HUMAN RIGHTS-BASED APPROACH

Contents

1. Background and strategic objective

The Universal Declaration of Human Rights states that everyone is entitled to all the rights and freedoms set forth in the Declaration, without distinction of any kind, such as nationality, race, gender, political beliefs, religion, citizenship, economic status and other cultural and socioeconomic differences. Human rights are not granted by any state, they are inherent to all of us, as human beings.

The Belgian development cooperation prioritises a strong commitment towards the promotion of human rights and has undertaken to integrate a Human Rights-Based Approach (HRBA) into its activities, based on the MEET principles, which refers to the need for meaningful, non-discriminatory and transparent partnerships between empowered and accountable actors. In 2020, the European Association of Development Finance Institutions (EDFI) also included a strong commitment to respect human rights in its Principles for Responsible Financing of Sustainable Development, and in April 2024, the European Parliament approved the Corporate Sustainability Due Diligence Directive, which contains due diligence and governance obligations for companies regarding environmental concerns, climate change, and human rights.

BIO fully recognises that respect for universal human rights is fundamental to sustainable development. BIO implements the principles of duty of care/do no significant harm with regards to human rights in order to prevent causing harm and to maximise positive impact. Integrating human rights in the investment process is essential for BIO to deliver on its mission, while sending a strong signal of our commitment to staff, clients and external stakeholders.

This Human Rights Policy puts into words BIO's commitment to human rights and describes its human rights approach to investments. This includes the principles of stakeholder consultation, responsible exit, and methodology for determining the level of responsibility in the context of access to remediation, consistent with the UN Guiding Principles on Business and Human Rights, and the EDFI Principles for Responsible Financing of Sustainable Development, as detailed in the 2024-2028 Management Contract with the Belgian state. It builds on BIO's existing Decent work Policy, Gender strategy and Climate Policy.

2. Commitment to respect human rights

In line with our E&S Policy and Strategy, BIO commits to respect all human rights listed in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and amended in 2022. We commit to act in accordance with international human rights standards as set out in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines on Multinational Enterprises, including the OECD Guidelines for Responsible Business Conduct for Institutional Investors.

To deliver on this human rights commitment, BIO has integrated human rights into its organisational structure and investment process, as detailed below.

3. Human rights in the investment process

The OECD Guidelines set out principles and steps that enterprises are expected to take to avoid adverse impacts and address their involvement in them. These adverse impacts can be related to

matters such as human rights, labour or the environment or can refer to bribery and other integrity issues.

The Guidelines expect enterprises to carry out due diligence, understood as the process through which they can "identify, prevent, mitigate and account for how they address the actual and potential adverse impacts as an integral part of business decision-making and risk management systems". This includes (i) identifying actual and potential adverse impacts (ii) preventing or mitigating adverse impacts and (iii) accounting for how adverse impacts are addressed, by tracking performance and communicating results. Stakeholder engagement is key to support this due diligence process. In addition, enterprises should have processes in place to enable remediation in case they actually cause or contribute to an adverse impact.

Due diligence under the OECD Guidelines is to be carried out throughout the entire life cycle of operations, products and services because circumstances change and so will adverse impacts. It is a continuous and ongoing process, aimed at avoiding and responding to risks. It is a proactive and reactive, and process-oriented activity.

3.1. Scope of application

The UNGPs and the OECD Guidelines highlight the responsibility of companies to identify and act on adverse human right impacts. The principles apply both to BIO's own activities and to its business relationships. Business relationships cover financing activities across different financial instruments and throughout value chains (upstream supply chains and downstream use of products and services).

The OECD Guidelines adopt a risk-based approach and expect enterprises to prioritise their due diligence efforts. Enterprises that have large numbers of suppliers for example, are encouraged to identify general areas where the risk of adverse impacts is most significant and, based on this risk assessment, prioritise suppliers for due diligence. The significance or severity of an adverse impact is understood as a function of its scale, scope and irremediable character.

BIO will implement this risk-based approach in its direct investments in SMEs and infrastructure projects. **Projects, sectors and countries with the highest human right risks, such as agricultural value chain projects, projects in fragile countries, and projects with land legacy issues will be prioritised.**

BIO's portfolio also includes investments in funds and financial institutions, so called indirect finance. For these investments, BIO ensures that the fund manager or financial institution is adequately equipped to identify, prevent, mitigate and monitor any social or environmental risks. Indeed, BIO assesses their E&S Management System and corresponding resources and capacity, and will expect clients operating in more risky sectors to implement a human rights approach, in cooperation with co-investing DFIs or multilateral development banks. As described in the OECD Guidelines, as long as all entities in the investment value chain carry out due diligence and communicate about it to the other entities in the value chain who are relying on that due diligence, then the due diligence does not need to be duplicated.

3.2. Assessing impacts

In the initial assessment of potential investments, BIO verifies and ensures that the investment does not breach BIO's management contract exclusions, nor the Harmonized EDFI Exclusion List, which includes severe human rights risks such as child labour and forced labour. If a potential client conducts an activity mentioned in the exclusion list, BIO will not proceed with the investment.

Eligible projects are categorised according to their environmental, social and human rights risks, and a reputational check of the company is performed. Additionally, BIO fills out a **contextual human rights risk analysis tool** developed by the Danish Institute for Human rights, to better understand contextual human rights risks specific to a country or sector.

Once a project is approved for further assessment, the client will go through an in-depth analysis based on the IFC Performance Standards and the UNGPs, covering different environmental, social and human rights topics, such as E&S risk management, decent work, resource efficiency, pollution prevention, impact on communities, land resettlement, biodiversity, indigenous people and cultural heritage. **Based on the results of the contextual human rights risk analysis tool, BIO adapts its due diligence to the identified human right risks.** For example, projects in a country known for consistent violations of workers' rights will undergo an in-depth assessment of this specific human right, including a consultation of local trade unions and company-wide surveys to collect workers' feedback. Another example are agricultural projects with child labour risks in the supply chain, where a human rights supply chain assessment could be carried out. We expect that, based on the priorities described above, a human rights based due diligence will be needed in most investment files.

Direct engagement of potentially affected rights-holders[1] is a fundamental step in this assessment. BIO will consult several stakeholders, to help identify any adverse human rights impacts, and to design prevention and mitigation measures. Examples of such stakeholders can include: workers, workers' representatives and trade unions, community members potentially affected by the project, civil society organisations, United Nations agencies such as the ILO and the Office of the High Commissioner for Human Rights, farmers' organisations and representatives, suppliers and workers in the supply chain, clients or consumers, national human rights institutions or human right defenders and Belgian thematic platforms (such as the Decent Work platform, the Platform for agriculture and food security, the Advisory Council on Gender and Development (ARGO-CCGD)). Equally important, BIO will assess the client's capacity and willingness to engage continuously with these stakeholders. If the E&S due diligence shows the need for a more exhaustive assessment of certain human rights risks, BIO will commission additional studies.

3.3. Taking action

Once the human rights risks associated with a project have been identified, BIO either develops an Environmental & Social Action Plan (ESAP) to prevent and mitigate any potential human rights impacts or decides to terminate the project if the risks are considered too high. For human rights risks that are more systemic or specifically tied to a particular sector or country (rather than to individual clients), BIO will support a dialogue with the relevant stakeholders in Belgium, as well as international human rights capitals and BIO partner countries to advocate for stronger laws or better practices on human rights, or to scale up the sectoral, regional or national capacity in specific practices.

All the measures agreed upon with the client will be included in the contractual agreement, together with general E&S clauses requiring the client to respect human rights.

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[1] **Rights-holders** are individuals or social groups that have particular entitlements in relation to duty-bearers. **Duty-bearers** are state or non-state actors, that have the obligation to respect, protect, promote, and fulfil human rights of rights-holders.

3.4. Tracking performance

The monitoring stage is as critical as the pre-contractual stage to prevent and address human rights risks.

BIO will closely monitor the human rights risks prevention and mitigation measures in the ESAP and in the contractual agreement. BIO will engage with relevant stakeholders during monitoring visits to ensure their views and concerns are taken into account. Additionally, BIO expects clients to continuously engage with workers and communities over the investment's lifetime.

To capture any additional human rights risks that may emerge, BIO will include human rights in its reporting requirements for clients and carry out a regular re-assessment of the contextual human right risks, when relevant.

Any adverse human rights impacts will be acted upon, in cooperation with clients and affected rights-holders.

3.5. Grievance mechanism

BIO has a grievance mechanism in place, allowing stakeholders to raise concerns before they escalate or lead to more serious harm. BIO aligned the design of the mechanism with the effectiveness criteria of the UNGPs, to ensure all possible affected parties can access and trust it. An independent review in 2023 has concluded it is adequate and well adapted to BIO's size and way of working. In addition, BIO requires its clients to have a grievance mechanism of their own, to facilitate early notification and prompt remediation of project related grievances.

BIO protects human rights defenders and whistle-blowers, and does not tolerate retaliations or reprisals against those who criticise or protest against its investments.

3.6. Access to remedy

If adverse human rights impacts materialise, the scope of the responsibility depends on the level of involvement.

Businesses, including DFIs, can be involved in adverse impacts in three ways:

1. Businesses can cause adverse impacts through their own activities.
2. Businesses can contribute to adverse impacts through their own activities – either directly or through a third party.
3. Businesses can be directly linked to an adverse impact because of their business relationships with an entity (i.e., supplier, joint venture partner, customer, government) that causes or contributes to the impacts.

This distinction determines the scope of the responsibility and the actions that can be taken to prevent and address human rights impacts:

1. **Cause**: The DFI has a responsibility to
   - CEASE or PREVENT the action causing the adverse impact
   - REMEDY the adverse impact
2. **Contribution**: The DFI has a responsibility to
   - CEASE or PREVENT the action contributing to the adverse impact
   - Use LEVERAGE to mitigate any remaining impact
   - contribute to the REMEDIATION of the adverse impact
3. **Direct linkage**: The DFI has a responsibility to

- Use LEVERAGE to prevent or mitigate the adverse impact
- use LEVERAGE to facilitate the remediation of the adverse impact

In some instances, investors may be contributing to impacts caused by their investee companies and may be responsible for remediation, for example if an investor has a significant managerial control over a company, as happens in certain General Partnerships. However, in most instances, investors will not cause or contribute to the adverse impact of investee companies, and will only be linked to them. As a result, they do not need to remedy the impact, but are expected to demand the investee company to do so as a component of their responsibility to prevent and mitigate.

In case of adverse human rights impacts, every party involved (business, state and BIO) bears responsibility for its own involvement. This means that the responsibility of BIO does not diminish the responsibility of other parties to remedy the harm they have caused or contributed to, and vice versa.

Human rights remedies can take different forms, depending on the type and severity of harm, the context, and the views of affected rights-holders. However, repairing the injustice and restoring the dignity of rights-holders must be at the core of the remedy.

It should be noted that remedy is not equivalent to legal liability. The concepts used in the UNGPs and the OECD Guidelines do not create liability, nor do they define when a company may be legally liable for being involved in a violation of human rights. Legal liability for human rights abuses is largely determined by the rules of the national legal systems.

Regardless, BIO is committed to improve its approach and implement the requirements of the UNGPs and the OECD Guidelines, by working together with clients on remedies whenever potential or actual harms emerge, and to be as transparent as possible in doing so.

3.7. Responsible exit

BIO integrates human rights considerations in its planned exit assessments and strategies, by evaluating its E&S achievements and any lessons learnt in dedicated Project Completion Reports. BIO may undertake more detailed human rights exit assessments for projects in contexts with high human rights risks, for projects with significant delays in ESAP compliance, and for projects that have resulted in complaints or grievances.

In situations where BIO lacks leverage to mitigate and remediate adverse human rights impacts, an early exit of a business relationship is an option. Such a human-rights related decision involves delicate trade-offs and will be different for each investment. These situations are inherently complex and involve careful and dynamic case-by-case considerations.

3.8. Reporting

BIO will communicate with external stakeholders about human rights risks and adverse impacts and the measures taken to address them. Reporting is done through the annual reports and disclosure of E&S information at project level on BIO's website. More information can be found in BIO's Disclosure Policy.

3.9. Organisational learning

To ensure the correct implementation of this human rights policy, BIO will provide training to its entire staff, both at onboarding and during regular refresher trainings.

The policy will be reviewed after 2 years to ensure we deliver on our human rights responsibilities.