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## Introduction

### *Vision*

The Lightsmith Group (“Lightsmith”) is a private equity firm pursuing investments that generate superior returns aligned with sustainable principles. Lightsmith implements this vision by developing and executing investment strategies focused on business opportunities that serve societal needs and/or provide societal benefits. Although Portfolio Companies’ activities should therefore provide benefits to society (which Lightsmith seeks to measure through its Impact Measurement System, or IMS), it is also important to identify and manage any significant environmental, social, and governance (ESG) risks in its investments.

### *Approach*

This document describes Lightsmith’s Environmental and Social Management System (“ESMS”), which is the firm’s set of policies and procedures to identify, manage, and reduce environmental and social (E&S) risks and impacts associated with its investments. Through the ESMS, Lightsmith ensures that its investments:

- Are environmentally and socially sustainable
- Are compatible with low carbon economic development
- Respect Human Rights in all forms, avoiding prejudice and discrimination
- Avoid adverse environmental and social impacts and, if such impacts are unavoidable, work to mitigate them

Lightsmith’s ESMS is implemented in parallel with its IMS, referred to above, which is the firm’s set of processes for managing and tracking Portfolio Companies’ performance toward desired social and environmental objectives (See IMS; also see Appendix E: Summary of Investment Stages).

Lightsmith’s Managing Directors have the ultimate responsibility for ensuring the effectiveness of the ESMS policy and its implementation. The Managing Directors are supported in this by Lightsmith’s Director of ESG and Impact, Senior Counsel, and the investment professionals.

## Environment and Social Policy

The purpose of this document is to outline Lightsmith’s ESMS policies and procedures for identifying and managing environmental and social risks and impacts in its investments.

Lightsmith’s ESMS policy adopts, as a standard for its environmental and social review process, the International Finance Corporation’s (IFC) Performance Standards on Social and

## Environmental and Social Management System

Environmental Sustainability and IFC's Industry Sector Guidelines and any subsequent revisions to those standards. <sup>1</sup> Lightsmith's ESMS policy also aligns with the core labor standards of the International Labor Organization<sup>2</sup> and the basic principles and concepts embedded in the UN Global Compact, the UN Sustainable Development Goals, the Equator Principles, and the UN Principles for Responsible Investment.

Where host country environmental, health, safety and social standards differ from those of the IFC Performance Standards, Industry Sector Guidelines or international Labor Rights, the Lightsmith Group will apply the more stringent standard.

### General Requirements

Lightsmith's investments must adhere to the following general requirements:

- ✓ Must comply with all host country laws, regulations and permits; including those laws that implement host country obligations under international law.
- ✓ Must develop or maintain an *Environmental and Social Management System (Company ESMS)*, appropriate to the size and nature of the risks of the activities of the Portfolio Company. Key areas of an ESMS are human resource management, environmental management, occupational health and safety management, and community impacts and relations. The ESMS will identify individuals responsible for its implementation and the manner in which the policy is communicated internally.
- ✓ The Company ESMS will include an *Environment and Social Policy*, which is a brief declaration of a company's commitment to sustainable development and management of E&S issues that is shared internally and often publicly disclosed.
- ✓ Relevant World Bank Group Environmental, Health and Safety (EHS) Guidelines, as applicable.

These requirements will be referenced in our investment agreements. Occasionally, an Environment & Social Action Plan ("ESAP") may also be required.

### IFC Performance Standards

The IFC's ESG policies, guidelines and tools, which were last revised in 2012, are widely adopted as market standards for companies to manage environmental and social risk.

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<sup>1</sup> This policy references the 2012 version of the IFC Performance Standards. However, given that standards are periodically amended and updated, on an ongoing basis, this policy will refer to the most recent IFC policy at the time of the executed Investment Agreement.

<sup>2</sup> The core labour standards include the freedom of association and the right to collective bargaining (Conventions 87 & 98), the elimination of all forms of forced and compulsory labour (Conventions 29 & 105), the effective abolition of child labour (Conventions 138 & 182), and the elimination of discrimination in respect of employment and occupation (Conventions 100 & 111).

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IFC PERFORMANCE STANDARDS ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY	
<p><b>Performance Standard 1:</b>  <b>ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS</b>                      Underscores the importance of identifying E&amp;S risks and impacts, and managing E&amp;S performance throughout the life of a project.</p>	<p><b>Performance Standard 5:</b>  <b>LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT</b>                      Applies to physical or economic displacement resulting from land transactions such as expropriation or negotiated settlements.</p>
<p><b>Performance Standard 2:</b>  <b>LABOR AND WORKING CONDITIONS</b>                      Recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection of basic rights for workers.</p>	<p><b>Performance Standard 6:</b>  <b>BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES</b>                      Promotes the protection of biodiversity and the sustainable management and use of natural resources.</p>
<p><b>Performance Standard 3:</b>  <b>RESOURCE EFFICIENCY AND POLLUTION PREVENTION</b>                      Recognizes that increased industrial activity and urbanization often generate higher levels of air, water and land pollution, and that there are efficiency opportunities.</p>	<p><b>Performance Standard 7:</b>  <b>INDIGENOUS PEOPLES</b>                      Aims to ensure that the development process fosters full respect for Indigenous Peoples.</p>
<p><b>Performance Standard 4:</b>  <b>COMMUNITY HEALTH, SAFETY AND SECURITY</b>                      Recognizes that projects can bring benefits to communities, but can also increase potential exposure to risks and impacts from incidents, structural failures, and hazardous materials.</p>	<p><b>Performance Standard 8:</b>  <b>CULTURAL HERITAGE</b>                      Aims to protect cultural heritage from adverse impacts of project activities and support its preservation.</p>

**Gender**

Lightsmith recognizes that women are often disproportionately disadvantaged and vulnerable and less able to access resources and economic opportunities. Lightsmith commits to incorporate gender safeguards at all stages of the investment process to protect against further exacerbation of gender disparities through its investment activities. This includes the following:

- Conduct an assessment to identify individuals and groups that may be directly and differentially or disproportionately affected by the business activity because of their disadvantaged or vulnerable status, including women.
- When there are impacts on lands and natural resources subject to traditional ownership or under customary use, the assessment should be gender inclusive and specifically consider women’s role in the management and use of these resources.
- Portfolio Companies will not make employment decisions on the basis of personal characteristics, such as gender, unrelated to inherent job requirements. The employment relationship will be based on the principle of equal opportunity and fair treatment, and will not discriminate with respect to any aspects of the employment relationship, as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, and disciplinary practices. Portfolio Companies will take measures to prevent and address harassment, intimidation, and/or exploitation, especially in regard to women.

With regard to its own activities, Lightsmith has developed a Gender Mainstreaming Policy to ensure that both men and women receive fair access to social and economic benefits; do not suffer adverse effects; and receive full respect for their dignity and human rights. Specific measures work towards equitable participation of women and men in the following aspects: i) Recruitment and Procurement; ii) Meetings and Events; iii) Project Governance; iv) Strategies and Plans; and v) Monitoring & Evaluation.

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### Biodiversity

Lightsmith recognizes that protecting and conserving biological diversity, maintaining ecosystem services<sup>3</sup>, and sustainably managing living natural resources are fundamental to sustainable development. When considering investments: (i) located in modified, natural, and critical habitats; (ii) that potentially impact or are dependent on ecosystem services over which the portfolio company has direct management control or significant influence; or (iii) that include the production of living natural resources, Lightsmith will:

- Incorporate a biodiversity offset designed and implemented to achieve measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity with the exception of natural habitats and critical natural habitats which cannot be degraded or converted with loss compensated for at another site;
- Ensure that the Portfolio Company implements mitigation and management measures that are responsive to changing conditions and are monitored throughout the investment's lifecycle.

## Identification of Risks and Impacts

### Screening and Categorization

As early as possible in the investment process, Lightsmith screens potential Portfolio Companies to identify possible adverse environmental and social impacts of its business activities. This includes screening activities against Lightsmith's **Exclusion List**<sup>4</sup> (See Appendix B: Exclusion List) to determine eligibility for investment. Categorization helps to ensure that the extent of the review is commensurate with the risks posed by a potential investment.

Lightsmith categorizes potential investments based on an assessment of the potential environmental and social risks and impacts within a project's Area of Influence and the Portfolio Company's capacity to effectively manage risks and impacts, including the ability to implement any required mitigation.<sup>5</sup>

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<sup>3</sup>Ecosystem services are the benefits that people, including businesses, derive from ecosystems including: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.

<sup>4</sup> Incorporates the excluded activities included in the OPIC, IFC, and the European Development Finance Institutions harmonized Exclusion Lists

<sup>5</sup> In categorizing projects, the Lightsmith Group considers direct, indirect, supply-chain related, regional, trans-boundary and cumulative environment and social impacts. Risks are assessed at key stages in the project life cycle including pre-construction, construction, operations, decommissioning and closure.

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- **Category A:** (“High Risk”) Business activities with potential significant adverse E&S risks/impacts that are diverse, irreversible or unprecedented in the absence of mitigation measures. For example, activities involving the discharge of high levels of contaminants into the environment in the absence of adequate pollution controls, large-scale projects with the potential to impact large geographic areas or a large number of people living in nearby communities, the diminishment of priority ecosystem services, or activities in locations, industries, sectors with historical issues, demonstrated local opposition, environments of fragile security, legacy of gender or ethnic discrimination, or country context where the national Human Rights laws are below international standards. **This Fund will not invest in projects classified as Category A as assessed against the IFC Performance Standards.**
- **Category B:** (“Medium Risk”) Business activities that are likely to have limited adverse environmental and / or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. For these reasons, the scope of the E&S assessment for Category B projects is narrower than that required for Category A projects.
- **Category C:** (“Low Risk”) Business activities with minimal or no adverse E&S risks/impacts.

**Assessment**

The assessment phase should be commensurate with the level of risk of the business activities and consider whether activities can be implemented in accordance with this ESMS Policy. The assessment identifies opportunities to avoid adverse impacts; however, if it is determined that impacts are unavoidable, the assessment will identify mitigation measures to minimize, mitigate and offset adverse impacts, identifying supplemental actions that are required to meet the Performance Standards. The assessment also identifies opportunities to add value to the Portfolio Company through improved environmental and social performance.

The following issues are examined during the assessment process, as applicable:

- **Environmental Issues** - including site description, existing land use, description of manufacturing or commercial process, materials used and stored on-site, impacts of land use, aquatic or terrestrial resources, biological diversity, including rare and endangered plants and animals and their habitat, air emissions, energy efficiency, water use, liquid effluents and solid wastes, pollution controls, occupational safety and health protections, impact on the source of raw materials if derived from ecologically sensitive areas
- **Social Issues** - including affected populations, housing, income, employment and working conditions, land use, visual impacts, noise and lighting impacts as well as cultural, ethnical, religious and Human Rights impacts. Where conditions exist for discrimination or community conflict, details should be provided, as well as

## Environmental and Social Management System

management plans to mitigate impacts of the project on such conflicts. Project-related social impacts should be quantified to the extent feasible.

When appropriate, an Independent Environmental and Social Consultant may be engaged to perform an independent review. A Baseline Audit may also be required to identify past and present concerns, current status of regulatory compliance, management systems and potential liabilities.

The screening, categorization and key findings of the assessment are included in the *E&S Review Summary* section of the Investment Committee Memorandum and incorporated into the broader investment decision.

## Conditions of Investment

### Contract Conditions

Investment agreements will contain legally binding requirements related to E&S standards, regulations, requirements, and Action Plans (when appropriate). A remediation plan and/or cure period may be required in the event of non-compliance.

### Environment and Social Action Plan

Environmental and Social Action Plans (“ESAPs”) may be required when the assessment of Portfolio Companies’ business activities indicates that there are substantial environmental and social risks that should be addressed and/or mitigated. ESAPs define desired outcomes and actions to address the issues raised in the risks and impacts identification process with measureable outcomes and timelines. Action plans will prioritize and describe specific actions and deliverables that are required by the portfolio company to mitigate potential E&S risks to an acceptable level that align with international standards and best practice. If applicable, the Action Plan should be disclosed to Project Affected People and Stakeholders.

Based on the sector and nature of the business activities, specific operational plans and procedures such as the following may be required, as applicable:

- Occupational Health and Safety Policies and Procedures
- Emergency Preparedness and Response Plans and Procedures
- Fire Life and Safety Plans
- Waste Management Policies and Procedures
- Hazardous Materials Management Policies and Procedures
- Chemical Management Policies and Procedures
- Water Management Policies and Procedures
- Integrated Pest Management System
- Human Resources Policy
- Grievance Mechanism
- Biodiversity Action Plan
- Resettlement Action Plan

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- Indigenous Peoples Plan
- Stakeholder Engagement Plan
- Process Framework for Restriction of Access to Natural Resources

ESAPs will be legally binding and included as part of the investment agreement and could be linked as a condition of disbursement. Portfolio Companies will provide the Fund with regular reports regarding their progress and compliance with the ESAP.

### Monitoring & Reporting

All portfolio companies are monitored and evaluated to ensure ongoing compliance with environmental and social requirements, including any mitigation measures, action plans and corrective actions. Information is obtained through a number of internal and external channels such as formal governance structures at the portfolio company, financial reporting from the portfolio company to the Fund, ongoing desk-based monitoring that utilizes publically available news reports, industry insights, etc. to track changes in the operations and the local context that may affect the environment and social profile of the company.

#### Monitoring

Additionally, Lightsmith retains the ability to conduct periodic site visits on a randomized basis either directly or through a third-party consultant to observe and verify company reported information. The scope, timing and periodicity of the visits are commensurate with the significance and severity of the risks.

The Fund will require Portfolio Companies to promptly report any environmental, occupational health and safety, public health and safety, or social event, incident or accident that occurs onsite that may have a material adverse effect, attract adverse outside attention, or give rise to material potential liabilities. Information surrounding incident reporting is considered sensitive business information and will be kept confidential. Reporting should include information about the nature, impact and effects of the incident, actions taken, and plans to be taken to remedy and to prevent future events. See Appendix F: Incident Notification Template for guidance. Portfolio Companies shall keep the Fund informed of the progress of any remedial action.

#### Reporting

In addition to tracking impact metrics, which are addressed separately in the Impact Measurement System, the **Annual ESG and Impact Report** is one of several tools used to track portfolio company compliance with the Fund's E&S requirements included in the investment agreement.

Reports from Portfolio Companies regarding compliance will be consolidated into annual compliance reports, which will be shared with Lightsmith's LPs according to the following format:



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<b>Portfolio Company</b>	<b>Risk Category</b>	<b>E&amp;S issues identified at assessment</b>	<b>Update on E&amp;S Action Plan</b>	<b>Ongoing concerns to be addressed</b>

The annual report to LPs will include:

1. Number of government agencies, civil society organizations, private sector, indigenous peoples and other stakeholder groups that have been involved in the project implementation phase on an annual basis;
2. Number persons (sex disaggregated) that have been involved in the business activities (on an annual basis); and
3. Number of engagements (*e.g.*, meetings, workshops, consultations) with stakeholders (on an annual basis).

### **Resources and Responsibility**

Lightsmith’s Managing Directors have the ultimate responsibility for ensuring the effectiveness of the ESMS policy and its implementation. The Director of ESG and Impact is responsible for the day-to-day implementation of the ESMS and ensuring that Lightsmith’s activities, including activities related to its investments, conform to this policy. The Director of ESG and Impact will provide training on this policy to all investment professionals when they join the firm and to all staff on an annual basis.

Lightsmith commits to establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the ESMS and to ensure sufficient human and financial resources to achieve effective environmental and social performance both within its own activities and in its investment portfolio.

### **Grievance Mechanism**

Lightsmith has established a Grievance Mechanism that is accessible through multiple channels, including to independent parties outside Lightsmith. Stakeholders may raise a grievance at any time about Lightsmith’s activities, including the application of this ESMS and issues related to the business activities of the Portfolio Companies. While Lightsmith serves as the first point of contact in the Grievance Mechanism, stakeholders may also contact the Director of Compliance at Conservation International. Conservation International is a U.S.-based non-profit whose conservation and advocacy work focuses on science, policy, and partnership with businesses and communities and responsible for

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responding to project-affected stakeholders about the grievance provisions described in the Safeguard Policies and Processes section of the CI-ESMF.

Lightsmith will make stakeholders aware of the Grievance Mechanism through their public website, during project start-up workshops, and during relevant project-related meetings.

**By e-mail:**

accountability@lightsmithgp.com

**By e-mail:**

GEFAccountability@conservation.org

**By mail:**

Director of Compliance  
Conservation International  
2011 Crystal Drive, Suite 500  
Arlington, VA 22202, USA

## Stakeholder Engagement

Lightsmith seeks to ensure the effective participation of key stakeholder groups, including emerging markets investors and financial actors, engineering and data companies, and others representing the views of the private sector and NGOs in emerging markets.

Lightsmith disseminates information and seeks input through various public and industry forums such as the Global Adaptation & Resilience Investment Working Group's ("GARI") meetings, climate workshops, and regional meetings in emerging markets. Public disclosure regarding investment activities is reported on a consolidated basis through the UN PRI framework.

Lightsmith extends stakeholder engagement to its portfolio companies and maintains channels for its Portfolio Company management teams, Portfolio Company employees, and people living in communities in which the Portfolio Companies operate to communicate with Portfolio Companies or directly with Lightsmith.

Lightsmith also maintains several communication channels with its Limited Partners ("LPs") such as routine site visits and participation in investor meetings. Additionally, an annual report will be provided to all LPs regarding the implementation of the ESMS and the Environmental and Social performance of the Portfolio Companies.

## Continual Review of ESMS

Lightsmith recognizes that our ESG policies and processes are ongoing and dynamic in nature and the firm seeks continual improvement in ESG performance both in its own operations and at the Portfolio Companies. Lightsmith will use the information obtained through Portfolio Company reporting and compliance monitoring to inform strategic and operational decisions and ongoing investment activities.

On an annual basis, the Managing Directors will work with the Director of ESG and Impact and the investment professionals to review the ESMS, incorporating stakeholder engagement and information received through grievance channels.



## Appendix A: Illustrative List of Category A Investment Activities

Although decisions on categorization are made on a case-by-case basis, the following list is indicative of activities that are screened as Category A and therefore be ineligible for investment.

- Large-scale industrial estates or plants
- Major Greenhouse Gas emitting projects, with Direct Greenhouse Gas Emissions of more than 100,000 (short) tons (91,000 metric tonnes) of CO<sub>2</sub>eq per year.
- Projects that manufacture, store, transport or dispose hazardous or toxic materials.
- All projects that pose potentially serious occupational or health risks
- Construction of motorways, express roads, lines for long-distance railway traffic, and airports with a basic runway length of 2,100 meters or more. Construction of new roads with four or more lanes or realignment and/or widening of an existing road so as to provide four or more lanes where such new road, or realigned and/or widened section of road, would be 10 km or more in a continuous length.
- Large-scale seaports and also inland waterways and ports for inland waterway traffic; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers).
- Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
- Construction or significant expansion of dams and reservoirs not otherwise prohibited.
- Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
- Large-scale logging.
- Large-scale power transmission.
- Municipal wastewater treatment plants servicing more than 150,000 people.
- Municipal solid waste-processing and disposal facilities.
- Large-scale land reclamation.
- Large-scale primary agriculture/plantations involving intensification or conversion of previously undisturbed land.
- All projects with potentially major impacts on people or which pose serious socio-economic risk, including Physical and Economic Displacement, impacts on Indigenous Peoples and adverse impacts on Cultural Heritage.
- Projects, not categorically prohibited, but located in or sufficiently near sensitive locations of national or regional importance which may have apparent environmental impacts on:
  - Wetlands;
  - Areas of archeological significance;
  - Areas prone to erosion and/or desertification;
  - Areas of importance to ethnic groups/indigenous peoples;
  - Primary temperate/boreal Forests;
  - Coral reefs;

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- Mangrove swamps;
- Nationally-designated seashore areas; and
- Managed resource protected areas, protected landscape/seascape<sup>6</sup>

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<sup>6</sup> International Union for the Conservation of Nature (IUCN) categories V and VI) as defined by IUCN's Guidelines for Protected Area Management Categories. Additionally, these projects must meet IUCN's management objectives and follow the spirit of IUCN definitions.

## Appendix B: Exclusion List

The Lightsmith Group does not invest in the following activities:

- Any activities classified as Category A activities according to the IFC Performance Standards.
- Activities which could be associated with the destruction or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international standards)
- Conversion or degradation<sup>7</sup> of Critical Forest Areas, forest-related Critical Natural Habitats or High Conservation Value<sup>8</sup> areas.
- Logging, unless an environmental and social impact assessment indicates that; (a) all timber-harvesting operations involved will be conducted in an environmentally sound manner that minimizes forest destruction; and (b) the timber harvesting operations will produce positive economic benefits and sustainable forest management systems.
- Construction of dams that significantly and irreversibly: (a) disrupt natural ecosystems upstream or downstream of the dam; or (b) alter natural hydrology; or (c) inundate large land areas; or (d) impact biodiversity; or (e) displace large numbers of inhabitants (5,000 persons or more); or (f) impact local inhabitants' ability to earn a livelihood.
- Resettlement of 5,000 or more persons<sup>9</sup>.
- Any impact on natural [World Heritage Sites](#) unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- Any impact on areas on the [United Nations List of National Parks and Protected Areas](#) unless it can be demonstrated through an environmental assessment that the project (a) will not result in the degradation of the protected area and (b) will produce positive environmental and social benefits.
- Extraction or infrastructure in or impacting: protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks, Natural Monuments and Habitat/ Species Management Areas), as defined by the International Union for the Conservation of Nature (IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with [IUCN management objectives](#) unless it can be demonstrated through

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<sup>7</sup> Degradation 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.

<sup>8</sup> High Conservation Value areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance. See <https://www.hcvnetwork.org/>

<sup>9</sup> Where possible, involuntary resettlement shall be avoided and where it is not feasible to avoid resettlement, all efforts will be made to minimize involuntary resettlement and all viable alternatives will be explored.

**Environmental and Social Management System**

an environmental assessment (a) there is no degradation of the protected area and (b) there are positive environmental and social benefits.

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals<sup>10</sup>, pesticides/herbicides<sup>11</sup>, ozone depleting substances<sup>12</sup>, polychlorinated biphenyls<sup>13</sup>, and other toxic or hazardous substances,<sup>14</sup> wildlife or wildlife products regulated under the Convention on International Trade and Endangered Species of Wild Fauna and Flora<sup>15</sup> and trans-boundary trade in waste or waste products.<sup>16</sup>
- Production or activities involving harmful or exploitative forms of forced labor<sup>17</sup>/harmful child labor<sup>18</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production or trade in weapons and munitions or critical components thereof (nuclear weapons and radioactive ammunition, biological and chemical weapons of mass destruction, cluster bombs, anti-personnel mines, enriched uranium).
- Production or trade in alcoholic beverages (excluding beer and wine) or tobacco<sup>19</sup>
- Pornography and / or prostitution
- Racist, anti-democratic and / or neo-Nazi media.
- Gambling, casinos and equivalent enterprises.<sup>20</sup>
- Production or trade in radioactive materials<sup>21</sup> or unbonded asbestos fibers.<sup>22</sup>

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<sup>10</sup> A list of pharmaceutical products subject to phase-outs or bans is available at <http://who.int>

<sup>11</sup> A list of pesticides and herbicides subject to phase-outs or bans is available at <http://pic.int>

<sup>12</sup> A list of the chemical compounds that react with and deplete stratospheric ozone together with target reduction and phase-out dates is available at: <http://unep.org/ozone/montreal>

<sup>13</sup> Polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

<sup>14</sup> A list of hazardous chemicals is available at <http://www.pic.int>

<sup>15</sup> A list of CITES species is available at <http://cites.org>

<sup>16</sup> As defined by the Basel Convention; see <http://www.basel.int>

<sup>17</sup> Forced labor means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty.

<sup>18</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

<sup>19</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>20</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>21</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.

<sup>22</sup> This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

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- Destructive fishing methods or drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Investments into large-scale search, extraction, production, distribution, processing and promotion of fossil fuels (coal, oil, natural gas and peat).
- Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
- Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines<sup>23</sup>
- Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.
- Activities that increase use of fossil fuels and/or prolong the technical or economic lifetime of heat and power production using fossil fuels, except for back-up in power generation plants, for household cooking purposes and for processes where feasible alternatives do not exist.
- Biofuel projects if they are: a) Based on feedstock grown on land with high carbon content or biodiversity value, such as rainforests, wetlands, peat lands and grasslands, in reserves or on protected lands, or on lands with a high conservation value; b) Large-scale projects focusing only on export of feedstock or biofuels. Such projects should in any case be commercially viable without concessional financing; c) Using a feedstock for production of liquid biofuels, where the overall climate and development benefits would be higher by using the same feedstock unprocessed for e.g. direct combustion in a co-generation plant

*A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.*

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<sup>23</sup> Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coalbased power in the relevant grid. In developing countries, heating stations and cogeneration facilities (CHP) essentially fired with coal can be co-financed in individual cases based on a rigid assessment, if there is a particularly high sustainability contribution, major environmental hazards are reduced, and if there demonstrably is no more climate-friendly alternative.



## Appendix C: World Bank Environmental, Health and Safety Guidelines

### General EHS Guidelines

### Industry Sector Guidelines

#### Forestry

Board and Particle-based Products  
Sawmilling and Wood-based Products  
Forest Harvesting Operations  
Pulp and Paper Mills

#### Agribusiness/Food Production

Mammalian Livestock Production  
Poultry Production  
Perennial Crop Production  
Annual Crop Production  
Aquaculture  
Sugar Manufacturing  
Vegetable Oil Processing  
Dairy Processing  
Fish Processing  
Meat Processing  
Poultry Processing  
Breweries  
Food and Beverage Processing

#### General Manufacturing

Cement and Lime Manufacturing  
Ceramic Tile and Sanitary Ware Manufacturing  
Glass Manufacturing  
Construction Materials Extraction  
Textiles Manufacturing  
Tanning and Leather Finishing  
Semiconductors and Electronics Manufacturing  
Printing  
Foundries  
Integrated Steel Mills  
Base Metal Smelting and Refining  
Metal, Plastic, Rubber Products Manufacturing

#### Infrastructure

Tourism and Hospitality Development  
Railways

**Environmental and Social Management System**

Ports, Harbors and Terminals

Airports

Airlines

Shipping

Gas Distribution Systems

Toll Roads

Telecommunications

Crude Oil and Petroleum Product Terminals

Retail Petroleum Networks

Health Care Facilities

Waste Management Facilities

Water and Sanitation

**Chemicals**

Pharmaceuticals and Biotechnology Manufacturing

Coal Processing

Natural Gas Processing

Oleochemicals Manufacturing

Nitrogenous Fertilizer Manufacturing

Phosphate Fertilizer Manufacturing

Pesticides Formulation, Manufacturing and Packaging

Petroleum-based Polymer Manufacturing

Petroleum Refining

Large Volume Petroleum-based Organic Chemicals Manufacturing

Large Volume Inorganic Compounds Manufacturing and Coal Tar Distillation

**Power**

Wind Energy

Geothermal Power Generation

Electric Power Transmission and Distribution

Thermal Power

## Appendix D: Glossary

**Area of Influence** – Areas potentially affected by a business activities including (i) the primary project site(s) and related facilities that the Portfolio Company develops or controls, such as power transmission corridors, pipelines, canals, tunnels, access roads, borrow and disposal areas and construction camps; (ii) associated facilities that are not funded as part of the investment (funding may be provided separately by the Portfolio Company or by third parties including the government), and whose viability and existence depend exclusively on the project and whose goods and services are essential for the successful operation of the project; (iii) areas and communities potentially affected by cumulative impacts that result from the incremental impact on areas or resources used or directly impacted by the project, and from any existing, planned or reasonably defined developments at the time the risks and impacts identification process is conducted; and (iv) areas and communities potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location. The Area of Influence does not include potential impacts that might occur without the project or independently of the project. Any identifiable supply chain expansion of materials or resource development that is inherent to a project’s success should be included within a project’s Area of Influence.

**Baseline Audit** - An assessment of environmental and social impacts of pre-existing or ongoing activities that is required for high-risk projects that involve the acquisition of pre-existing facilities or new construction on a site where prior industrial activities have occurred.

**Critical Forest Areas** - A type of Natural Forest that qualifies as Critical Natural Habitat. Critical Forest Areas include primary Forests and old growth Forests that may serve as critical carbon sinks.

**Critical Natural Habitats** - (i) Existing internationally recognized protected areas, areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital to the viability of protected areas (as determined by the environmental assessment procedure); and (ii) Sites identified on supplementary lists by authoritative sources. Such sites may include areas recognized by traditional local communities (e.g., sacred groves), areas with known high suitability for biodiversity conservation and sites that are critical for vulnerable, migratory or endangered species. Listings are based on systematic evaluations of such factors as species richness, the degree of endemism, rarity, and vulnerability of component species, representativeness and the integrity of ecosystem processes.

**Cultural Heritage** – Tangible property or sites having archaeological (prehistoric), paleontological, historical, cultural, artistic and religious value, as well as unique environmental features that embody cultural values, such as sacred groves. Cultural Heritage also includes intangible forms of culture, such as cultural knowledge, innovations and practices of communities embodying traditional lifestyles.

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**Economic Displacement** – Loss of assets or access to assets that leads to loss of income sources or means of livelihood.

**Environmental and Social Action Plan (ESAP)** – A systematic program designed to prevent, mitigate and monitor anticipated environmental and social impacts of prospective and ongoing activities. The ESAP provides an implementation schedule for measures that must be carried out as part of the project showing phasing and coordination with overall implementation plans and the capital and recurrent costs estimates and sources of funds for implementing the ESAP.

**Environmental and Social Impact Assessment (ESIA)** – A comprehensive analytical body of work designed to evaluate environmental and social impacts of major projects having the potential to have significant, diverse and irreversible impacts on the natural environment and on humans dependent on that environment.

**Environmental and Social Management System (ESMS)** – Part of a project's overall management system that includes the organizational structure, responsibilities, practices and resources necessary for implementing the project-specific management program developed through the environmental and social assessment of the project.

**Forest** - An area of land not less than 1.0 hectare with a tree crown cover (or equivalent stocking level) of more than 10 percent that has trees with the potential to reach a minimum height of 2 meters at maturity in situ. A Forest may consist of either closed forest formations, where trees of various stories and undergrowth cover a high proportion of the ground, or open Forest. Young natural stands and all plantations that have yet to reach a crown density of 10 percent or tree height of 2 meters are included under Forest, as are areas normally forming part of the forest area that are temporarily unstocked as a result of human intervention such as harvesting or natural causes but that are expected to revert to Forest. The definition includes Forests dedicated to forest production, protection, multiple uses, or conservation, whether formally recognized or not. The definition excludes areas where other land uses not dependent on tree cover predominate, such as agriculture, grazing or settlements. In countries with low forest cover, the definition may be expanded to include areas covered by trees that fall below the 10 percent threshold for canopy density, but are considered Forest under local conditions.

**Greenhouse Gases** – The following six gases or class of gases: carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>).

**Human Rights** – Those rights expressed in the International Bill of Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

**Industry Sector Guidelines** – Technical reference documents issued by the International Finance Corporation with general and industry specific performance levels and measures.

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***International Finance Corporation (IFC)*** – An affiliate of the World Bank group that makes loans to and investments in, private sector projects in developing countries and emerging markets.

***International Labor Organization (ILO)*** – The tripartite United Nations agency that brings together governments, employers and of its member states in common action to promote decent work throughout the world.

***Labor Rights*** – Rights of Workers, as outlined in the Core Conventions of the International Labor Organization, which includes: (i) the right of association; (ii) the right to organize and collective bargaining; (iii) prohibition on forced labor and the worst forms of child labor; (iv) a minimum age for the employment of children; (v) acceptable conditions of work with respect to minimum wages, hours of work, and occupational health and safety; (vi) protection from discrimination with respect to employment and occupation on the basis of personal characteristics that are unrelated to inherent job requirements.

***Meaningful Consultation*** – A process that (i) begins early in the project preparation stage and is carried out on an on-going basis throughout the project life cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to Project Affected People; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other Stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.

***Natural Forests*** - Forest lands and associated waterways where the ecosystem's biological communities are formed largely by native plant and animal species and where human activity has not essentially modified the area's primary ecological functions.

***Performance Standards*** – Technical reference documents issued by the International Finance Corporation with environmental and social impact management performance criteria.

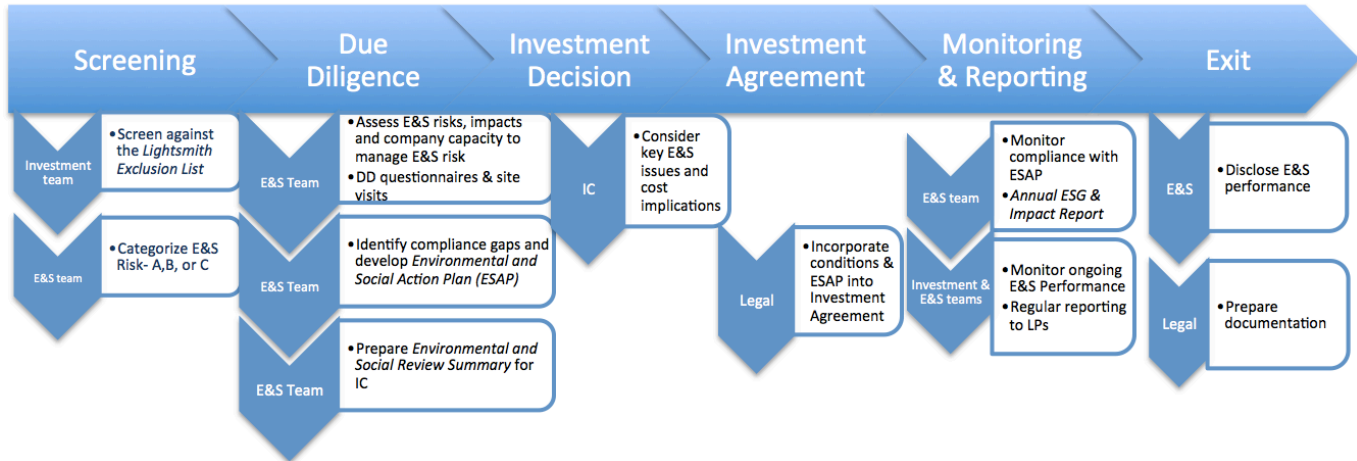
***Project Affected People*** – Individuals, workers, groups or local communities, including within the supply chain, which are or could be affected by the project's Area of Influence, directly or indirectly, including as a result of cumulative impacts. Emphasis should be placed on those who are directly and adversely affected, disadvantaged or vulnerable.

***Stakeholder*** – Stakeholders are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively. Stakeholders may include Project Affected People and their formal and informal representatives, national or local government authorities, politicians, religious leaders, civil society organizations and groups with special interests, the academic community, or other businesses.

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**Workers** – Individuals who are employed directly by the project or under a project contract, and who perform on-site work for a substantial duration of time on a project or are material to the primary operations of a project. Workers can be temporary or permanent.

## Appendix E: Summary of Investment Stages



## Appendix F: Incident Notification Template

INCIDENT NOTIFICATION						
<i>-Business Confidential-</i>						
1. Incident Details						
Project Company		Date of incident				
		Time of Incident				
Location of incident		Type of Incident	Environmental	<input type="checkbox"/>		
			Injury	Workforce	<input type="checkbox"/>	
				Public/Local community	<input type="checkbox"/>	
Social incident (e.g. violent labor unrest )	<input type="checkbox"/>					

2. WHAT HAPPENED
<i>Brief description of incident</i>

3. INJURED WORKERS						
Employee / Contractor	Sex	Age	Job Title / Description	Time with company	Cause	Injury Type (Major / Fatal)

4. INJURED MEMBERS OF PUBLIC						
Name	Sex	Age	Community	Place of Residence	Cause	Injury Type (Major / Fatal)



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5. ENVIRONMENTAL INCIDENT			
Type (Spill / Gas Release)	Total Loss (Litres /KGs)	Cause	Damage

5. WITNESSES TO INCIDENT			
Name	Sex	Place of Residence	Description of incident

6. OTHER RELEVANT INFORMATION					
Have the authorities been informed?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	What has been done about the incident?
<i>Please provide further information here</i>					
Media attention?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
<i>Please provide further information here</i>					
Any effects off-site?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
<i>Please provide further information here</i>					

**Environmental and Social Management System**

<b>Photographs taken? (please include them in this report)</b>	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input type="checkbox"/>				
<b>Name of person completing form</b>								
<b>Position</b>								
<b>Contact details</b>	<b>Phone</b>						<b>Email</b>	