey that requires dedication and a commitment to continuous improvement.

At Iford, we are dedicated to strengthening our approach, considering new best practices, and the evolution of our business model and footprint.

For 2024, we plan an in-depth human rights risk review of our portfolios to evaluate specific risks to be presented to the Board of Directors.

[www.iford.lu](http://www.iford.lu)



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