

BIO E&S Reference Documents

BIO Principles for Responsible Financing
BIO E&S Policy
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Reference documents

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Principles for Responsible Financing¹

The Belgian Investment Company for Developing Countries (BIO NV/SA) aims to support the private sector in developing and emerging countries to enable growth, promote employment creation and sustainable development.

BIO's aim is to have a positive impact on the local communities where it invests, including promoting sustainable and decent employment. BIO also strives to ensure respect for human rights and environmental sustainability. Responsibly managed companies, supported by BIO, play a vital part in development: they employ and train people, pay taxes, and build and operate infrastructure and services. Such businesses set an example for other companies. They also generate sustainable economic growth, which benefits the poor.

BIO:

- Does not finance certain products, activities and businesses as per its Exclusion List.²
- Requires that all investees comply with the legal and regulatory requirements in the jurisdictions where they operate.
- Requires high standards of business integrity and corporate governance for investees.³
- Recognizes that BIO's decisions and activities may have environmental and social consequences and requires investees to work over time towards relevant international best practice norms and standards⁴. BIO aims to achieve full compliance with such norms and standards within the duration of investments. BIO encourages investees to promote the same standards throughout their supply chains, e.g., with their contractors.
- Ensures a preventive and precautionary approach with respect to the environmental and social impacts of investees. If negative environmental or social impacts are unavoidable, they must be appropriately mitigated or compensated for.
- Encourage investees to establish an open dialogue with their stakeholders on the environmental and social impacts of their business activities.
- Commit to continuous improvements in the management of ESG matters. BIO's aim is always to enhance positive effects in relation to the environment, workers and all stakeholders.
- Provides transparent and accountable information on investment activities, while observing normal commercial confidentiality.

¹ BIO's Principles for Responsible Financing are based upon and fully consistent with the equivalent harmonized Principles for Responsible Financing adopted by the EDFIs in 2009.

² BIO's Exclusion List is identical to the exclusion list of the European Development Finance Institutions (EDFI) for co-investments and consistent with the exclusion list of the International Finance Corporation (IFC).

³ Such as stated in the DFI Approach Statement for Good Corporate Governance adopted in 2007, referring to the structure and processes for the direction and control of companies, and the Corporate Governance Development Framework adopted by EDFI in 2011.

⁴ BIO's benchmarks are the UN Declaration of Human Rights, the ILO Core Conventions and the IFC Performance Standards on Economic and Social Sustainability and associated Environmental and Health & Safety Guidelines.

Environmental and Social (E&S) Policy¹

Principles & Exclusion List	<ol style="list-style-type: none"> 1. BIO is committed to implement its <i>Principles for Responsible Financing</i>. 2. BIO applies its <i>Exclusion List</i> in selecting investees.
Responsibilities	<ol style="list-style-type: none"> 3. BIO is committed to implement and maintain appropriate E&S management systems. BIO will assign E&S responsibilities to a suitably trained E&S officer.
Assessment & risk rating	<ol style="list-style-type: none"> 4. BIO assesses the E&S impacts of all new investments as an integral part of the investment appraisal process, with reference to relevant laws and regulations and international standards, including the ILO Core Conventions, the IFC Performance Standards and IFC EHS Guidelines. For high risk investees, the IFC Performance Standards and IFC EHS Guidelines are the appropriate benchmark for the environmental and social assessments. 5. BIO categorises (potential) investees as high (A), medium (B) or low (C) risk using adequate instruments to determine the appropriate level of management and monitoring.
Improvements over time	<ol style="list-style-type: none"> 6. For high risk investees (A), BIO uses suitably qualified experts for the environmental and social assessment (impact assessment or audit with reference to IFC Performance Standards and IFC EHS Guidelines). A suitably qualified expert may also assist with assessment of governance matters.
Investment undertaking	<ol style="list-style-type: none"> 7. Prior to any investment, BIO agrees with the investee on corrective action plans to address any identified shortcomings in relation to ESG matters. 8. BIO will not invest in a company if it has high E&S risks and/or significant E&S shortcomings if BIO cannot contractually bind or in other way demonstrate robust evidence that E&S risks are or will be addressed in an appropriate way. Where BIO has effective control or significant influence, BIO shall contractually bind investees to comply with BIO's requirements for investees and set up a monitoring system to ensure compliance.

¹ BIO's ESG Policy is based upon EDFI's harmonised environmental and social requirements for fund investments, and for financial institutions, and on the Equator Principles for project finance.

Climate change	9. BIO is committed to assess and support the reduction of carbon emissions for investees with significant CO2 equivalent emissions.
Consultation	10. BIO will encourage its clients to set up appropriate consultation with potentially affected communities.
Grievance	11. BIO is committed to hold a dialogue with local communities and other stakeholders to facilitate resolution of concerns and grievances
Monitoring	12. BIO monitors investees' performance on E&S matters including their progress towards action plans and targets for improvements as well as any serious incidents. For high risk investees, external monitoring may be required.
Reporting	13. BIO will prepare an annual E&S monitoring report, including risk assessments, issues, improvements and future targets.
Exit	14. BIO will carry out an E&S reputation check on the potential buyer

Exclusion List

BIO will not finance any activity, production, use, distribution, business or trade involving:

1. Forced labour² or child labour³
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
4. Destruction⁴ of High Conservation Value areas⁴
5. Radioactive materials⁵ and unbounded asbestos fibers.
6. Pornography and/or prostitution
7. Racist and/or anti-democratic media
8. In the event that any of the following products form a substantial part of a project's primary financed business activities:⁶
 - alcoholic beverages (except beer and wine);
 - tobacco;
 - weapons and munitions; or
 - gambling, casinos and equivalent enterprises.

BIO's Exclusion List is identical to the harmonized exclusion list adopted by the European Development Finance Institution (EDFI) for co-financed projects on September 12, 2011

² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

³ Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

⁴ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁴ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of *outstanding significance* or *critical importance* (See www.hcvnetwork.com).

⁵ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

⁶ For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.