



GeoFutures Fund Managers
Environmental and Social Management System
(ESMS)

V1 for disclosure

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Table of Contents

CONTENTS

1. Introduction

- 1.1 Context*
- 1.2 Purpose of this Document*
- 1.3 Scope of this Document*

2. Responsible Investment Framework

- 2.1 Responsible Investment Policy*
- 2.2 Responsible Investment Code*
- 2.3. Legal and Other Requirements for Responsible Investment*

3. Environmental & Social Impacts and Mitigation

- 3.1 Identification of Potential Impacts*
- 3.2 Typical Impact Mitigation*

4. E&S Governance and Organization

- 4.1 Overall E&S Governance Arrangements*
- 4.2 Project Level E&S Management Arrangements*

5. Environmental and Social Risk Management

- 5.1 Deal Screen and Categorization*
- 5.2 Environmental and Social Due Diligence*
- 5.3 Risk Assessment*
- 5.4 Management of Compliance Obligations*
- 5.5 Management of Change*
- 5.6 Emergency Management*
- 5.7 Documentation and Record Control*

6. Specific Approach to Safeguards

- 6.1 Human Rights*
- 6.2 Labour and Working Conditions*
- 6.3 Environmental Management*
- 6.4 Social Management*
- 6.5 Stakeholder Engagement and Communication*

- 6.6 Community Health, Safety and Security*
- 6.7 Land Acquisition and Involuntary Resettlement*
- 6.8 Indigenous People*
- 6.9 Cultural Heritage*

7 Training and Competency

8. E&S Performance Monitoring and Review

9. Environmental and Social Performance Reporting

- 9.1 Fund-Level E&S Reporting*
- 9.2 Project Level E&S Reporting*
- 9.3 Incident/ Accident Reporting*

Annex 1-13

1. INTRODUCTION

1.1 CONTEXT

GeoFutures Investment Fund (“The Fund” or “GF1”) is a newly established investment vehicle developed to invest in geothermal projects in Emerging Markets, including Africa. The investments will take the form of convertible and non-convertible debt instruments and The Fund will provide a full spectrum of investment support and advisory services including environmental and social governance (ESG) management. As part of this The Fund (and Fund Manager) will be guided by its:

- Responsible Investment Policy
- Responsible Investment Framework
- Environmental and Social Management System

GF1 initially proposes to provide investment to between 8 -12 projects in and around the East African Rift Valley which will be a mixture of:

1. Support to early stage exploration projects that seek to establish a proven investible resource.
2. Insurance backed guarantees for resource output risk established during developmental drilling programmes.

These projects are expected to contribute up to 600MW of additional energy capacity, servicing the needs of approximately 26 million people whilst avoiding the emission of 1.3mt CO₂ annually.

Given that the Rift Valley is an extremely heterogenous area stretching from Mozambique to Jordan, with varied landscape, biodiversity, climate and socio-economic conditions and diverse and localized ethnic groupings¹ the setting and context of each of the projects that GF1 will develop is highly variable and location-specific.

As a result, The Fund proposes to manage ESG issues in a way that is both consistent and bespoke, with an emphasis on the use of risk-based approaches that are appropriate to local conditions and context and application of adaptive management processes. This will take into account the way that potential environmental and social risks and impacts of each project will vary depending on location and context. The Fund will identify and address these challenges by adopting a comprehensive Environmental and Social Management System (ESMS) that is guided by the African Development Bank (AfDB)’s Integrated Safeguards System (ISS which includes the Operational Safeguards – OS), the IFC Performance Standards, the requirements of the Green Climate Fund and Good International Practice.

1.2 PURPOSE OF THIS DOCUMENT

This document provides a comprehensive description of The Fund’s ESMS which has been designed to help ensure that:

- Environmental and social considerations are taken into account during project selection
- Projects are assessed and structured in accordance with the requirements of the AfDB OS, IFC Performance Standards (“PS”/ “PSS”), and GCF.
- Disclosure of information and stakeholder engagement is timely meaningful, culturally appropriate and inclusive. This includes disclosure prior to Fund approval for financial support.
- There are effective processes for assessing project ES performance, obtaining appropriate

¹ For example, in Kenya alone there are 40 of which the Kikuyu are the largest (22%).

feedback (including through the use of a grievance redress mechanism) and that adaptive learning and management takes place;

- Project benefits and opportunities are identified and realized to the benefit of project affected people.

The Fund is at an early stage of its development and there are no finalized project sites at present. Thus the ESMS will be an evolving process and this document will be shaped as more detail emerges about The Fund's specific activities.

Regardless, this ESMS document describes how risks will be identified and managed, and how the arrangements will be operationalized and embedded into The Fund's operations. As a framework document, this document should also be read alongside more specific and detailed supporting policies, plans, procedures and other management system tools and documentation as they develop. Together these documents will guide and govern the responsibilities and actions of The Fund, The Fund Manager and any others acting on behalf of The Fund or with the backing of The Fund. All parties working directly for The Fund will be contractually obliged to comply with the ESMS and appropriate training will be provided to facilitate this.

The ESMS has been designed following the guidance included in both African Development Bank's (AfDB) Integrated Safeguards System (ISS), and IFC's Sustainability Framework (Performance Standard 1 (PS 1) the Interpretation Note on Financial Intermediaries (1) in particular)

It forms part of the The Fund's wider business management system for business risk management and has been developed with support and input from both AfDB and other stakeholders. Its ongoing effectiveness and alignment with investor requirements will be subject to ongoing assurance activities including both internal audits (refer to Annex 12) and routine investor reviews. This ESMS will be made publicly available on the GF1 and AfDB websites and comments and feedback are invited. The ESMS will be subject to continuing improvement in the light of experience and comments and feedback received. Future versions of this ESMS will summarise any comments that are received along with The Fund's responses.

1.3 SCOPE OF THIS DOCUMENT

This Document applies to all Projects in which the GF1 invests, as well as all third party contracting organizations employed by The Fund. It applies to the management of E&S risks across all GF1 projects and any future funds.

(1) http://www.ifc.org/wps/wcm/connect/Topic/sect_content/Ifc_external_corporate_site/ifc+sustainability/learning+and+adapting/knowledge+products/p

(1) http://www.ifc.org/wps/wcm/connect/Topic_ext_content/Ifc_external_corporate_site/ifc+sustainability/learning+and+adapting/knowledge+production/publications/publications_policy_interpretationnote-

2. RESPONSIBLE INVESTMENT FRAMEWORK

2.1 RESPONSIBLE INVESTMENT POLICY

The Fund is committed to responsible investments, and to aligning all investment projects with Good International Practice as exemplified by the AfDB ISS and IFC's Sustainability Framework as well as the World Bank Environmental, Health and Safety Guidelines (EHSG). The Fund's Responsible Investment Framework will be used to guide all investment decisions and management activities based on the dual principles of:

- 'Do No Harm' (as set out in the ESMS document, and defined by the IFC Performance Standards) and
- 'Do Good' (as set out by the Local Development Processes and Impact Framework to support local community development).

The Responsible Investment Policy is provided as Annex 1 to this document. This sets out The Fund's commitments for responsible investment in relation to E&S risk management, stakeholder engagement and benefit creation. This policy is supported and signed by The Fund's CEO. It will be reviewed annually at a minimum and also in the light of experience when carrying out The Fund's activities. The Policy will inform and guide all Fund activities and is reviewed on an annual basis as part of the general management review process. It will also be reviewed as the need arises to ensure it is maintained appropriate to the nature and scale of the sub-project and business objectives as they develop over time. All contractors and subcontractors working for, or on behalf of The Fund Manager and the investment activities to which funds are committed will either adopt the Policy directly, or will establish and maintain policies that are aligned with the vision, objectives and minimum requirements set out in the Policy. The Policy will be communicated to all The Fund staff as part of their induction and will also be made available on request to interested parties.

2.2 RESPONSIBLE INVESTMENT CODE

The Fund (and the organisations in which it invests) is committed to continuous improvement with respect to the governance and management of environmental and social matters and to applying relevant good international industry practices throughout. To do this it will implement a management system that effectively addresses E&S risks and realises E&S opportunities including by the:

- Implementation and Operation of the E&S Management System by the GF1 Funds;
- Use of Environmental and social assessments as part of investment decision-making;
- Monitoring and reporting in relation to compliance, risk management and incidents; and
- Supervision of E&S management and remedies for material breaches of E&S requirements.

2.3. LEGAL AND OTHER REQUIREMENTS FOR RESPONSIBLE INVESTMENT

The Fund is committed to complying with all applicable legal requirements as well as the AfDB ISS, Equator Principles, the IFC Performance Standards and other international standards for environmental and social governance and management (1). This also includes the International Labor Organization ("ILO") Core Labor Standards, the ILO Basic Terms and Conditions of Work, and the UN Guiding Principles on Business and Human Rights. In turn The Fund requires the investments to which funds are committed also to demonstrate compliance with these standards. Prior to commencement of any project, an assessment will be made to determine the gaps that exist between the applicable local legal requirements, international standards and the requirements of this ESMS. The most stringent requirements will be applied.

¹ IFC Performance Standards on Social and Environmental Sustainability (including the technical reference documents known as the World Bank Environmental, Health, and Safety Guidelines)

3. ENVIRONMENTAL & SOCIAL IMPACTS AND MITIGATION

This Section provides some context around the potential impacts of Geothermal projects and the implementation of this ESMS to ensure that all potential environmental and social impacts are fully assessed, and the appropriate mitigation measures identified.

3.1 IDENTIFICATION OF POTENTIAL IMPACTS

An environmental or social impact is defined as any alteration of existing conditions, adverse or beneficial, caused directly or indirectly by a Project that results in a specific consequence to a resource/ receptor. Impacts are dependent on two key factors: the sensitivity/importance of the surrounding environment and the magnitude of change caused by the project. Potential impacts will be assessed through the Environmental & Social Impact Assessment (ESIA) process, as the nature, sensitivity and importance of receptors and resources will vary from one project to the next.

Consideration will be made of the potential environmental and social impacts of a project at all stages of the project lifecycle. This will start at the pre-investment (deal screen) stage, when all potential projects will be assessed and categorized on the basis of potential impacts. As The Fund seeks to do no harm through the projects in which it invests those projects with the most significant potential impacts (rated as Category A) will be considered only on the basis of rigorous assessment and clear evidence of positive impact that is aligned with our 'do good' philosophy. The types of receptors and resources that could potentially be affected by geothermal projects are presented in the table below.

Receptors/Resources	
Biological	Protected/ Sensitive Habitats
	Flora (Aquatic/Terrestrial)
	Fauna (Aquatic/Terrestrial)
Land or Water-based Livelihoods	Land or Resource-based Livelihoods (e.g. farming, grazing, fishing)
	Recreation and Tourism
	Economy and Labour
Cultural Heritage	Tangible Cultural Heritage
	Intangible Cultural Heritage
Community	Vulnerable Groups (e.g. ethnic minorities)
	Indigenous People
	Residential / Private Assets
	Visual Amenity
	Social Cohesion
	Public Infrastructure (e.g. roads, health care, waste management)
	Public Safety
	Health and Well Being
Physical	Land (e.g. landform, landscape)
	Soil (e.g. quality)
	Surface Water (e.g. quality and availability)
	Ground water (e.g. quality and availability)
	Air (e.g. quality)
	Acoustic Environment (e.g. quality)

As impacts are defined based on how they affect receptors and resources, it is not appropriate to fully

standardize which impacts are likely to be significant, and what mitigation measures may be appropriate to manage them at this stage, as the baseline environment for each of the project may be considerably different. However typical/indicative impacts for various sectors have been defined by the African Development Bank and others. Those for the geothermal sector are shown in the table in the following pages.

Some projects may have more complex social impacts than those described in the table. For instance, projects may require physical or economic resettlement, and some projects have potential to affect Indigenous Peoples. Section 5 describes in more detail the classification of such projects and the additional scrutiny that is applied.

3.2 TYPICAL IMPACT MITIGATION

Whilst detailed mitigation will be defined through the impact assessment process, international guidance is available that defines indicative mitigation measures that should be considered as Good International Industry Practice (GIIP). One of the most internationally accepted sources of guidance of this type is the IFC/World Bank's EHS Guidelines. Based on the types of project in which The Fund will be invested, the most relevant guidelines include the General EHS Guidelines as well as specific guidelines for the geothermal and transmission sectors. Additional guidance can be found in the Sector Keysheets prepared by the African Development Bank. (Integrated Safeguards System Guidance Materials: Volume 3: Sector Keysheets, African Development Bank; 2015 ⁽⁴⁾.) These set out likely potential impacts for a number of different types of developments and the type of mitigation measures that can be used to manage these impacts as shown overleaf.

1 <http://www.ifc.org/wps/wcm/connect/554e8d80488658e4b76af76a6515bb18/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES>

2 <http://www.ifc.org/wps/wcm/connect/66b56e00488657eeb36af36a6515bb18/Final%2B-%2BElectric%2BTransmission%2Band%2BDistribution.pdf?MOD=AJPERES&id=1323162154847> |

3 http://www.ifc.org/wps/wcm/connect/2c410700497a7933b04cf1ef20a40540/FINAL_Aug+2015_Wind+Energy_EHS+GuideLine.pdf?MOD=AJPERES

4 <https://www.afdb.org/en/documents/document/integrated-safeguards-system-guidance-materials-vol-3-sector-keysheets-85676/>

Indicative Impact and Mitigation for the Geothermal Sector.

Impacts	Mitigation
Geology/Hydrogeology Extraction, reinjection and discharge of geothermal fluids may affect quality and quantity of surface and groundwater resources and features such as hot springs. Pollution of groundwater from discharges and accidental releases during construction and operation.	Develop a comprehensive geological and hydrogeological model of the reservoir. Completion of a hydrogeological and water balance assessment during the project planning stage to identify hydraulic interconnections between the geothermal extraction and reinjection points and any sources of potable water or surface water features. Isolation of steam producing sources from shallower hydrologic formations which may be used as sources of potable water through careful site selection and properly designed and installed well casing systems. See Pollution of Soils and Water below
Soils, Run-off and Flooding Loss of soil / sediments and pollution of watercourses, and interruption of drainage patterns, as a result of ground clearance and earthworks during construction of project facilities.	Minimisation of cleared areas and soil disturbance, with revegetation as soon as feasible, with native species. Avoidance of areas liable to flooding, slope instability, and water crossings where possible. Careful design: e.g. siting and alignment, minimal diversion of watercourses, timing of works (overall duration and seasonality).
Pollution of Soils and Water Loss of drill cuttings and fluids to surface water, groundwater and soil. Release of spent geothermal fluids. Accidental release of drill fluids and additives and geothermal fluids due to well blowout or pipeline failure, leading to contamination of soils, groundwater or surface water. Release of sewage and “grey water”.	Recovery and appropriate storage of oil-based drilling fluids and cuttings. Appropriate treatment, recycling, and / or disposal depending on waste characteristics. Reuse of drilling fluid, where possible. Removal of tanks or sumps to avoid the release of oil-related materials. Disposal of water-based drilling fluids into the bore hole following toxicity assessment. Re-use of water-based cuttings if they are non-toxic (e.g. as construction fill) or disposal in a landfill facility. During acid treatment of wells, use of leak-proof well casings to a depth appropriate to the geological formation. Environmental impacts of geothermal fluid discharges should be considered when designing plant. If fluids are not re-injected, treatment may be required to reduce temperature or heavy metal content to applicable standards in the receiving waterbody. Potential for contamination of groundwater by reinjected fluids should be minimised through use of leak-proof well casings in the injection wells. Reuse of geothermal fluids should be considered, e.g. downstream industrial processes such as heating, binary power generation technology. Regular maintenance of wellheads and geothermal fluid pipelines, including corrosion control and inspection, pressure monitoring; and use of blowout prevention equipment such as shutoff valves. Design of emergency response for well blowout and pipeline rupture, including measures for containment of geothermal fluid spills. <ul style="list-style-type: none"> • Installation of sewage treatment to meet required standards.

<p>Air Quality Emissions of hydrogen sulphide and mercury from power generation (when flash or dry steam technologies are used). Accidental release of hydrogen sulphide gas from underground formation and geothermal steam due to well blowout or pipeline failure.</p>	<p>Consider use of technology that includes reinjection of all geothermal fluids and gases, where practicable. When total re-injection is not feasible, and emissions would not exceed environmental, health and safety standards, vent hydrogen sulphide and non-condensable volatile mercury. Abatement systems where required to remove hydrogen sulphide and mercury, e.g. wet or dry scrubber systems or liquid phase reduction / oxidation system for hydrogen sulphide, gas stream condensation with separation or adsorption for mercury. Regular maintenance of wellheads and geothermal fluid pipelines, including corrosion control and inspection, pressure monitoring; and use of blowout prevention equipment such as shutoff valves. Design of emergency response for well blowout and pipeline rupture.</p>
<p>Noise and Vibration Noise and vibration from power plant during operation, and construction activities may disturb sensitive noise receptors (human and fauna).</p>	<p>Sensitive siting of construction facilities. Use of modern equipment fitted with abatement devices (e.g. mufflers, noise enclosures) if required. Good maintenance regime of construction and operational machinery.</p>
<p>Resources and Waste Extraction of water for various processes including cooling water systems, well drilling and injectivity testing may affect existing supply for human communities and ecosystems. Generation of sulphur, silica, and carbonate precipitates from the power generation process. Depending on the concentration of pollutants in this waste such as heavy metals, this may be classified as hazardous waste.</p>	<p>Water study prior to any abstraction, to understand variability of streams serving as source water. Ensure critical flows are maintained during low flow periods to maintain hydrology of watercourse, avoid obstructing the passage of fish or negatively impacting aquatic biota. No abstraction without prior approval of relevant authorities at all locations. Promotion of water efficiency (including leak detection, preventative maintenance of equipment) and water recycling. Monitor temperature difference between effluent and receiving water to comply with applicable standards. Appropriate management of handling, storage, transport and disposal of wastes. Reuse of non-hazardous wastes as backfill and recycling (e.g. sulphur cake) if appropriate.</p>
<p>Direct Impacts on Terrestrial and Marine Flora and Fauna Clearance of vegetation may lead to loss of plant species and habitat of conservation interest, and displacement of fauna. Extraction of water for cooling water system may affect aquatic habitats, and entrainment of aquatic fauna.</p>	<p>Careful site selection and positioning of all project components, with advice from biodiversity authorities/wildlife specialists. Careful planning of phasing and timing of construction activities. Demarcation and avoidance of areas of conservation interest (high value species, feeding or breeding sites, migration routes, etc.) where possible, and wildlife rescue and translocation where appropriate, under expert supervision. Also see measures under Soils, Run-off and Flooding, and Pollution of Soils and Water above, and Invasive Species below Screens and reducing intake velocity to prevent entrainment of aquatic fauna. Where appropriate (in the vicinity of fisheries or protected species) use operational measures and technology such as barrier nets to further reduce the risk of impingement or entrainment of fauna. Reducing the volume of water required, for example through re-use of water in the cooling water system, for example by using cooling towers or cooling ponds, or air cooled systems. Reducing intake flow.</p>
<p>Invasive Species Movement of plant and workforce into areas could introduce invasive species which adversely impact fauna, flora, ecosystems, and crops.</p>	<p>Invasive Species Management Plan, which should be developed and implemented in consultation with authorities, including appropriate eradication measures for different species/groups of species. Staff training and awareness raising in communities. No introduction of exotic species (e.g. for site rehabilitation) without specialist vetting and government approval.</p>

<p>Economic Development and Employment Direct employment of local population in workforce, and stimulation of local economy through demand for goods and services will enhance livelihoods and economic activity in local communities, but potentially adverse effects if community relations are not well managed. Procurement of local goods and services for project and workforce could deplete resources available for local communities.</p>	<p>Development of an Employment Plan, with clear employment requirements and procedures for the construction (and to a lesser extent operational) workforce. Transparent and culturally appropriate communication with communities regarding employment opportunities. Fair and transparent hiring and staff management procedures. Employment requirements and vocational training plan to be agreed with local institutions, so that local people can be trained to meet the project's needs in a timely fashion. Development of measures to manage the transition after construction is complete, including SME development, ongoing opportunities for the workforce in equipment management and maintenance, reskilling and alternative employment. Procedures for sustainable local procurement, in consultation with local authorities and community leaders. Local capacity building to foster community resilience. Monitoring of local prices, and exploration of corrective measures (e.g. alternative sourcing to reduce local pressure) if appropriate.</p>
<p>Cultural Heritage Displacement or damage to cultural heritage sites by construction activities, harm to the setting, amenity value, etc. of the site due to construction or operation.</p>	<p>Careful site selection and siting of all project components, taking account of community consultation/specialist surveys. Development of a Cultural Heritage Management Plan covering tangible and intangible (e.g. local traditions and practices) cultural heritage. Implementation of a "Chance Finds" procedure during construction. See also Guidance Note on Physical Cultural Heritage.</p>
<p>Community Health, Safety and Security Poor construction or operational management practices may lead to adverse effects on safety, human health and wellbeing. Interaction between workforce and local communities may increase occurrence of communicable diseases, including HIV/AIDS and sexually transmitted diseases (STDs). Extraction, reinjection and discharge of geothermal fluids may affect quality and quantity of surface and groundwater resources. Health effects due to exposure to hydrogen sulphide gas. Safety risks to local communities associated with infrastructure, such as hot components, wells.</p>	<p>Good site "housekeeping" and management procedures (including site access). Disease control measures, e.g. no pools of standing water, rodent control, treatment of water. Risk assessments and emergency response planning to consider impacts on local communities. Also see measures under Soils, Run-off and Flooding, and Pollution of Soils and Water above. Implementation of a health management system for the construction workforce, to ensure it is fit for work and that it will not introduce disease into local communities. Training and awareness training for workforce and their dependents on HIV/AIDS and other STDs, and communicable diseases including malaria; health awareness raising campaigns for communities on similar topics. See Resources and Waste and Pollution of Soils and Water above. During the planning phase, consider potential impacts on nearby communities, e.g. proximity to hydrogen sulphide sources, wind direction, etc. Install a hydrogen sulphide monitoring network, based on air dispersion modelling and the location of communities and sources which should be operational at all times to allow early detection and warning of gas releases/emissions. Local communities should input into emergency plans to ensure there is an effective response to warnings. Deter public access to the power plant, e.g. by fences, warning signs. Minimise the length of pipeline systems. Consider subsurface pipelines or heat shields to prevent general public coming into contact with hot pipes. Appropriate management of decommissioning of infrastructure and wells to leave the site in a safe condition and available for alternative uses, by means of measures such as soil cleanup, revegetation, removal of equipment, sealing wells, removing wellheads, where appropriate.</p>

<p>Social Structures and Community Life Real or perceived disruption to normal community life, through the physical presence of a construction workforce.</p>	<p>Adoption of a Stakeholder Engagement Plan, as a framework for early and ongoing community consultation. Implementation of a Grievance Procedure (see Grievance Procedure and Redress Mechanisms guidance note). Works procedures, defining a Code of Appropriate Conduct for all workers. Training for all staff in acceptable behaviour with respect to community interactions.</p>
<p>Labour and Working Conditions Poor management of occupational health and safety could lead to accidents, injuries and illnesses among workers; mental health issues may arise due to remote or enclosed living. Differences in nationality, ethnicity, religion, etc. may lead to discrimination and harassment, and differences (perceived or real) in working conditions between workers may lead to resentments.</p>	<p>Employment practices and working conditions should conform to International Labour Organisation (ILO) Standards and national regulations. Rest and recreational facilities and time should be provided, and rules on alcohol and drugs defined and clearly communicated to workers. The basis for differences in the standard of accommodation should be non-discriminatory; it should be documented and communicated transparently to the workforce. Clear and comprehensive health and safety reporting and grievance procedure system should be established, and be freely available to all of the workforce.</p>
<p>Visual Impacts Visual impacts particularly from cooling towers. Loss, fragmentation and degradation of habitat, and severance of animal migration routes and pathways Land clearance for power plant and associated infrastructure may cause loss or fragmentation of protected areas and other areas of conservation interest. Construction impacts on habitats and species (e.g. from changes in drainage, soil erosion, pollution of water, soils or air, introduction of invasive species, and general human disturbance).</p>	<p>Careful site selection including consultation with local communities. Careful siting of all project components to avoid critical habitat, with advice from biodiversity authorities/wildlife specialists and use of existing transport corridors where possible. Wherever feasible, establishment of buffer zones around conservation areas, watercourses, and other locations identified as ecologically sensitive and avoidance or minimisation of activity within these zones. Rehabilitation of cleared areas with native species, and ecosystem restoration in habitats of conservation value, using specialist advice and input, backed up by a long-term monitoring programme and corrective actions as necessary. Where development in sensitive areas cannot be avoided, mitigation may include: Minimisation of area impacted, clear demarcation of remaining intact areas of habitat, and prohibition of activity into those areas for any purpose; maintenance of wildlife corridors between fragmented areas wherever possible. Avoidance of construction activities during sensitive seasons or times of day. No ground clearance upstream of sensitive areas unless appropriately engineered drainage installed. Habitat rehabilitation and ecosystem restoration of areas no longer required after construction, as soon as possible. If loss of Critical Habitat is inevitable, development/implementation of an Offsets Programme. Also see measures under Soils, Run-off and Flooding, and Pollution of Soils and Water above, and Invasive Species below</p>
<p>Bushmeat Hunting Construction activities, and subsequently operation, in remote areas could lead to greater demand for bushmeat (from workforce and wider community), stimulate the wildlife trade and facilitate access to hunting areas.</p>	<p>Bushmeat Hunting and Wildlife Trade Management Plan, agreed with government authorities and implemented jointly. Prohibition on workforce hunting, selling, or purchasing bushmeat, and training to support this requirement. Prohibition on workforce (except security personnel) having guns in work areas or accommodation. Sensitisation and public awareness campaigns against hunting and bushmeat the trade amongst local communities.</p>

4. E&S GOVERNANCE AND ORGANIZATION

4.1 OVERALL E&S GOVERNANCE ARRANGEMENTS

The Fund (and its investments) will be committed to the implementation of the commitments of the Fund E&S Policy and will uphold these through visible leadership, appropriate allocation of resources and supporting the actions needed to manage and continually improve E&S performance. The Fund will take direct responsibility for E&S related activities and management as well as requiring the same of the Project Companies in which it invests. The defined roles and responsibilities include the following.

- **The Fund Management Board ('the Board'):** The Board will ultimately be owner for all environmental and social duties and responsibilities of the GF1 Fund, as defined in this ESMS. The Board will nominate one of its EXCO members (see below) to take formal responsibility for E&S Management for the GF1 Funds and all its operations and activities, and ensure that all commitments as defined in the ESMS will be implemented.
- **Accredited Entity (AfDB):** As an Accredited Entity, AfDB will play a central role in the governance of The Fund. Specifically in relation to E&S governance and management GF1 has committed to AfDB as the accredited entity that the Fund will undertake the following: (i) implement an ESMS to the satisfaction of AfDB; (ii) appoint or acquire the services of one or more ESG specialists; (iii) apply and operate the requirements set out in Schedule 111 of the AfDB Side Letter; (iv) submit to AfDB an annual report detailing The Fund's E&S performance; and the development impacts (against specified key performance indicators) of GF1's investments. In addition, governance will also be achieved through ongoing activities comprising: quarterly meetings with AfDB to review the E&S activities of The Fund; and provision of support and advice relating to the E&S aspects of The Fund's due diligence and investment activity.
- **Executive Committee ('EXCO'):** The Fund Board will nominate one of the members of the EXCO to take formal responsibility for E&S Management in the GF1 Fund and all its operations and activities.
- **Head of ESG:** The Fund will appoint an individual as the Head of ESG (either an employee or specialist contractor) as part of the central office team, to oversee and implement all E&S commitments and responsibilities at fund level as well as Project Company level, as defined within this ESMS. The Head of ESG will report directly to the designated Fund Board member tasked with the E&S responsibilities. As the portfolio builds up over time, The Fund's ESG staffing will be expanded as and when this is necessary to ensure ongoing sufficiency of E&S appraisal and monitoring. The division of roles and responsibilities between the Head of ESG and additional ESG staff hired at any time in the future will be defined and formalized in this ESMS. **The Head of ESG role is currently being provided by Mark King former E&S Safeguard Lead at the World Bank.**
- **Investment Committee:** The relevant GF1 Fund's Investment Committee is responsible for ensuring prior to any investment decision being made that all environmental and social risks and impacts are adequately assessed, and that risks will be fully integrated into The Fund's internal risk management analysis and decision process.
- **Investment staff:** All investment staff are co-responsible with the ESG Manager for ensuring

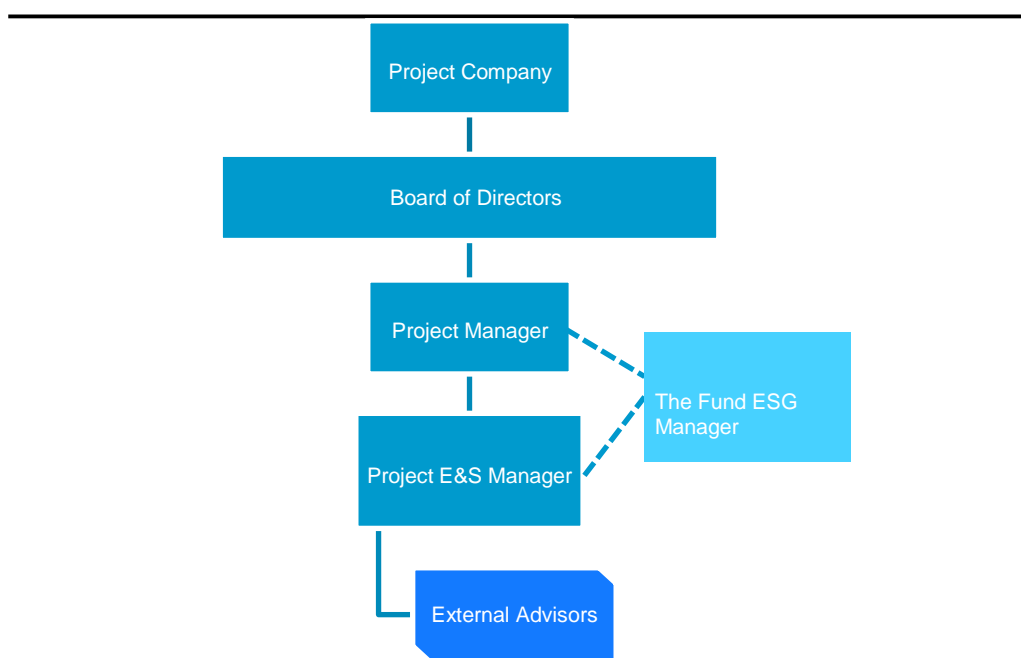
all projects are developed and implemented according to the requirements set out in this ESMS. All staff will facilitate the processes to the extent practical to obtain and provide relevant E&S information, support E&S analysis and review processes, strengthen and support decision making processes, and act on poor performance of any Project Company.

- **E&S External Advisors:** The Fund will stipulate that project owners hire external advisors to support the GF1 Funds and/or Project Company with appropriate due diligence, monitoring and/or investment advice in relation to the GF1 Funds. This support will be defined, facilitated and monitored by The Fund's ESG Manager. **Support to The Fund itself is currently being provided by Earth Active www.earth-active.com, a specialist ESG consultancy.**

4.2 PROJECT LEVEL E&S MANAGEMENT ARRANGEMENTS

The Fund will take a leading role in ensuring project owners manage E&S for all projects. The Project Companies will have responsibility for managing their project's environmental and social risks according to the requirements of this ESMS. Each Project Company will be required to ensure that they have adequate and competent staffing, project-specific E&S management plans, and resources to effectively manage and implement all environmental and social mitigation measures.

THE FUND'S ESG MANAGER WILL WORK CLOSELY TOGETHER WITH THE PROJECT COMPANY'S MANAGEMENT TO ENSURE AN APPROPRIATELY TRAINED AND QUALIFIED E&S MANAGER IS ENGAGED FOR EACH PROJECT. THE FUND'S ESG MANAGER WILL OVERSEE THE MANAGEMENT OF E&S ASPECTS AT THE PROJECT LEVEL AND ENSURE COMPLIANCE WITH THE REQUIREMENTS OF THIS ESMS AND WITH ALL OTHER CORPORATE E&S REQUIREMENTS. THE PROJECT E&S MANAGER WILL BE ACCOUNTABLE TO THE THE FUND ESG MANAGER. AN INDICATIVE ORGANISATION CHART HIGHLIGHTING THE E&S RESPONSIBILITIES WITHIN PROJECT COMPANIES IS PRESENTED BELOW.



The implementation of the ESMS, including review and monitoring of projects and providing recommendations regarding project suitability for the fund to the investment committee, is the

responsibility of the Fund ESG Manager. In the short term this role will be outsourced to our retained external ESG advisors (currently Earth Active) but as the levels of deal flow increase and as related work increases we will determine whether bringing this resource in house is more appropriate. The ESG Manager will also be responsible for hiring and managing any additional ESG advisors required to support individual projects, for example to undertake E&S due diligence of projects, undertake gap analysis against the fund standards, develop Environmental and Social Action Plans (albeit these will be the responsibility of the Fund ESG manager) and/or undertake supplementary ESIA studies should they be required. An annual budget for ESG support has been included within the overall financial planning for the fund including sufficient headroom for an appropriately qualified FTE on an annualised basis during the initial start-up phase which will be increased based on fund growth at annual reviews. Additional budget resources will be made available as required for specific projects as they come on-line and all staff at the fund will also be trained in the principles of ESG. There is also provision for appropriate due diligence costs in the investment instruments for project recipients to ensure that projects' ESMS requirements are adequately discharged.

5. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

In accordance with the 'Do No Harm' approach, a formal assessment of E&S impacts and potential risks associated with each potential investment will be undertaken. The Fund will ensure that the assessment and management of environmental and social impacts and risks of all projects are fully integrated within its internal operational processes. This chapter describes the different environmental and social risk management activities that will be undertaken for the life cycle of every project, as appropriate to the risk categorisation assigned during Deal Screening.

5.1 DEAL SCREEN AND CATEGORIZATION

Objective: An assessment will be conducted at the earliest stage of a deal using a checklist (Annex 2) to make a rapid assessment of the likely environmental and social impacts of the proposed investment. The checklist is designed to guide the deal team in the rapid assessment of potential E&S impacts of the investment. This high level screening will also help to identify any activities that are included in The Fund's Exclusion List (as listed in Annex 3). If any excluded activities are included in the proposed investment, the prospective Project Company will be informed that the investment will not be considered further. The output of the screening is an advice note to the investment committee regarding the overall suitability of the project for financing and the proposed categorization of the project based on any key environmental and social issues to be considered at this stage.

Process: the Head of ESG (or other designated officer) will review publicly available information to verify whether there are any negative social media, documentation or information in the public domain, showing unacceptable environmental or social (E&S) management practices with the project or project sponsor, which could harm the reputation of the Investors or point towards the inability of a project to obtain a 'social license to operate'.

Outcome: Based on the deal screen, the investment will be categorized as presented below

- **Category A** – Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented; . These will require as a minimum a detailed ESIA or equivalent to enable any application for finance support to be agreed.
- **Category B** – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. These will require as a minimum a national EIA or equivalent to be provided and may require some additional ESIA studies on specific issues to be developed depending on the results of the due diligence and gap analysis before any application can be agreed;

- **Category C** – Projects with minimal or no adverse environmental and social risks and/or impacts. These will need to have been reviewed by the ESG manager and must meet national regulatory requirements. No other specific studies are generally required.

All categories will be subject to at least an initial element of due diligence as outlined in 5.2 below.

A summary of the key potential environmental and social impacts and risks identified at this stage will be presented to the Investment Committee for their consideration together with initial recommendations for the management of these impacts and risks, and any subsequent detailed due diligence required.

5.2 ENVIRONMENTAL AND SOCIAL DUE DILIGENCE, REPORTING AND DISCLOSURE

Objective: The purpose of conducting due diligence is to obtain additional information regarding the potential project to supplement that gathered at the deal screen stage and if necessary, revise the risk categorization, and highlight any further requirements of the project to help ensure alignment with the Fund's ESG Policy and this ESMS, including the applicable standards.

Process: Due diligence activities will vary, based on the risk categorisation and the type of fund being considered, from a desk-based review of information through to a visit of the project location(s) and interviews with relevant stakeholders, and even requirements for further work.

Outputs: The due diligence work will result in report which will be summarized in a document to the relevant Investment Committee (IC). . This requirement will apply regardless of the type of fund and the extent of the due diligence activities that are required for a specific project. The IC will take into account these issues in approving the investment. The outline of the information to be provided in the report to the IC is provided in Annex 4. All investment agreements will contain appropriate environmental and social covenants requiring investment to be in compliance in all material respects with the applicable Environmental and Social Requirements as determined in accordance with this ESMS. For category A and B investment projects, due diligence activities are required at each stage from initial engagement through to submission for FP and finally prior to any contracting.

Categorisation Review

Due diligence activities will also be used to review and confirm or refine the categorization of the project prior to proceeding with financing. As with screening, if a project is categorised with a risk rating of 'A' (High Risk), The Fund will only continue to consider the project if it can be proven that the ESIA, stakeholder engagement and consent for the project was achieved with alignment with the AfDB ISS and IFC performances Standards. In addition, The Fund would need to obtain assurance that the positive impacts of the investment outweigh the potential adverse impacts. Finally, it will be necessary to confirm that the contracting parties that will be involved in project activities have sufficient expert capacity to dedicate to the mitigation and management of identified E&S impacts.

Activity	Description	Comments
Desk-based contextual risk analysis	This desk-based analysis involves a review of the availability and adequacy of the ESIA and related studies, as well as publicly available information on conflicts, protests, incidents, court cases etc., including negative media or other third party attention and relevant NGO agendas.	
E&S risk categorization (incl. very high E&S risk likelihood)	As for DF Projects, an analysis must be made to establish the preliminary risk category and the likelihood that the project meets the 'A' category (High or Very High) definition.	The Fund will only invest in category A projects under certain conditions, and will not invest in Very High Risk projects that have not been developed with DFequity.
Company awareness, capacity and commitment	Preliminary high-level analysis of the client's record of accomplishment, including strengths and weaknesses in relation to managing the expected risks.	

Environmental and Social Action Plans

Where the due diligence activities identify additional measures that are required to bring a project or investment opportunity into compliance with the Funds ESG requirements, an Environmental & Social Action Plan (ESAP) will be developed. This will require certain actions to be delivered against a set timescale to bring the Project into compliance with the Funds ESG requirements and will be a legal requirement of any financing. For such Category A projects some information and process requirements may be considered of such importance and relevance that they need to be in place prior to FP submission

rather than included as Conditions Precedent and ESAP items. In such instances financial close will not be enabled until they have been addressed. Performance against CP and ESAP items will be monitored by the Fund to ensure compliance requirements are met.

Disclosure

Subject to project classification, key E&S documentation (including ESIA's and associated ES Management Plans - ESMPs) will be made available for review in the public domain in accordance with GCF, AfDB and IFC requirements for a minimum of 30 days prior to financing being approved. This disclosure will be advertised in accordance with the requirements of GCF/AfDB/IFC and any comments received during this period will be taken into account during the financing decision-making process.

Exit

In those cases where The Fund will exit an investment for whatever reason, the ESG Manager will facilitate to the extent possible a smooth transition of the environment and social management to the new owners. The Fund is committed to transparency towards the new owners on the environmental and social performance of the Project Company, and will share required documentation during the existing due diligence process.

5.3 RISK ASSESSMENT

The Fund requires all Projects to implement arrangements for the assessment and management of environmental and social risks associated with individual projects. The "Mitigation Hierarchy" will be followed with the focus being to seek opportunities to eliminate or avoid risks wherever possible, followed by reduce, mitigate and finally offset. This hierarchy will be adhered to by all parties when devising appropriate mitigation and management strategies and measures. Risk registers will be developed to reflect the findings of any E&S studies (eg ESIA) and relating to the different Project phases. As part of compiling such a risk register for the Project team will ensure EHS and social risks are proactively and systematically identified, assessed, evaluated and controlled.

The methodologies used to, identify, assess and analyse risks shall be defined with respect to their scope, nature and timing to ensure methods are proactive rather than reactive; and provide for the identification, prioritization and documentation of risks, and the application of controls. The methodologies that are used will align with international good practice e.g. ISO 31000.

The Fund requires that all personnel working for or on behalf of The Fund or a Project are made aware of the key environmental, health, safety and social risks identified as part of the risk assessment process and the measures that they are required to implement. The risk register, risk management procedures, and risk assessments will be available to The Fund for review as required.

5.4 MANAGEMENT OF COMPLIANCE OBLIGATIONS

The Fund is committed to complying with relevant legal and other requirements. Compliance with all legal and other requirements will be subject to ongoing review as part of the monitoring arrangements described later. The Fund and all projects in which it invests will be required to comply in all material respects with all legal and other requirements and take all reasonable steps to monitor for any known or expected future changes that may be relevant. In the context of this ESMS, 'other requirements' relates to the AfDB ISS, IFC Performance Standards and relevant good international industry practices

(GIIP). All Projects are required to proactively identify legal and other standards relevant to the management of their activities, and put measures in place to raise awareness of these among Project personnel. A register of Legal and Other Requirements must be compiled by the Project, will be kept up to date and will be communicated to Project personnel as required.

5.5 MANAGEMENT OF CHANGE

The Fund recognises that changes that occur in relation to The Fund and the Investment Project Company's activities and operations may have the potential to impact the environment, communities, and the health and safety of workers. To the extent possible, such changes will be proactively identified and managed. The Fund and the Project Company will develop a change management process to ensure that such changes are appropriately identified, assessed, managed and communicated within the project.

5.6 EMERGENCY MANAGEMENT

All Project Companies will develop an emergency preparedness and response plan which will be implemented in all projects and tested on a periodic basis. The needs of relevant interested parties shall be taken into account (e.g. emergency services, communities, neighbours) as part of this process. First Aid arrangements will include provision of trained first-aid personnel, first aid equipment, and a first aid room where treatment maybe provided. Access to emergency vehicles will be arranged and these will be sufficiently equipped to meet international standards. All Projects and Assets will review and monitor the performance of these arrangements on a periodic basis to ensure they remain fit-for-purpose.

5.7 DOCUMENTATION AND RECORD CONTROL

All documentation and records shall be managed in line with the requirements of ISO 9001 (Quality Management System) and/or other international standards as appropriate (i.e. ISO 14001 and OHSAS 18001(to be renamed ISO 45001)). All Project Companies will maintain appropriate levels of documentation to demonstrate compliance with all requirements as set out in this document.

fAn Open File Policy will be adopted by all Project Companies for all E&S documentation so that The Fund can review any aspect of the Project E&S documentation within a reasonable timeframe. Procedures governing review, approval, updates, version control, confidentiality, distribution, storage, retention and disposal of E&S information will be implemented.

6. SPECIFIC APPROACH TO SAFEGUARDS

6.1 HUMAN RIGHTS

Human rights shall be considered as part of all deal screening (refer to the checklist included in Annex 2) and shall be integrated into the Environmental and Social Impact Assessments to be undertaken by each project. As a general principle The Fund and all investments will be committed to taking all reasonable measures to assess and avoid, minimise or otherwise mitigate any adverse changes in environmental and social conditions including disproportionate impacts on any group of people as a result of their gender, age, ethnicity, disability, socio-economic status and/or other personal characteristic. Arrangements for respect for human rights shall also be incorporated into the E&S management system developed for each project in particular in relation to the safeguarding of project personnel and property. Such arrangements will be developed and implemented in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the affected communities.

6.2 LABOUR AND WORKING CONDITIONS

The Fund and all investments in which GF1 funds are committed shall have arrangements in place for managing labour and working conditions in accordance with legal requirements and the requirements of IFC Performance Standard 2 and the ILO Core Convention. As such, all Projects will implement arrangements that provide for the following:

- Recruitment strategy, policy and process for locally sourced staff as well as foreign workers;
- Compliance with national labour and employment laws;
- Arrangements for managing worker relationships, including collective bargaining and worker organisation; and employee consultation, communication and participation;
- Worker grievance mechanism for workers to raise feedback, complaints and grievances;
- Fair treatment, non-discrimination and equal opportunity including gender sensitivity in the workplace and with respect to recruitment, compensation, termination, upgrading, promotions, and other working conditions or terms of employment;
- Protection of vulnerable workers including those in the supply chain, including children, migrant workers and workers engaged by third parties, and measures to avoid the use of forced labour; and
- Provisions for a safe and healthy work environment.

6.3 ENVIRONMENTAL MANAGEMENT

The Fund requires all Projects to have arrangements in place for environmental management and protection of natural resources and prevention of pollution in accordance with legal requirements and the IFC Performance Standards, specifically PS3 and PS6. Such arrangements will be relevant to, and commensurate with the risks and impacts identified during the due diligence process and any environmental and social impact assessment or other studies. Notwithstanding the specific environmental context of an individual Project or Asset, The Fund requires all Projects to implement arrangements that provide for the following:

- Air quality management;
- Energy and greenhouse gas emissions management;
- Water resources and wastewater management;
- Pollution prevention and control management;
- Control of hazardous materials;
- Waste management; and
- Protection and conservation of biodiversity and natural resources.

The Fund requires all Project Companies to incorporate considerations for the environmental context and potential impacts of a project during the entire project lifecycle, from the earliest stages of design through construction, operation and decommissioning. The environmental impacts of projects will often have a social dimension, and for this reason Project Companies will be required to adopt and demonstrate an integrated approach. An environmental and social management plan will be required for every project during construction along with additional management plans (as determined by the ESIA or other studies) to manage and monitor specific environmental and social aspects and impacts during the construction, operation and decommissioning phases. In the development and implementation of management and mitigation measures, Project Companies are also expected to refer to the general and sector-specific World Bank EHS Guidelines.

6.4 SOCIAL MANAGEMENT

The Fund requires all Project Companies to have arrangements in place for managing the social impacts of the Projects and Assets in which it invests in accordance with legal requirements and the requirements of IFC PS 4, 5, 6 and 8. Depending on the specific context of the Project or Asset, arrangements must be implemented that provide for:

- Stakeholder engagement and communication
- Safeguarding of assets and personnel in a manner that respects human rights and does not present risk to affected communities and protection of community health and safety in accordance with the requirements of IFC PS4 (see section xii below);
- Avoidance of physical and/or economic displacement to the extent possible and management of resettlement in accordance with the requirements of IFC PSS
- Protection of indigenous peoples and respect for their human rights in accordance with the requirements of IFC PS7
- Safeguarding of tangible and intangible cultural heritage in accordance with the requirements of IFC PSS;
- Responsible employment, procurement and social investment programmes to achieve positive development benefits for host communities

6.5 STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Effective community engagement is central to the successful management of risks and impacts on communities affected by the Project, as well as central to achieving enhanced community benefits.

The Fund will ensure that all Project Companies in which it invests establish and implement an effective Stakeholder Engagement Plan (SEP) which is designed in accordance with the AfDB ISS and IFC PS and which will be comprised of the following elements:

- Identification of international and national regulations and best practice governing stakeholder engagement;
- Identification and analysis of the stakeholders relevant to the Project;
- Development of a methodology and programme of engagement activities during the construction process;
- Establishment of a Grievance Mechanism in accordance with good international industry practice; and
- Establishment of effective mechanisms of monitoring and reporting.

The level of stakeholder engagement that is required for a project is determined on the basis of the E&S risk categorization of the project (as well as all applicable legal requirements) as shown in the table below. The fulfilment of these requirements by the Project is mandatory for all potential investments. The Fund will ultimately be responsible for all external engagement related to The Funds and its assets

Risk/Impact Level	Applicable Projects	Affected Stakeholders	Client Responsibilities
Increasing levels of risk/impact for very high E&S risk projects	Very high E&S risk projects as defined in section 5	IPs under these circumstances: 1) impact on lands/natural resources; 2) resettlement of IPs; 3) impacts on critical cultural heritage, including commercial use of cultural heritage (See IFC PS 7, GN27 for further information on when FPIC is required).	Free, Prior and Informed Consent (FPIC). Good Faith Negotiation (GFN) whereby client documents mutually accepted process, and evidence of agreement.*
	Very high E&S risk projects as defined in section 5	Impacts on critical cultural heritage, including use for commercial purposes involving Non-IP Affected Communities.	Informed Consultation and Participation (ICP)+ (GFN). Client undertakes process that builds on ICP (described below) but also employs good faith negotiations resulting in a documented outcome.*
	Very high E&S risk projects as defined in section 5	1) Adversely affected IPs; 2) Potentially significantly adversely affected communities.	ICP. ICP builds upon the steps in Consultation (which involves disclosure, 2-way dialogue, grievance mechanism, stakeholder engagement plan, ongoing reporting to communities on relevant Client's Action Plans) and is a more in-depth process leading to client incorporating views of Affected Communities into decision-making and documenting process.*
	Subset of Cat A and B+	Adversely affected communities and stakeholders.	Consultation. Disclosure. Two-way dialogue. Grievance mechanism. Stakeholder engagement plan. Ongoing reporting to communities on relevant Client's action plans.*

Level of stakeholder Engagement Required According to the Level of E&S Impact and Risk

Source: adapted from IFC Environmental and Social Review Procedures Manual

At The Fund level, The Fund will implement a grievance mechanism for responding to and managing grievances received by stakeholders. This is presented in Annex 11 of this ESMS.

This has been designed and implemented in accordance with good international industry practice.

6.6 COMMUNITY HEALTH, SAFETY AND SECURITY

The Fund recognizes that communities may be adversely affected by project-related activities both on site and off-site. In accordance with IFC PS4 as well as in reference to the World Bank EHS Guidelines, The Fund requires all Project Companies to:

- Anticipate and avoid adverse impacts on the health and safety of the affected communities during the life of the investment period from both routine and non-routine circumstances; and
- Safeguard project personnel and property in accordance with relevant human rights principles z1 and in a manner that avoids or minimizes risks to the affected communities.

The identification of potential impacts and risks regarding the health, safety and security of project affected communities will be considered as early as possible in the investment process, and at least during due diligence. Any potentially significant aspects will be raised as red flags for further analysis, and will be further explored as part of the ESIA, where required. If there is a particular concern relating to community health, safety and security, this may prompt the expansion of the standard ESIA scope (refer to Annex 8) to include a health impact assessment and/or a human rights risk assessment, as deemed necessary. All projects will be required to develop and adopt the management plans specified by the ESIA, in addition to the following provisions that shall be made as a minimum for every project:

- Appropriate design and construction of project infrastructure that take account of community health and safety risks;
- Traffic management including vehicle and driver safety and movement of abnormal loads on public roads;
- Emergency management planning that includes consideration of community-related risk scenarios;
- Transportation, storage and disposal of hazardous substances and waste materials that minimises risk of exposure;
- Avoidance/mitigation of impacts to priority ecosystem services;
- Control of exposure to communicable and non-communicable disease vectors; and
- Selection and management of security personnel on the basis of the principles of proportionality and in accordance with international guidance².

6.7 LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

The Fund is committed to avoiding, where possible, the need for involuntary physical and/or economic displacement of project affected persons. The potential for an investment to result in physical and/or economic displacement of project affected persons will be flagged as early as possible in the due diligence process. Consideration shall be given both to privately owned assets (including those regulated under a system of customary or traditional rights) and to common property resources and natural resources.

Where physical and other complex resettlement is required, such an investment will be given an "A" (very high) risk rating (refer to section 5). Depending on the nature of any economic resettlement, the investment may be classed as "A" (high) or "B". Where avoidance of physical and/or economic resettlement is not possible, and in accordance with the objectives of IFC PSS, all projects in which GF1 funds are invested must:

- Minimize displacement by exploring alternative project designs;
- Avoid forced eviction;
- Anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost, and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected;
- Improve, or restore, the livelihoods and standards of living of displaced persons; and
- Improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites.

If, on the basis of the ESIA it is demonstrated that the project will result in physical displacement, The Fund requires a Resettlement Action Plan (RAP) to be developed. Annex 9 provides out an outline Terms of Reference (ToR) for the preparation of a RAP which is aligned with the requirements of IFC PSS. This ToR must be used as the minimum standard to be adopted in the preparation of a RAP which must detail the IFC-compliant arrangements that include:

- Framework for determining eligibility of affected persons for compensation and resettlement assistance;
- Methodology to be followed for the valuation of and compensation for losses¹;
- Entitlement framework (for the different categories of affected persons);
- Livelihood restoration and improvement measures for displaced persons for land-based, wage-based, and enterprise-based livelihoods;
- Selection of the relocation site and consideration of alternative sites;
- Provision of a choice of housing, along with security of tenure, and assistance with relocation
- Detailed plans for the development and provision of housing infrastructure (e.g. water supply, sewerage) and social services (e.g. health clinic, school, roads);
- Community engagement (in accordance with IFC PSI and also with IFC PS7 for indigenous persons, see below) and provision of a grievance process;
- Organizational arrangements for managing the resettlement process;
- Detailed provisions for the ongoing monitoring and reporting in relation to the resettlement process to confirm compliance with the provisions of the RAP; and
- Arrangements for a completion audit once all actions detailed in the RAP have been satisfactorily addressed.

Where economic displacement cannot be avoided, a Livelihood Restoration Plan (LRP) must be prepared. In accordance with IFC PSI, the development of such plans requires a process of informed consultation and participation (ICP) to be followed. This will involve project affected individuals, households and communities in the planning and implementation of the resettlement process. In addition, and in recognition of the vulnerabilities associated with Indigenous Peoples (IPs) (see section xiv below), additional arrangements for consultation must be adopted in accordance with IFC PS7 where they are present and will be adversely impacted. A grievance mechanism shall also be made available for use by all such project affected persons.

6.8 INDIGENOUS PEOPLE

The Fund recognizes that in the area of influence of the projects in which it invests vulnerable and disadvantaged peoples may be present, and that this may also include indigenous peoples (IPs). Therefore in accordance with the IFC PS, specific consideration is given to the additional measures to be adopted in relation to engagement, consultation, acquisition of land, and the project's impacts on the natural environment on which they may depend for goods and services. Accordingly, The Fund requires all potential investments to confirm as early as possible the presence of IPs, and where their presence is confirmed, to follow the requirements and process described in IFC PS7. In accordance with the objectives of IFC PS7, The Fund requires that all projects in which GF1 funds are invested:

- Fully respect the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples in all development activities;
- Anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, minimize and/or compensate for such impacts;
- Promote sustainable development benefits and opportunities for IPs in a culturally appropriate manner;
- Establish and maintain an ongoing relationship based on informed consultation and participation with the IPs affected by a project throughout its life-cycle.
- Engage in a process of ICP and where specifically required, Free, Prior, and Informed Consent (FPIC) of the Affected Communities of IPs; and
- Respect and preserve the culture, knowledge, and practices of IPs.

The potential for an investment to result in adverse impact on IPs will be flagged as early as possible in the due diligence process, and will typically result in such an investment being classified at least with a "B" rating. In situations where FPIC is anticipated to be required, the project will be given an "A" risk rating (refer to section 5).

Based on the outcomes of an assessment of impacts on IPs as part of the ESIA, and where it is shown that adverse impacts cannot be avoided in the context of a specific project, an IPP must be prepared in conjunction with the co-developer. The purpose of the IPP is to outline the actions to minimise and/or compensate indigenous peoples for adverse impacts in a culturally appropriate manner. Annex 10 details The Fund's minimum requirements for the terms of reference of an IPP and is based on Annex 1 of the guidance note to IFC PS7

6.9 CULTURAL HERITAGE

In accordance with IFC PS, The Fund requires all Project Companies to protect and preserve tangible and intangible cultural heritage. the identification of cultural heritage and an assessment of the potential project-related impacts to it form an essential part of the impact assessment process. Protection and preservation of identified cultural heritage must also be subject to ongoing management as part of the Project's environmental and social management system. Removal of tangible heritage should be avoided, and where this is not possible, managed in accordance with the mitigation hierarchy presented in the IFC PS8 Guidance Note.

A Chance Find Procedure must be prepared and implemented to deal with situations where previously unknown and undiscovered cultural heritage is encountered during project construction, as well as during operation and even in decommissioning. The identification, impact assessment and ongoing management must be conducted in consultation with affected communities where access to cultural heritage sites will be affected by the project, it will be necessary to provide an ongoing safe means of access for the affected communities who use, or who have used in living memory, such sites.

7 TRAINING AND COMPETENCY

Effective implementation of the ESMS and E&S Requirements for all GF1 Funds require all responsible staff to be adequately equipped with knowledge and resource on these requirements. Therefore The Fund will:

- Clearly define critical E&S roles and responsibilities;
- Define the E&S competency and training needs for E&S specific roles;
- Establish a robust interview and selection process for all new employees and for appointing consultants;
- Ensure that all new staff are informed of the ESMS as part of their induction training;
- Provide refresher training on the ESMS periodically during each phase of the Project;
- Inform staff of any significant updates of the ESMS and other aspects of E&S management; and
- Provide specific and relevant training on E&S risks, impacts and management to members of the Investment Committee, Investment Directors/Managers and Project Directors/Managers as well as members of staff of the Project Companies, as appropriate.

The Fund will work with the Project Company to ensure any additional training needs are met for the effective management of the Project. As a minimum, all workers will receive general orientation training on site H&S procedures and arrangements through inductions, toolbox talks and weekly refresher sessions. These will be communicated using non-technical language and in the worker's language. Additional training specific to individual roles will be identified and arranged for all relevant workers

8. E&S PERFORMANCE MONITORING AND REVIEW

Post Financial Close, the following monitoring and review activities will be applicable.

- After a Category A or B investment agreement is signed, the Environmental and Social Manager (or other designated officer) shall communicate with the Project Company and confirm from time to time that the Project Company is undertaking the obligations of compliance with all applicable Environmental and Social Requirements.
- For a Category A and B investments involving projects that are under construction, the Environmental and Social Manager (or other designated officer) will visit the site at least annually to conduct an audit of the implementation and compliance with the Environmental and Social Requirements of the ESMS, and project-specific documentation (e.g an Environmental and Social Action Plan). The Fund may appoint an external advisor to conduct internal audits.

All projects that are under construction will be required to monitor and report performance to The Fund using agreed key performance indicators (KPIs) which will be reported on a quarterly basis. In addition they will also :

- monitor and review the performance of any contractors employed at the project site(s). The outcomes of such activities will be reported to The Fund.
- be required to participate in a Management Review held by The Fund on a periodic basis during the lifecycle of The Funds to review overall E&S performance.
- The Fund may appoint an external advisor to monitor the implementation and compliance of the Project Company with the Environmental and Social Requirements and/or corrective action plan, if any.

For Category A and B investments involving facilities and/or business activities that already exist and which are to be supported with refinancing, audits of E&S performance will be conducted at the operating site(s) at a frequency relevant to the risk/impact of the project.

- For lower risk category investments, a desk-based review of the ongoing performance of the E&S programme will be conducted, however this may be supplemented on a case-by-case basis with visit(s) to operational site(s).
- All operating sites will be required to monitor and report performance to The Fund against agreed KPIs which will be reported on an annual basis (including CO2 emissions generated and avoided).
- All companies will also monitor and review the performance of any contractors employed at the Project site(s) on an ongoing basis. The outcomes of such activities will be reported to The Fund.
- All companies will be required to participate in a Management Review held by The Fund on a periodic basis during the lifecycle of The Fund to review overall E&S performance

9. ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORTING

The Fund recognizes the importance that donors/investors place on responsible management of E&S risks and issues. The following levels of reporting in relation to E&S performance will be provided:

- The Fund E&S reporting;
- Project level E&S reporting; and
- Incidents/accidents reporting.

The reporting content and frequency will differ for different projects.

9.1 FUND-LEVEL E&S REPORTING

The Fund shall within ninety (90) days after the end of each financial year of The Fund but no later than fifteen (15) days prior to the annual Donor/Investor Meetings, deliver copies of the E&S Annual Report for the GF1 Funds to the Donors/Investors. The report shall contain an attestation that The Fund is in compliance with the Environmental and Social Requirements. A suggested outline of the report is in Annex 5. The Fund shall discuss the annual Environmental and Social Annual Report for The Fund at the next Donor/Investor Meeting held after the report has been provided to Donors/Investors. The Fund's reporting will consolidate E&S information for projects within all three funds.

9.2 PROJECT LEVEL E&S REPORTING

Annual Project Reports

Environmental and social performance of all Project Companies will be evaluated on an annual basis. The benchmark for performance will be the ongoing compliance against the applicable Environmental and Social Requirements. The Fund will ensure that the Project Company prepares and submits an annual environmental and social monitoring report (a suggested scope of such reports is provided in Annex 5 for The Fund and Annex 6 for the individual Project Companies), and will review and assess the Project Company's performance on environmental and social issues. The Annual Project Report will include on project level information on all defined impact indicators, as specified by the different donors/investors.

Quarterly Project E&S Reports:

For projects which are under construction, the E&S risks and impacts are generally speaking the most significant. Therefore, for all projects within the construction fund, a brief but descriptive 1-2 page quarterly report will be provided to investors (a suggested scope of such reports is provided in Annex 7). The report will outline the social and environmental performance of these projects and will include data relating to performance against the KPIs presented in Section 6 of this ESMS. The report will contain a summary of material E&S management risks arising from the Manager and/or Advisor's due diligence processes. These reports will be sent to all investors within 30 days of the end of each calendar quarter (i.e. 31 March, 30 June, 30 September and 31 December).

9.3 INCIDENT/ ACCIDENT REPORTING

Incident/ Accident 1st Notification report:

The Fund shall as soon as reasonably practicable and in any event within five (5) days after becoming aware of the occurrence, notify the investors of any social, labor, health and safety, security or environmental incidence or accident to any Project Company or in relation to any Project Company operations. The circumstance with respect to the incident/ accident should reasonable be expected to have a material adverse effect of a material adverse impact on the implementation or operation of the Project Company's operations in compliance with the Environmental and Social Requirements. These could include for example any Environmental and Social Claim, accidents, loss of life, material breach of law, or material effect on the social or natural environment.

Incident/ Accident Detailed report:

As soon as reasonably practicable thereafter, but ultimately within thirty (30) days of the first notification report to the Investors, The Fund shall specify in each case the nature of the incident/ accident, or circumstance and the impact or effect arising or likely to arise there from, and the measures being taken, or plans to be taken to address them and prevent any future similar event.

Incident/ Accident Progress report:

In severe cases, The Fund will keep the Investors informed on a quarterly basis of the on-going implementation of the measures as defined in the Incident/ Accident Detailed Report.

Annex 1: Responsible Investment Policy

The Fund will strive to achieve positive sustainable development outcomes through its investments and is committed to:

- Avoiding and otherwise minimising and mitigating the impacts of its investments on local communities;
- Safeguarding the environment and sustainably managing natural resources;
- Minimising The Fund's contribution to climate change through its own operations and through investments in the renewable energy sector;
- Protecting the health and safety of all those working on the projects in which The Fund invests; and
- Maximising opportunities for positive environmental and social benefits to be realised.

In order to achieve these commitments, The Fund is committed to complying with all legislation and applicable Environmental and Social requirements for all investments. Good international industry practices and standards for Environment and Social Management¹ will be referred to as appropriate to provide a management framework.

A comprehensive assessment of all impacts and risks will be conducted prior to all investment decisions. All impacts and risks will be managed in accordance with The Fund's internal risk management process and incorporated into the operational processes of each Fund.

The Fund will invest only into projects when they are expected to be designed, constructed, operated, and maintained in a manner consistent with applicable Environmental and Social Requirements. If, at the time of making an investment decision, a project poses a potential reputation risk for The Fund or its investors due to unacceptable Environmental and Social management practices, it will be rejected. Investment opportunities that promote environmental and social benefits will be promoted.

The Fund requires that all projects have adequate staffing, management plans and resources to effectively manage and implement all environmental and social requirements. The Fund Board, Executive Committee and investment staff will utilise existing governance structures to provide appropriate levels of oversight to ensure that all investments are being managed in an appropriate, accountable and transparent manner.

Engagement and consultation will be undertaken by The Fund with its stakeholders and will communicate transparently on the environmental and social management of all investments. All investment staff will report to The Fund proactively on all activities in relation to environmental and social risk management. The Fund will disclose information relating to environmental and social performance on a routine basis.

The Fund requires that all investment staff establish performance objectives and targets to monitor and report to The Fund on their E&S performance in an effort to strive for continuous improvement, and to ensure ongoing progress in managing E&S risks throughout the investment lifecycle.

It is the responsibility of the The Fund Board to ensure that this Policy is implemented. This policy will be communicated to all The Fund staff.

Signature:

Role:« [Chief Executive Officer]

Date:

¹Equator Principles III; International Finance Corporation (IFC) Performance Standards 2012 on Environmental and Social Sustainability; ILO Core Convention; ILO Basic Terms and Conditions of Employment; UN Guiding Principles

Annex 2 Environmental and Social Questionnaire for New Project – Deal Screen Checklist

This checklist should be used to all potential E&S issues as part of the initial risk screen exercise. The scope and depth of the risk screening exercise will vary based on the projects characteristics, sector and location, however as a minimum the following key K&S risks and considerations should be factored into the deal screening process.

Date Completed:

Primary Author:

Checked by:

Project Categorization:

Confirmation co-developer not involved in Excluded Activities (Annex 3 of ESMS):

Note on risk categories

- A Very High-risk projects are those that either trigger any of IFC PS 5, 6, 7, or 8 or demonstrate a context of social/political conflict or severe security issues that pose a significant potential risk to the project. High risk projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented.
- B Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- C Projects with minimal or no adverse social or environmental impacts

(1) Projects in this bracket are a narrow highest risk subset of all projects that trigger PS 5, 6, 7 and 8. They entail the following impacts: complex resettlement (subset of PS5); impacts on critical habitat (PS 6, paragraphs 16-19); all projects triggering the FPIC requirements of PS 7 (PS 7, paragraphs 13-17); and impacts on critical cultural heritage (PS 8, paragraphs 13-15).

EHSS Risk Theme	Key Considerations	current knowledge and data available	Action Plan/ Due Diligence Required to Manage Potential Risk	Preliminary
1. Resource Availability	Is there a risk that the level or type of natural resources (e.g. water, food, and energy) could be impacted by the project and Project activities?			

EHSS Risk Theme	Key Considerations	current knowledge and data available	Action Plan/ Due Diligence Required to Manage Potential Risk	Preliminary
2. Natural Hazards	Is the project site in an area or location that could be affected by flooding, seismic activity, cyclones, or other naturally occurring hazards?			
3. Soil and Groundwater Contamination	Is the project site in an area or location that has known contamination issues and/or is there a potential for soil and groundwater issues or other serious environmental damage (i.e. as a result of historic or existing operations at the project site)?			
4. Water	Is there an existing supply of water to the site? How will wastewater			

Management	be discharged?
5. Protected Areas	<p>Is the project location in an area of environmental, cultural or social sensitivity, e.g. UNESCO World Heritage Site, RAMSAR designated wetland. Is there a potential for the project to harm any protected areas?</p>
6. Land Acquisition	<p>Is there a potential need for land acquisition as part of the project (whether temporary or permanent?) If yes, what planning or work has been undertaken in this regard. Has there been any recent land acquisition and are there records available?</p>
7. Resettlement	<p>Is there a potential need for physical displacement of households as a result of project activities? Is there a potential need for economic displacement (e.g. loss of land for farming, inability to access place of work either temporarily or permanently)?</p>
8. Indigenous Peoples	<p>Are there indigenous peoples in the proposed project area of influence? Is there a risk that the Project could affect Indigenous Peoples?</p> <p>Is there a potential for the project to interact with or cause an impact</p>

on indigenous peoples e.g. direct and indirect economic, social, cultural (including cultural heritage), and environmental impacts?

9. Cultural Heritage and Knowledge

Is there any known cultural heritage in the vicinity of the project site(s) that may be impacted by the project?

10. Human Rights

Are there any known or potential human rights issues in the country?

Does the government respect human rights? Is there an effective legal regime in place? Is there a risk that any agreements entered into with a host government, concession, or other party could interfere with the human rights of parties potentially affected by the project?

Are there any known or potential human rights issues associated with the co-developer and their other operations (eg gross or systemic human rights violations, deprivation of liberty, child labour, or, gross or systemic labour rights violations?

EHSS Risk Theme	Key Considerations	Action Plan/ Due Diligence Required to Manage Potential Risk	Preliminary
11. Local communities	<p>Are there local communities near to the proposed project location?</p> <p>Could they be impacted during the construction and operation of the project? How could they be impacted? E.g. noise, vibration, dust, air emissions and other nuisance.</p>		
12. Migrant Workers	<p>Are there likely to be any migrant workers? Could the presence of migrant workers pose a risk to the health, safety and wellbeing of local community members?</p>		
13. Traffic and Access Routes	<p>Could local communities be affected if traffic levels were to increase and additional vehicle movements were required in order to construction, commission and ultimately operate the new facility?</p>		
14. Communicable Diseases	<p>Is there a risk that the disease profile of the area could be impacted by the project? Could the project and the influx of workers to the area introduce new diseases? Is there a risk of a disease pandemic that</p>		

	could affect the workforce? E.g. zika virus, ebola, malaria, bird flu.
15. Healthcare Services	<p>What is the current state of healthcare provision in the local area? Are services at risk of being overburdened by an increase in population resulting from the project development?</p>
16. Resource Availability	<p>Does the project have the potential to impact on the availability of public services for example due to increases in population (e.g. homes, schools, food supply)?</p>
17. Asset Protection	<p>Are there security risks in the project location? Will security protection be required for protection of assets and personnel? Are there any issues in relation to security and human rights associated with the security protection options that are available?</p>
18. Governance	<p>Are there issues of bribery and corruption in the governance of the host country? Does this present a risk to the project and to CFM's anti-corruption policies?</p> <p>Is the co-developer responsible for or associated with any gross corruption or gross violations of business ethical principles?</p> <p>See also FMO Toolkit responses on Corporate Governance and Business Integrity.</p>

19. Regulatory Requirements	Is the project located in a jurisdiction with extensive Regulations for environment, health and safety management? Are there laws in the project location that may present challenges to the project?
20. Permitting and Licences	Are the requirements for permits and licences understood along with the statutory timelines for obtaining them?
21. Reputation	Are there known reputational issues associated with the Client, potential consortium partners, joint venture partners, contractors,

EHSS Risk Theme	Key Considerations	current knowledge and data available	Action Plan/ Due Diligence Required to Manage Potential Risk	Preliminary
	project sponsors or investors? Have they been responsible for or complicit in any serious environmental damage?			
22. Local EHSS Resources	Is there a readily employable labour pool in the local area for the management of E&S issues? What is the standard of education and training? Will capacity building be required?			

Annex 3 List of Excluded Activities

The Fund will not finance any activity, production, use of, trade in, distribution of or involving:

Forced labor¹ or child labor²

1. Activities or material deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - a. Ozone depleting substances, PCBS (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - b. Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flore (CITES); or
 - c. 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).
2. Cross-border trade in waste and water products, unless compliant to the Basel Convention and the underlying regulations.
3. Destruction³ of High Conservation Value areas
4. Radioactive materials ⁵and unbounded asbestos fibers
5. Pornography and/or prostitution
6. Racist and/or anti-democratic media
7. In the event that any of these following products form a substantial part of a project's primary financed business activities⁶
 - a. alcohol beverages (except beer and wine)
 - b. tobacco
 - c. weapons and munitions; or
 - d. gambling, casinos and equivalent enterprises
8. Companies, activities or individuals subject to UN or EU sanctions
9. Companies found or suspected to have been involved or are involved in corruption, gross violations of fundamental ethical norms or other ethical business principles.

¹ 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.

² Persons may only be employed if they are at least 15 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

³ 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 <http://www.hcvnetwork.org>).

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.

ANNEX 4 OUTLINE OF THE ENVIRONMENTAL AND SOCIAL INFORMATION CONTAINED IN THE REPORT TO

Investment Committee

Presented below is a summary of the key considerations that will need to be included in reports to the relevant Investment Committee for The Fund.

Summary of the key Environmental and Social risks identified through the following:

- Summary of key Environmental and Social risks identified through the due diligence, red flags report or other E&S reports available
- Commitment of Project Company to E&S Requirements (including high-level E&S management arrangements such as designation of E&S roles and responsibilities, policy statement, code of conduct, understanding of applicable legal and other requirements)
- ESIA, ESAP and any other E&S reports available and confirmation that there is/are plans(s) for managing key E&S risks is in place
- Confirmation that the project has applied all applicable IFC PS, that a Project-level ESMS has been established, that all required permits and licenses have been obtained prior to commencement of construction

ANNEX 5 ENVIRONMENTAL AND SOCIAL ANNUAL REPORT FUND LEVEL

The Performance Report shall contain, at a minimum, the information set out below for The Fund.

- Name of the responsible E&S Manager;
- Status/changes in E&S Management System
- Difficulties and/or constraints related to the implementation of E&S Management System;
- Overview of current pipeline, status and expected categorization;
- Performance against leading and lagging indicators as detailed in Section 8 of this ESMS;
- E&S trainings undertaken/planned; and
- Exclusion List: confirmation that no investments are undertaken in any of the activities listed in the Exclusion List (or, in cases where a Project Company is found to be partly active in activities included on the Exclusion List, submit a plan to phase out such activities)

In addition, The Fund Annual Report to its investors will summarise the information collated at a Project Level as set out in Annex 6 and Annex 7

ANNEX 6 ENVIRONMENTAL AND SOCIAL ANNUAL MONITORING REPORT – PROJECT LEVEL

The Performance Report shall contain, at a minimum, the information set out below.

For each Project Company:

- Categorization of each investment and rationale behind that categorization;
- Summary assessment of E&S risks identified;
- For High Risk Activities (category A and B) summary of qualified external E&S assessment undertaken and reference to qualification of external expert undertaking assessment;
- Status of E&S performance to date (including performance against the leading and lagging indicators in Section 8 of this ESMS), implementation of E&S Management System and agreed E&S Action Plan (if applicable);
- Annual CO₂ equivalent emissions (in accordance with requirements set out in IFC Performance Standard 3)
- Employment data, as follows:
 - Total number and breakdown of staff employed:
 - Direct Employment (total number);
 - Permanent number of males
 - Permanent number of females
 - Details of any retrenchment of employees in the reporting period in terms of number of employees affected and retrenchment plan (copy to be provided with report)
- Date of the last site visit for E&S purposes

Optional information for each Project Company:

- Any improvements in performance with a clear environmental benefit, and;
- Any improvements in performance with a clear social benefit

ANNEX 7 ENVIRONMENTAL AND SOCIAL QUARTERLY MONITORING REPORT – PROJECT LEVEL (CONSTRUCTION PROJECTS ONLY)

For each Project Company:

- Performance against the indicators (as defined in section 6).
- Project progress (summary of highlights and achievements, summary of recruitment and filling of key roles, a 3-month look-ahead and associated timeline, and associated E&S concerns and risks).
- Employment data, as follows:
 - Total number and breakdown of staff employed:
 - Direct Employment (total number).
 - Permanent number of males.
 - Permanent number of females.

Optional information on each Project Company:

- Any improvements in performance with a clear environmental benefit.
- Any improvements in performance with a clear social benefit.

ANNEX 8 OUTLINE TERMS OF REFERENCE FOR ENVIRONMENTAL & SOCIAL IMPACT ASSESSMENT (ESIA)

This Annex provides an outline Terms of Reference (ToR) for any Environmental & Social Impact Assessments (ESIA) required for projects due to their categorisation (i.e. Category A or B).

For each project requiring an ESIA, The Fund will develop an ESIA ToR in conjunction with the co-developer. Set out below is the minimum requirements for the ESIA ToR.

1. **Introduction & Background** - a description of the project and the development context
2. **Description of the Site and Location of the Project** - this should include a description of the physical setting of the project, a detailed description of the project activities all of the project components and activities to be undertaken and the schedule. This section should include maps and figures of the project clearly showing the location and geographic extent of the project, including associated facilities such as transmission lines, substations, and access roads that are being constructed as part of the project. If available, The Fund will also share Red Flag reports undertaken at earlier stages of the project. Any known limitations around site access either from a Health & Safety perspective or land access perspective should be highlighted.
3. **Standards for the ESIA**- this should include reference to the IFC Performance Standards/EHS Guidelines and local policy and legislation. If not already available, the ToR will include a requirement for a Gap Analysis to be undertaken on the differences between the requirements of the IFC Performance Standards and local standards. The most stringent of the requirements will be applied to the ESIA. For any cases where The Fund and the co-developer require the project to go beyond the IFC Performance Standards or local standards this should be clearly indicated.
4. **Scope of Services** - this section will describe the overall objectives and scope of the assignment. These are likely to include, but not limited to the following tasks:
 - **Task 1:** Project Management
 - **Task 2:** Preparation of a Project Description
 - **Task 3:** Defining the ESIA Methodology
 - **Task 4:** Defining the Project Standards and Regulatory Review
 - **Task 5:** Scoping of Potential Impacts
 - **Task 6:** Stakeholder Engagement (Local, Regional)
 - **Task 7:** Regulatory Engagement
 - **Task 8:** Evaluation of Baseline Conditions
 - **Task 9:** Evaluation of Alternatives

- **Task 10:** Assessment of Scoped-in Impacts
- **Task 11:** Assessment of Scoped-in Cumulative Impacts
- **Task 12:** Preparation of the Environmental and Social Management Plan (ESMP)
- **Task 13:** Compilation of ESIA Report

The ToR will also set out the likely environmental and social topics associated of projects of a similar nature, recognising that the technical scope of the ESIA will be confirmed during the ESIA Scoping Phase.

If the consultant is expected to liaise with other parties such as EPC contractors or other service providers, this should be set out here.

The ToR should state that in circumstances where Human Rights have been, or are identified as a potential issue human rights will be integrated into the ESIA.

Where there is already an understanding of the key impacts or areas of particular concern, details around these should be set out. If there are some studies that need to be front-loaded in the ESIA process that should be explicitly stated here.

5. **Deliverables** - The expected ESIA deliverables should be specified. These are likely to include, but not limited to:

- **Volume 1:** Non-Technical Summary
- **Volume 2:** Main ESIA Report
- **Volume 3:** ESIA Technical Annexes (one Annex per technical topic assessment)
- **Stakeholder Engagement Plan (SEP)**
- **Environmental and Social Management Plan (ESMP)**

Depending on the potential impacts identified in the ESIA, additional topic-specific plans may also be required (e.g. Resettlement Action Plan, Livelihood Restoration Plan, Biodiversity Management Plan, and Indigenous Peoples Plan).

6. **Proposal Requirements** - this section should set out the desired work schedule, any financial requirements (e.g. ceiling budget, bid currency, details for cost breakdown, separate financial and commercial proposals), the organisational experience expected, proposed project team composition and experience, and information on local content/ local subcontractor requirements where applicable.

ANNEX 9 OUTLINE TERMS OF REFERENCE FOR RESETTLEMENT ACTION PLAN (RAP)

This Annex provides out an outline Terms of Reference (ToR) for a Resettlement Action Plan (RAP), where such a plan is required based on the potential impacts identified as part of the Environmental & Social Impact Assessment (ESIA) process.

For each project requiring RAP, The Fund will develop an RAP ToR in conjunction with the co-developer. Set out below is the minimum requirements for the RAP ToR.

1. **Introduction & Background** - a description of the project and the development context, what impact assessment work has been done this far and what resettlement issues have been identified. If a finalised ESIA has been prepared, this should be provided. If a complete ESIA is not yet available, then sufficient detail shall be provided to give a clear profile of those parties qualifying for resettlement, including detail of their current livelihoods and circumstances and the likely impacts.
2. **Standards for the RAP** - this should include reference to IFC Performance Standard 5, the IFC's Handbook for Preparing a Resettlement Action Plan, and any applicable local policy and legislation. If not already available, the ToR will include a requirement for a Gap Analysis to be undertaken on the differences between the requirements of the IFC Performance Standards and local standards. The most stringent of the requirements will be applied to the RAP. For any cases where The Fund and the co-developer require the project to go beyond the IFC Performance Standard 5 or local standards this should be clearly indicated.
3. **Scope of Services** - this section will describe the overall scope of the assignment. Based on Performance Standard 5 and Guidance Note 5, these tasks should include:

Preparation of a RAP

Task 1: Description of the project: Provide a general description of the project and identification of the project area.

Task 2: Potential Impacts:

Describe:

- a) the project component or activities that give rise to resettlement; the zone of impact of such component or activities;
- b) the alternatives considered to avoid or minimise resettlement; and
- c) the mechanisms established to minimise resettlement, to the extent possible, during project implementation.

Task 3: Objectives and Studies Undertaken: Outline the main objectives of the resettlement program and a summary of studies undertaken in support of resettlement planning / implementation, e.g. census surveys, soGF1-economic studies, meetings, site selection studies.

Task 4: Regulatory Framework: Describe the relevant laws of the host country, client policies and procedures, performance standards.

Task 5: Institutional Framework: Describe the political structure, NGOs.

Task 6: Stakeholder Engagement: Summarise public consultation and disclosure associated with resettlement planning, including engagement with affected households, local and/or national authorities, relevant CBOs and NGOs and other identified stakeholders, including host communities. This should include, at a minimum, a list of key stakeholders identified, the process followed (e.g. meetings, focus groups), issues raised, responses provided, significant grievances (if any) and plan for ongoing engagement throughout the resettlement implementation process.

Task 7: SoGF1-economic Characteristics: Detail the findings of soGF1economic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people, including results of household and census survey, information on vulnerable groups, information on livelihoods and standards of living, land tenure and transfer systems, use of natural resources, patterns of social interaction, social services and public infrastructure

Task 8: Eligibility: Define displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

Task 9: Valuation of and Compensation for Losses: Define the methodology used in valuing losses to determine their replacement cost; and a description of the proposed types and levels of compensation under local law and such supplementary measures as are necessary to achieve replacement cost for lost assets.

Task 10: Magnitude of Displacement: Summarise the number of persons, households, structures, public buildings, businesses, croplands, churches, etc., to be affected.

Task 11: Entitlement Framework: Develop framework showing all categories of affected persons and what options they were/are being offered, preferably summarised in tabular form.

Task 12: Livelihood Restoration Measures: Define the various measures to be used to improve or restore livelihoods of displaced people.

Task 13: Resettlement Sites: Include details of site selection, site preparation, and relocation, alternative relocation sites considered and explanation of those selected, impacts on host communities.

Task 14: Housing Infrastructure and Social Services: Detail plans to provide (or to finance resettlers' provision of) housing, infrastructure (e.g., water supply, feeder roads), and social services (e.g., schools, health services); plans to ensure comparable services to host populations; any necessary site development, engineering, and

architectural designs for these facilities.

Task 15: Grievance Procedures: Develop an affordable and accessible procedure for third- party settlement of disputes arising from resettlement; such grievance mechanisms should take into account the availability of judicial recourse and community and traditional dispute settlement mechanisms.

Task 16: Organisational Responsibilities: Develop an organisational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services; arrangements to ensure appropriate coordination between agencies and jurisdictions involved in implementation; and any measures (including technical assistance) needed to strengthen the implementing agencies' capacity to design and carry out resettlement activities; provisions for the transfer to local authorities or resettlers themselves of responsibility for managing facilities and services provided under the project and for transferring other such responsibilities from the resettlement implementing agencies, when appropriate.

Task 17: Implementation Schedule: Develop an implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts, and implementing the various forms of assistance. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.

Task 18: Costs and Budget: Create tables showing itemised cost estimates for all resettlement activities, including allowances for inflation, population growth, and other contingencies; timetables for expenditures; sources of funds; and arrangements for timely flow of funds, and funding for resettlement, if any, in areas outside the jurisdiction of the implementing agencies.

Task 19: Monitoring, Evaluation and Reporting: Arrange monitoring of resettlement activities by the implementing agency, supplemented by independent monitors to ensure complete and objective information; performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities; involvement of the displaced persons in the monitoring process; evaluation of the impact of resettlement for a reasonable period after all resettlement and related development activities have been completed; using the results of resettlement monitoring to guide subsequent implementation.

Preparation of Audit Programme Documentation

Task 1: Executive Summary:

Concisely summarise all resettlement undertaken to date, need for any on-going resettlement, magnitude of displacement, activities undertaken, grievances and key issues addressed, outstanding and on-going monitoring and evaluation processes and key recommendations.

Task 2: Background:

Briefly describe the monitoring process to date covering the project and impacted communities, magnitude of displacement, key resettlement and livelihood impacts, legal framework, eligibility criteria and entitlement framework, timing of the various components of physical and economic displacement undertaken, resettlement and/or livelihood restoration activities and compensation provided and major or outstanding issues or grievances.

Task 3: Review Objectives: Outline of the main objectives of the resettlement and/or livelihood restoration plan and a summary of studies and activities undertaken in support of resettlement implementation and livelihood restoration (e.g., preliminary and on-going consultation, stakeholder mapping and census surveys, asset surveys, soGF1-economic baseline studies, participatory planning meetings, site selection studies, organisational structures for implementation), and assessment of the process and evaluation of the outcome (including any participatory monitoring and evaluation methodologies used).

Task 4: Key Findings: Consider issues including, among others:

- Extent of public information and consultation in advance of land acquisition, and adequacy of ongoing consultation
- Types of compensation provided and adequacy of that compensation (e.g., sufficient to cover replacement costs of lost assets, housing conditions, compensation/entitlements, income restoration and livelihood sustainability measures)
- Level of participation of affected people in decisions regarding compensation rates, location of new resettlement sites and options for livelihood restoration
- Adequacy of replacement housing in terms of physical structure, location, and access to resources and services (such as health, education, water and sanitation, transportation, social and medical security, agricultural and pastoral land, employment opportunities and training and community development initiatives)
- Effectiveness of livelihood restoration measures
- Integration into host communities

- Impact on cultural property
- Measures taken to protect (affected) vulnerable persons and groups
- Adequacy of the grievance redress process and outcomes
- Monitoring and evaluation process and outcomes.

Task 5: Conclusion and Key Recommendations/Corrective Actions:

Concisely summarise conclusions and recommendations, and for any gaps or outstanding issues, provide a proposed time bound Corrective Action Plan with Key Actions, dedicated Human Resources, proposed Timeline for close-out and a Budget.

Task 6: Deliverables - The expected RAP deliverables should be specified. These are likely to include, but not limited to:

- Resettlement Action Plan
- Livelihoods Restoration Plan
- Audit Programme documentation
- Grievance Procedures

Task 7: Proposal Requirements - this section should set out the desired work schedule, any financial requirements (e.g. ceiling budget, bid currency, details for cost breakdown, separate financial and commercial proposals), the organizational experience expected, proposed project team composition and experience, and information on local content/ local subcontractor requirements where applicable.

Annex 10 Outline Terms of Reference for Indigenous Peoples Plan

This Annex provides an outline Terms of Reference (ToR) for an Indigenous People Plan (IPP), where such a plan is required based on the potential impacts identified as part of the Environmental & Social Impact Assessment (ESIA) process.

For each project requiring an IPP, The Fund will develop an IPP ToR in conjunction with the co-developer. The IPP should be prepared in a flexible and pragmatic way and be tailored to the project specifics and nature of the effects. The purpose of the IPP is to outline the actions to minimise and/or compensate indigenous peoples for adverse impacts in a culturally appropriate manner. As per IFC Guidance Note 7, depending on local circumstances, a free-standing IPP may be prepared, or it may be a component of a broader community development plan where Affected Communities of Indigenous Peoples exist in the same area with other similarly Affected Communities or where the Indigenous Peoples are integrated within a larger affected population. Set out below is the minimum requirements for the IPP ToR.

1. **Introduction & Background** - a description of the project, what impact assessment work has been done this far, and what specific indigenous people issues have been identified. If a finalised ESIA has been prepared, this should be provided. If a complete ESIA is not yet available, then sufficient detail shall be provided to give a clear profile of the Affected Communities (ACs), their livelihoods and circumstances describe and quantify any natural resources which are depended on by the IP, as well as the likely impacts.
2. **Standards for the IPP** - this should include reference to IFC Performance Standards 7 and Guidance Note 7, as well as any local policy and legislation. If not already available, the ToR will include a requirement for a Gap Analysis to be undertaken on the differences between the requirements of the IFC Performance Standards and local standards. The most stringent of the requirements will be applied to the IPP. For any cases where The Fund and the co-developer require the project to go beyond the IFC Performance Standard 7 or local standards this should be clearly indicated.
3. **Scope of Services** - this section will describe the overall objectives and scope of the assignment. Based on the Performance Standard 7/Guidance Note 7, these tasks should include:
 - **Summarise Baseline Conditions:** Summarise the baseline information relating to indigenous peoples for the project, as presented in the ESIA. This should give a clear profile of the Affected Communities (ACs), their livelihoods and circumstances describe and quantify any natural resources which are depended on by the IP.
 - **Summarise ESIA Findings Regarding Indigenous Peoples:** Summarise the impacts, risks, and opportunities from the ESIA, with recommendations for the measures available to mitigate impacts, enhance positives and reach sustainable community development.

- **Stakeholder Consultation and Future Engagement:** Describe the process of information disclosure, consultation and informed participation and where relevant the FPIC (Free Prior and Informed Consent) process including Good Faith Negotiation (GFN) and documented agreements, with the Affected Communities of Indigenous Peoples, and how issues raised have been addressed. The consultation framework for future engagement should clearly describe the process for ongoing consultations with, and participation by Indigenous Peoples (including women and men), in the process of implementing and operating the project.
- **Detail Measures to Avoid, Minimise, and Mitigate Negative Impacts and Enhance Positive Impacts:** Clearly describe the measures agreed to in the process of information disclosure, consultation and informed participation to avoid, minimise and mitigate potential adverse effects on Indigenous Peoples, and to enhance positive impacts. Include appropriate action times that detail the measures to be taken, responsibilities and agreed schedule and for implementation (who, how, where and when) (refer to Performance Standard 1 and Guidance Note 1 for more details of the contents of an Action Plan). Whenever feasible, avoidance or preventative measures should be given primacy over mitigatory or compensatory measures.
- **Community Based Natural Resource Management Component:** Where applicable, focus on the means to ensure continuation of key survival livelihood activities of these communities and their traditional and cultural practices. This will clearly set out how the natural resources depended on by the Affected Communities and the geographically distinct areas and habitats, in which they are located, will be conserved, utilised and managed on a sustainable basis.
- **Detail Measures to Enhance Opportunities:** Clearly describe measures to enable Indigenous Peoples to take advantage of opportunities created by the project, and to conserve and manage on a sustainable basis the utilisation of the unique natural resource base upon which they depend. Such opportunities should be culturally appropriate.
- **Grievance Mechanism:** Should provide fair, transparent, timely redress of grievances without costs including special accommodation requirements provision for vulnerable groups where necessary. This should also provide a description of the procedures for addressing grievances of ACIPs. The Fund will consider the availability of judicial recourse and customary dispute settlement mechanisms among the IPs during their design of the grievance procedures. Information must be provided to the ACs (both women and men) regarding their rights and any legal remedies.
- **Costs, budget, timetable, organisational responsibilities:** Include an appropriate summary of costs of implementation, budget and responsibility for funding, timing of expenditure and organisational

responsibilities in managing and administering project funds and expenditures.

- **Monitoring, Evaluation and Reporting: Describe monitoring, evaluation and reporting mechanisms** (including responsibilities, frequencies, feedback and corrective action processes). Monitoring and evaluation mechanisms should include arrangements for ongoing information disclosure, consultation and informed participation with the Affected Communities of Indigenous Peoples (both women and men) and for the implementation and funding of any corrective action identified in the evaluation process.
4. **Deliverables** - The expected deliverable will be the IPP.
 5. **Proposal Requirements** - this section should set out the desired work schedule, any financial requirements (e.g. ceiling budget, bid currency, details for cost breakdown, separate financial and commercial proposals), the organisational experience expected, proposed project team composition and experience, and information on local content/ local subcontractor requirements where applicable.

ANNEX 11 GRIEVANCE MECHANISM

Introduction

The Fund has developed this Grievance Mechanism (GM) to allow external stakeholders to submit comments, questions, concerns, grievances and feedback without retribution and with the assurance of a timely response. Grievances can include minor concerns as well as serious or long-term issues. It is essential to have a robust and credible mechanism to systematically handle and resolve any complaints that might arise in order that they do not escalate and present a risk to operations or the reputation of the company (nationally or internationally). If well-handled, an effective grievance mechanism can help foster positive relationships and build trust with stakeholders.

Principles

The GM is developed based on the following principles:

- **Transparency and fairness:** The Grievance Mechanism is easy to understand, transparent and available at no cost and without retribution.
- **Accessibility and cultural appropriateness:** All stakeholders have access to the grievance mechanism and can raise a grievance. The mechanism is culturally appropriate and information is provided in relevant languages. There are multiple channels available for individuals and groups to choose their preferred method for lodging grievances.
- **Proportionality:** The mechanism is appropriate to the scale of the The Fund and its investments/projects.
- **Recording:** All grievances are registered on a Grievance Form, logged in the Grievance Register, and monitored through to resolution and close out.
- **Dialogue and site visits:** All grievances warrant discussions with the complainant and a site visit may be recommended where relevant, to gain a first-hand understanding of the nature, validity and severity of the grievance.
- **Timely resolution:** The Project aims to close out all of grievances within 20 days.

Purpose and Objectives

The purpose of this procedure is to outline The Fund's approach to accepting, assessing, resolving and monitoring grievances from those affected by The Fund's activities including its contractors' activities. It shall be considered in parallel to The Fund's arrangements for Stakeholder Engagement due to the inter- relationship between these two activities.

The objectives of the GM are to:

- Provide a predictable, transparent, and credible process to all parties for resolving grievances, resulting in outcomes that are seen as fair, effective, and lasting;
- Build trust as an integral component of broader community relations activities, and
- Enable more systematic identification of emerging issues and trends, facilitating corrective action and pre-emptive engagement. This GM has been designed in accordance with applicable legal requirements and with the principles of the International Finance Corporation (IFC) Performance Standards for Environmental and Social Sustainability (IFC PS).

Scope

This GM applies to The Fund at Fund and project level and across the entire funding lifecycle (including design and development, construction, operation, and exit). It is designed to manage community complaints or grievances emanating from The Fund's activities. A separate mechanism will be established for addressing employee grievances.

Responsibilities

The effective implementation of the Grievance Mechanism requires the following roles and responsibilities to be fulfilled:

Role Responsibility/Accountability	
ESG Manager	- Ensures that all personnel follow the requirements covered in this procedure.
	- Ensures that sufficient focus and importance is placed in thorough examination and corrective action.
	- Takes part in the grievance resolution process for complaints classified as medium or high and in the event that the Grievance Manager fails to propose a resolution
	within 5 days of acknowledging the complaint.
Grievance Receptor	- The person receiving the grievance or complaint.
	- The Grievance Receptor is responsible for notifying the Grievance Manager in a timely manner (within 24 hours of receiving the complaint).
	- The Grievance Manager is responsible for overall management and integrity of the grievance/complaint system (i.e. receipt, examining, recording, tracking, resolving, reporting and analysis).
	- Performs the follow up and evaluation of the grievance process.
	- Provides adequate resources (people, systems, procedures, budget) to effectively manage the process.
	- Ensures that the mechanism is transparent, culturally appropriate, and clearly communicated.
	- Accountable for the overall performance in managing feedback during grievance management process.
Grievance Manager	- This role is typically filled by the the HR Manager.
Stakeholders	- Report all comments, suggestions and complaints using the Grievance Mechanism.

Affected Party(ies)	- Stakeholder(s) who is (are) affected by The Fund's activities, both positively and negatively. They may be directly affected and indirectly affected
Communication	- Dialogue between The Fund and affected or interested parties. Communication is exchanging (giving and receiving) information. Communication enables The Fund to convey the aspects, risks and opportunities of their activities, and to receive information from a range of stakeholder's concerns, questions and suggestions shared in response
Community Based Organisations (CBOs)	- A local community or civil society organisation that is not for profit and can be formal or informal. They often function within a single community or over a small geographic range across several communities
Courtesy Calls	- Formal meetings in which the senior management of a company pays a visit out of courtesy to Traditional Authorities. Courtesy call expenses are expected to be paid by the Company
Eligible Grievances	- Include all those that are directly or indirectly related to The Fund's projects and that fall within the scope of the Grievance Mechanism as outlined in this document
GM	- Grievance Mechanism
Grievance	- A concern, complaint or feedback raised by any stakeholder either affected or interested in company operations. Both concerns and complaints can result from either real or perceived impacts of a company's operations
Ineligible Complaints	- May include those that are clearly not related to any of The Fund or its contractors' projects, whose issues fall outside the scope of this GM or where other The Fund or community procedures would be more appropriate to address the grievance.
Incident	- An event or chain of events which caused or could have caused injury, illness, loss of assets or potential or actual damage to relationships or reputation
Interested Party	- Persons or groups who, although not affected by The Fund or its operations, have an interest in or influence over The Fund and its operations. This might include welfare organisations, non-government organisations, local businesses and political groups.
NGO	- Non-Governmental Organisation
Records of communication / consultation	- Records of communication / consultation may include key e-mails, letters, newsletters, memoranda, complaints, opportunities for improvement, records of distribution/attendance, records of formal and informal meetings and records of commitments
Stakeholder	- Persons or groups that are directly or indirectly affected by a project as well as those that may have interests in a project and/or the ability to influence its outcome, either positively or negatively. This can refer to shareholders, lenders, employees, communities, industry, governments and international third parties
Stakeholder engagement	- An umbrella term encompassing a range of activities and interactions between The Fund and stakeholders (two way communication) over the life of a project that are designated to promote transparent, accountable, positive, and mutually beneficial working relationships
Stakeholder mapping and analysis	- A process designed to record details about stakeholders' interaction with a project to help to plan how they shall be engaged and consulted.
Vulnerable Groups	- Individuals or groups within the project area of influence who could experience adverse impacts more severely than others based on their vulnerable or disadvantaged status. This vulnerability may be due to an individual's or group's race, sex, language, religion, political, opinion, national or social origin, property, birth or other status. Other factors should also be considered including gender, ethnicity, culture, sickness, physical or mental disability, poverty or economic disadvantage and dependence on unique natural resources,

Grievance Mechanism Requirements and Process General Requirements

- The GM compliments and reinforces The Fund's wider stakeholder engagement activities. Proactive engagement is essential for good relations with communities and stakeholders. The grievance mechanism must not be implemented in isolation.
- In the first instance and in order to avoid, wherever possible, a situation where a grievance occurs, The Fund will ensure proactive stakeholder engagement practices in accordance with international best practice.
- A grievance can be submitted by any affected party. This includes communities directly and indirectly affected by The Fund's projects and activities, civil society, local and traditional authorities, local or national government, small business owners, associations, medical and educational practitioners, NGOs and international third parties.
- The Fund will acknowledge and address concerns over both real and perceived impacts in the same way and with the same level of care.
- The GM is intended to address even minor complaints, both formal and informal, to avoid escalation into serious grievances.
- Multiple channels to collect and forward grievances from the community will be established as early on in the project/funding lifecycle as possible.

Informing Stakeholders

- Affected communities and wider stakeholders shall be proactively informed of the details of the grievance mechanism.
- This information shall be widely and regularly publicised, throughout the duration of any project, through posters at key locations (e.g. outside a village town hall), advertisements in local papers / radio and verbally (e.g. in stakeholder engagement activities).
- The information shall be provided in a format and using languages (including local languages) that is readily understandable by the local population and/or orally during routine stakeholder engagement in areas where literacy levels are low.

Legal and Other Requirements

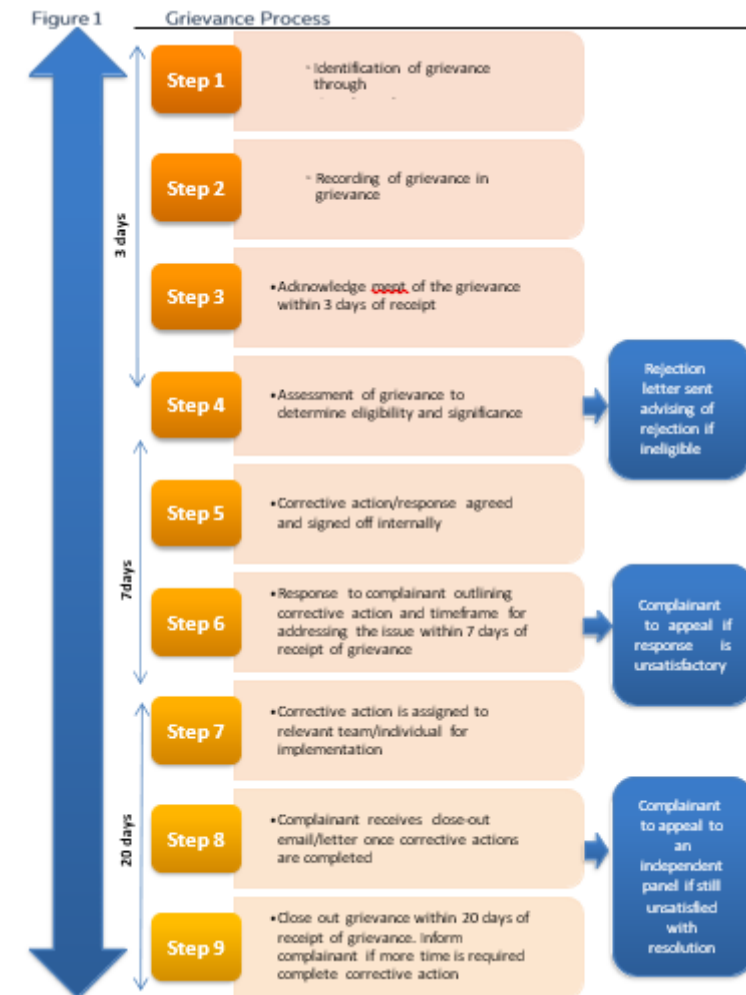
- Arrangements shall be created, implemented and maintained to ensure compliance with all applicable local, regional and national legislation.
- The GM shall not impede access to judicial or administrative

remedies or seek to replace these and shall never result in any kind of retribution.

- The GM shall not impede access to or substitute mechanisms provided through or rights to collective agreements

Process for Managing Grievances

The process presented in Figure 1 shall be followed to manage grievances. A description of the key stages in the process is given below



Identification and Recording of Grievance - Steps 1-2

All suggestions, concerns or complaints received will be submitted directly, via telephone, letter, email or by the The Fund website. These will be registered by the Grievance Manager in a Grievance Log within

24 hours of receipt of grievance. Concerns that have been received anonymously will also be registered within the same timeframe. The person who first receives the grievance has to notify the Grievance Manager within 24 hours of receipt of the grievance. The Grievance Manager will determine on a case by case basis how to undertake the examination of those suggestions, concerns or complaints.

Acknowledgement of Receipt of Grievance - Step 3

The complainant will receive a response within three days to confirm acknowledgement of the grievance and provide assurance that it is being dealt with.

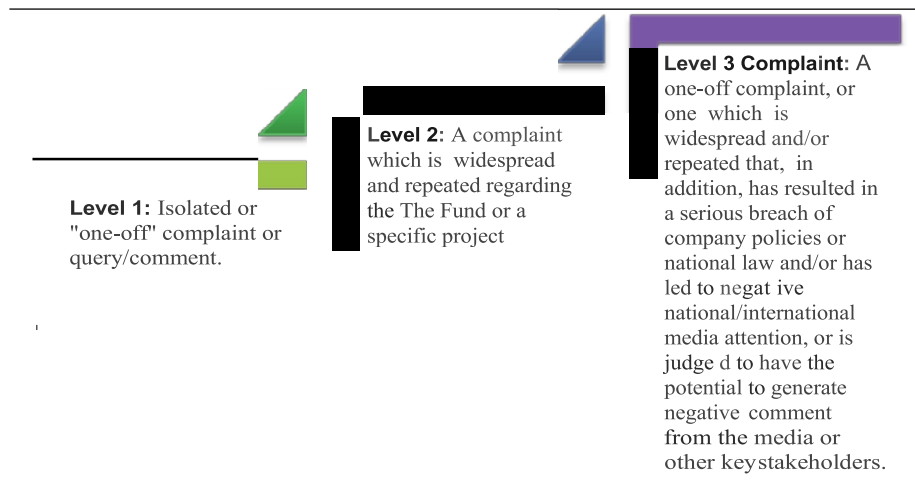
Assessment of the Grievance - Eligibility and Classification of the Grievance - Step 4

The grievance will be reviewed to determine if it is eligible for further consideration. The grievance shall be classified as 'eligible' if it is directly or indirectly related to The Fund's projects and activities. Grievances shall be classified as 'ineligible' if they clearly are not related to any of The Fund's projects; if the issue falls outside the scope of this GM. Ineligible grievances will be rejected and the complainant informed.

The grievance will then be accepted or rejected by The Fund. If rejected, the complainant will receive details regarding the rejection. If approved, the grievance will be referred to the relevant department to assess options for resolving the issue. The Grievance Manager will acknowledge the grievance through a letter, telephone call or face to face, with a formal record of the meeting placed on file.

Eligible grievances will then be reviewed to determine their significance using the significance criteria in Figure 2 below. The classification relates to the level of impact the grievance may have on The Fund's operations and reputation if it is not appropriately addressed. It will therefore determine who needs to be informed and who manages the case. If necessary the complainant shall be contacted for more information, and a site visit may be undertaken. Witness statements shall be taken if needed. Once additional information has been gathered as needed, the classification of the grievance can be assigned.

Figure 2 Grievance Classification



Assessment of the Grievance - Eligibility and Classification of the Grievance - Step 5

Concerns classified as low will be handled directly by the Grievance Manager who will assess the grievance/claim /suggestions and propose a resolution within 5-7 days. Concerns complaints/grievances classified as moderate or high severity may require additional management team members to get involved to identify the appropriate corrective action that needs to be taken. Once the corrective action is decided by the relevant parties, it will be approved and signed off by the grievance officer if required.

Corrective Action and Close-Out - Steps 6-9

The complainant will receive confirmation within 7 days of submission of the grievance detailing the corrective action to resolve the issue. The relevant parties will then implement the corrective action. The timeframe for closing out the grievance should be as short as possible, and ideally within 20 days of first notification of the grievance. The complainant will be informed if there are any delays. The complainant has the right to appeal through the independent panel comprised of key stakeholders such as a lawyer, project representatives, government and community leaders if they are not satisfied with the resolution of the grievance.

Training and Competency

Implementing an effective grievance mechanism requires that those directing it to have excellent project management, administrative and logistics skills, as well as the ability to coordinate a whole range of sub-contractors, impose rigorous quality control etc. They shall possess the necessary skills and experience to effectively manage formal and informal grievances. Those responsible for responding to grievances shall have detailed knowledge on how the GM functions and the various channels through which to facilitate grievance redress, as well as more specific local knowledge to enable them to resolve day-to-day grievances.

Those involved in managing grievances shall have detailed knowledge of the project area, good interpersonal and supervisory skills and the capacity to maintain good relations with the local authorities and communities.

All project and contractor staff shall also be fully aware of the GM so that they know what action to take if they receive a complaint from a member of the community.

ANNEX 12 OUTLINE TERMS OF REFERENCE FOR ESMS AUDITS

This Annex provides an outline Terms of Reference (ToR) for conducting internal audits of the ESMS.

1. **Purpose** - The purpose of conducting formal audits of the ESMS is to ensure that effective arrangements are in place for the management of E&S risks in accordance with applicable standards including (but not limited to) The Fund's ESMS and the E&S Safeguards; legal and other requirements (including IFC Performance Standards), and specific requirements imposed by investors and other stakeholders. Results will be used to provide assurance to the Investment Committee and the Board and its stakeholders that E&S risks are being managed appropriately and to a consistent level across the business.
2. **Scope** - Audits will be conducted at corporate level to confirm the overall effectiveness of the ESMS in managing the The Fund portfolio, as well as at Project level and throughout the entire investment lifecycle.
3. **Definitions** - For the purpose of this ToR, an audit is defined as *"A systematic assessment or review of the effectiveness of implementation of the ESMS including associated procedures and processes using defined criteria or protocols"*.
4. **Standards for ESMS Audits** - all audits will be planned and executed in accordance with the following:
 - The requirements of the ESMS including associated procedures;
 - IFC Performance Standard 1 and associated guidance; and
 - ISO 19011:2011 which provides guidance on auditing management systems, including the principles of auditing, managing an audit programme and conducting management system audits, as well as guidance on the evaluation of competence of individuals involved in the audit process, including the person managing the audit programme, auditors and audit teams.
5. **Audit Plan** - A plan will be developed on an annual basis which sets out the audits that will be conducted, the entities (corporate, project, asset) to be audited, and the schedule of audits. The Plan and Schedule for the forthcoming year will be presented to the Senior Management Team at the annual Management Review Meeting for Senior Management approval and sign-off. In the case of audits of the corporate-level ESMS, audits will be conducted at least once annually. The frequency of audits at the project level will be based on the risk categorization of the project, any legal requirements, and any specific considerations associated with project itself.
6. **E&S Audit Process** - As part of the ESMS, a process will be developed and implemented that sets out the core activities and arrangements that will be undertaken and adopted in all internal audits. All persons responsible

for conducting audits will be trained in the elements of this process.

7. **E&S Audit Outputs** - Audit results will be recorded in the form of a short report that will be prepared by the audit team. Corrective actions will be identified and implemented to address the findings of these audits and achieve continuous improvement. The report will present the following:
 - Scope of audit (description of the specific aspects of the environment, health, safety social safeguards subject to the audits).
 - Summary of key details of the area, activity, or contractor being audited, the team conducting the audit, date of the audit and main findings.
 - Details of audit findings and observations in relation to the scope: corrective action plan.
8. **Communication** – the outcomes of programme audits, including findings and the action plan, will be communicated to relevant personnel and as appropriate, external stakeholders who may be affected by the audit findings.
9. **Auditor Competencies and Resources** – all members of the audit team must have the necessary skills, knowledge and training to be competent to lead/support internal E&S audits. Auditors may comprise internal staff and/or external specialists appointed to support ESMS audits.

Annex 13 ESMS Disclosure and Feedback

This version will be published on The Fund website . As and when received, comments will be logged and addressed accordingly. A summary of comments received, and the responses will be collated in the log below in future versions of the ESMS.

Date Comment	Comment Reference	Comment Description	Response	Date of Response