

## **DRAFT MODEL CLAUSES FOR RESPONSIBLE INVESTING**

### **INTRODUCTION**

The Responsible Contracting Project (“RCP”), in conjunction with the Responsible Investor Model Clauses (“RIMC”) Working Group (“Working Group”), as part of the broader American Bar Association (“ABA”) Business Law Section, has prepared the following model contract clauses to address human rights and environmental (“HRE”) performance issues in investment documentation. Because the intended audience for these clauses is varied, there is no one-size-fits-all list of clauses. Instead, the following clauses are intended to provide guiding principles to members of the investment community, in particular, private equity and venture capital firms, portfolio companies (including public benefit corporations), and the growing number of portfolio managers that seek to implement the guidance on responsible investing released by multilateral and industry-focused organizations, as well as development finance institutions.<sup>1</sup>

The RIMCs include provisions for agreements between investors and portfolio companies (e.g., for inclusion in shareholder agreements, investor rights agreements, purchase agreements, and side letters). Our hope is that the RIMCs can serve as a basis for adapting template investor agreements, such as those developed by the National Venture Capital Association (“NVCA”). Certain RIMCs, such as those addressing indemnification, are variations of standard contract provisions with slight revisions to reflect HREDD concepts.

These clauses will also help investors in connection with their commitment to human rights and environmental due diligence (“HREDD”).<sup>2</sup> In particular, the RIMCs may be useful to investors (and companies) concerned with meeting evolving legal requirements contained in the EU Corporate Sustainability Reporting Directive and the EU Corporate Sustainability Due Diligence Directive. The RIMCs can also be utilized by investors who are interested in integrating the UN Guiding Principles on Business and Human Rights (UNGPs) (2011), the OECD Guidelines for Multinational Corporations on Responsible Business Conduct (2023), and other social responsibility principles in their investment portfolios.

Throughout the RIMCs, references are made to Schedule A and/or Schedule B (collectively, the “Schedules”) as follows:

- **Schedule A**, or the Company Code of Conduct, refers to the code of conduct that sets out the portfolio company’s (the “Company’s”) commitments to the Company’s HRE performance and HREDD process expected by a given investor (the “Investor”). Schedule A provides a common

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<sup>1</sup> There are different definitions of “Responsible Investing” to work with, but the one developed by the World Economic Forum can be used as a point of reference. It states: “Responsible investing is the incorporation of environmental and social factors to achieve one or more of the following objectives: Financial returns, Societal impact, and Values alignment.” <https://www.weforum.org/agenda/2024/04/responsible-investing-definition-taxonomy/>

<sup>2</sup> “HREDD” is a dynamic, ongoing process whereby companies must identify, prevent, mitigate, account for and, where appropriate, remediate any potential or actual adverse human rights and environmental impacts in their supply chain. HREDD is a valuable approach to risk management for companies and investors with respect to improving ESG-related performance, validation, and data reporting. It allows portfolio companies to articulate and address risks and it allows investors to evaluate the company’s risk management approach. Large institutional investors are leading the call for decision-useful information on a company’s performance on ESG factors. Robust HREDD processes will help companies respond to the significant ESG disclosure drivers, including evolving legislative and regulatory requirements, such as the EU Corporate Sustainability Reporting Directive and the EU Corporate Sustainability Due Diligence Directive; the continuing integration by mainstream investors of ESG factors into investment decisions, ongoing portfolio monitoring, and engagement; and the proliferation of impact funds, or funds that are formed with the intent of achieving a specific ESG-related impact alongside risk-adjusted financial returns.

understanding between the Company and the Investor of the meaning and scope of the agreed upon HRE performance standards and operational, industry specific guidance for the HREDD process to meet those standards.

- **Schedule B**, or the Investor Code of Conduct, refers to the code of conduct that sets out the Investor’s commitments to supporting the Company’s HRE performance and HREDD process. We treat the Schedules as separate codes, but an Investor may opt to have a joint code of conduct that combines both their and their portfolio companies’ commitments to upholding HRE standards. In addition to containing commitments pertaining to the post-investment phase of the Investor/Company relationship, **Schedule B** also may contain commitments by the Investor to carry out pre-investment HREDD to determine whether to make the initial investment, or follow-on investments, in the Company.

The below RIMCs are also drafted with a goal of maintaining alignment with three **core principles** (or “Rs”) of responsible contracting:

1. **Responsible allocation of risks and obligations**: First, the parties should abandon static, one-sided, portfolio company-only promises (“representations & warranties”) of HRE compliance. Such promises are both unrealistic and risk-aggravating, as they incentivize portfolio companies and their suppliers and sub-contractors to hide HRE problems rather than address them. Instead, investors and portfolio companies should make a joint commitment to cooperate in conducting ongoing, risk-based, HREDD that can better prevent adverse HRE impacts and, as needed, respond to and remedy such impacts if and when they occur.
2. **Responsible investment and purchasing practices**: Second, the investors should agree to responsible investment practices to support their investees’ HRE performance. Likewise, the investee companies should agree to actively manage their own HRE risks and support their suppliers’ HRE performance and, by extension, the HREDD process, by engaging in responsible purchasing practices where relevant.
3. **Remediation first and responsible exit**: Third, if an adverse impact occurs, the parties should prioritize victim-centered human rights remediation over traditional contract remedies. Measures should be taken to stop the impact and prevent its recurrence. As a general principle, suspending payments, canceling orders, terminating the contract, or otherwise withdrawing the investment should be pursued only as a last resort, after remediation efforts have failed or it becomes clear that staying engaged will further aggravate HRE risks. Regardless of the reason for exit (e.g., changed market conditions, a force majeure event like a pandemic or a war, a severe human rights violation), the party wanting to exit should do so responsibly, by taking measures to mitigate related adverse HRE impacts for which it is responsible.

The RIMCs advocate a model of shared responsibility and risk prevention that supports robust HREDD processes, promotes cooperation and transparency, and will ultimately lead to better HRE outcomes. Engaging with portfolio companies as recommended here will help equip investors to better adhere to the Principles for Responsible Investment and to other Responsible Business Conduct standards and guidance included in Annex 1.

Finally, a few notes from the authors in reviewing the below RIMCs:

- The RIMCs consist of modular and individual provisions that are intended to be selected, adapted, and edited to suit a party's particular needs in a particular transaction in consultation with internal or external counsel.
- [Provision] indicates an optional provision that may be included in a particular RIMC.
- [Provision 1][Provision 2] indicate optional provisions that the author may select between for inclusion in a particular RIMC.
- [*Capitalized Terms*] indicate something that will be a defined term in a given agreement; however, the definition of such term will need be customized to a particular deal/industry category.
- [*Group of words*] indicate instructions for the drafter in how to customize/utilize a particular RIMC.

## **RESPONSIBLE INVESTOR MODEL CLAUSES**

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#### **[TO BE INSERTED]**

### **PART 1 : THE PRE-INVESTMENT PHASE**

#### **1. Pre-Investment HREDD Requirements**

##### **1.1 Mutual Pre-Investment Commitments<sup>3</sup>**

- 1.1.1 Disclosure. The Company shall, and shall cause, each of its [shareholders/ partners, officers, directors, employees,] agents and all subcontractors, consultants and any other person under its control, to disclose information to the Investor on all matters relevant to the Investor's HREDD in a timely and accurate fashion as requested by the Investor.
- 1.1.2 HREDD Plan. Prior to the Investment, the Company will develop an HREDD plan (HREDD Plan), reviewed by and deemed, in writing, to be acceptable to the Investor. The Company shall develop the HREDD Plan in accordance with the criteria and the timelines set out in [Appendix X].
- 1.1.3 Where Investor seeks to employ due diligence measures such as, but not limited to, questionnaires, audits, and scorecards in its HREDD processes, Company may provide Investor with a recent equivalent document (e.g., questionnaires completed for another investor or audit reports prepared by a reputable third-party) provided that the respective document does not contain competitively-sensitive information regarding relationships with other investors, and Investor shall accept such equivalent document or a portion of the equivalent document to the extent that it meets the Investor's minimum standards, unless it reasonably considers that such equivalent document [entirely] fails to satisfy Investor's minimum standards. At the request of Company, Investor shall, to the extent permissible under competition laws, coordinate with Company and other investors to minimize inconsistencies between various due diligence measures employed. Failure to comply with this Section [X] shall be an HREDD-Related Default.
- 1.1.4 Investor Review. The Investor shall review the information provided under this Clause and ensure that it is satisfactory prior to moving forward with the investment.<sup>4</sup>

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<sup>3</sup> To be discussed with the Working Group: Is this the right place for this language or should it be in an LoI and binding pieces kept to the standard representations and warranties section of the relevant agreement?

<sup>4</sup> To be discussed with the Working Group: Is this too difficult an ask of the Investor? One perspective is that it is similar to an anti-sandbagging clause in the M&A context, and most target companies are not successful in getting this concept in. Would inclusion of this concept alienate investors, especially so early in the clauses?

- 1.2 HREDD Request List. [The Investor to provide customized diligence request list targeting HREDD matters].<sup>5</sup>

## PART 2 : MEASURES TO PREVENT ADVERSE IMPACTS

### 2. HREDD Provisions During Life of Purchase/Investment Agreement<sup>6</sup>

#### 2.1 HREDD-Related Covenants.

- 2.1.1 Company’s HREDD Process. The Company covenants, in line with the HREDD Plan, to establish and maintain, in cooperation with its direct and indirect business partners (collectively, “Business Partners”) and the Investor, an on-going HREDD process appropriate to its size and circumstances. This process shall be designed to accurately and effectively identify, prevent, mitigate, and account for how the Company addresses the Adverse Impacts<sup>7</sup> of its activities on the individuals affected by its supply chains. Such HREDD shall be consistent with Schedule A, which tracks the HREDD process described in the 2011 United Nations Guiding Principles on Business and Human Rights (2011) (UNGPs), the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct (2018), the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023), and any sector-specific due diligence guidance.
- 2.1.2 Investor’s HREDD Support. The Investor covenants to carry out its own ongoing due diligence to determine whether the Company can implement effective HREDD measures. The Investor further covenants to support and cooperate with the Company in implementing such measures, [as reasonable and appropriate] [with direct and indirect costs not to exceed X% of the investment]. Such support shall include [performing its obligations under this [*Agreement*] in line with Schedule B], [providing training and other forms of non-financial support, strengthening management systems, and making additional investments to upgrade facilities to ensure that the Company has the resources and capacities necessary to implement effective HREDD measures] [and] [participating in a regular process to review and support upgrading the Company’s HREDD processes, as necessary]. The Investor shall designate an officer as its HREDD contact point responsible for HREDD functions [and granted with authority to use resources adequate to regularly perform those functions] (an “HREDD Officer”).
- 2.1.3 No Waiver. The Investor’s assistance shall not be deemed a waiver by the Investor of any of its rights, claims or defenses under this [*Agreement*] or under applicable law, provided that the Investor obligations under Part 3 (Comparative Fault) are preserved.

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<sup>5</sup> See Annex 2 for a sample generic section of an HREDD due diligence request list.

<sup>6</sup> Note that, while not included within each particular RIMC herein, each agreement in which these RIMCs are utilized should include language (i) to encourage notification of issues to counterparties; (ii) an opportunity to cure any such issue; and (iii) a period of time to remediate any such issue on a go-forward basis.

<sup>7</sup> Sample definition of Adverse Impact: “means a potential or actual human rights harm, including human rights harms resulting from harms to the environment, which one or both parties have either caused, contributed to, or are directly linked to (through their products, services, and business relationships).”

- 2.1.4 Preparation of Plans. With respect to Adverse Impacts identified by HREDD conducted before the *[Effective Date]* that have not yet been fully addressed, the Company covenants to prepare (if not already done), implement, and monitor the KPIs contained in a “Prevention Action Plan” to address identified potential Adverse Impacts and a “Corrective Action Plan” to address identified actual Adverse Impacts within a reasonable time [not exceeding ][X days][Y weeks][Z months] from the date of the [occurrence][discovery] of such Impacts]. Any action plans and progress reports documenting the implementation of such plans shall be shared with the Investor in a timely and accurate fashion.
- 2.1.5 Performance of Obligations. The Company and the Investor covenant to work together in good faith to achieve *[HREDD/performance targets]*, as further set forth herein, including without limitation abiding by policies and procedures governing *[committees]* and [using best efforts to perform their respective obligations in line with] the provisions of Schedule A [and Schedule B].
- 2.1.6 HREDD- Related Default. Failure by either party to comply with this Section shall be a HREDD-Related Default.<sup>8</sup>

### 3. ***COMPANY-LEVEL HREDD OBLIGATIONS***

#### 3.1 Performing in Line with Schedule A.

3.1.1.1 HREDD Implementation Across the Company’s Supply Chain. As part of meeting its HREDD obligations, the Company shall make best efforts to ensure that each of its [Business Partners] *[Representatives, Suppliers, Sub-suppliers, Agents and Subcontractors]* acting in connection with this *[Agreement]* engages in and supports its HREDD process. The Company shall designate an HREDD Officer to coordinate efforts with its Business Partners. Where appropriate, based on the length and intensity of the commercial relationship and the HREDD-related risks involved, the relationship between the Company and its Business Partner(s) will be formalized in a written contract that includes HREDD obligations appropriate to the size and circumstances of the parties.<sup>9</sup> The Company shall keep records of such written contracts and of any failed attempts to obtain such contracts, making the same available to the Investor upon request.

3.1.1.2 Company Purchasing Practices. As part of meeting its HREDD obligations, the Company commits to engaging in responsible business conduct as defined in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the OECD Due Diligence Guidance for Responsible Business Conduct. This shall include a review of its

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<sup>8</sup> Consideration should be given to including a similar provision in IRA/similar agreement governing Investor rights during the life of the investment.

<sup>9</sup> In the event that the Company or one or more of its Business Partners use, engage or hire private or public security to monitor, protect or preserve personnel, property or resources, appropriate policies and resources to train and maintain control over such private security shall be established and maintained. There is a *Good Practice Handbook on the Use of Security Forces: Assessing and Managing Risks and Impacts* developed by the International Finance Corporation that provides practical, project-level guidance at <https://www.ifc.org/securityforces> and this additional link for guidance at Voluntary Principles on Security and Human Rights <https://www.voluntaryprinciples.org/>.

purchasing practices to ensure that they are not triggering or contributing to Adverse Impacts.<sup>10</sup>

Operational-Level Grievance Mechanism.<sup>11</sup> During the term of this [*Agreement*], the Company [and the Investor] shall [implement and] maintain an adequately funded and governed Operational Level Grievance Mechanism (“OLGM”) to assist with addressing, preventing, and remedying any Adverse Impacts that may occur in connection with the Company’s operations. The Company [and the Investor] shall ensure that the OLGM is [legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and] based on engagement and dialogue with affected individuals or groups potentially or actually affected by an Adverse Impact, such as workers and/or local communities and/or their representatives (e.g., civil society organizations, non-governmental associations, and trade unions) (collectively, “Stakeholders”), including [employees, contractors, consultants, etc.]. The Company [and the Investor] shall [first establish and then] maintain open channels of communication with those individuals or groups of Stakeholders that are likely to suffer Adverse Impacts so that the occurrence or likelihood of Adverse Impacts may be reported without fear of retaliation. The Company’s HREDD Officer shall demonstrate that its OLGM is functioning by providing [monthly] [quarterly] [semi-annual] written reports to the Investor on its OLGM’s activities, describing, at a minimum, the number of grievances received and processed over the reporting period, documentary evidence of consultations with affected Stakeholders, and all actions taken to address and remedy such grievances.

4. ***IN THE CASE OF ACTUAL ADVERSE IMPACT.***

4.1 Corrective Action: The Company shall perform its HREDD-related obligations and maintain its HREDD process to prevent the occurrence of Adverse Impacts. If an actual Adverse Impact nevertheless occurs, the Company shall collaborate with the implicated Business Partner(s) to remedy the issue in the shortest delay possible. Remediation efforts shall be facilitated through the preparation and implementation of a “Corrective Action Plan,” as described below.

4.2 Contents of Corrective Action Plan. The Corrective Action Plan should:

- (i) include reasonable steps to ensure that the affected Stakeholders are, to the extent possible, put in the position they would have been in had the actual Adverse Impact not occurred;
- (ii) enable remediation that is proportionate to the actual Adverse Impact, noting that such remediation could take the form of apologies, restitution, rehabilitation, and financial or non-financial compensation;

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<sup>10</sup> Examples of poor purchasing practices that aggravate human rights risks include: imposing prices that are too low to cover production costs (including labor costs); making last-minute changes to orders; requiring suppliers to assume HRE-related costs without providing additional—technical or financial—assistance; making unfair retroactive modifications to payment terms (e.g., asking for steep discounts after the order has been completed or shipped); inaccurate forecasting of how much of suppliers’ production capacity should be reserved and not paying for unused reserved capacity; short turnaround on delivery of goods, accompanied by steep penalties for delays; and irresponsible exit. [https://www.responsiblecontracting.org/\\_files/ugd/fcee10\\_9f95dd6727144ac08e2bd4262bb78cf6.pdf](https://www.responsiblecontracting.org/_files/ugd/fcee10_9f95dd6727144ac08e2bd4262bb78cf6.pdf)

<sup>11</sup> Many OLGMs fail to be used by stakeholders at least in part because of fear of animosity and retaliation which necessitates an alternative line of communication to the Investor’s OLGM/HREDD Officer.

- (iii) include reasonable steps to ensure that the actual Adverse Impact in question does not recur and that additional Adverse Impacts are prevented.
- 4.3 Company Obligations to Support Remediation: Regardless of whether the Company caused or jointly caused the actual Adverse Impact, it shall provide adequate assistance, including expertise, financial, and technical assistance, as appropriate under the circumstances, to ensure that the grievances of adversely impacted Stakeholders are effectively remediated.
- 4.4 Notification of Investor. If the Company has reason to believe or has actual knowledge of a [material Adverse Impact] [a severe Adverse Impact] [an Adverse Impact], it shall promptly, within no more than seven (7) calendar days, notify the Investor specifying the nature of the incident, accident, or circumstance of the Adverse Impact, and the measures the Company and/or the Company's [Customer/Supplier] is taking or plans to take to address such impact, including to prevent any future similar event.
- 4.5 Notification by Investor. If the Investor notifies the Company of its concern that there may be or has been a [material Adverse Impact] [a severe Adverse Impact] [an Adverse Impact], the Company shall cooperate in good faith with the Investor and the Investor's HREDD Officer to determine whether such a violation has occurred, and respond promptly and in reasonable detail to any notice from the Investor, with documentary support for such response, upon the Investor's request. In the event the Company and the Investor are unable to come to a resolution as to whether a violation has occurred, such matter shall be decided by [*include specific dispute resolution mechanism*] with a view to providing remediation if an Adverse Impact has occurred.<sup>12</sup>
- 4.6 Right to Cure and Breach. Failure to satisfy an HREDD obligation shall constitute a default of this [Agreement], which must be cured. If the HREDD-Related Default is not cured within [an appropriate period][X days][Y weeks][a period agreed by the parties in this [Agreement]] after receipt of a written notice, such failure to cure shall constitute a breach of this [Agreement]. In such a case, the Investor shall have the right to exercise any remedies, including but not limited to, its own good faith attempt to cure the HREDD-Related Default on behalf of the and at the expense of the Company [using a multiple for any reasonable direct or indirect costs of 150% of the initial equity investment]<sup>13</sup>, litigation, and/or termination of the [Agreement], subject to Section [\*] (Responsible Exit).

### PART 3 : INDEMNIFICATION, DISCLAIMERS, AND RESPONSIBLE EXIT

#### 5. Investor Indemnification and Comparative Fault

- 5.1 Indemnification. The Company shall indemnify, defend and hold harmless the Investor and its stockholders, general partners, limited partners, members, officers, directors, employees, agents, affiliates, successors and assigns (each an "**Indemnified Party**" and collectively, the "**Indemnified Parties**") against any and all [direct]<sup>14</sup> losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, penalties, fines, costs or expenses of whatever kind, including, without limitation, audit fees that would not have been incurred but for the Company's breach of its HREDD obligations, and the costs

<sup>12</sup> Parties to negotiate how disputes will be adjudicated (e.g., arbitration, etc.)

<sup>13</sup> Working group to discuss this concept and appropriate formula, as well as corresponding edits to Section 5.1.

<sup>14</sup> Scope of losses to be negotiated (e.g., lost profits, punitive damages, etc.)



of enforcing any right under this [*Agreement*] or applicable law<sup>15</sup>, in each case, that arise out of the violation by the Company or any of its Representatives.

- 5.2 Comparative Fault Calculation. Notwithstanding Section [\*] [Indemnification], the Company's obligation to indemnify the Investor shall be reduced proportionately to the degree that the Investor caused or contributed to the Company's breach of its HREDD obligations; in other words, for the avoidance of doubt, damages shall be borne by the Investor directly to the extent the Investor has materially caused or contributed to the breach, as determined by an independent third party mutually agreed to by the Parties. The costs related to such third-party determination shall be shared equally by both Parties.<sup>16</sup>

## 6. *INVESTOR DISCLAIMERS*<sup>17</sup>

- 6.1 Negation of Investor's Contractual Duties Except as Stated. Notwithstanding any other provision of this [*Agreement*], the Investor does not assume a duty under this [*Agreement*] to monitor the Company or its [*Representatives*], including, without limitation, for compliance with laws or standards regarding working conditions, pay, hours, discrimination, forced labor, child labor, or the like, except as required under applicable law and as stated in Section [\*].

6.1.1 No Control. The Investor does not have the authority and disclaims any obligation to control (i) the manner and method of work done by the Company or its [*Representatives*], (ii) implementation of safety measures by the Company or its [*Representatives*], or (iii) employment or engagement of employees and contractors or subcontractors by the Company or its [*Representatives*]. The efforts contemplated by this [*Agreement*] do not constitute any authority or obligation of control. They are efforts at cooperation that leave the Investor and the Company each responsible for its own policies, decisions, and operations. The Investor and the Company and its [*Representatives*] remain independent and are independent contractors. They are not joint employers, and they should not be considered as such.

6.1.2 Disclosure. The Investor assumes no duty to disclose the results of any audit, questionnaire, or information gained pursuant to this [*Agreement*] other than as required by applicable law, except to the extent the Investor must disclose information to the Company as expressly provided in this [*Agreement*].

## 7. *PROVISIONS RELATING TO SALE OF INVESTOR EQUITY OR SALE OF THE COMPANY*

- 7.1 Responsible Exit.<sup>18</sup> In any termination of this [*Agreement*] by the Investor, whether due to a failure by the Company to comply with this [*Agreement*] or for any other reason (including the occurrence of a force majeure event or any other event that lies beyond the control of the parties), the Investor shall (i) consider the potential Adverse Impacts generated by the termination and employ commercially reasonable efforts to avoid or mitigate them; and (ii) provide reasonable notice to the Company of its intent to terminate

<sup>15</sup> Alternatively, parties may decide to utilize a customized "Losses" definition.

<sup>16</sup> To be discussed with the Working Group: What should be the standard for determining the Investor's comparative fault, e.g., intentional causation, negligence, or strict liability?

<sup>17</sup> Note that some of the concepts in this section will not be acceptable in certain non-US jurisdictions.

<sup>18</sup> Note that the EU Corporate Sustainability Due Diligence Directive (CSDDD) does not allow for zero-tolerance exits and requires exits to be a last resort.

this [*Agreement*]. Termination of this [*Agreement*] shall be without prejudice to any rights or obligations accrued prior to the date of termination.

**Schedule A and Schedule B<sup>19</sup>**

Codes of Conduct: The Investor and the Company acknowledge that each endeavor to conduct its business in a legal, moral, and responsible manner at all times, based upon a set of guidelines and values enumerated in Schedule A and Schedule B. The Schedules address, amongst other things, responsible and ethical standards of behavior dealing with environmental protection, human rights, and [include any other applicable subject matter (e.g., living/fair wage, etc.)].<sup>20</sup> To the extent that Schedule A and Schedule B promulgate requirements or standards that are different than those required under applicable law, the Investor and the Company agree to meet the strictest requirements and standards.

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<sup>19</sup> We recommend having a sub-group of the RIMC Working Group focus on fleshing this out.

<sup>20</sup> Parties to determine appropriate list, as this may be expanded to include other categories (e.g., sexual orientation, other physical characteristics, etc.) that may not otherwise be included as a protected classification.

## **Appendix X – Company HREDD Plan**

### Plan Elements

As part of the HREDD Plan, the Company shall, at a minimum, agree to do the following:

- Conduct an initial comprehensive risk assessment that identifies and assesses human rights and environmental (HRE) risks and impacts by geographic context, and sector throughout the Company’s own operations (including the activities of the Company’s subsidiaries, if any) and business relationships across the Company’s value chain. Update the risk assessment both periodically and as needed in response to stakeholder feedback and potential changes in the Company’s risk profile.
- Design an HRE risk management plan that responds to the initial and on-going risk assessments and sets out prevention, mitigation, and remediation actions to be taken. It shall consider the severity and likelihood of the identified actual and potential adverse HRE impacts associated with the Company’s operations, as well as the nature of such potential adverse impacts. This risk management plan should include a prioritization procedure that prioritizes responses where a delayed response to an actual or potential adverse impact would make the impact irremediable. Such risk management plan should also incorporate the management of new and emerging adverse risks and impacts.
- Put in place measures, including remediation, to address instances where the Company actions have caused or contributed to adverse impacts on people, the environment, or society.
- Require the training of senior level Company management, as well as relevant other functions, which may include legal, procurement, and compliance officers on human rights and environmental risks.
- Incorporate into the Company’s existing procurement process principles of responsible contracting for the purchase of goods and include a shared approach between buyers and suppliers.
- Establish a process for meaningful identification and engagement of stakeholders, including stakeholders potentially or actually negatively affected by the Company operations, defenders of human rights and the environment, trade unions, and grass roots organizations. Such engagement should include ongoing monitoring and designing of grievance mechanisms.
- If necessary, adopt key performance indicators (KPIs) to assist in the review and reporting of HREDD objectives.

### Timeline

The HREDD Plan shall be implemented in accordance with the following timeline:

[PLACEHOLDER FOR TIMELINE]<sup>21</sup>

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<sup>21</sup> Timeline to be established depending on the specific facts and circumstances, including the maturity of the Company’s current processes.

**Annex 1: Sources of Guidance on Responsible Investment**

UN General Assembly Report of the Working Group on the issue of human rights and transnational corporations and other business enterprises, <https://www.ohchr.org/en/calls-for-input/2023/investors-esg-and-humanrights>

UN Guiding Principles for Business and Human Rights (UNGPs),  
[https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr_en.pdf)

Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct, [https://www.oecd.org/en/publications/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct\\_a0b49990.html](https://www.oecd.org/en/publications/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990.html)

OECD Due Diligence Guidance for Responsible Business Conduct, <https://mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm>

Principles for Responsible Investment, <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>

OPIC Office of Accountability Operational Guidelines Handbook for Problem-Solving and Compliance Review Services,  
<https://www.dfc.gov/sites/default/files/media/documents/Office%20of%20Accountability%20Handbook.pdf>

International Finance Corporation Good Practice Note, Addressing Grievances from Project-Affected Communities, [https://www.scribd.com/fullscreen/21356198?access\\_key=key-d387qdvel3wbc9nnmxk](https://www.scribd.com/fullscreen/21356198?access_key=key-d387qdvel3wbc9nnmxk)

**Annex 2: Sample Generic HRE Due Diligence Request List**

1. Does the Company have an ESG, corporate responsibility, corporate sustainability, or similar program? If so, please describe the program, including the individuals (e.g., Chief Sustainability Officer, Head of ESG, or similar role) and/or groups (e.g, ESG Committee or similar). If the Company does not have such a program, please describe how the Company manages ESG risks, including legal and regulatory risks.
2. Does the Company's board of directors and/or senior management oversee ESG risks, including risks related to potential human rights and/or environmental adverse impacts of the Company's operations? If so, please provide a description of such oversight, including the cadence of management-level meetings and management reports to the board regarding ESG issues and whether a board committee is specifically tasked with ESG oversight.
3. Does the company have an ESG, corporate responsibility, corporate sustainability, or similar policy? If so, please provide.
4. Does the company have a policy on diversity, equity, and inclusion (DEI)? If so, please provide.
5. Does the company produce internal or external ESG or sustainability reports? If so, please provide, and please include any reports that focus just on a single aspect, such as an environmental impact report or a social impact report.
6. Does the Company gather information about its greenhouse gas emissions? If yes, what Scopes are included?
7. Does the Company have any policies regarding responsible marketing?
8. Please describe how the Company conducts third-party risk management and provide any Supplier Codes of Conduct.
9. Does the Company use employee engagement surveys?
10. Has the Company experienced any ESG-related incidents, including incidents related to potential or actual human rights and/or environmental adverse impacts of the Company's operations?

[ADDITIONAL QUESTIONS TO BE INCLUDED BASED ON THE PORTFOLIO COMPANY'S INDUSTRY, GEOGRAPHY, SIZE, ETC.]