



BIO 
Investing
in a Sustainable Future

Decent work policy

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I. Purpose of the Decent Work Policy

Increasing employment and ensuring decent work for all are essential aspects of sustainable development, and is part of BIO's mandate. Therefore, in line with its Theory of Change¹, BIO has committed to progress with the Sustainable Development Goals (SDGs), with particular emphasis on SDG 8 on Decent Work and Economic Growth. Indeed, local economic growth and related direct job support is one of the key objectives of most BIO investments. The private sector provides some 90 percent of jobs in developing countries and some 600 million jobs need to be created, mainly in Africa and Asia, largely due to demographic trends. And most of these jobs are generated by small and medium-sized enterprises (SMEs): in developing countries, they represent about 66 percent of permanent, full-time employment².

As of end 2020, BIO investee companies employ over 115,000 workers directly. More importantly, economy-wide effects also create many jobs indirectly mostly through Financial Institutions with 7.5 million indirect jobs³, about 40% are occupied by women. In addition, the investees of the funds in which BIO is invested directly employed 160,000 workers and indirectly support an extra 3.5 million jobs.

BIO recognizes that the quality of these jobs matters for development, as low-paid jobs, informal jobs, and vulnerable jobs do not have the same development impact as well-paid, formal ones with decent working conditions. Vulnerable employment, often in the form of informal employment, is frequently associated with poor productivity, fewer rights and less protection for workers.

The concept of Decent Work, developed by the International Labour Organization (ILO), implies an integrated approach to development and economic growth that takes into account both quantity and quality of jobs. It states that generation of employment opportunities for the poor go together with rights, decent working conditions, representation and social protection. For BIO, the Decent Work approach is based on the International Finance Corporation's Performance Standard 2 (IFC PS2), as well as on local laws and the ILO Core Conventions, the Declaration on Fundamental Principles and Rights at Work, and the Basic Terms and Conditions of Employment⁴. When local regulations differ from the requirements of IFC Performance Standard 2 or the ILO conventions, projects are expected to achieve whichever is more stringent.

This Policy clarifies the concept of decent work and how BIO integrates a decent work approach throughout its activities. It should be read in parallel with BIO's E&S policy and strategy.

II. The importance of decent work

The pursuit of economic growth through employment creation should always go together with decent working conditions and protection of the fundamental rights of workers. For any

1 [ToC_Digital_V3c.pdf \(bio-invest.be\)](#)

2 <https://documents1.worldbank.org/curated/pt/157191468326714061/pdf/835080WP0IFCOJ00Box382079B00PUBLICO.pdf>

3 Impact results are calculated using the Joint Impact Model (JIM), see BIO Development and Sustainability report for more detail.

4 It means the requirements on wage, working hours, labour contracts and occupational health & safety issues, stemming from ILO conventions 26 and 131 (on remuneration), 1 (on working hours) and 155 (on health & safety).

business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient in the sustainability of a company. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, and can jeopardize the long-term competitiveness of the employer. Conversely, through a constructive worker-management relationship, and by treating the workers respectfully and providing them with safe and healthy working conditions, businesses can create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

We therefore support our investee companies in creating and promoting jobs that provide decent wages, ensuring safe working conditions, contributing to social protection, and safeguarding workers' rights.

The International Labour Organization (ILO) defines decent work as follows: "Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men."

ILO's Decent Work Agenda consists of four pillars: employment creation, social protection, rights at work, and social dialogue. These pillars are integral elements of the 2030 'Agenda for Sustainable Development', more commonly known as the Sustainable Development Goals. Job quality is seen as operationalising the Decent Work Agenda; and often is synonymous with working conditions.

BIO's Decent Work policy and operational practice encapsulate the 4 Pillars of the ILO Decent Work Agenda as part of our IFC PS2 application. Gender equality is transversal to these 4 pillars, and is taken into consideration in BIO's investment process, as set in BIO's Gender Strategy⁵.

III. Decent work challenges in developing countries

Even though BIO has a clear commitment towards promoting decent work through its investments, it is important to recognize that BIO invests in emerging and developing countries, an environment in which it can be challenging to tackle this topic:

- Labour markets in developing countries typically have weaker governance and enforcement mechanisms, and there might be gaps in the transposition of ILO conventions into national legislation. A lot of low-income countries included in our investment mandate have low standards and implementation capacity.
- Most people in emerging and developing countries are either self-employed or active in the informal sector, often performing precarious work, with low salaries, poor terms and conditions of employment, in an unsafe working environment and without social security.
- BIO invests in individual companies, which makes it difficult to effect change where poor working conditions are related to broader systemic issues that affect a whole sector and country e.g. endemic long working hours or low wages.
- Businesses and policy-makers in low-income countries may have concerns about the employment impacts of a decent work agenda in the context of fragile labour markets. In some

5 [Gender | BIO \(bio-invest.be\)](#)

countries there is still a preconception that investing in improved working conditions will lead to higher labour costs and that these are not compatible with business competitiveness.

- Public infrastructure for health and education is often of poor quality and limited access, rendering social protection dependent on private means that low-income workers cannot access. Private enterprises are often expected to cover for public sector deficiency, which is generally not realistic.
- BIO has a strong focus on SMEs where working standards are less formalized and/or advanced (versus large enterprises that have more capacity to reach decent work best practices).

Despite this challenging environment, BIO's investments prove that decent jobs are compatible with competitive business models, and as such they can contribute to the Decent Work agenda in emerging and developing economies. This includes normalising social protection and respect for labour rights as part of doing business in emerging and developing markets, and guiding and developing the people management systems and capacity of our clients. As part of EDFI harmonisation efforts, BIO and its peers are also committed to further work on the concept of job quality measurement, defining a set of core metrics to be reported for each project, thereby increasing transparency on decent work progress at investee level and at portfolio level. However, despite all improvements at the level of BIO projects, the ecosystems in which BIO operates are complex and BIO only has very limited influence on them. Rather, by supporting companies that have best E&S practices, we believe that the demonstration effects on the market can play an important role.

IV. Addressing decent work in our investments

As every transaction entails some impact on jobs, BIO assesses the risks and impacts related to labour and working conditions for each investment, as part of the Environmental & Social Management System.

IFC Performance Standard 2, local laws and the ILO Core Conventions, the Declaration on Fundamental Principles and Rights at Work, and the Basic Terms and Conditions of Employment are BIO's guiding reference with respect to Decent Work. As described in BIO's E&S Policy and Strategy, at the time of the investment it is normal that most of our clients are not fully compliant with IFC PS2. It is our role to bring non-financial additionality and value added to clients by supporting them to work towards these best practices over time, through a realistic and prioritized Environmental and Social Action Plan (ESAP). There are also a number of activities on BIO's exclusion list that BIO does not invest in, such as child labour and forced labour⁶.

4.1 Scope & sector differentiation

BIO's decent work requirements apply to all direct investments in **enterprise and infrastructure** projects, covering all workers directly hired by BIO's investee company. Additionally, the company must (i) verify and monitor that their contractors apply PS2 to their own workers, and (ii) identify, remedy and monitor any significant safety risks or suspicions of child or forced labour in its primary supply chain.

For **Private Equity and Debt Funds**, BIO collaborates with other DFIs to ensure that the Fund

⁶ [Apply | BIO \(bio-invest.be\)](#)

has an Environmental and Social Management System in place, to guarantee that, among others E&S aspects, working conditions requirements and legal minimum wage or collective agreements are being applied correctly for workers at the level of investees. BIO acts in collaboration with other DFI investors to ensure Funds have the right systems in place and improvement plans if needed, through an Environmental and Social Action Plan at the level of the Fund Manager.

For BIO's investments in **Financial Institutions (FI)**, we adapt our assessment and requirements based on the type of financial institution. For FIs with a large share of their portfolio in high-risk sectors, usually larger commercial banks, we will conduct a more in-depth assessment of working conditions at the level of the bank and request a higher level of compliance with our decent work standards. For FIs focusing on microfinance and consumer finance, the E&S assessment focuses on ensuring they responsibly finance clients and microentrepreneurs at the bottom of the pyramid, and respect the Client Protection Principles, while the review of working conditions at the level of the institution is lighter. Finally, as harmonized with our peer European DFIs, our Decent Work Standards also directly apply to certain clients of the Financial Institutions⁷. It is up to the Financial Institution to enforce these Decent Work Standards at the level of end-clients, through the FI's Environmental & Social Management System (ESMS). BIO will assess and monitor the quality of this ESMS and its implementation.

BIO will always adapt the depth of assessment and the required compliance level based on the level of risk involved, the size of the company, the sector specificities, and the country context. As part of the contextual risk assessment, BIO checks whether the country ratified the core ILO conventions, and how often violations to workers' rights⁸ are reported. Experience has also shown that certain issues are more prevalent in certain countries and regions, such as gender and collective bargaining gaps that are typically encountered with our Asian clients. In addition, every sector has its specificities: decent wages are typically challenges encountered in low-skilled sectors and/or sectors where low-cost human resource is the main competitive advantage such as in the agricultural or textile sector; health & safety is key in construction and processing, etc. Finally, smaller companies are usually less formalized and less advanced in implementing decent work best practices. In these companies we will focus on developing the decent work basics first, while for larger and more institutionalized companies our expectations are higher.

4.2 The different aspects of Decent Work

As part of BIO's due diligence for all projects, BIO consistently assesses the following decent work aspects, as defined by IFC PS2 and in line with the Decent Work Agenda of the ILO:

Human Resources Policy

Clients are required to introduce and/or strengthen the implementation of a Human Resources system to manage their workforce. They must have an HR Policy or Manual that should be easily accessible to workers. The HR Policy or Manual should describe workers' rights under

7 Fully applies to (i) Project finance or Project related corporate loans with a tenor above or equal to 36 months and a facility size \geq 5 million USD OR with a total project cost \geq 10 million USD (ii) Non-project related corporate loans (e.g. working capital, revolving facilities) with a tenor above or equal to 36 months and a facility size \geq 5 million USD. For all other transactions, a lighter assessment of decent work is performed, commensurate with the transaction size, characteristics and risk level.

8 Based on the ITUC Global Rights Index

national labour law and any applicable collective agreements, including rights related to hours of work, rest days, wages and other benefits, wage deductions, overtime arrangements and compensation, leave (sick leave, maternity leave, paid leave), performance evaluation, dismissal and severance payments.

Reasonable working conditions & terms of employment

Contracts: all employees must have written contracts. Fixed-term contracts should ideally be converted into permanent contracts after repeated renewal. Casual work should be limited to seasonal or peak work.

Working hours: The general standard is maximum 48 hours/week, 8 hours/day. Workers shall enjoy a rest period of at least 24 consecutive hours every seven days.

Overtime: overtime must be compensated according to the local legislation.

Non-discrimination and equal opportunity: No form of discrimination is allowed based on personal characteristics such as gender, nationality, ethnic, social, or indigenous origin, religion or belief, disability, age, or sexual orientation. The HR Policy should ideally include a non-discrimination statement.

Social protection

Companies should ideally contribute to pension schemes, offer employees health insurance and provide paid maternity leave. In countries where this is a legal requirement, BIO will ensure companies do so.

Workers' representation and grievance mechanism

Employers must comply with law on workers organization and/or must not prevent workers to join a trade union or form workers representation associations. In absence of trade unions or organizations, BIO promotes workers' representation and proposes the client to include a statement in the HR Policy in this regard.

Companies should also provide a grievance mechanism for workers to raise workplace concerns. The mechanism should be easily and discreetly accessible and supervised by a designated person of trust involving appropriate level of management.

Child labour and forced labour

Employment of workers under the age of 14 is not allowed.⁹

To ensure compliance, the company must record all workers by age based on an official document (ID, birth certificate, other) and identify the presence of all persons under the age of 18. Young workers (between 14 to 18 years old) are allowed only if foreseen by the local law and if the work does not interfere with their right to education. They must be exempt from any hazardous work at all times.

⁹ [Convention C138 - Minimum Age Convention, 1973 \(No. 138\) \(ilo.org\)](https://www.ilo.org/convention/C138)

Any forced labour performed under threat of force or penalty is not allowed.

Accommodations

Where accommodation services are provided to workers, the client will put in place and implement policies on the quality and management of the accommodation and provision of basic services (i.e. minimum space, supply of water, etc.)¹⁰. Accommodation must be safe for women.

Occupational Health & Safety

Companies will provide a safe and healthy work environment, considering inherent risks in the sector and specific classes of hazards in the company's work areas¹¹. This should be done by identifying risks, providing protective measures, trainings and emergency preparedness procedures, and by developing an accident register. Companies will be encouraged to have an accident insurance in place to cover employees' medical costs in case of work-related accidents.

Retrenchment

For collective dismissal of over 50 workers or more than 10% of workforce, prior to implementing any lay-off, the client will carry out an analysis of alternatives to retrenchment. If retrenchment is unavoidable, a plan will be developed and implemented. The plan must set clear and non-discriminatory selection criteria, based on dialogue (e.g. with unions or workers representations) and supported by a grievance mechanism.

Subcontractor workers

Subcontractor workers' labour conditions requirements (including health and safety) must be included in contractual agreements with the third-party employers and must be accompanied by a monitoring system. It is important that contracted workers have access to the company's grievance mechanism.

Supply chain workers

If there are suspicions of child or forced labour, or high safety risks in primary supply chain, the company must identify the cases, take appropriate steps to remedy them and monitor the risk over time. Where remedy is not possible, the client will shift its primary supply chain over time.

V. Approach with regards to wages

Part of BIO's mission is to contribute to *a world with no poverty* (SDG1) and therefore we attach great importance to adequate wages.

The IFC Performance Standard 2 does not provide a definition of minimum wage nor living

¹⁰ [To be assessed based on the IFC EBRD accommodation standard: Workers' Accommodation: Processes and Standards \(ifc.org\)](#)

¹¹ [Environmental, Health, and Safety Guidelines \(ifc.org\)](#)

wage, it refers to “reasonable working conditions and terms of employment” assessment. In line with this Performance Standard, BIO assesses for all clients whether wages are compliant with the local legal minimum wage and/or with collective agreements with workers’ representatives. This requirement is also set in the E&S Management System¹² of Private Equity Funds and Financial Institutions, so indirect investments follow a similar approach.

For direct SMEs and infrastructure projects, BIO also assesses the salaries paid by comparable employers in the country, industry and sector, when relevant (e.g. labour high risk sector, fragile context). On top of this and beyond IFC PS2, BIO additionally requires all direct investee companies and infrastructure projects¹³ (including contractors) to pay salaries of at least 1.90 USD World Bank Poverty line in Power Purchase Parity per day. Finally, our aspiration is that all our SME and infrastructure clients and their contractors evolve towards paying living wages. For Private Equity Funds, if relevant in the context of the fund’s investment strategy, BIO will engage with the other DFI investors and encourage the Fund Manager to adopt a similar approach.

It is important to note that in our approach below we consider the wage as the guaranteed net wage only (excluding overtime, extraordinary performance-related cash benefits, in-kind benefits, mandatory taxes, etc.). Employees receiving a piece or task rate pay (i.e. when workers are paid by the unit performed instead of being paid on the basis of time spent on the job) must be able to earn at least this floor wage (and the legal minimum wage).

Compliance with the legal minimum wage and collective agreements

BIO always checks whether a national or regional law exists on minimum wages, or if there is a collective agreement with specific minimum wages, if so the employer must always pay this minimum. In case BIO finds that a client is not respecting the local law or is bargaining agreements, either the client agrees to change its labour conditions before disbursement or BIO will not pursue the project. The client is required to maintain compliance with the legal minimum wage & collective agreements over the course of the investment.

Wages in line with the industry standard

Clients should not only provide wages compliant with national legislation but also in line with those provided by comparable employers in the country/industry/sector. For this purpose, only when relevant (i.e. labour high risk sectors, fragile context, in case of low salaries), during due diligence, we evaluate the wages paid by the company, with cross checks from various sources (e.g. internet search, workers, Belgian embassy, Enabel HR manager in country if relevant, existing clients in country, inquiry among citizens when in country, decent work platform, industry association in country, Belgian and local NGOs, other stakeholders such as competitors, national civil servants). BIO will conduct its own information-gathering or commission third parties to make additional wages assessments only when relevant.

12 An Environmental and Social Management System is a set of policies, procedures, tools and internal capacity to identify and manage a Fund’s / financial institution’s exposure to the environmental and social risks of its clients/investees.

13 In syndications, BIO is required to follow the lead investor but we will encourage this investor to go beyond IFC PS2 and include the World Bank Poverty Line in PPP & the living wage in their approach.

World bank Poverty line in PPP and BIO approach

In some countries there is no legal minimum wage, or the legal minimum wage is very low or outdated. In these cases and where low wages are paid (e.g. in agriculture sector or in very low-income countries), BIO compares the actual wage paid by the company with the World Bank poverty line, currently set at USD 1.90 in low-income countries, in order to ensure responsible investment. To take into account local purchase power, we refer to the poverty line in **Power Purchasing Parity (PPP)**¹⁴. Comparing the salary paid to workers with this threshold aims at assessing the private consumption a certain salary can achieve, de facto taking into consideration local economic context, industry competition and employment conditions. The USD 1.90/day threshold in PPP is applicable in low-income countries, while for middle-income countries and upper middle-income countries the minimum BIO uses as a benchmark is respectively USD 3.20/day and USD 5.50/day¹⁵, always expressed in PPP. BIO's investees are required to comply with this threshold before BIO's disbursement, and must pay all their employees at least 1.90 USD PPP per day¹⁶.

BIO's aspiration towards a living wage

Aligned with the international announcement of Belgium in Berlin on 21st of June 2022 to be a signatory to the Declaration on Living Income and Wages, BIO is committed to adopt a concrete and progressive approach to living wages. BIO's aspiration is that all clients, their investees and contractors evolve towards paying living wages.

As per the definition of the Global Living Wage Coalition¹⁷, a living wage is defined as "*the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events*". Living wage estimations are usually country and region-specific, as it may substantially vary for instance between urban and rural areas.

Living wages refer to the wages paid by the company to hired-workers (permanent, temporary and seasonal). It does not refer to the commercial relation that a company can have with smallholders and farmers (e.g. under contract farming, outgrower schemes), as for this type of relationship another concept would apply, as farmers are self-employed, i.e. the living income.

It should be acknowledged that there are inherent limits to what we can do as a DFI in terms of influencing the wages level. Wages levels are influenced by many factors such as local workforce market which are often country, region & sector specific, local regulation, and labour productivity. Wages can increase when the business flourishes or with productivity gains at the company and at the country/regional level. Through investments and Technical

14 World Bank: "PPPs measure the total amount of goods and services that a single unit of a country's currency can buy in another country. The PPP between countries A and B measures the amount of country A's currency required to purchase a basket of goods and services in country A as compared to the amount of country B's currency to purchase a similar basket of goods and services in country B. PPPs can thus be used to convert the cost of a basket of goods and services into a common currency while eliminating price level differences across countries. In other words, PPPs equalize the purchasing power of currencies". PPP conversion factor for private consumption, World Bank database

15 [Poverty and shared prosperity 2020 \(worldbank.org\)](https://www.worldbank.org)

16 The World Bank poverty line PPP is defined per day (not working day). To compare this with wages, we extrapolate this on a monthly basis, by multiplying by 30.5 (average number of days per month).

17 <https://www.globallivingwage.org/>

Assistance Programmes, BIO supports productivity improvements (e.g. new equipment, digital capital expenditures, trainings, certifications opening new markets, price premium to quality standards), thereby creating favourable conditions to increase the level of wages.

As the legal minimum wage can actually be far removed from a living wage, there is room to engage with our clients to raise awareness and incentivise them to progressively ensure that wages they pay to their staff permit decent living conditions. Working towards a living wage should be understood as an aspirational and gradual approach, highly dependent on the business sector, the competition for workforce, the country and the region/local context as well as the “usual way of doing business” and social norms.

Very concretely, we will take the following approach for direct SMEs and infrastructure projects:

- Benchmark the wages paid by the company with the local living wage estimations, if available.
- Engage in a debate with our client by raising awareness on why a living wage matters for us as a DFI, but also why paying a living wage is important for workers and suppliers. We will discuss how BIO can offer support to progressively increase the (lowest) wages. An example could be to provide employee participation schemes whereby a percentage of net profits is redistributed to workers or provide additional worker benefits (e.g. free access to schools, healthcare, trainings). This will be done case-by-case, agreeing measures that are adequate in the context of the client, its sector of operation and of the socio-economic environment. The objective is to have the client’s buy-in and commitment.
- Promote living wages in the supply chains of our clients. Via the BDSF, BIO can co-finance studies in the supply chains to assess the possibilities with respect to wage increase or organize support programmes with our clients and supply chain stakeholders to raise awareness. Where possible, we liaise with other Belgian development cooperation actors to explore joint programmes.

Beyond the proposed actions at project level, BIO tries to make more structural and systemic contributions to decent work in specific cases, engaging with other relevant stakeholders on the overall living wage agenda, to the extent its resources allow. These can include:

- Raising/addressing the issue at the client’s industry association, to encourage a sector-wide commitment to increase the lowest wages, while offering BDSF TA subsidies as pertinent.
- Explore opportunities to engage with other Belgian and international stakeholders with the objective to exchange information and knowledge, and engage in decent work initiatives, including living wages.



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