

XSML Capital

Social & Environmental

Management System

Version 3.5

February 2, 2020

SEMS Table of Contents

Contents

1	Background.....	3
2	Social and Environmental Management System	3
2.1	Policy	3
2.2	Applicable Requirements.....	4
2.3	Organization and Responsibilities.....	4
2.3.1	Environmental Manager	4
2.3.2	Environmental Coordinator	5
2.4	Resources and Capabilities	5
2.5	Procedures.....	6
2.5.1	Screening.....	6
2.5.2	Social and Environmental Due Diligence	7
2.6	Recordkeeping	11
3	Annexures.....	12
3.1	Exclusion List and Target Markets	13
3.2	Eligibility Criteria	14
3.2.1	Social and Environmental Assessment and Management Systems.....	14
3.2.2	Labor and Working Conditions	14
3.2.3	Business Integrity	16
3.3	Additional Eligibility Criteria for specific activities.....	16
3.3.1	Pollution Prevention and Abatement	16
3.3.2	Community Health, Safety and Security	17
3.4	IFC Performance Standards.....	19
3.5	Suggested ESDD report outline.....	20
3.5.1	Background	20
3.5.2	Organization and Management	20
3.5.3	Labor and Working Conditions	20
3.5.4	Pollution Prevention and Abatement	20
3.5.5	Community Health, Safety, and Security	20
3.5.6	Social Issues.....	21
3.5.7	Biodiversity Conservation and Sustainable Natural Resources Management.....	21
3.5.8	Project consultation and local Disclosure	21
3.5.9	Other project specific issues	21
3.5.10	Environment Management /Corrective Action Plan.....	21
3.5.11	Summary and Recommendations.....	21
3.5.12	Financing Covenants/Conditions	21
3.6	ESDD Checklist- Environmental And Social Risk Assessment Form	22
3.7	Format of Performance Reporting to Investors.....	26
3.7.1	Fund Business lines and Portfolio Type	28
3.8	Social & Environmental Management System (SEMS) Information	31

1 BACKGROUND

This Social and Environmental Management System (SEMS) details the policy, procedures, and workflow that will be followed for investments made by the Manager, XSML and its local investment advisors, jointly (“the Company”). The SEMS is based on requirements and guidance from investors (Relevant Investors) in funds managed by the Manager.

2 SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM

The general aim of adopting these procedures is to focus on environmental and social issues associated with lending and investments and thereby increase the opportunities for environmentally acceptable or sustainable economic development and minimize exposure to environmental/social/financial risks.

2.1 Policy

The Company continually endeavors to ensure effective social and environmental management practices in all its activities, products and services with a special focus on the following:

- Ensuring that all activities undertaken by the Company are consistent with the Applicable Requirements outlined later in this document;
- Ensuring that all projects are reviewed against the Applicable Requirements;
- Financing projects only when they are expected to be designed, built operated and maintained in a manner consistent with the Applicable Requirements;
- Making best efforts to ensure that all projects are operated in compliance with the Applicable requirements on an ongoing basis, during the currency of the Company’s financing;
- Ensuring transparency in its activities; and
- Ensuring that the management and the shareholders of the client companies understand the policy commitments made by the Company in this area.

This Policy will be communicated to all staff and operational employees of the Company.

Signed

Effective Date

15 October 2018

ESG manager

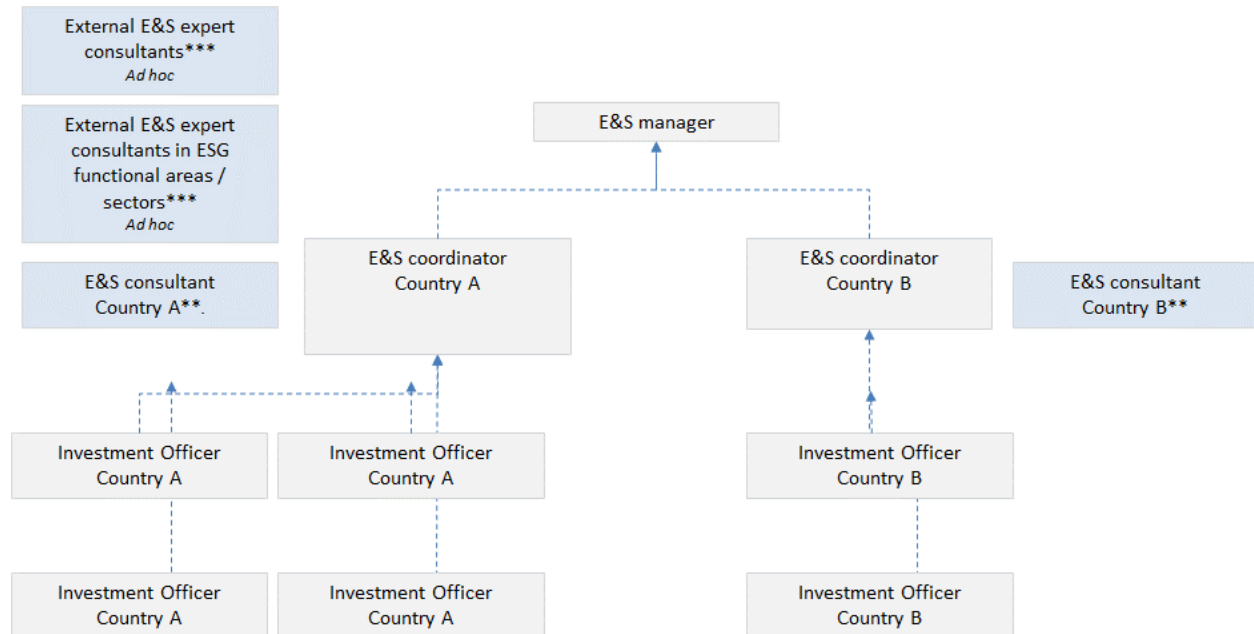
2.2 Applicable Requirements

The Company will ensure that all projects (see Section 2.5.1.2 below) are reviewed and evaluated against the following applicable environmental and social requirements:

- CDC, FMO & IFC exclusion list (together referred to as the Exclusion List); and
- Applicable national laws, regulations, and standards (“Standards”) on environment, health, safety, social issues, labour rights, corporate governance and those intended to prevent extortion, bribery, corruption and financial crime
- Eligibility Criteria
- IFC Performance Standards
- CDC Code of Responsible Investing, including Business Integrity requirements, Coal Policy and microfinance SMART principle requirements
- DGGF International Corporate Social Responsibility (ICSR) Policy, including OECD guidelines
- Applicable relevant international sanctions, including those of the European Union and the United Nations (“International Sanctions”)

The environmental, social and governance requirements applicable to a given investment are collectively referred to as Applicable Requirements. The Exclusion List, Eligibility Criteria, and IFC Performance Standards are described in Annex 3.1, 3.2, 3.3 and Annex 3.4, respectively. As referred to in the IFC performance standards, the general and sector specific guidelines from the Worldbank (EHS Guidelines) are being taken into account while reviewing projects.

2.3 Organization and Responsibilities



2.3.1 Environmental & Social (E&S) Manager

The E&S Manager will have oversight for social and environmental issues, will ensure resources are made available for environmental and social management, and will sign the Company's Annual Environmental and Social Performance Report to Relevant Investors

2.3.2 Environmental & Social (E&S) Coordinator

The responsibilities of the E&S Coordinator include:

- During due diligence, the evaluation of environmental and social compliance of a target client company with Applicable Requirements by reviewing the initial environmental & social evaluation by the Investment Officer;
- Supervising projects in the portfolio against on-going compliance with the Applicable Requirements, including:
 - checking if the relevant legal documentation contains the core agreements for E&S with the client;
 - visit and update, where necessary with the Investment Officer the environmental and social evaluation and agree on actions and timelines where needed (particularly in cases where the environmental and social risk is less/least mitigated (e.g. higher risk with less developed ESG management system)
 - providing extra attention to companies in which a fund, managed by the Manager is a shareholder or where environmental and social risk is less mitigated or in case of follow-on transactions to ensure agreed action plans are executed or reviewed/updated as condition to additional financing and
- The preparation of an annual environmental and social performance report, based on the annual performance report prepared by the client companies;

The E&S Coordinator will ensure that the procedures outlined in Section 2.5 are implemented for each project, and that records of environmental reviews are maintained as described in Section 2.6.

The E&S Coordinator will, together with the Investment Officers ensure that all investment decisions are supported by appropriate due diligence documentation (including, but not limited to, an environmental and social section in each final Investment Memorandum) and will perform the appropriate follow up together with the Investment Officer and, where relevant, third-party consultant(s), post investment to ensure action plans are executed. The Company will also ensure that the Relevant Investors are notified if and when the current E&S Manager or the current E&S Coordinator leaves that position, and will provide the Relevant Investors the name of the new E&S Manager or Coordinator.

The E&S Coordinator may delegate some or all of his or her responsibilities under this Social and Environmental Management System to another designated officer or officers.

2.4 Resources and Capabilities

The E&S Manager should work with management to ensure that adequate Company resources have been committed to allow for the effective implementation of the environmental, social and governance policy and procedures of the Company.

The E&S Coordinator (or other designated officer) will need to be technically qualified to be able to carry out the due diligence or review work carried out by a consultant. The E&S Coordinator will also identify

qualified ESG consultants who can be called upon to assist in conducting ESG reviews, dependent on the types of issues that may arise, particularly in the case of Category A & B projects.

The Fund Manager should support the environmental and social review by referring accounts to E&S Coordinator, coordinating with clients to obtain needed documents, scheduling client meetings, providing training and yearly performance monitoring, and otherwise providing needed assistance to the E&S Coordinator.

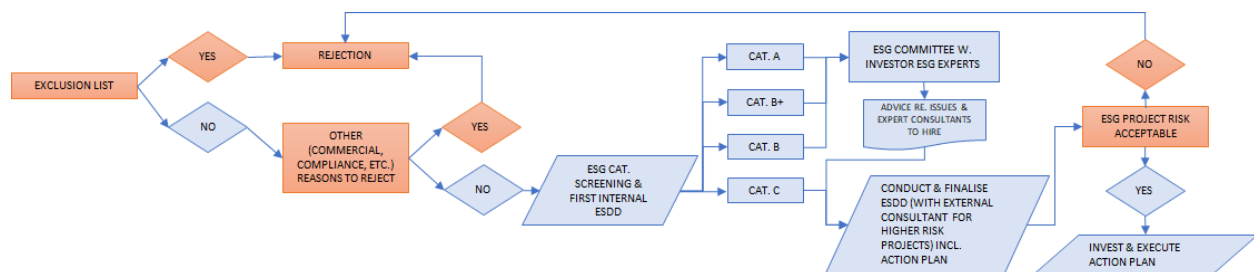
The E&S Coordinator and/or the Fund Manager should inform all investees of the possibility to lodge complaints against the Company, and provide contact details of a person not directly involved in the investment process who can handle the complaints.

2.5 Procedures

2.5.1 Screening

At an initial stage of inquiry, the Investment Officer in charge, overseen by / in collaboration with the E&S Coordinator will assemble basic information about the nature of the proposed investment project, including the size of the investment, the nature of the prospective client’s business, the size and composition of the work force, the project location(s), and other information needed to evaluate the proposed project against the Exclusion List and to determine the environmental and social risk category, including any adverse impact on local communities or the environment or adverse environmental or social performance associated with the project. An initial meeting with a client company may be conducted by the E&S Coordinator and Investment Officer to discuss the project and the Applicable Requirements.

Below flow chart provides an overview of the ESG screening / Due Diligence process, as further explained below:



2.5.1.1. Apply Exclusion List

The Investment Officer, overseen by the E&S Coordinator will evaluate the proposed project against the Exclusion List. If the project involves an excluded activity, the prospective client will be so informed, and further consideration of financing for the project will be terminated.

2.5.1.2. Determine Environmental and Social Category

Based on the initial review, the Investment Officer, overseen by the E&S Coordinator will assign a proper environmental and social Category in accordance with Relevant Investors guidance, document the

rationale and inform the Advisory Committee at the start of Due Diligence and/or via the quarterly investor updates.

- **Category A Projects (High Risk)**—A proposed project is classified as Category A if it is likely to have significant adverse environmental or social impacts that are sensitive¹, diverse, or unprecedented. These projects may affect an area broader than the sites or facilities subject to physical works.
- **Category B Projects (Medium Risk)**—A proposed project is classified as Category B if its potential adverse environmental or social impacts on human populations or environmentally important areas—including wetlands, forests, grasslands, and other natural habitats—are less adverse than those of Category A projects. These impacts are site specific; few if any of them are irreversible; and in most cases mitigating measures can be designed more readily than for Category A projects. (Examples are construction projects in low E&S risk industries, e.g. services/education/retail (Category C) whose risk is raised due to the temporary construction activity)
Category B+ Projects² are High Risk Category B projects where risk can be mitigated but need additional attention and therefore are similarly treated as Category A projects as they require an independent consultant (Examples are textile/apparel production, manufacturing, wind-farms)
- **Category C Projects (Low Risk)**—A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental and/ or social impacts.

2.5.2 Environmental and Social Due Diligence

ESDD Environmental and Social Due Diligence (ESDD) is necessary to identify the current E&S risks of the investment and to establish the appropriate mitigation measures. The ESDD document is the record of the Company's review of a proposed project at the time of appraisal that identifies a project's current situation, whether the level of risk is acceptable and whether there is enough commitment from management to implement appropriate mitigation measures.

2.5.2.1. Define the ESDD Scope

The scope and level of detail covered in the ESDD related to individual investments will vary according to the nature of the investment to be made, the nature of the investee enterprise, and the size of the transaction being considered. ESDD requires the collection and evaluation of environmental and social information and the access to and application of appropriate knowledge and skills. Depending on the complexity of the project, the ESDD can include a desk review, an Investment Officer and/or E&S Officer's site visit, and/or a full-scale assessment conducted by the E&S Coordinator or **technically qualified consultant** – the decision on this will be taken after review and between IO, E&S Coordinator and E&S Manager and in the case of higher risk project with advice from ESG experts from our investors . The ESDD checklist in Section 3.5 is used as a guideline and annexe 3.6 is the format used for the ESDD

¹ A potential impact is considered "sensitive" if it may be irreversible (e.g., lead to loss of a major natural habitat), affect vulnerable groups of ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites.

² Category B+: business activities with potentially adverse environmental or social risks and/or impacts that are generally beyond the site boundaries, largely irreversible and can be addressed through relevant mitigation measures

report which will be delivered prior to submitting the investment proposal to the Investment Committee.

The extent of the necessary ESDD will be specific to each project. Further to the categorization under 2.5.1.2 in A, B+, B and C, risk categorization will also take into account the following guidelines:

Category A / High-risk projects require a thorough ESDD, and in such cases the Company will:

1. outsource the due diligence (ESDD) to a technically qualified consultant to evaluate compliance with Environmental and Social requirements and carry out a gap analysis by applying the relevant IFC performance standards and Relevant Investors' Environmental and Social guidelines.
ESDD will include a site visit and the review of an Environmental and Social Impact Assessment (ESIA³ – for greenfield operations and major expansions) or evaluate the risks and impacts through an adequate environmental and social audit⁴ of the investee company to evaluate compliance with the Applicable Requirements. In addition, an audit can establish the level of existing contamination on a site prior to starting a project.
2. consult with the Advisory Committee to discuss the rationale for categorization, scope and focus areas of the ESDD, the need for involvement of external consultants and other relevant matters.
3. share the ESDD report with the Advisory Committee as well as any proposed corrective action plan for the potential investment after completion, but no later than fifteen business days before presentation of the proposed investment to the fund's Investment Committee
4. Allow any member of the Advisory Committee, no later than ten days after receipt of the ESDD report from the Fund, to, if considered appropriate, provide the fund its E&S recommendations
5. after receipt of the recommendations and before presenting the proposed investment to the Investment Committee for final investment approval, consult with the Advisory Committee and address the E&S recommendations, by delivery of a final corrective action plan for the proposed portfolio company including a timeframe for implementation of the E&S recommendations and conditions precedent for the proposed investment. The advisory committee shall be entitled, upon request, to review and comment on any final corrective action plan agreed with the proposed portfolio company, prior to making such investment

Category B / Medium-risk project due diligence::

1. will be carried out by the E&S Coordinator and/or Investment Officer,
2. although the Company may elect to engage a consultant to help conduct due diligence, in case it deems that the team does not have sufficient sector and/or issue knowledge or if the project will benefit from an external review. For Category B+ projects, an external consultant will review the project

³ Requirements for an adequate impact assessment can be found in IFC Performance Standard I, Assessment and Management Systems, Guidance Notes (Annex A) – the ESIA is the responsibility of the (potential) investee company, before starting a new project/expansion, which serves both the permit process to comply with national regulation and to present the E&S impact / performance and compliance with applicable standards – integrating the IFC Performance Standards and other GP/investor requirements

⁴ Requirements for an adequate audit can be found in IFC Performance Standard I, Assessment and Management Systems, Guidance Notes (Annex B) – most relevant in case the company / project already exists to measure performance against Performance Standards / other GP/investor requirements

3. The ESDD may involve a field review / site visit, commensurate with the environmental and social issue(s).

Category C / Low-risk project due diligence will be carried out by the E&S Coordinator and/or Investment Officer. Because these projects are likely to have minimal or no adverse environmental impacts or risks to the Company, no further follow up beyond the ESDD questionnaire is required for low-risk projects.

2.5.2.2. Collect Information

The E&S Coordinator should gather information regarding underlying project characteristics relevant to environmental and social issues and Applicable Requirements. This includes review of information in the public domain to check for any social and/or environmental controversies/news related to the project, review of project and social and environmental documents of the project, and discussions with project officials.

The list of documents (i.e. bank standard documents, project information memorandum, required government permits and licenses, environmental and social impact assessment, etc.) should be requested from client company for further evaluation.

Some technical/and social and environmental knowledge will be required along with knowledge of the technical issues in the project's industrial sector and may require the use of an external consultant if the project is large and complex. Industry sector social and environmental information is available from various sources, included in Annex 3.2 to 3.4 below

2.5.2.3. Site Visit

The Investment Officer and E&S Coordinator should visit all or some of the locations of the proposed investment project if necessary to determine compliance with the Applicable Requirements. The site visit, if conducted, should include interviews with key personnel, visual inspection of the operations and property and surrounding area, and review of relevant records (if not provided previously).

On-site interviews might include individuals responsible for environmental and social matters, including worker health and safety, and social and human rights risk related to personnel. Such interviews can be used to gain a more detailed understanding of the project, including the nature of the facility operations; the environmental, health, and safety management system, organization, and responsibilities; compliance with applicable national laws and regulations; hazardous materials use and storage; emission sources, quantities, and characteristics; waste generation and management; spill and release incidents; working conditions and hazards; worker protective equipment; accidents and injuries; instances of complaints, including how complaints are collected and what follow up actions are taken; and engagement with the local community and other affected stakeholders. If possible, it is also often useful to speak with site workers regarding working conditions, labor agreements, and other potential issues, etc.

A visual inspection of the site is useful to confirm information provided in the site interviews and to observe emissions, odors, material and waste storage, waste disposal, storm water runoff and management, general housekeeping, working conditions, worker hygiene, hazards (e.g., fire and explosion), workforce composition (e.g., evidence of child labor, discrimination). If allowed, photographs of the site can be useful for documenting and observations. If feasible, the surrounding

area should also be viewed from publicly accessible areas to identify the nature of surrounding land uses, any apparent environmental issues that might affect the site or workers at the site, and impacts of the site and operations on neighboring properties and the community.

The site visit should also include review of written records, as appropriate, such as environmental permits, environmental and worker health and safety monitoring results, waste management records, records of accidents and illnesses, regulatory agency inspection reports, correspondence with regulatory agencies, and other reports related to environmental, health, safety, and labor matters.

2.5.2.4. Analysis and Results

As guideline for analysis and subsequent monitoring the following questions need to be answered:

1. What type of business and list the three to five most important Environmental and Social risks (the “Risks”) in this particular business?
2. Has the business (partially) identified the Risks and explain how
3. In case the Risks have not been identified by the business, what can the fund manager do to address the Risks with the business
4. Does the business have the resources to mitigate the Risks. If the answer is:
 - a. Yes, then define and track the action plan – see below.
 - b. No, then decide whether the Company and business can accept the risks or need to address the risks and develop and track the action plan – see below - and find the relevant resources to do so.

In all cases, the ESDD should identify gaps, if any, versus compliance with the Applicable Requirements. Further, the ESDD should, as necessary, detail specific corrective actions with an implementation schedule designed such that the project will achieve compliance with the applicable SEMS procedures, policies, guidelines, and standards in a reasonable time frame. The corrective actions and implementation will be duly referenced and included in the financial agreement.

The Investment Officer together with the E&S Coordinator will prepare an ESDD Report and submit the report to Fund Manager. A generic ESDD report outline and template is provided in Annex 3.5; the ESDD Report should be adjusted to the level of complexity and scale of the project being reviewed.

2.5.2.5. Approval

Prospective clients must provide all requested information and the E&S Coordinator must have concluded that the Project is expected to meet the Applicable Requirements (with Corrective Action, if required) prior to the Company’s decision to make an investment.

The outcome of the ESDD process should be summarised to inform the investment decision. This summary should document the risk categorisation of the project, the investigations undertaken and their outcome, as well as suggested risk control measures, such as:

- A condition in the loan agreement to obtain environmental permits prior to disbursement or for specific measures to be taken; or
- Covenants in the financial agreement to require compliance with environmental and health and safety regulations.

All investment agreements will contain appropriate environmental representations, warranties, and covenants requiring that projects are in compliance in all material respects with host country environmental, health, safety, and social requirements embodied by state general laws and implementing agencies and conducted in accordance with the Applicable Requirements and the Corrective Action Plan, if required.

2.5.2.6. Portfolio Supervision/Monitoring

The Company prepares an annual Environmental and Social Performance Report evaluating the environmental and social performance of Company's investees for the previous year, in line with the requirements / templates set out in the various side letters with Relevant Investors. The annual report should include all portfolio companies as of year-end and addresses also Company SEMS compliance.

Corrective action post ESDD: In the case of non-compliance(s), the Company should take action to address non-compliances, as appropriate. Actions may include site visits by Company staff and/or an external specialist consultant to analyze the situation and develop a corrective action plan and/or an environmental and social management plan as appropriate.

Ongoing monitoring & Annual Reporting: Social and environmental performance will be evaluated on an ongoing basis and at least annually, including status of implementation of the Corrective Action. The benchmark for performance will be the ongoing compliance against the Applicable Requirements. Performance evaluation will be undertaken by:

- The Company's client companies, who will provide annual reports to the E&S Coordinator, who may follow up as required with further queries or site visits; and
- The E&S Coordinator, who will provide Performance Reports as per Annex 3.7 to the Management and Relevant Investors, to be prepared on the basis of the Client annual reports provided to the E&S Coordinator (or other designated officer), the ESDD, and the supervision conducted.

2.6 Recordkeeping

The Company will ensure that the following records and documentation is collected and maintained for each investment:

- Environmental and Social Category, and basis for assigning the Category;
- Social and Environmental Due Diligence;
- Social and Environmental Supervision records for projects being supervised; and
- Reports to be provided to Company management and to Relevant Investors .

These records shall be retained during the period of the Company's investment and for 5 years following divestment.

October 15, 2018

3 ANNEXURES

3.1 Exclusion List and Target Markets

The Company will exclude projects that are engaged in any of the businesses on the Exclusion list (available at [IFC Website](#)) and/or CDC and FMO Exclusion Lists (which also includes pornography and prostitution, cross-border trade in waste and waste products, unless compliant with the Basel convention and underlying regulations, destruction (as in elimination or severe diminution, significant modification of high conservation value areas (HCV – see HCV Resource Network), racist and anti-democratic media

The Company's target markets are the following:

- Democratic Republic of Congo;
- Central African Republic;
- Republic of Congo
- Republic of Uganda
- Republic of Burundi

3.2 Eligibility Criteria

All Projects eligible for investment by the Company will meet the criteria/standards as outlined below. Where they do not, a corrective action plan will be put in place to address non-compliance:

3.2.1 Social and Environmental Assessment and Management Systems

The client established and maintains a Social and Environmental Management System appropriate to the nature and scale of the project and commensurate with the level of social and environmental risks and impacts, that ensure a systematic approach to ESG risk assessment, addressing relevant risks, monitoring and reporting on progress and, to the extent possible, involving stakeholders⁵. The client ensures achievement of and continuous compliance with the Requirements or related action plan.

3.2.2 Labor and Working Conditions

- The client will document and communicate to all employees and workers directly contracted by the client their working conditions and terms of employment, including their entitlement to wages and any benefits.
- **Minimum Pay.** The client pay wages which meet or exceed industry or legal national minima⁶;
- **Collective Agreements.** Where the client is a party to a collective bargaining agreement with a workers' organization, such agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment (such as wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, holiday) the client provides reasonable working conditions and terms of employment that, at a minimum, comply with national law.
- **Freedom of association.** In countries where national law recognizes workers' rights to form and to join workers' organizations (such as, but not limited to, trade unions) of their choosing without interference and to bargain collectively, the client will comply with national law. Where national law substantially restricts workers' organizations, the client will enable alternative means for workers to express their grievances and protect their rights regarding working conditions and terms of employment. In either case and where national law is silent, the client will not discourage workers from forming or joining workers' organizations of their choosing or from bargaining collectively⁷, and will not discriminate or retaliate against workers who participate, or seek to participate, in such organizations and bargain collectively. Clients will engage with such worker representatives. Worker organizations are expected to fairly represent the workers in the workforce.
- **Non-discrimination.** The client will not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements, including gender, race, color, caste, disability, political opinion or affiliation, sexual orientation, age, religion, social, national or ethnic

⁵ See IFC PS 1 for guidance.

⁶ See <http://www.ilo.org/dyn/travail/travmain.home> for guidance.

⁷ As defined by the ILO Freedom of Association and Protection of the Right to Organise Convention (No. 87) and the Right to Organise and Collective Bargaining Convention (No. 98). See www.ilo.org/ilolex/english/docs/declworld.htm

origin, marital status, membership of workers' organizations, migrant status, or HIV status⁸; The client will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline.

- **Access to Remedy.** The client will provide an appropriate grievance mechanism for workers (and their organizations and where appropriate other stakeholders, where they exist) to raise reasonable workplace concerns. The client will inform the workers of the grievance mechanism at the time of hire, and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides feedback to those concerned, without any retribution. The mechanism should not impede access to other judicial or administrative remedies that might be available under law or through existing arbitration procedures, or be a substitute for grievance mechanisms provided through collective agreements .
- **No child labor.** The client will not employ children in a manner that is economically exploitative, or is likely to be hazardous 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. [Add reference, in footnote, to ILO definition – this helps in avoiding confusion around applicable standards] Where national laws have provisions for the employment of minors, the client will follow those laws applicable to the client. Children below the age of 18 years will not be employed in dangerous work.
- **No forced labor.** The client will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor or similar labor-contracting arrangements.
- **Safe & Healthy work environment.** The client will provide the workers with a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment⁹; and in situations where workers are employed in remote locations for extended periods of time to ensure that such workers have access to adequate housing and basic services, and taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical, biological, and radiological hazards. The client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, so far as reasonably practicable, the causes of hazards. In a manner consistent with good international industry practice,¹⁰ the client will address areas, including: the identification of potential hazards to workers, particularly those that may be life-threatening; provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; training of workers; documentation and

⁸ As covered by the ILO Equal Remuneration Convention (No. 100) and the ILO Discrimination (Employment and Occupation) Convention (No. 111), allowance could be made where positive discrimination is mandated in law and is intended to address a historical imbalance. See See www.ilo.org/ilolex/english/docs/declworld.htm

⁹ Respecting any collective bargaining agreements that are in place or where these do not exist or do not address working conditions, make reference to conditions established, by collective agreement or otherwise, for work in the trade or industry concerned in the area / region where the work is carried out and local or national law. See <http://www.ilo.org/dyn/travail/travmain.home> and IFC Performance Standard 2 for guidance. For working hours, see also the ILO Hours of Work (Industry) Convention (No. 1) http://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0::NO::P12100_ILO_CODE:C001

¹⁰ Defined as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally.

reporting of occupational accidents, diseases, and incidents; and emergency prevention, preparedness and response arrangements.

3.2.3 Business Integrity

- uphold high standards of business integrity and honesty;
- adopt and implement policies to prevent extortion, bribery, fraud, corruption and financial crime in accordance with local law requirements and international best practice¹¹;
- properly record, report and review financial and tax information¹²;
- establish corporate governance practices appropriate to the size and nature of the business¹³;
- deal with regulators in an open and co-operative manner;
- use information received from its business partners only in the best interests of the business relationship and not for personal financial gain by any worker;
- Provide explicit guidance to staff on how to implement policies and on what international best practice entails. Such guidance should be clarified by means of examples.

3.3 Additional Eligibility Criteria for specific activities

Projects eligible for investment by the Company that involve specific activities with a risk of pollution and/or impact on communities will meet the following criteria:

3.3.1 Pollution Prevention and Abatement

- During the design, construction, operation and decommissioning of the project (the project lifecycle), the client will consider ambient conditions and apply pollution prevention and control technologies and practices (techniques) that are best suited to avoid or, where avoidance is not feasible, minimize or reduce adverse impacts on human health and the environment while remaining technically and financially feasible¹⁴ and cost-effective.¹⁵ The project-specific pollution prevention and control techniques applied during the project life-cycle will be tailored to the hazards and risks associated with project emissions and consistent with good international industry practice.
- The client will avoid the release of pollutants and hazardous materials and generation of waste or, when avoidance is not feasible, minimize or control the quantity, intensity, or load of their release or generation. This applies to routine, non-routine, and accidental circumstances.

¹¹ CDC promotes compliance with the UK Bribery Act 2010.

¹² Direct investments, including investment intermediaries, are required to report to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), see www.iasb.org or other internationally recognised accounting standards; and the International Private Equity and Venture Capital Valuation Guidelines (“IPEVC”), see www.privateequityvaluation.com. Investees of Investment Intermediaries should as a minimum report to local reporting standards and should make progress towards internationally recognised accounting standards.

¹³ Guidance is provided in the DFI Toolkit on Corporate Governance:

http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/corporate+governance/cg+development+framework/cg+dfi+documents.

¹⁴ “Technical feasibility” is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity and operational reliability. “Financial feasibility” is based on commercial considerations, including the relative magnitude of the incremental cost of adopting such measures and actions compared to the project’s investment, operating and maintenance costs and whether this incremental cost could make the project nonviable to the client.

¹⁵ “Cost-effectiveness” is based on the effectiveness of reducing emissions relative to the additional cost required to do so.

- The client will avoid the manufacture, trade, and use of chemicals and hazardous materials subject to international bans or phase-outs due to their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, or potential for depletion of the ozone layer,⁷ and consider the use of less hazardous substitutes for such chemicals and materials.
- The client will be prepared to respond to process upset, accidental, and emergency situations in a manner appropriate to the operational risks and the need to prevent their potential negative consequences. This preparation will include a plan that addresses the training, resources, responsibilities, communication, procedures, and other aspects required to effectively respond to emergencies associated with project hazards.
- The client will promote the reduction of project-related greenhouse gas (GHG) emissions in a manner appropriate to the nature and scale of project operations and impacts.
- The client will formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach for pest management activities. The client's IPM and IVM program will entail coordinated use of pest and environmental information along with available pest control methods, including cultural practices, biological, genetic and, as a last resort, chemical means to prevent unacceptable levels of pest damage.
- When pest management activities include the use of pesticides, the client will select pesticides that are low in human toxicity, known to be effective against the target species, and have minimal effects on non-target species and the environment. When the client selects pesticides, the selection will be based on whether the pesticides are packaged in safe containers, are clearly labeled for safe and proper use, and have been manufactured by an entity currently licensed by relevant regulatory agencies.
- The client will design its pesticide application regime to minimize damage to natural enemies and prevent the development of resistance in pests. In addition, pesticides will be handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization's International Code of Conduct on the Distribution and Use of Pesticides or other good international industry practice.
- The client will not use products that fall in World Health Organization Recommended Classification of Pesticides by Hazard Classes Ia (extremely hazardous) and Ib (highly hazardous); or Class II (moderately hazardous), if the project host country lacks restrictions on distribution and use of these chemicals, or if they are likely to be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly.
- The client will adhere to the principles set out in the [World Bank Pollution Prevention and Abatement Handbook](#);

3.3.2 Community Health, Safety and Security

- The client will evaluate the risks and impacts to the health and safety and human rights of the affected community during the design, construction, operation, and decommissioning of the project and will establish preventive measures to address them in a manner commensurate with the identified risks and impacts. These measures will favor the prevention or avoidance of risks and impacts over minimization and reduction.
- Where the project poses risks to or adverse impacts on the health and safety of affected communities, the client will disclose the Action Plan and any other relevant project-related information to enable the affected communities and relevant government agencies to understand these risks and impacts, and will engage the affected communities and agencies on an ongoing basis.

- The client will design, construct, and operate and decommission the structural elements or components of the project in accordance with good international industry practice,¹ and will give particular consideration to potential exposure to natural hazards, especially where the structural elements are accessible to members of the affected community or where their failure could result in injury to the community.
- The client will prevent or minimize the potential for community exposure to hazardous materials that may be released by the project. Where there is a potential for the community (including workers and their families) to be exposed to hazards, particularly those that may be life-threatening, the client will exercise special care to avoid or minimize their exposure by modifying, substituting or eliminating the condition or substance causing the hazards.
- The client will avoid or minimize the exacerbation of impacts caused by natural hazards, such as landslides or floods that could arise from land use changes due to project activities.
- The client will also avoid or minimize adverse impacts due to project activities on soil, water, and other natural resources in use by the affected communities .
- The client will prevent or minimize the potential for community exposure to water-borne, water-based, water-related, vector-borne disease, and other communicable diseases that could result from project activities. Where specific diseases are endemic in communities in the project area of influence, the client is encouraged to explore opportunities during the project life cycle to improve environmental conditions that could help reduce their incidence.
- The client will assess the potential risks and impacts from project activities and engage affected communities on significant potential hazards in a culturally appropriate manner. The client will also assist and collaborate with the community and the local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to respond to such emergency situations. If local government agencies have little or no capacity to respond effectively, the client will play an active role in preparing for and responding to emergencies associated with the project.
- The client will assess, prevent and minimize the potential risks and impacts from project activities that could lead to exacerbation of conflict, or to conflict-financing.
- The client will adhere to the principles set out in the [IFC EHS Guidelines](#).

3.4 IFC Performance Standards

The IFC Performance Standards (available at the [IFC Website](#)) will apply to all projects where relevant.

3.5 Suggested ESDD report outline

Cover issues as applicable:

3.5.1 Background

- Project Description
- Site and Environment Setting
- Land requirement
- Environmental and social risk Category (A/B+/B/C)
- Exclusion list

3.5.2 Organization and Management

- Organization of environmental, health, and safety management function
- Social and Environmental Management System of prospective client

3.5.3 Labor and Working Conditions

- Human resources policies
- Collective bargaining
- Discrimination
- Child labor/forced labor
- Working conditions
- Grievance Mechanisms
- Compliance with host country labor laws

3.5.4 Pollution Prevention and Abatement

- Air pollution
- Water pollution
- Solid and hazardous wastes
- Hazardous materials transport, storage, and use
- Worker health and safety (e.g., noise, physical hazards, chemical hazards)
- Emergency management
- Greenhouse gas emissions
- Resource utilization
- Pest management and pesticide use
- Compliance with host country laws

3.5.5 Community Health, Safety, and Security

- Nearby communities
- Risks to community (e.g., traffic, emissions, noise, hazardous materials, physical hazards)
- Emergency management (risk mitigation)
- Diseases
- Community outreach and engagement
- Sites of cultural importance

3.5.6 Social Issues

- Land acquisition
- Rehabilitation and resettlement
- Indigenous peoples
- Cultural heritage
- Impact on local livelihood
- Public opinion and consultation

3.5.7 Biodiversity Conservation and Sustainable Natural Resources Management

3.5.8 Project consultation and local Disclosure

3.5.9 Other project specific issues

3.5.10 Environment Management /Corrective Action Plan

3.5.11 Summary and Recommendations

- Compliance with Applicable Requirements
- Recommendations

3.5.12 Financing Covenants/Conditions

3.6 ESDD Checklist- Environmental And Social Risk Assessment Form

Project Name:		Location:			
Address:		Contact Person and Telephone:			
Industry:		Activity:			Facility Amount and Type:
Type of project (tick x):		New	Extension	Existing	E&S Category:
Date of Site Visit:		Prepared/Updated by:			
		Position:			
Brief Project Description:					
Sector Specific E&S Issues:					
<p>Instructions:</p> <ul style="list-style-type: none"> - Please provide as much information as possible in the 'additional information' section to support the responses provided - Please provide a summary of the key issues after completing the questionnaire and include a categorization for the project. Also highlight whether the business has identified those issues and if not, what actions we can take with the business to mitigate these issues. Explain if the company has the resources and if not whether we can help them with this or do we accept a particular risk due to the lack of resources. - Please include an action plan if required - Use of consultants: <ul style="list-style-type: none"> o For Performance Standard 3 & 4: if any of these points apply, consider whether there is sufficient expertise in house to manage the risk appropriately o For Performance Standard 5 - 8, if any of these points apply, it is likely we will need to have an external consultant involved and therefore review within the team o In case a consultant is used, he/she will be accompanied by / collaborate closely with the E&S Coordinator to ensure full understanding and follow up of the process within the team <p>For sector-specific information on E&S risks, please refer to the First for Sustainability Factsheets and the IFC EHS Guidelines:</p> <ul style="list-style-type: none"> • http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/ • www.ifc.org/ehsguidelines <p>For hints and tips on how to address specific discussions points and how to go about an E&S review, please refer to the CDC Environmental and Social Checklist:</p> <ul style="list-style-type: none"> • http://www.toolkit/cdcgroup.com/downloads-and-reference-materials 					
Assessment of Applicable Requirements					
Applicable Requirements	Requirement	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
Exclusion List:	Is the activity on the Exclusion List?				
National Laws: Does the activity comply with National regulatory requirements?	Does the company have proof of valid environmental permits and licenses?				

Performance Standards:					
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	a.	Does the company have an E&S Policy/Management System ?			
	b.	Please describe the system/procedure in place to identify, assess and manage the potential risks and impacts related to the company's business activities/projects.			
	c.	Has the company designated an E&S Officer to manage E&S issues? Please provide the name of the designated employee.			
	d.	Please describe the procedures in place to engage with local communities and address community grievances where applicable. (e.g. grievance mechanism, stakeholder engagement plan).			
	e.	Does the company have an emergency response plan ?			
Performance Standard 2: Review of Labor and Working Conditions	a.	How many employees does the company have?			
	b.	Does the company have a Human Resource (HR) Policy that is consistent with the requirements of the national labor laws? Please highlight the major policies covered. <ul style="list-style-type: none"> i. <i>Does the company have policies and procedures for managing and monitoring the performance of third party employee contractors in terms of labor and working conditions?</i> ii. <i>Has the company established a grievance mechanism for workers and third party contract workers?</i> 			
	c.	Does the company provide its workers with a safe and healthy work environment ? <ul style="list-style-type: none"> i. <i>Where applicable does the company provide workers with and mandating that workers use personal protective equipment (PPE)?</i> ii. <i>Does the company have occupational health and safety procedures?</i> iii. <i>Does the company track and report on rates of injury, occupational diseases, lost days, and number of work-related fatalities? Please provide recent data.</i> iv. <i>Does the company have training programs in place for workers on occupational health and safety?</i> 			
	d.	Please confirm that the company is not involved in harmful child labor or forced labor (including supply chain for agri-commodity clients)			
Performance Standard 3: Resource Efficiency and Pollution Prevention	a.	Does the company implement measures for improving efficiency in its consumption of energy, water, raw materials and other resources and inputs ?			
	b.	Does the company generate any air, liquid or solid waste emissions during construction and/or operational phases? If yes, please provide details.			Air: Liquid: Solid Waste:
	c.	Please describe the procedures in place for monitoring air and water emissions . Please provide a copy of any effluent discharge permit issued by the local authorities.			
	d.	Does the company have procedures to guide the storage, handling, and disposal of solid wastes			

	(including hazardous waste) emanating from its business? If yes, provide brief details.				
	e. Are the diesel storage tanks fitted with secondary containment bunds ?				
	f. Is there response procedure in place manage spills or accidental discharges?				
Performance Standard 4: Community Health, Safety and Security	a. Are there local communities in close proximity to the company's facilities? Does the company have procedures to address community health, safety and security issues in the context of its operations?				
	b. Does the company have safety procedures in place to deal with hazardous material release, transport and disposal in order to avoid or to minimize exposure of local communities to those materials?				
	c. Does the company engage armed security personnel to provide security services at their facilities? If so, do the contract provisions include guidelines on how security personnel shall interact with communities in close proximity to the facility?				
	d. Is there a traffic management plan for managing additional traffic associated with the company's activities?				
Performance Standard 5: Land Acquisition and Involuntary Resettlement	a. Is there any land acquisition planned/happened for/in the proposed investment?				
	b. Has there been any physical and/or economic displacement as a result of land acquisition for this project?				
	c. Has the company disclosed all relevant information, consulted with affected persons and communities and facilitated their informed participation in the decision making process relating to resettlement?				
	d. Did the company consider alternative designs to avoid or minimize economic and physical displacement ?				
Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management	a. Does the company's activities impact on biodiversity ? Has the company minimized impacts and implemented mitigation measures ?				
	b. Does the business operate in a legally protected area ? If yes, confirm that the company has the requisite approvals to operate in such area				
	c. m				
Performance Standard 7: Indigenous Peoples	a. Is it likely that Indigenous Peoples will be adversely impacted as a result of the company's operations?				
Performance Standard 8: Cultural Heritage	a. Is the project located in an area where cultural heritage objects, sites and structures (e.g. artefacts, archeological sites, graves, and sacred forests) can be found?				

Summary of E&S Issues (Please provide a summary addressing the management of the main E&S issues associated with the

...

client's business)

October 15, 2018

Action Plan

Issue Identified	Action Required	Completion Date

3.7 Format of Performance Reporting

3.7.1 to follow up on individual investee company's ESDD

Project Name: ...	Location: ...			
Address: ..	Contact Person and Telephone: ..			
Industry:	Activity: ..			Facility Amount and Type: ..
Type of project (tick x): ...	New	Extension ✓	Existing	E&S Category: B
Date of Site Visit: ..	Prepared/Updated by: .. Position: ..			
Brief Project Description:				
Sector Specific E&S Issues: ...				

Summary of E&S Issues *(Please provide a summary addressing the management of the main E&S issues associated with the client's business)*

1. ..
2. ..
3. ..
4. ..
5. ..
6. ..
7. ..

Action Plan – Follow up / results

After review of the various action items and E&S needs of the company, we hired external consultant(s)

Issue Identified	Action Required	Completion Date	Who	Budget USD	Follow up comments/results
1. Deal with issues highlighted in ESDD – see points 2 and further					

2. PS I: ...					
3. PS I: ..	-				
4. PS II: ..					
5. PS II: .					
6. PS II: ..					
7. PS III: ..					

3.7.2 to Investors

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes.

Organization:			
Completed by (name):			
Position and contact information:		Date:	

Portfolio Information

Report Covering Period:	
From:	To:

3.7.3 Fund Business lines and Portfolio Type

For the reporting period, please provide the following (as applicable):

Product line	Expected holding period	Total exposure (US\$ mn)	Average Transaction Size (US\$ mn)	Maximum transaction size (US\$ mn)
Listed Equity				
Private Equity				
Market debt instruments				
Privately placed debt				
Other (Please describe)				

Exposure by Industry Sectors

Please completely list the sectors where the fund invests and provide an indicative % of portfolio.

Industrial Sector	Indicative % of portfolio
Animal Production	
Apparel	
Chemicals	
Collective Investment Vehicles	
Common Carriers	
Construction and Real Estate	

Consumer Goods	
Crop Production	
Electrical Equipment, Appliances and Components	
Fabric Mills	
Fabricated Metal Product Manufacturing	
Finance & Insurance	
Finishing (Dyeing, Printing, Finishing, etc.)	
Fishing	
Food & Beverages	
Forestry	
Furniture and Related Products	
Integrated Textile Operation (Spinning, Weaving/Knitting, but no Garment)	
Internet Projects	
Leather and Allied Products	
Machinery and Other Industrial	
Nonmetallic Mineral Product Manufacturing	
Oil, Gas and Mining	
Plastics & Rubber	
Primary Metals	
Printing & Publishing	
Pulp & Paper	
Spinning (Yarn, Including Integrated with Fiber Production)	
Telecommunications	
Textiles - Others	
Transport Service	
Transportation Equipment	
Utilities	
Warehousing & Storage	
Wholesale and Retail Trade covering any of the following. Gasoline stations, dry cleaners, printing, large auto and truck fleets, photographic film processing and any operations involving the use of any chemical or biological wastes or materials	
Wood Products	

Information on exposures

Please list all new and existing exposures (please add rows as needed):

Company name, location	Industry sector ¹⁶	Description of project/company ¹⁷	Investment type and amount (US\$ mn)	Env't category	Environmental issues at approval	Current environmental status/any changes since last report
<i>New</i>						
<i>Existing</i>						
<i>Exited/ Divested (in the reporting year)</i>						

¹⁶ Please use any standard classification or the sectors listed in the earlier table

¹⁷ Please describe the nature of the business activity of the project or activity being financed.

3.8 Social & Environmental Management System (SEMS) Information

Policies & Processes	Yes/No	
Have there been any updates to the Environmental Policy adopted by your organization?		If yes, please provide a copy of the updated policy including date when it was issued and reasons for the same.
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Has the budget for implementation of the policy/procedure been revised from the previous year?		If yes, please provide details of the budget allocated and reasons for the change.
Please describe any activities for the last FY for staff training and other internal communication		
Give details of any transactions rejected on environmental, health, safety or social grounds		
State any difficulties and/or constraints related to the implementation of the environmental procedures		
Please describe how you ensure that your clients and their projects are operated in compliance with the National laws and regulations and (if applicable) the IFC Performance Standards		
Please provide two sample internal E&S review reports conducted for projects considered last year. (Only if following IFC's PS is an Applicable Requirement)		
Please give details of any material environmental and social issues associated with investees during the reporting period in particular		
Do you consider compliance with national laws as part of your credit review process, when considering potential investments?		If yes, please describe the process including any environmental and social considerations if applicable.
Do you review the operational performance (non-financial) performance of industrial facilities you invest in?		If yes, please describe the process including any environmental and social considerations if applicable.
Do you conduct site visits for any industrial facilities you invest in?		If yes, please provide % of projects that are covered, and describe the aspects covered in the

		site visit including any Environmental and Social considerations if applicable.
Do you know whether your clients and their projects are in compliance with the relevant environmental, health and safety regulations of the host country?		If yes, please describe the process.
Have you invested in projects that entail acquisition of land?		If yes, please explain the extent of land acquisition and any due diligence conducted by you.
Please indicate whether you have worked with with any International Finance Institution (for instance, ADB, EBRD, IDB, NIB, IFC) and have used their environmental and social guidelines.		If yes, please provide the dates worked with the IFI and details of any environmental and social procedures followed.
Do you regularly update the Social & Environmental Management System (SEMS)?		If yes, please explain frequency and indicate number of updates since start.
Capacity	Yes/No	
Please provide current staffing of the core SEMS people as well a list other people in the organization involved with the SEMS implementation		
What was the budget allocated to the SEMS and its implementation during the year? Please include staff costs, training as well as any actual costs.		Please provide budget details.
Has the SEMS team undergone any training?		If yes, please describe the training provided to the Environmental Coordinator and other team members during year.
Does the Fund have regularly scheduled training for other departments in the organization?		If yes, please describe the training provided to credit officers, legal officers, marketing officers on implementation of the SEMS and give details regarding training format and frequency.
Monitoring	Yes/No	
Do you receive any non-financial reporting from industrial projects you invest in?		If yes, please describe and provide supporting documents including any environmental and social considerations if applicable
Please describe how you monitor investee environmental performance. Please provide the following information <ul style="list-style-type: none"> - Number of projects in portfolio classified as category A or B - Number providing annual reports 		If yes, please describe and provide supporting documents.

<ul style="list-style-type: none"> - Number of projects where a field visit was conducted by a bank staff to review aspects include Environmental and Social issues 		
<p>Please provide details of any accidents / litigation / complaints /regulatory notices and fines:</p> <ul style="list-style-type: none"> - Any incidents of non-compliance with Applicable Requirements - Covenants/ conditionality imposed by the Bank as a result of any non-compliance 		
<p>Do you check for ongoing compliance of your investments with national regulation and any other requirements?</p>		<p>If yes, please describe the process including any Environmental and Social considerations if applicable</p>
<p>Reporting</p>	<p>Yes/No</p>	
<p>Is there an internal process to report on environmental and social issues to Senior management?</p>		<p>If yes, please explain process, reporting format and frequency.</p>
<p>Do you prepare any environmental reports</p> <ul style="list-style-type: none"> - For other MLAs - Other stakeholders - E&S reporting in the Annual Report - Sustainability reports 		<p>If yes, please provide copies of these reports.</p>
<p>Do you have a process to inform IFC of any material change of business?</p>		
<p>Do you inform IFC if there is any incident/accident at one of the projects?</p>		
<p>Do you report to IFC as per the agreed upon schedule and format?</p>		

Activities on Exclusion List	
If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in IFC excluded activities.	_____%
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.	

Sustainable finance		
Have you made any investments in projects that have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, corporate social responsibility, community development etc? Please list these in the format provided below:		
Project Name	Value financed by the company (US\$ million)	Type of environmental benefit ¹⁸

¹⁸ Examples are cleaner production, energy efficiency, renewable energy, carbon finance, management system improvement, sustainable supply chain, corporate social responsibility etc.