



Grievance Management Policy with regards to Investments by Alterfin

01th June 2026

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SECTION 1. INTRODUCTION AND PURPOSE

Alterfin's goal is to improve the livelihoods of socially and economically disadvantaged communities, predominantly in rural areas in low and middle-income countries. This is made possible through investments and technical assistance in the microfinance and Agri SME sector.

Individuals and/or legal entities may feel they suffered a damage as a consequence of such investments. A grievance mechanism is therefore set up to respond in a timely manner to legitimate grievances and demands for repair by such individuals and/or legal entities affected (or potentially affected) by projects financed by Alterfin.

This mechanism shall be detailed in the present policy (the "**Policy**"). It is aligned with the other policies of Alterfin, notably the Investment Policy, the E&S Policy and the AML Policy (as defined, together with other capitalised terms, under Section 12 of the Policy)

This Policy applies to all microfinance and sustainable agriculture activities that Alterfin finances.

SECTION 2. SCOPE

The grounds on which a grievance could be submitted encompass two main categories:

- a. **Environmental & Social:** Material adverse effects with respect to environmental or social matters. It may concern, without being limited to, labour and working conditions, damage to natural resources (e.g. pollution), human rights abuse, involuntary resettlement, etc. Further information on E&S topics can be found in Alterfin's E&S Policy.
- b. **Business Integrity:** Illegal or unethical business practices. It includes, without being limited to, non-compliances with legal provisions and deviations from good practices with respect to money laundering, fraud, corruption, bribery (e.g. facilitation payments), conflict of interests, business collusions, etc.

SECTION 3. ADMISSIBLE COMPLAINANTS

The individuals/legal entities entitled to submit a grievance under the Policy are as follows (the "**Admissible Complainants**"):

- a. **Individual(s)** directly adversely impacted by an operation financed by Alterfin or potentially directly affected by an operation considered for support by Alterfin (or another individual representing the latter, with a valid power of attorney).
- b. **Legal representative of a group of individuals or of a legal entity** directly adversely impacted by an operation financed by Alterfin or potentially directly affected by an operation considered for support by Alterfin, and which provides explicit evidence of legitimacy to present the grievance on their behalf.

SECTION 4. ELIGIBILITY CRITERIA

A grievance shall be deemed eligible for further investigation if it meets each of the following criteria (the "**Eligible Criteria**"):

- a. The project which is the object of the grievance is supported or is being considered for support by Alterfin;
- b. At least one component of the project which is the object of the grievance can be plausibly directly linked to the alleged adverse effect(s);
- c. The alleged adverse effect(s) falls into the scope of Alterfin's Policy;
- d. The grievance is lodged by an Admissible Complainant;
- e. The grievance is submitted in good faith and is aligned with the purpose of the Policy.

SECTION 5. KEY ROLES AND RESPONSIBILITIES

The complaints raised will be submitted to Alterfin's Office Administrator who will then assign them to the Alterfin Grievance Committee, that will be chaired by the Head of Legal & Compliance and will also consist of the Head of Credit Risk and the E&S Impact Manager of Alterfin.

SECTION 6. PROCESS

How to submit a grievance

Any complainant can lodge a grievance in one of the available languages (English, Spanish, French and Dutch) by using the dedicated form on Alterfin's website (<https://en.alterfin.be/publications/alterfin-grievances-and-complaints-form>). Complaints in other languages may also be considered, as the case may be, although processing times may need to be extended for the translation of documents.

An acknowledgement of receipt shall be delivered for any grievance lodged through the system within 25 working days of its receipt.

Which information to provide

Any grievance should contain, in substance, the following information:

- a. The identity of the complainant(s): name(s), address(es), email and telephone number.
- b. If deemed necessary, the complainant may decide not to disclose his/her identity. Nonetheless, a proper identification of complainants enables the establishment of a channel of communication in case further information is necessary for a proper processing of the grievance. It also prevents malicious or abusive use of the grievance mechanism. In any event, Alterfin shall respect the strict confidentiality of the complainants' identity (cf. Section 9 on Protection) unless otherwise required by law or by a court judgment or by the decision of a public authority.
- c. If the party submitting the grievance is doing so on behalf of an affected individual, a group of individuals or a legal entity, it must identify on whose behalf the grievance is made. It must also present evidence that it has been requested to present the grievance on behalf of the latter (power of attorney or similar document).
- d. A description of the project financed or under consideration by Alterfin, as far as it may be known to the complainant.
- e. A description of the situation which is the object of the grievance:

- ✓ Environmental or social impacts: A statement of the way in which the complainant believes he/she/the group of individuals/legal entity has been, or is likely to be, affected by environmental and/or social impacts of the project.
 - ✓ Business integrity: description of the non-compliance with law and regulations or deviation from good practices in the field of business integrity.
- f. Duly documented explanation about whether and how the complainant attempted to resolve the problem, including any contact with the Investee or Alterfin staff, as well as any legal actions that may have been undertaken.

Screening for admissibility and preliminary assessment

Alterfin's Grievance Committee is responsible for handling any grievance made under the Policy. After acknowledgement of receipt, the Grievance Committee will screen the grievance for admissibility by assessing whether it complies with the scope described under section 2 of the Policy, whether the complainant qualifies as an Admissible Complainant under section 3 of the Policy, and whether the grievance meets the Eligible Criteria under section 4 of the Policy. If the initial submission is not clear, the Grievance Committee shall seek additional information or clarification from the complainant.

Once the Grievance Committee has confirmed that the grievance is eligible, it will assess the grievance in order to develop a thorough understanding of the issues and concerns raised therein and to determine which procedure may be initiated to end or cure the object of the grievance. To this extent, the Grievance Committee may:

- a. Consult existing documentation about the project object of the grievance;
- b. Engage with the complainant and Alterfin's Investee;
- c. Identify the local communities and any additional stakeholders relevant to the grievance.

Conclusions from admissibility screening and preliminary assessment shall be presented to the CEO, who shall decide, after consultation with the Grievance Committee, on the most suitable actions to take (as further described below): investigation, dispute resolution, compliance review or closure. The Grievance Committee shall inform the complainant of the decision made by the CEO. Except for very complex grievances, this phase is reasonably expected to take no more than 3 months from the acknowledgement of receipt, provided that the Grievance Committee has received all the information it needs to make an informed assessment

Investigation

Depending on the circumstances and on the complexity of the situation object of the grievance, the investigation shall be conducted by the Grievance Committee, external consultants, internal experts or a mix of them. The Grievance Committee is responsible for determining the most suitable mix of expertise, that also warrants the appropriate independence and impartiality of the investigation.

Procedures carried out during an investigation may include, but are not limited to:

- a. Reviewing documentation concerning the investment that led to the grievance;

- b. Meeting with the Admissible Complainant, Alterfin staff, the Investee, government officials of the country of execution of the project, representatives of local and international non-governmental organisations, and other stakeholders;
- c. Visiting project sites and carrying out fact finding missions.

A reasonable timeframe for this phase should not exceed six months, but it could be extended to twelve months where necessary due to the specific circumstances of the case, in particular the nature and complexity of the subject of the grievance, which may require a lengthy investigation.

Dispute resolution

As a non-judicial, non-adversarial, neutral forum, a dispute resolution initiated under the Policy is a process through which parties, all acting in good faith and with the aim of solving the issue, may find mutually satisfactory solutions. This approach ensures equitable treatment of participants.

Engaging in a dispute resolution process is a voluntary decision and requires agreement between the Admissible Complainant and the Investee, at a minimum, on the decision to choose this process and on the way it will be implemented.

Each approach will be chosen in consultation with the parties, and may include:

- a. Facilitation and information-sharing;
- b. Joint fact-finding;
- c. Dialogue and negotiation;
- d. Mediation and conciliation.

When the parties have reached an agreement, the Grievance Committee will assist the parties in monitoring implementation of the agreement. This may be achieved by setting mutually agreed timelines and outcome indicators within the body of the agreement.

Compliance review

During this phase, Alterfin will investigate the compliance of its own policies and procedures with the aim of avoiding or minimising harm to people or the environment. Such review takes place at the level of the investment object to the grievance. This phase should not last more than three months.

SECTION 7. REMEDY

Alterfin's grievance mechanism aims to support victims in accessing effective remedy. Remedy is understood in the sense of the United Nations' Guiding Principles on Business and Human Rights (UNGPs).

In situations where Alterfin contributed (or is likely to contribute) to an adverse impact, usually through an investment (or potential investment) causing the harm, Alterfin shall use its leverage on the Investee to mitigate any remaining impact to the greatest extent possible. If necessary, Alterfin may also decide to cease (or prevent) its contribution to the harm, for instance by suspending or terminating the business relationship with the Investee.

In situations where Alterfin has caused the harm, for instance by failing to comply with its own policies and procedures such as the environmental and social due diligence or monitoring, the necessary steps shall be taken, in proportion to the circumstances, to ensure the provision of remedy.

Alterfin's grievance mechanism is not a legally enforceable mechanism and does not confer or preclude any rights of access to justice to Admissible Complainants. Admissible Complainants are also free to use any other complaint mechanism, such as the Belgian OECD National Contact Point or the mechanism of other co-financiers of the investment subject to the grievance.

SECTION 8. INFORMATION AND REPORTING

The Policy seeks to ensure that (potential) aggrieved parties have reasonable access to sources of information about the grievance mechanism. To this purpose, the Policy is made clearly visible and easily accessible on Alterfin's website. During any grievance procedure, the Admissible Complainant shall be informed at the completion of every step of the process and shall be provided with feedback about the status of the grievance at least every three months.

At the completion of the process described under Section 6, an internal report on each grievance including, as the case may be, recommendations shall be prepared and submitted to the CEO by the Grievance Committee. Recommendations may be operational corrective actions or improvements to existing policies or procedures. Where possible and appropriate, a corrective action plan shall be drafted and presented to the Investee. The Grievance Committee will report annually to Alterfin's Board of Directors on the complaints received and handled during the year, and on the actions taken to promote or improve the execution of the Policy.

SECTION 9. PROTECTION

The Policy's core purpose is to provide complainants with an effective, fair and credible tool to facilitate the solving of grievances. Complainants' ability to safely file complaints without fear of retaliation is an essential prerequisite for the Policy to achieve its mission.

The Policy aims at assessing, preventing, and addressing risks of reprisals, to the best of its ability. In particular, Alterfin takes the safety of complainants and others who engage in this process very seriously and seeks to respond appropriately and timely to threats or incidents of reprisals. The approach for addressing the risk of reprisal relies on three pillars: confidentiality, zero-tolerance policy for reprisals and proactive dialogue.

Confidentiality

The identity of complainants shall not, without their explicit consent, be disclosed to anyone beyond the staff members competent to receive or follow up on grievances, unless required and proportionate in the context of investigations by national authorities or judicial proceedings. This shall also apply to any other information from which the identity of the complainant may be directly or indirectly deduced.

Zero-tolerance for reprisals

Alterfin will not tolerate any form of retaliation or reprisal against anyone who may file a grievance or otherwise act under Alterfin's Policy and will use its best efforts to prevent and

discipline such actions. In this respect, specific contractual clauses shall be included in the financing agreement signed with each Investee and, in case of breach, legal remedies may be actioned by Alterfin. Alterfin will also systematically work closely with the person(s) concerned to identify and implement appropriate measures when responding to threats or incidents of reprisals.

Proactive dialogue

Alterfin's grievance mechanism is not a legally enforceable mechanism and therefore, Alterfin cannot assure legal protection against retaliation or reprisal from external parties. Alterfin strives to be realistic and transparent about the limitations of its mandate and capabilities in this context. Recognizing that people affected by the projects financed may be vulnerable, Alterfin's grievance mechanism is available to any potential complainant that would like to confidentially discuss any concerns related to risks of reprisal prior to the submission of any grievance. With such proactive dialogue early in the process, Alterfin supports the complainants in actively thinking about their own safety and considering measures they can take to reduce risks.

SECTION 10. RECORD KEEPING & PERSONAL DATA PROCESSING

The register of all grievances lodged under the Policy as well as all information collected in the course of handling procedures shall be duly filed and archived by Alterfin's Grievance Committee, ensuring strict restricted access and confidentiality.

Alterfin's grievance mechanism may include processing of personal data regarding complainants and/or persons covered by the grievances. Alterfin is committed to protecting personal data in compliance with the General Data Protection Regulation ("GDPR") and the Belgian law of 30 July 2018 on the protection of individuals regarding the processing of personal data.

SECTION 11. MONITORING

Alterfin shall keep records of lessons learnt throughout the application of the Policy and evaluate its performance on an ongoing basis. The Policy may be amended accordingly where appropriate, also considering the stakeholder's feedback.

SECTION 12. DEFINITIONS

Admissible Complainant: the individual/legal entity or its representative entitled to raise the complaint as per section 3 of the Policy.

Alterfin Grievance Committee: the committee in charge of handling Eligible Complaints issued by Admissible Complainants.

AML Policy: Alterfin's policy on anti-money laundering and counter financing of terrorism, issued in December 2021 (with its amendment).

Eligible Complaint: grievances within the scope of this Policy, made by an Admissible Complainant and meeting the Eligibility Criteria.

Eligible Criteria: the criteria described under section 4 of the Policy considered as eligible for a grievance to be submitted under the Policy.



E&S Policy: Alterfin's environmental and social risk policy issued in March 2022 (with its amendment).

Investee: a legal entity to whom an investment is made by Alterfin.

Investment Policy: Alterfin's investment policy issued in June 2018 (with its amendments).