



ENVIRONMENTAL & SOCIAL POLICY

Facility for Energy Inclusion



ENVIRONMENTAL & SOCIAL POLICY

The Facility for Energy Inclusion for small scale, innovative renewable power generation and mini-grids ("FEI", the "Fund") had developed the Environmental & Social Policy ("E&S Policy") which sets out objectives, procedures and guidelines to manage risks and monitor and report the Fund's developmental impact in line with the aims of its principal shareholders. It will be used for investee-company evaluation and reporting and Fund reporting to the Limited Partners and Lenders.

The E&S Policy is a framework that integrates environmental and social risk management into the FEI business processes. It is a set of actions and procedures that are implemented concurrently with the FEI's broader risk management procedures.

The E&S Policy ensures that the FEI activities are in compliance with its environmental and social standards. It helps FEI to avoid and manage investments with potential environmental and social risks by conducting environmental and social due diligence prior to deal completion and adequate supervision of projects during the term of the investment.

This E&S Policy is rooted in the AfDB's Integrated Safeguards System ("ISS"), as well as the associated ISS general and energy sector-specific guidelines outlined in its series of documents. In particular, this E&S Policy draws upon the December 2013 Policy Statement and Operational Safeguards (Volume 1, Issue 1), as well as the December 2015 Guidance Materials on safeguard issues and on the energy sector (Volumes 2 and 3).

This Environmental & Social Management System supersedes all previous E&S Policies and shall be superseded by all future E&S Policies approved in accordance with the Fund's Limited Partnership Agreement.

CONFIDENTIAL

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Acronyms

AC	Advisory Committee
AfDB	African Development Bank
CPP	Captive Power Plants
CFT	Combating the Financing of Terrorism
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
C&I	Commercial and Industrial
DD	Due Diligence
ESG	Environmental, Social and Governance
FEI	Facility for Energy Inclusion
FM	Fund Manager being LHGP AM
IC	Investment Committee
IFC	International Finance Corporation
ISS	Integrated Safeguards System of the AfDB
IUCN	International Union for Conservation of Nature
KYC	Know Your Customer
LHGP AM	LHGP Asset Management LLP
Lion's Head	Lion's Head Global Partners LLP
MFI	Microfinance Institution
MIS	Management Information System
MSME	Micro, small and medium sized enterprises
MW	Mega Watt
PCB	Polychlorinated Biphenyl
PPA	Power Purchase Agreement
PS	Performance Standard
SPV	Special Purpose Vehicle

1 INTRODUCTION

The Facility for Energy Inclusion (“FEI”, the “Fund”) has been launched by the African Development Bank (AfDB). The Fund is established under Mauritius law with seed capital invested by the AfDB.

The African Development Bank has launched an ambitious initiative to play a catalytic roll in debt investment for small-scale infrastructure renewable and other energy projects across Africa (as further specified in the Fund’s Investment Policy). The AfDB has carved out \$70m to seed FEI to specifically target debt financing for small scale innovative renewable energy models.

FEI is an innovative finance strategy aiming to increase the amount of debt financing available for qualified small-scale renewable infrastructure and mini-grids in both local and hard currencies subject to their financing needs. A variety of instruments will be deployed to meet the disparate needs of stakeholders in the growing sector.

The E&S Policy represents one of several other policies that will govern the actions of FEI. The E&S Policy is equal in importance to these other policies, which include the Risk Management Framework, FX Policy, KYC/AML Policy, Treasury Policy and Operating Policy amongst others.

E&S Policy processes will occur in parallel with credit due diligence, legal due diligence, and other investment activities, and are equal in importance to these other processes in determining how investments are made and managed.

2 ENVIRONMENTAL AND SOCIAL POLICY

2.1 Undertakings

FEI and its anchor investor, AfDB, recognize that the stewardship of the environment and the prosperity of local communities are integral aspects of their investment activities. They also recognize that investments often benefit from following sound social and environmental practices. FEI will therefore, in compliance with relevant local and national legislation and international standards and agreements, and in view of best practices, seek to invest both in projects that minimize negative environmental and social impacts to the full extent possible, and in projects that contribute to proactively improving environmental and social outcomes.

FEI will ensure that the E&S Policy is fully communicated to, understood by, and implemented at all levels throughout the Fund, its investees, and its contractors, and will make it available publicly on its website (www.feiafrica.com). FEI will address complaints about breach of the Policy promptly and to the satisfaction of all concerned. FEI will update the Policy when necessary.

In the case that investee activities are likely to result in moderate or severe environmental or social impacts, FEI and its investees will conduct formal environmental and social impact assessments and will take all possible steps to mitigate these risks.

Across all environmental and social risk categories of its investments, FEI commits to the following set of principles:

- FEI commits that each investment will be made in line with its E&S Policy and associated procedures.
- FEI will ensure that each of its investees is evaluated on basis of the five operational safeguards set out in AfDB's ISS, the IFC PS and the added safeguard of climate change, as well as on additional safeguards if found relevant and requested by other investors or partners (see Section 2.4 and Appendix C).
- Projects are financed only when they are expected to be designed, built, operated, and maintained in a manner consistent with the E&S Policy.
- Efforts are made to ensure that all projects are operated in compliance with the E&S Policy.
- FEI commits to a process of continuous improvement in its ESMS policy design and implementation.
- FEI will require its investees to commit contractually to adopt E&S standards, which align with the E&S Policy.
- FEI will monitor and report on S&E performance of projects in a transparent, credible and timely manner to all relevant stakeholders.

2.2 Applicable E&S Requirements

The Fund Manager will ensure that all investments are evaluated against the following Applicable E&S Requirements:

- **FEI Exclusion List** (see Appendix A), which outlines categories of investments that will not be financeable through FEI under any circumstances;
- **National and local environmental, health, safety, and labour laws and regulations**, including established requirements on public disclosure and engagement;
- **International standards, conventions, and agreements** on environmental, health, safety, and labour best practices to which the investee and the relevant nations are parties; and
- **FEI and AfDB Operational Safeguards** (see below) as well as IFC PS, to ensure that investees effectively avoid, manage, and mitigate against all E&S impacts of their activities in accordance with E&S risk management procedures.

2.3 Operational Safeguards

FEI Environmental and Social Management System ("ESMS") draws upon AfDB's five operational safeguards, as defined in the December 2013 Integrated Safeguards System report and added an explicit safeguard focused on climate change:

- Environmental and Social Assessment
- Land Acquisition and Resettlement
- Biodiversity and Ecosystem Services
- Pollution Prevention and Control
- Labour Conditions, Health, and Safety
- Climate Change

Together, these six constitute the main framework for environmental and social risk considerations for all FEI investments. A more detailed explanation of each safeguard can be found in Appendix B.

Figure 1: FEI Operational Safeguards based on AFDB Operational Safeguards



2.4 Harmonization of the FEI E&S Policy with Other Investors' E&S Policies

FEI will work with its investors (other than AfDB) to maintain one single E&S Policy and reporting framework which meets investors' requirements.

Specifically, particular clauses from the other policies will be added to the exclusion list if not already included there; additional safeguards not already captured by the six core FEI safeguards will be added to or incorporated into the current safeguards; additional procedural requirements under each investment risk category will be incorporated into the current FEI procedures if the new requirements enhance potential risk evaluation or mitigation capacity and do not place undue

burden on either the Fund Manager team or investees; additional reporting requirements will likewise be considered for addition to the E&S Policy if the requirements add value without placing undue burden on either FEI, its investors, or its investees. Finally, the overall E&S Policy will be revised to incorporate the new additions, and will be approved by Limited Partners of the Fund.

Updates to the E&S Policy to include other investors' E&S policies to date have incorporated:

- **IFC Performance Standards (PS) for Environmental and Social Sustainability, 2012** – a comparative analysis and discussion of how the IFC PS are incorporated into this E&S Policy is presented in Appendix C

3 ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

The core component of FEI's E&S Policy is the Environmental and Social Management System (ESMS). Performance of a potential investee and its proposed activities along specific dimensions of these six safeguards will determine whether the investment is suitable for investment in terms of E&S risk. Exclusion List and E&S Assessment Checklist (which include a list of excluded activities that will not be funded under any circumstances, and a checklist of specific risks expected under each safeguard, respectively) are tools to be used by the Fund Manager to evaluate and categorize the potential risks posed by the investee's activities. Specific risks that may be encountered within each safeguard are discussed later in this section.

3.1 E&S Risk Categorization

Potential investments will all be evaluated for environmental and social risk and subsequently categorized into one of four levels of risk, which then informs subsequent investment and mitigation actions (see Table 1). This categorization follows that outlined in AfDB's Integrated Safeguards System.

Table 1: Categorization of environmental and social risks associated with Facility investments, adapted from AfDB Integrated Safeguards System.

Risk Category	Likely Risks Imposed by the Proposed Project
1	Facility or investee operations are likely to cause significant environmental social impacts
2	Facility or investees operations are likely to cause less adverse environmental and social impacts than Category 1 activities
3	Facility or investee operations will likely have negligible adverse environmental and social risks
4	Facility or investee operations involve lending to financial intermediaries

A project would be categorized as Category 1 if it is likely to experience at least one risk corresponding to Category 1 in the E&S Assessment Checklist (see Appendix D), or at least three Category 2 risks across three separate safeguards. A project would be categorized as Category 2 if it is likely to experience at least one risk corresponding to Category 2. A Category 3 project would be likely to experience fewer or less adverse Category 2 risks. The procedural repercussions of categorizing a potential investee's activities as Category 1, 2, 3, or 4 are discussed in the rest of this section.

The Policy aligns with the IFC PS; any reference to risk categorization must be reviewed against the comparison of AFDB ISS and IFC PS risk categories as per *Table 5: Comparison of E&S Risk Categorisation Frameworks*. In complying with both the AFDB ISS and IFC PS the Fund will always apply the more stringent criteria or follow procedures outlined herein to arrive at the appropriate risk categorization.

Table 2: Illustration of the differing due diligence requirements for each investment risk category.

Category 1 – High Risk	Category 2 – Medium Risk	Category 3 – Low Risk
<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • Exclusion List • Local environmental, health, safety and labour laws, and public disclosure requirements engendered therein • ILO fundamental conventions • Stakeholder engagement as appropriate • Grievance mechanism adapted to project context • Relevant operational safeguards and IFC PS 	<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • Exclusion List • Local environmental, health, safety and labour laws, and public disclosure requirements engendered therein • ILO fundamental conventions • Stakeholder engagement as appropriate • Grievance mechanism adapted to project context • Relevant operational safeguards and IFC PS 	<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • Exclusion List • Local environmental, health, safety and labour laws, and public disclosure requirements engendered therein • ILO fundamental conventions • Stakeholder engagement as appropriate • Grievance mechanism adapted to project context
<p><i>Focus on:</i> conclusions of independent assessments and the results of stakeholder consultations</p>	<p><i>Focus on:</i> investee capacity and willingness to manage E&S risks and mitigate potential E&S impacts</p>	<p><i>Focus on:</i> identifying investee non-compliance, and ensuring the investee has a plan to remedy the non-compliance in a reasonable time frame</p>
<p><i>Required due diligence:</i></p> <ul style="list-style-type: none"> • Full E&S appraisal (prepared with the assistance of outside experts if necessary) commensurate with the severity of potential impacts and risks • Full external E&S due diligence (ESDD)- focusing on gaps to relevant international standards and action plan to close them (E&S Action Plan (ESAP)) 	<p><i>Required due diligence:</i></p> <ul style="list-style-type: none"> • Limited E&S appraisal • Limited external E&S due diligence (ESDD)- focusing on gaps to relevant international standards and action plan to close them (ESAP) 	<p><i>Required due diligence:</i></p> <ul style="list-style-type: none"> • Gender impacts or other analyses as needed
<p><i>Required outputs:</i></p> <ul style="list-style-type: none"> • Environmental and Social Assessment (ESIA), • Environmental and Social Management Plan (ESMP) <ul style="list-style-type: none"> • ESDD, • ESAP, and if relevant, • Full Resettlement Action Plan (FRAP) 	<p><i>Required outputs:</i></p> <ul style="list-style-type: none"> • ESIA, • ESMP, • ESDD, • ESAP, and if relevant, • Abbreviated Resettlement Action Plan (ARAP) 	<p><i>Required documents:</i></p> <ul style="list-style-type: none"> • ESMP or equivalent collection of HSE and similar documents depending on FM risk assessment, <p>Where gaps identified, explore option of project preparation support</p>

Risk Category 1: The first category represents investments in which operations are likely to cause significant environmental and social impacts. More specifically, the potential investment is “likely to induce significant and/or irreversible adverse environmental and/or social impacts, or to significantly affect environmental or social components that the Bank or the borrowing country considers sensitive.” If classified as Category 1 (high risk), the project must then conduct a full ESA in the form of an Environmental and Social Impact Assessment (ESIA), which leads to the preparation of an Environmental and Social Management Plan (ESMP). If resettlement is expected, the project must also prepare the social assessments necessary to write the Full Resettlement Action Plan (FRAP). To ensure that the investment complies with international standards a full external Environmental and Social Due Diligence (ESDD) is commissioned, to analyse the gaps between the investment design and the fund’s requirements (e.g. IFC Performance Standards, EHS guidelines). The detected gaps are transferred into an Environmental and Social Action Plan, which includes mitigation measures to close the gaps. The compliance of the client with the plan will be monitored by the Fund and possibly supported by TAF.

Examples of Category 1 investments may include mini-grid and renewable energy investments that require resettlement*, projects in protected areas or within animal migratory corridors, biomass energy projects that result in significant deforestation or habitat degradation, and off-grid solar home systems or mini-grids that use lead-acid or inorganic lithium-ion batteries without adequate refilling, recycling, and waste management processes in place. The Facility may make some Category 1 investments, but it is not expected to be a significant part of the portfolio.

* Resettlement of more than 200 people is considered Category 1 and therefore Category A¹, whereas risk categorisation of projects involving resettlement of fewer than 200 people will be determined by appropriately qualified external specialists appointed by FEI on a case by case basis. Specialists will consider the significance of the potential impacts of the land acquisition process on affected persons, based on their socio-economic status and land tenure circumstances, reflecting both the AFDB ISS and IFC PS to establish whether a project is considered Category 1 and or Category A.

Risk Category 2: The second category represents investments in which operations are likely to cause less adverse environmental and social impacts than Category 1 projects. Likely impacts of the potential investment are few in number, site-specific, largely reversible, and readily minimized by applying appropriate management and mitigation measures or incorporating internationally recognized design criteria and standards. Projects in this category, as with Category 1, require an ESIA and an ESMP, limited external ESDD and ESAP as well as an Abbreviated Resettlement Action Plan (ARAP) when applicable. Most renewable energy facilities and mini-grid projects will likely fall into this “medium risk” category.

Risk Category 3: The third category represents investments in which operations will likely have negligible adverse environmental and social risks. Potential investments in this category do not

¹ As per AFDB ISS / IFC PS respectively

directly or indirectly affect the environment adversely and are unlikely to induce adverse social impacts. They do not require an environmental and social assessment; they only require E&S risk categorization. Many solar home system projects are likely to fall into this category.

Risk Category 4: Finally, the fourth category represents Facility investments channeled through other financial intermediaries. The Facility is not expected to make up a significant portion of the portfolio investments through financial intermediaries, but this classification is provided for completeness and will be used if required. If relevant, financial intermediary operations would be further classified as FI-A, FI-B, and FI-C to reflect the potential environmental and social impacts and risks of the financial intermediary's existing or proposed portfolio of projects, equivalent to Categories 1 through 3 in terms of the projects' risk profiles. Importantly, financial intermediary investments whose risks would be classified as either Category 1 or Category 2 are subject to the relevant E&S requirements, as if they were Category 1 or Category 2 projects directly financed through FEI.

3.2 Referral to Advisory Committee

All Projects categorized as Category A/1 as well as projects that involve resettlement will be referred to the Advisory Committee for pre-approval before being considered for investment by the Investment Committee.

3.3 FEI E&S Risk Profile

Table 3 sets out specific E&S risks to be expected for the investment categories set out in the Fund's Investment Policy. Specific risks identified within each safeguard and for each technology type are drawn from many sources. For reference, please see AfDB's ISS Sector Keysheet for hydroelectric power, transmission, thermal power, solar power, wind power, and biofuels production projects (Volume 3, 2015); as well as the IFC Environmental, Health, and Safety Guidelines for electric power transmission (2007) and for each energy production technology type (2015).

Table 3: Illustrative and non-exhaustive matrix of potential environmental and social risks across the three main types of investees and the six operational safeguards.

Safeguard Category	Potential Risks	
	Renewable Energy Facilities	Mini-Grids
Environmental and Social Assessment	<ul style="list-style-type: none"> Solar: may result in replacement of culturally, historically, religious or archeologically significant areas or indigenous areas; may result in negative economic impacts if land used was previously used for food cultivation Hydro: may result in flooding of and damage to culturally, historically, religious or archeologically significant areas or indigenous areas; may result in loss of artisanal fishing income and food sources Wind: material risk where communities’ livelihoods are impacted or wildlife affected Biomass; may result in further exploitation of children or others traditionally designated as biomass collectors 	<ul style="list-style-type: none"> Limited risk from grid infrastructure only; if in conjunction with energy generation, same risks apply
Involuntary Resettlement and Land Acquisition	<ul style="list-style-type: none"> Solar: may result in displacement of households and communities Hydro: may result in displacement of households and communities as a result of flooding Wind: If constructed in proximity to population may entail resettlement + risk of noise and shadow flicker that could also lead to resettlement through exceedance of country limits and WB EHS limits on day and night time noise. Biomass; may have minor impact on displacement of households 	<ul style="list-style-type: none"> May have minor impact on displacement of households
Biodiversity and Ecosystem Services	<ul style="list-style-type: none"> Solar: small likelihood of bird fatalities due to high temperatures above solar panels; potential destruction of habitat that had been cleared for solar panels, including disruption of grazing lands and food for pollinators Hydro: potential habitat loss for fish and other riverine and riparian species that rely on unobstructed river flow for reproduction or for food sources Wind: may result in the death of endemic or migratory birds, bats, flying insects and other animals. Therefore, potential loss of biodiversity or pollination services due to turbines; may result in terrestrial animal loss due to excavations Biomass; may result in loss of native, endemic and/or endangered plant species if they are collected and used as fuel 	<ul style="list-style-type: none"> Potential loss of other habitat or introduction of invasive species due to right of way activities; potential fatalities of bird and bats from contact with transmission lines or distribution poles

Safeguard Category	Potential Risks	
	Renewable Energy Facilities	Mini-Grids
Pollution Prevention and Control	<ul style="list-style-type: none"> • Solar: potential soil erosion after land clearing; potential contamination of groundwater and drinking water from spills of herbicides, dielectric fluids or dust suppressants • Hydro: potential water pollution from right of way activities and from sediment build-up as a result of small dams or other structures altering flow • Wind: potential soil erosion after excavation and land clearing; • Biomass: potential construction site and general (operational) waste generation; soil erosion from site preparation and right of way activities; potential water contamination from effluents 	<ul style="list-style-type: none"> • Potential soil erosion after land clearing;
Labour Conditions, Health and Safety	<ul style="list-style-type: none"> • All: potential safety hazards from heavy equipment use during construction and from exposure to electrical hazards • Solar: potential for burns, explosions and other safety hazards • Wind: some risks from unsafe installation conditions • Biomass; may result in heavy air pollution and subsequent health impacts from biomass combustion 	<ul style="list-style-type: none"> • Potential safety hazards from heavy equipment use during construction and from exposure to electrical hazards
Climate Change	<ul style="list-style-type: none"> • Solar: may result in greater climate vulnerability of affected communities if land used was previously used for food cultivation and no alternative employment or income source results from increased access to electricity • Hydro: flooding caused by larger hydropower projects may result in the death of carbon sequestering trees as well as the release of carbon • Wind: minimal to no negative impacts; • Biomass; may result in net negative climate impacts (i.e. greater emissions) if using native trees for fuel and the previous fuel source was cleaner burning or released fewer emissions 	<ul style="list-style-type: none"> • Limited risk from grid infrastructure only; if in conjunction with energy generation, same risks apply

4 ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

4.1 Impact Objectives

The Fund seeks to have a positive E&S impact. This starts with the premise that debt finance both in local and hard currency is necessary to plug the power generation and electricity distribution gap that is the currently responsible for low electrification rates in most African countries. The Fund's approach is to provide debt financing, in the form of project or corporate finance both in local and in foreign currency. Beneficiaries of FEI funding are projects and companies involve building small scale renewable energy facilities and mini-grids. This approach translates into three broad impact objectives:

- (i) **Increased and sustainable financing** for Africa's clean energy developers with either small scale renewable infrastructure and mini-grids;
- (ii) **Increased renewable energy access** for MSMEs and households;
- (iii) **Additional economic, social, and environmental benefits** resulting from increased energy access.

Increased and Sustainable Financing

The renewable energy sector in Africa is growing rapidly but the availability of sufficient and appropriately structured finance remains a bottleneck. This is true across the industry; US\$60-90bn per year in new investment is required to achieve electrification of the continent by 2025. However, the issue is particularly apparent for traditionally underserved segments of the market, including those that FEI is targeting. In so doing, FEI is promoting a modern view of the future grid with distributed, small-scale generation and cost-effective and efficient rural electrification solutions.

More secondarily, the Fund will also aim to grow the local funding environment through local currency transactions and propagating bankable transaction documentation and structures. The Fund may also deploy its lending flexibility to more directly catalyse local co-investors.

Increased Renewable Energy Access

Large parts of Africa remain without access to reliable and renewable grid-power resulting in energy poverty of many rural low-income households and, more broadly, in significant costs and lost business opportunities to African economies. Small scale renewable infrastructure and mini-grids have the potential of delivering reliable renewable electricity to retail customers and MSMEs, and are therefore fundamental in driving economic development across Africa.

Renewable energy's success in Africa is driven by declining prices for renewable technologies and resulting competitiveness against incumbent solutions. The emerging small-scale energy sector has the potential of leapfrogging conventional models of centralized power generation with far reaching benefits to the environment.

Additional Environmental, Economic, and Social Benefits

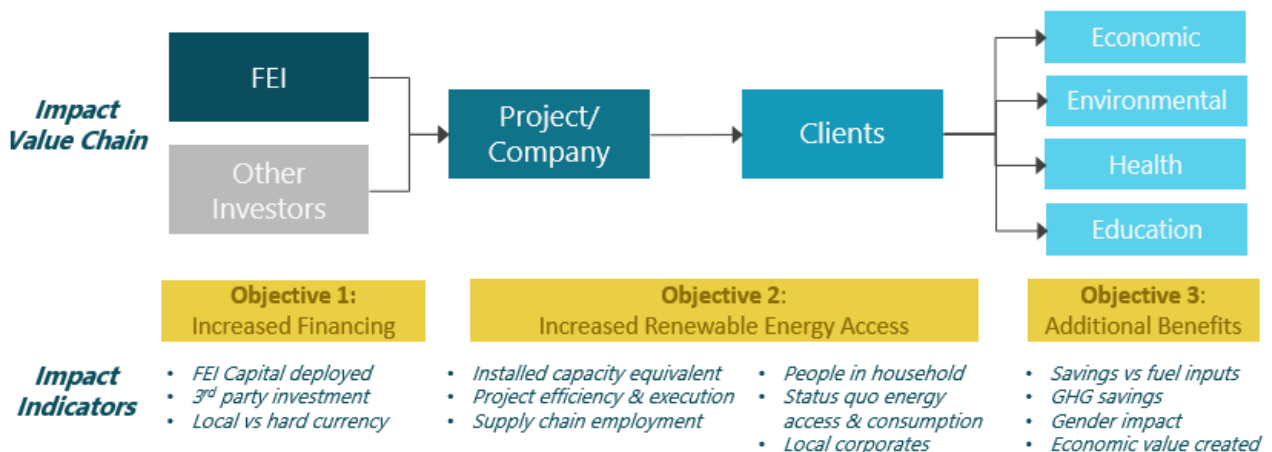
Improving energy access – in terms of the availability, reliability and quality of power – for households and equivalent consumers unlocks substantial secondary benefits including positive gender effects and reduced kerosene usage. For many stakeholders in the sector, these benefits are as important as the primary market development and financial performance indicators of the fund, especially where the benefits accrue to base-of-the pyramid or other target populations.

4.2 Impact Framework

A framework is derived to provide the analytical basis for assessing whether and how the Fund is meeting the objectives, each measured by several indicators (defined in more detail in **Error! Reference source not found.**). The framework is based on an analysis of the fund strategy and best practice impact assessment as used for comparable investment funds and principals in the renewable energy sector.

The Fund in general focuses on metrics that are quantitative but recognizes that certain assumptions have to be made for indicators in particular related to certain market development parameters and the additional benefits of improved energy access, e.g. reduced/avoided greenhouse gas emissions. The Fund will itself not conduct separate industry studies to assess these impact indicators and will instead rely on and promote market best practice and information provided by the investees. In certain circumstances, the Fund may rely on its TA Facility to fund third party reviews to support its impact reporting

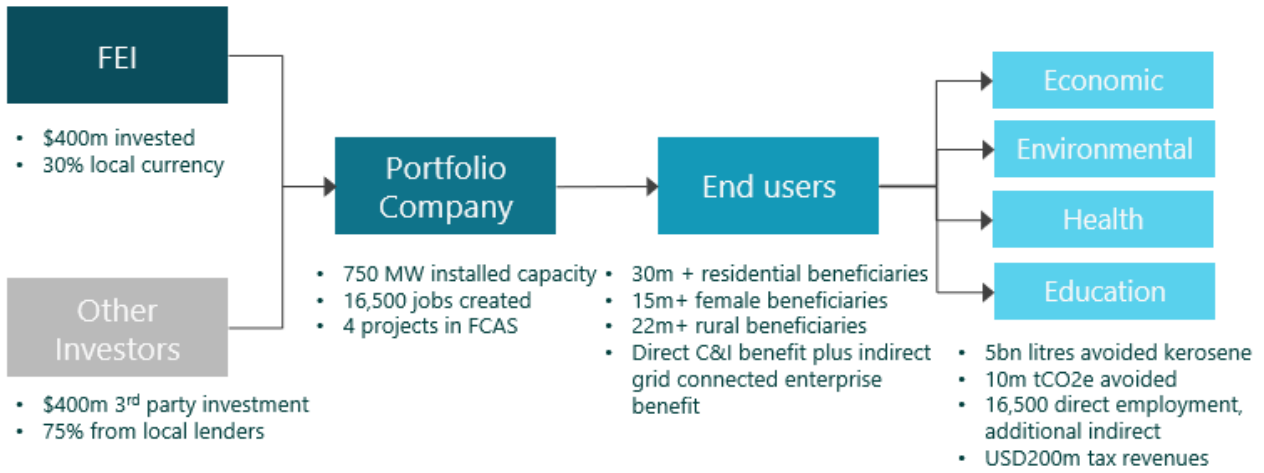
Figure 2: Impact framework across the financing value chain



4.3 Impact Scenario

Taking a hypothetical portfolio of investments and reported indicators relative to the four objectives above, we can generate a set of high level impact indicators for FEI. Over the course of the fund life, these performance scenarios can be updated to reflect the activities of the fund and changes in the wider operating context.

Figure 3: Example impact scenario outputs

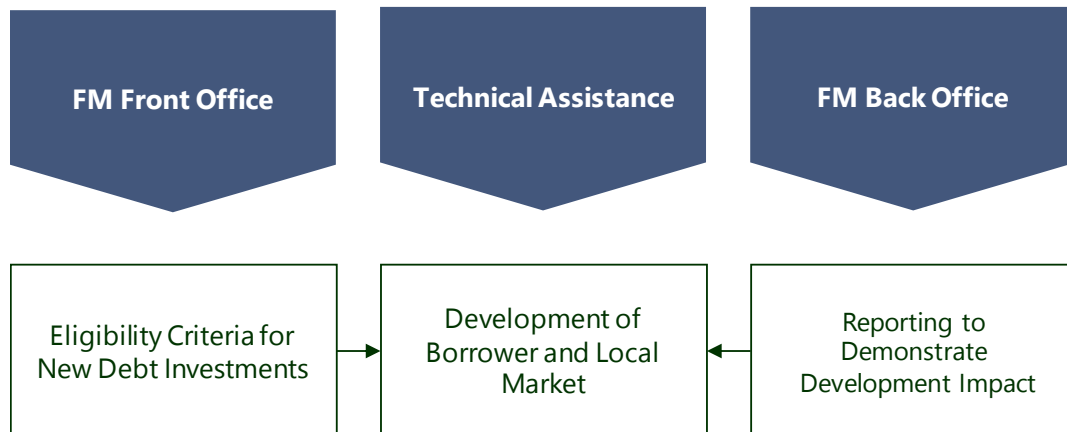


5 IMPLEMENTATION

5.1 Oversight

The Fund shall apply its E&S Policy through its investment screening and due diligence; application of Technical Assistance to promote market and borrower development; and subsequent reporting to stakeholders. This is shown through the different FM functions below.

Figure 4: Different FM functions implementing the E&S Policy



The Fund Manager will also ensure that during the whole investment cycle:

- A principal of the Fund Manager or the General Partner holds overall management responsibility for adherence to this E&S Policy (FEI E&S Partner)
- FEI has a confirmed E&S Officer who reports to the FEI E&S Partner;
- The E&S Policy and systems are kept up to date;
- FEI has set up an External Communication Mechanism in line with the requirements of FEI operational safeguards and international standards
- The investment team will receive adequate E&S risk management training

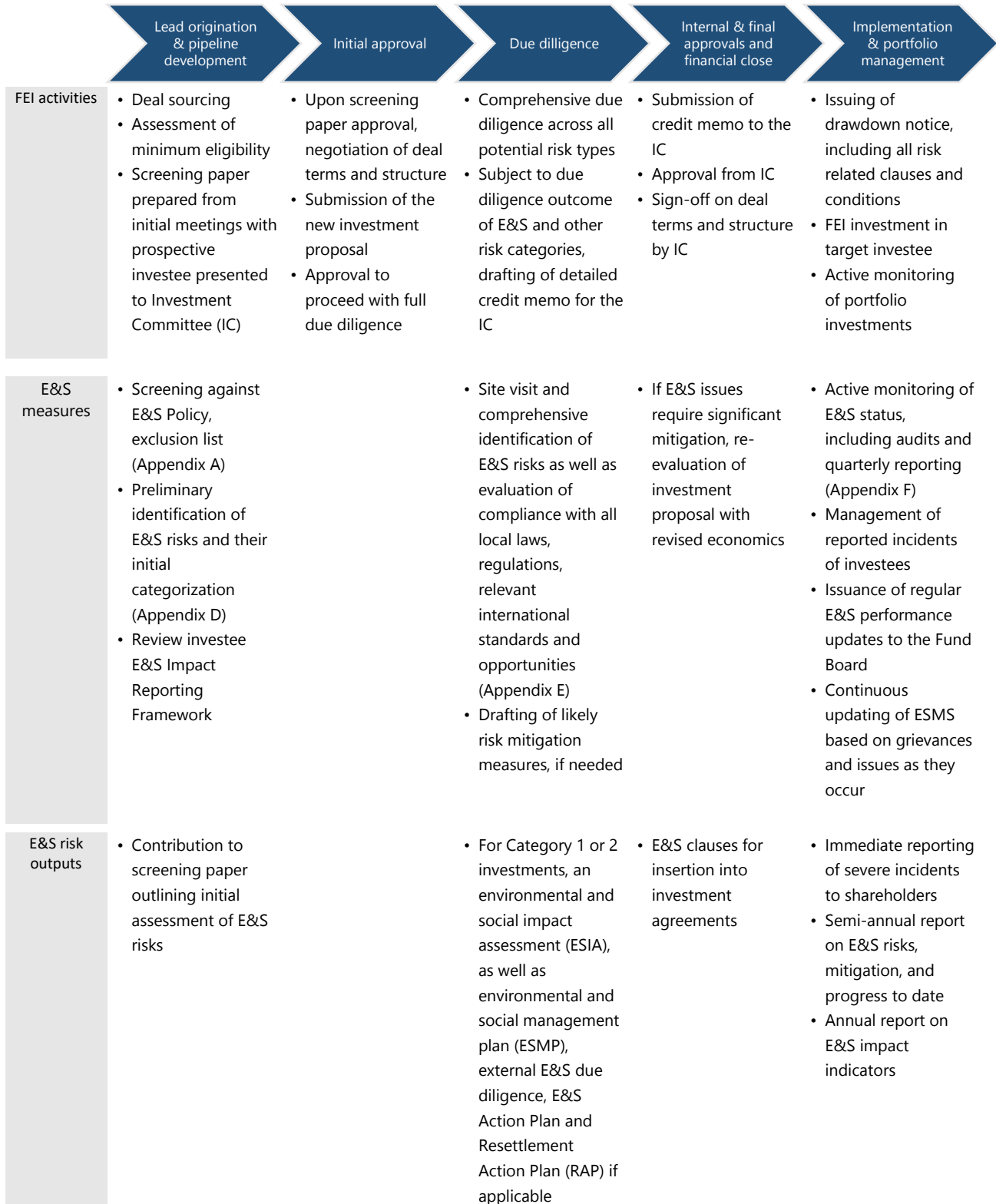
Additionally, external consultants may be engaged at specific points in the investment process (i.e. for higher risk projects – category 1 and 2 projects) to provide objective, expert perspectives on E&S risk evaluation and performance. Specifically, FEI may engage consultants to assist with determining the E&S risk categorisation of projects requiring resettlement of fewer than 200 people², due diligence on the E&S risks associated with a potential investee (particularly if they are likely to be Category 1 or 2); to conduct independent baseline, midterm, and final evaluations (to measure E&S and other performance) for each investee; to support creation of bi-annual independent portfolio reports that measure performance across all investees; and for other independent auditing as necessary. For sample terms of reference for external consultants, please see Appendix J.

² Resettlement of more than 200 people is always Category 1 / Category A.

5.2 Procedures Across the Investment Cycle

The Fund Manager will follow a streamlined and thorough process to originate, screen, approve and implement deals with developers. The process, outlined in Figure 5 consists of five main steps.

Figure 5: Illustrative procedures across FEI investment activities and E&S measures



6 MONITORING AND REPORTING

The Investment Policy outlines the approach for the Fund's monitoring and reporting. This section outlines those areas most relevant to the E&S Policy. Monitoring and reporting refers to measurement of E&S risk and impact for portfolio companies on an ongoing basis.

6.1 Monitoring

The Fund Manager commits to monitoring all active investments for E&S performance, including using its expertise and insights from previous experiences to identify opportunities for proactive risk mitigation and achievement of positive impacts beyond those already planned. The E&S Compliance Manager and the Portfolio Management team will work with the investee to collect data on the E&S status of an investment on a quarterly basis and will inform FEI senior management and the Board of all investments' E&S statuses on a quarterly basis and in aggregate on an annual basis.

In the case of severe E&S incidents and breaches of conduct (such as those listed in Appendix I), the investee must inform FEI within twenty-four hours of occurrence. FEI will inform its shareholders about severe E&S incidents within three working days.

The extent of monitoring will correspond to an investee's risks, likely impacts, and compliance requirements, and will also be adjusted over time according to performance and feedback from investees and beneficiaries. For investment activities with significant diverse, irreversible, or unprecedented impacts, FEI will retain qualified and experienced external experts to verify its monitoring information. Upon documenting and analysing monitoring results, FEI will identify any necessary corrective or preventive measures to the investee ESMP/ESAP as well as to FEI's own E&S policies and procedures to ensure continued relevance and effectiveness.

In addition to regular monitoring, each investment will likely be subject to three evaluations to measure E&S and other progress over time: a baseline evaluation, a midterm³ evaluation, and a final evaluation. All evaluations must include greenhouse gas accounting, up to and including tertiary climate impacts from the investment. Evaluations must be independently produced, and the costs to produce these evaluations must be borne by the investee; however, the Fund Manager may provide funding for evaluations in certain cases. They will largely be informed by the data collected during quarterly monitoring.

6.2 Enforcement and Mitigation

In the event that the E&S Policy is found to have not been upheld by the investee, an investigation team consisting of the E&S Compliance Manager and senior FEI management will be formed. The team will then determine appropriate disciplinary measures in proportion to the severity of the transgression and the degree of premeditation on the part of the investee, ranging from fines to abortion of the investment in the case of severe breaches.

³ 'Midterm' will likely be determined by a project reaching completion or certain major milestones

Mitigation actions against potential risks will be outlined in each potential investment's Environmental and Social Management Plan (ESMP) and Environmental and Social Action Plan (ESAP) for Category 1 and Category 2 investments. In cases where resettlement will be likely, mitigation actions will also be outlined in the investment's Resettlement Action Plan (RAP). Investees commit to proactively mitigating against E&S risks based on their ESMPs, ESAPs and in accordance with the FEI ESMS.

ESMP, ESAP and RAP documents must collectively outline all mitigation actions to be taken once the potential investee becomes an active FEI investee and must be in place by the time investment by the Fund is concluded. The documents will identify specific mitigation actions necessary for compliance with national and local regulations, the FEI E&S Policy, and AfDB and other investors' safeguards. The action plans outlined in each ESMP/ESAP should be technically feasible and cost-effective, should prioritize specific actions to be taken and the timeline for their implementation, and should reflect prior and continued consultation with affected communities. The plans should also describe the schedule and mechanisms for reporting on mitigation progress to FEI.

E&S shortcomings identified during ongoing project evaluation may give rise to additional remedial action that must be spelled out and accompanied with defined milestones.

Projects classified as Category 3 will aim to fully mitigate against potential E&S risks prior to beginning activities; otherwise, they may be reclassified as Category 2 and required to create ESMPs.

6.3 Reporting

The Fund Manager commits to a reporting schedule that is set out in the Investment Policy and includes regular reporting on E&S performance to Fund investors and other stakeholders. Semi-annual and annual E&S reporting formats will be based on the requirements of the investors in FEI, but a sample template is available in Appendix F. Semi-annual reports will profile the E&S performance of each individual investment, and annual report will explain performance across all investments in aggregate. In addition, reports will be made available to Fund investors for major incidents as soon as possible, latest within 3 working days from the occurrence of the major incident, and for each investment's baseline, midterm, and final evaluations, as stated earlier.

7 EXTERNAL RELATIONS: GRIEVANCE AND REDRESS MECHANISMS

7.1 Fund manager

The Fund Manager will ensure that members of the public have a channel to easily provide comments or express grievances. The Fund seeks to provide a clear grievance and redress mechanism (GRM) that ensures grievances are appropriately addressed and are used to prevent similar complaints in the future. The methods of doing so are highlighted in the table below.

Table 4: Summary of Fund Manager’s GRM

Consideration	Method
Provide public with the means to easily communicate grievances, including anonymous ones.	The Fund website provides an email address that members of the public may use to file complaints confidentially. This information will be shared with the AfDB as anchor investor by default in order to ensure 3 rd party oversight of all complaints received.
Implementation of a clear process that includes assignment of responsibility and monitoring of outcomes	The Fund Manager will maintain a log book to monitor progress towards resolution of all. The E&S Officer is responsible for reviewing and recording any complaints received. He/she is also responsible for working with any relevant staff or stakeholders to investigate the complaints, determine the necessary response, and report on the outcome.
Ensure grievances are used as a source of continual learning	The E&S Officer will periodical compile all grievances in order to improve operations and proactively prevent future grievances.

7.2 Investee

As per the first AfDB safeguard and AfDB ISS Volume 2, all investees are required to create a GRM prior to receiving investment for FEI -funded projects if they do not already have such mechanisms in place. Specifically, the GRM must be credible, independent, accessible to stakeholders at all times during the project’s lifetime, and have the capacity to receive, process, and resolve affected individuals’ or communities’ grievances regarding the environmental or social performance of an investee project or activities. All responses to grievances must be recorded and included in investee and FEI E&S reports.

To establish a GRM, the investee must allocate staff, financial resources, and equipment, with Category 1 activities expected to have much larger GRMs than Category 2 or Category 3 activities due to higher expected severity and likelihood of negatively impacting communities. GRMs typically include a team of lawyers, anthropologists and other social scientists, and communication specialists. GRMs are generally designed during an ESMP for Category 1 and 2 projects, and as such should be in place as soon as the investment is finalized.

8 ESMS REVIEW AND CONTINUOUS IMPROVEMENT

An effective E&S management system is dynamic, responsive to changing circumstances, and continuously improved through iteration and feedback.

FEI and its Fund Manager commit to soliciting feedback annually from internal and advisory stakeholders, investors, select AfDB staff, and external experts before or during Board meetings, about the perception of FEI E&S performance. Similarly, FEI will survey investees, end-beneficiaries, and impacted communities (where relevant) each year to understand areas of success as well as concerns that have not been addressed. Feedback from these two sources will then be reviewed by the Fund Manager's senior team, and revisions will be made to the FEI ESMS to improve future performance both for investees already part of the portfolio, and for future investees.

If severe incidents or breaches of E&S Policy occur, the Fund Manager commits to making rapid changes to the ESMS, including to future due diligence procedures.

Appendix A Exclusion List

At all times, the Fund Manager shall ensure that the Fund does not provide funding or other support to any institution that provides loans, funding or other support to entities that engage in any of the activities included in the exclusion list of the AfDB, EDFI and KFW and such other exclusion list that may be added from time to time:

AfDB NEGATIVE AND EXCLUSION LIST

The AfDB Negative and Exclusion List applies to transactions where the primary business activity of the client includes any of the following:

- Alcoholic beverages
- Tobacco
- Platinum
- Pearls
- Precious stones
- Gold and related products
- Nuclear reactors and related products
- Ammunition and other goods used for military and/or paramilitary purposes
- Luxury consumer goods (luxury vehicles; watches; jewellery; designer clothing; urban mansions; etc).
- Weapons
- Goods harmful to the environment (disposable paper cups; paper and plastic bags; polythene bags; disposable sanitary products; food packaging; toxic and inflammable liquids and gases)
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- Production or trade in radioactive materials, with the exception of medical materials and quality -control equipment where the radioactive source is trivial and adequately shielded;
- Production or trade in or use of un-bonded asbestos fibers or other products with bonded asbestos as dominant material;
- Production or trade in pharmaceuticals, chemical compounds and other harmful substances subject to international phase -outs or bans, including pesticides classified as Class I (a) (extremely hazardous), I(b) (highly hazardous) or II (moderately hazardous);
- Production or trade of ozone-depleting substances (Chlorofluorocarbons or CFCs) subject to international phase-out.
- Trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Purchase of logging equipment for use in unmanaged primary tropical rainforests; and
- Production and activities involving harmful or exploitative forms of forced labour and/or child labour as defined by national or international regulations.

Harmonized EDFI Exclusion List

According to The European Development Finance Institution (EDFI) "Principles for Responsible Finance", EDFI members have mutually agreed on the following Harmonized EDFI Exclusion List for co-financed projects:

EDFI Members will not finance any activity, production, use, distribution, business or trade involving:

- 1) Forced labour⁴ or child labour⁵
- 2) Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
- 3) Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
- 4) Destruction⁶ of High Conservation Value areas⁷
- 5) Radioactive materials⁸ and unbounded asbestos fibres
- 6) Pornography and/or prostitution.
- 7) Racist and/or anti-democratic media
- 8) In the event that any of these following products form a substantial part of a project's primary financed business activities:⁹
 - a) Alcohol beverages (except beer and wine)
 - b) Tobacco
 - c) Weapons and munitions; or
 - d) Gambling, casinos and equivalent enterprises

⁴ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

⁵ Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply

⁶ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁷High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).

⁸ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

⁹ For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.

Exclusion List and Sectoral Guidelines of KfW Group

I. Exclusions

In the following areas KfW Group does not offer financing for new projects or purposes in its promotional programmes¹⁰:

- 1) Production or trade in any product or activity subject to national or international phase-out or prohibition regulations or to an international ban, for example i) certain pharmaceuticals, pesticides, herbicides and other toxic substances (under the Rotterdam Convention, Stockholm Convention and WHO "Pharmaceuticals: Restrictions in Use and Availability"), ii) ozone depleting substances (under the Montreal Protocol), iii) protected wildlife or wildlife products (under CITES / Washington Convention) iv) prohibited transboundary trade in waste (under the Basel Convention).
- 2) Investments which could be associated with the destruction¹¹ or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international standards).
- 3) Production or trade in controversial weapons or critical components thereof (nuclear weapons and radioactive ammunition, biological and chemical weapons of mass destruction, cluster bombs, antipersonnel mines, enriched uranium).
- 4) Production or trade in radioactive material. This does not apply to the procurement of medical equipment, quality control equipment or other application for which the radioactive source is insignificant and/or adequately shielded.
- 5) Production or trade in unbound asbestos. This does not apply to the purchase or use of cement linings with bound asbestos and an asbestos content of less than 20%.
- 6) Destructive fishing methods or drift net fishing in the marine environment using nets in excess of 2.5 km.
- 7) Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
- 8) 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 lines¹²
- 9) Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.

¹⁰ Deviations can result from mandated transactions (Zuweisungsgeschäft) in accordance with § 2 (4) of the Law Concerning KfW, or from instructions of the relevant federal ministries.

¹¹ "Destruction" means (i) the destruction or severe deterioration of the integrity of an area caused by a major and prolonged change in the use of land or water, or (ii) the alteration of a habitat which leads to the inability of the affected area to perform its function.

¹² 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 coal-based 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.

II. Sectoral Guidelines

In selected sectors, KfW Group ties its direct financial commitment for concrete new projects to the following qualitative conditions¹³:

- 1) Outside the EU and the OECD high income countries, large agricultural or forestry enterprises producing palm oil or wood must either comply with recognised international certification systems (RSPO or FSC) or equivalent regulations to ensure sustainable cultivation conditions, or must be in the process of achieving compliance.
- 2) Large dam and hydropower projects use the recommendations of the World Commission on Dams (WCD) as orientation¹⁴.
- 3) Projects for non-conventional prospection, exploration and extraction of gas will disclose in accordance with international standards, - that no material groundwater drawdown or contamination is to be expected, - that measures for resource protection (in particular water) and recycling are taken, - that suitable technology is used for safe drilling, which includes integrated bore piping and pressure testing

¹³ Deviations can result from mandated transactions (Zuweisungsgeschäft) in accordance with § 2 (4) of the Law Concerning KfW, or from instructions of the relevant federal ministries.

¹⁴ Dams with a height of at least 15 meters measured from the foundation or dams with a height between 5 and 15 meters with a reservoir volume of more than 3 million cubic meters.

The following exclusions shall not apply where the Fund is financing an asset that meets its investment criteria and which is tied to any of the below if they are already existing and not in violation with any environmental laws or regulations¹⁵:

- Large-scale non-renewable energy industrial plants;
- Large-scale industrial estates;
- Thermal power stations and other combustion installations with a heat output of 200 megawatts or more;
- Cement manufacturing with an annual production rate of greater than one million dry weight tons;
- Construction of motorways, express roads and lines for long-distance railway traffic 10 km or more in a continuous length; airports or airport expansions with a basic runway length of 2,100 meters or more;
- Sea ports and also inland waterways and ports for inland-waterway traffic that permit the passage of vessels of over 1,350 tons; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) that can take vessels of over 1,350 tons;
- Industrial plants for the (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tons per day;
- Quarries, mining, or processing of metal ores or coal;
- Municipal wastewater treatment plants servicing more than 150,000 people;
- Municipal solid waste-processing and disposal facilities;
- Large-scale tourism and retail development;
- Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day;
- Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows;
- Housing developments that contain more than 2,500 residential units;

¹⁵ The following conditions shall also be met:

1. Outside the EU and the OECD high income countries, large agricultural or forestry enterprises producing palm oil or wood must either comply with recognised international certification systems (RSPO or FSC) or equivalent regulations to ensure sustainable cultivation conditions or must be in the process of achieving compliance.
2. Large dam and hydropower projects use the recommendations of the World Commission on Dams (WCD) as orientation.
3. Projects for non-conventional prospection, exploration and extraction of gas will disclose in accordance with international standards, - that no material groundwater drawdown or contamination is to be expected, - that measures for resource protection (in particular water) and recycling are taken, - that suitable technology is used for safe drilling, which includes integrated bore piping and pressure testing.

Appendix B E&S Operational Safeguards

Safeguard 1: Environmental and Social Assessment (ESA)

The first safeguard represents the Facility's overarching requirements for its staff to identify, assess, and manage E&S risks, and for investees to prevent, prepare for, and mitigate against negative social and economic impacts at the same time that they foster positive impacts. All projects that reflect the potential for medium to severe social or environmental risks are required to undergo an ESA. In addition to evaluation along the five other safeguards, the ESA explicitly evaluates the potential impacts of project activities on indigenous peoples, vulnerable groups, gender inequality, cultural heritage preservation, community consultation and engagement, and potential transboundary and regional impacts. It should also include considerations for grievance mechanisms and redress procedures.

Safeguard 2: Land Acquisition and Resettlement

The second safeguard ensures that all possible actions are taken to avoid forced land acquisition, displacement, and resettlement. Most importantly, it requires sustained stakeholder engagement throughout the life of the investment. In the event that it is not possible to avoid displacement, stakeholders must be able to set their own requirements for fair compensation or other mitigation measures.

Safeguard 3: Biodiversity and Ecosystem Services

The third safeguard ensures that investee activities do not negatively impact, and to the full extent possible, positively impact, local and national biodiversity, conservation, and the provision of ecosystem services and environmental resources. It includes specific considerations on access to clean water, access to clean air, deforestation, and habitat loss and degradation. It also considers the potential for direct harm to ecosystem service providers like pollinators (namely, bees, birds, and bats); seed dispersers (insects and larger animals); water purifiers (mangroves and other plants near water bodies); and decomposers (fungi, vultures, and others).

Safeguard 4: Pollution Prevention and Control

The fourth safeguard ensures that all possible actions are taken to structure the project such that it prevents pollution and strives for efficiency. Pollution includes the release of toxic or hazardous substances during any stage of project operation, including after completion and unintentional release. Efficiency refers to energy efficiency (including efficient electricity transmission) as well as resource use efficiency (such as in the case of diesel or gas use for combined power generation).

Safeguard 5: Labour Conditions, Health, and Safety

The fifth safeguard aims to ensure that projects operate safely and with mutually beneficial labour conditions, and ultimately improve rather than harm human health. In particular, it addresses considerations about child labour and forced labour; fair wages; the ability for workers to organize; food security, HIV-AIDS, air pollution-related illnesses, and other health issues; and safety for both

investee staff and contractors (in transportation, construction, operation, and maintenance) as well as for consumer users.

Safeguard 6: Climate Change

The sixth and final safeguard ensures that all possible actions are taken to structure the project such that it maximizes positive climate change impacts (both in terms of mitigation and adaptation), and minimizes either exacerbating climate change impacts or increasing the vulnerability of local communities to climate change.

While this sixth safeguard does not reference a specific AFDB policy document, its purpose is to expand the scope of the environmental and social risk assessment in light of the underlying renewable energy technologies used across the Facility for Energy Inclusion (off-grid window and on-grid window).

The factors incorporated into this risk assessment and management derive in part from the AFDB's 2015 follow up ISS guidelines for projects, which can be found here¹⁶. The risk areas for these projects are predominantly applicable to larger units (minigrids, IPPs etc) as they focus on land use, resettlement, construction of project sites.

Appendix C Additional Safeguards: IFC Performance Standards

The International Finance Corporation (IFC) is the private sector arm of the World Bank Group (WBG) and the largest global development institution focused on private sector development in developing countries. The IFC's approach to and standards on environmental and social sustainability, particularly the IFC Performance Standards (PS)¹⁷, have become a benchmark for private sector investing in emerging markets, with many DFIs and investors formally adopting or incorporating the IFC's standards and guidelines in their own E&S policies and procedures. The Equator Principles are based on the policy frameworks established by the IFC.

The IFC has published a set of Guidance Notes¹⁸ corresponding to the PS with explanations on the requirements of the PS and good sustainability practices to improve project performance. Furthermore, the WBG publish Environmental, Health and Safety (EHS) Guidelines as technical reference documents for implementation of the PS, with examples of Good International Industry Practice (GIIP) for environmental, occupational health and safety and community health and safety management and performance. In addition to General EHS Guidelines¹⁹, which includes guidelines specific to construction and decommissioning of projects, various Industry Sector EHS Guidelines have been published. Relevant guidelines include those for Electric Power Transmission and Distribution²⁰, Geothermal Power Generation²¹ and Wind Energy²².

Overview of the IFC Performance Standards

PS 1: Assessment and Management of Environmental and Social Risks and Impacts

PS 1 underscores the importance of managing environmental and social performance throughout the life of a project. A good management system appropriate to the size and nature of project operations promotes sound and sustainable environmental and social performance, and can lead to improved financial, environmental and social development outcomes. The management system should incorporate the following elements, as relevant: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; and (vii) monitoring and review.

¹⁷ [IFC Performance Standards on Environmental and Social Sustainability, 2012](#)

¹⁸ [Guidance Notes to Performance Standards on Environmental and Social Sustainability, 2012](#)

¹⁹ [EHS General Guidelines, 2007](#)

²⁰ [EHS Guidelines for Electric Power Transmission and Distribution, 2007](#)

²¹ [EHS Guidelines for Geothermal Power Generation, 2007](#)

²² [EHS Guidelines for Wind Energy, 2015](#)

The objectives of PS1 are to:

- Identify and evaluate environmental and social risks and impacts;
- Adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimise and, where residual impacts remain, compensate / offset for risks and impacts to workers, Affected Communities and the environment;
- Promote improved environmental and social performance through the effective use of management systems;
- Ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately; and
- Promote and provide means for adequate engagement with Affected Communities on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.

PS 2: Labour and Working Conditions

PS 2 recognises that the pursuit of economic growth through employment creation and income generation should be balanced with protection for basic rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient to the sustainability of the enterprise. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention and can jeopardise an investment.

PS2 sets out the standards that must be adhered to with regard to direct workers, where there is a clear employment relationship and complete control over their working conditions and treatment. Obligations with regard to the labour and working conditions, specifically health and safety, of workers employed by third parties and those within the primary supply chain are also set out in this PS. The requirements set out in this PS have been in part guided by a number of international conventions negotiated through the International Labour Organisation and the United Nations.

The primary objectives of this PS are to:

- Promote the fair treatment, non-discrimination and equal opportunity of workers;
- Establish, maintain and improve the worker-management relationship;
- Promote compliance with national employment and labour laws;
- Protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties and workers in the company's supply chain;
- Promote safe and health working conditions, and the health of workers; and
- Avoid the use of forced and child labour.

PS 3: Resource Efficiency and Pollution Prevention

PS 3 recognises that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels. PS 3 requires the implementation of measures to improve efficiency in the consumption of resources (e.g. energy and water), focusing on core business activities. Ambient conditions must be considered and pollution prevention and control technologies and practices applied that are best suited to avoid or, where avoidance is not feasible, minimise or reduce adverse impacts on human health and the environment, while remaining technically and financially feasible and cost-effective.

The objectives of PS3 are to:

- Avoid or minimise adverse impacts on human health and the environment by avoiding or minimising pollution from project activities.
- Promote more sustainable use of resources, including energy and water.
- Reduce project-related greenhouse gas emissions.

PS 4: Community Health, Safety and Security

PS 4 recognises that, in addition to benefits such as employment, services and opportunities for economic development, development activities, equipment, and infrastructure can also increase the potential for community exposure to risks and impacts arising from accidents, structural failures, and releases of hazardous materials. Communities may also be affected by impacts on their natural resources, exposure to diseases, and the use of security personnel. While acknowledging the public authorities' role in promoting the health, safety and security of the public, this PS addresses the Fund Manager's responsibility to avoid or minimise the risks and impacts to community health, safety and security that may arise from development activities. The level of risks and impacts described in this Performance Standard may be greater for projects located in conflict and post-

The objectives of PS4 are to:

- Anticipate and avoid adverse impacts on the health and safety of Affected Communities from both routine and non-routine circumstances.
- Ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimises risks to Affected Communities.

PS 5: Land Acquisition and Involuntary Resettlement

Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of project-related land acquisition. Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse land acquisition that results in displacement. This occurs in cases of: (i) lawful expropriation or restrictions on land use based on eminent domain; and ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or at least minimised. However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities should be carefully planned and implemented. In many countries, there are national legislation that guide the resettlement (and compensation) process. However, project proponents are required to ensure that any resettlement undertaken on their behalf also meets the requirements as set out in in this PS.

The requirements of PS5 aims to:

- Avoid, and when avoidance is not possible, minimise displacement by exploring alternative project designs.

- Avoid forced eviction.
- Anticipate and avoid, or where avoidance is not possible, minimise adverse social and economic impacts from land acquisition or restrictions on land use by providing compensation for loss of assets at replacement cost and ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.
- Improve, or restore, the livelihoods and standards of living of displaced persons.

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

PS 6 recognises that protecting and conserving biodiversity – the variety of life in all its forms, including genetic, species and ecosystem diversity – and its ability to change and evolve, is fundamental to sustainable development. The components of biodiversity, as defined in the Convention on Biological Diversity, include ecosystems and habitats, species and communities, and genes and genomes, all of which have social, economic, cultural and scientific importance.

This PS reflects the objectives of the Convention on Biological Diversity to conserve biological diversity and promote use of renewable natural resources in a sustainable manner. PS 6 addresses how project proponents can avoid or mitigate threats to biodiversity arising from project operations as well as sustainably manage renewable natural resources. Where projects pose risks to biodiversity or ecosystem services (including where there are knowledge gaps), this PS requires the adoption of practices that integrate conservation needs and development priorities in order to:

- Protect and conserve biodiversity.
- Maintain the benefits from ecosystem services.
- Promote the sustainable management of living natural resources.

PS 7: Indigenous Peoples

PS 7 recognises that Indigenous Peoples are often among the most marginalised and vulnerable communities among a population. The ability of Indigenous Peoples to defend their rights to and interests in land and natural or cultural resources is often restricted by their economic, social and/or legal status. They are often more vulnerable to the adverse impacts associated with development than non-indigenous communities.

Private sector developments may create opportunities for Indigenous Peoples to participate in and benefit from development-related activities that may help them fulfil their aspiration for economic and social development. In addition, the recognises that Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development.

The objectives of this Performance Standards are to:

- Ensure respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.
- Anticipate and avoid adverse impacts on communities of Indigenous Peoples, or when avoidance is not possible, to minimise and/or compensate for such impacts.
- Promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.

- Establish and maintain an ongoing relationship based on Informed consultation and participation with Indigenous Peoples.
- Ensure Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples in specific circumstances.
- Respect and preserve the culture, knowledge, and practices of Indigenous Peoples.

PS 8: Cultural Heritage

PS 8 recognises the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this PS aims to protect irreplaceable cultural heritage. In addition, the requirements of this PS on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

The objectives of this Performance Standard are to:

- Protect cultural heritage from the adverse impacts of project activities and support its preservation.
- Promote the equitable sharing of benefits from the use of cultural heritage.

IFC E&S Risk Categorisation

The IFC's system of E&S categorization²³ as part of its due diligence process was designed to harmonise the methodologies adopted by several multilateral financial institutions. The IFC's framework, while using a different numbering system, is largely aligned with that of the AFDB as adopted by FEI (see Table 5).

Table 5: Comparison of E&S Risk Categorisation Frameworks.

IFC	AFDB equivalent
<p>Category A</p> <p>Activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.</p>	<p>Category 1</p> <p>Facility or investee operations are likely to cause significant environmental and social impacts</p>
<p>Category B</p> <p>Activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.</p>	<p>Category 2</p> <p>Facility or investee operations are likely to cause less adverse environmental and social impacts than Category 1 activities.</p>
<p>Category C</p> <p>Activities with minimal or no adverse</p>	<p>Category 3</p> <p>Facility or investee operations will likely have negligible adverse environmental and social risks.</p>
<p>Category FI</p> <p>Business activities involving investments in financial intermediaries or through delivery mechanisms involving financial intermediation.</p> <p>Subcategories are FI-1, FI-2 and FI-3 to reflect the potential environmental and social impacts and risks of the financial intermediary's existing or proposed portfolio of projects, equivalent to Categories A through C in terms of the projects' risk profiles.</p>	<p>Category 4</p> <p>Facility or investee operations involve lending to financial intermediaries.</p> <p>Subcategories are FI-A, FI-B, and FI-C to reflect the potential environmental and social impacts and risks of the financial intermediary's existing or proposed portfolio of projects, equivalent to Categories 1 through 3 in terms of the projects' risk profiles.</p>

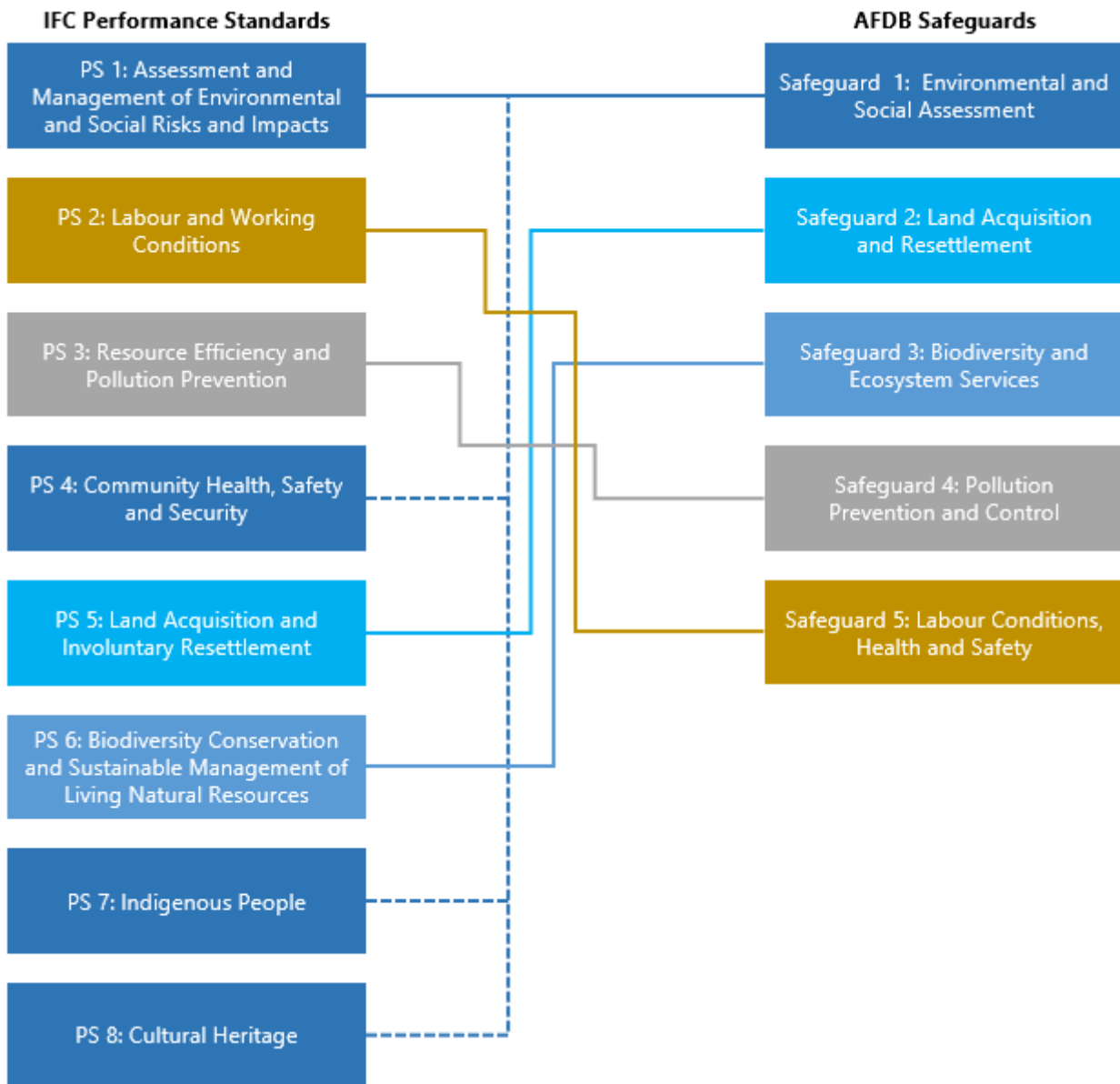
No categorisation methodology can cover all possible investment scenarios and parameters, and some level of professional judgement and interpretation is required when categorisation is applied to any potential investment. The environmental and social risks and impacts inherent in the project's industry sector must be considered, in addition to factors such as scale, location, sensitivity of the receiving environment and the anticipated magnitude of impacts of each project on a case by case basis.

²³ [IFC Interpretation Note on Environmental and Social Categorisation](#)

Comparison IFC PS with AFDB Safeguards

The IFC PS are largely aligned with the AFDB Safeguards in that both sets of standards cover similar themes, as illustrated in Figure 6. The IFC PS include standalone standards to address issues pertaining to community health, safety and security, Indigenous People and cultural heritage, whereas these issues are incorporated into the AFDB’s overarching Safeguard 1.

Figure 6: Comparative map of IFC PS with AFDB Safeguards.



A comparison of the requirements of each of the IFC PS with that of the AFDB Safeguards is presented in the following sections. The additional requirements imposed by the IFC PS and/or inconsistencies between the two sets of standards are identified. In most cases, the IFC PS does not impose additional requirements as much as it provides more specific or more detailed requirements than those set out in the AFDB Safeguards. Nevertheless, the approach adopted by FEI is to ensure that our projects and activities meet both sets of requirements.

IFC PS 1: Assessment and Management of Environmental and Social Risks and Impacts

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
<p>Safeguard 1: Environmental and Social Assessment</p>	<p>Both standards set requirements and provide guidance for environmental and social assessment procedures. The assessment itself is the key focus of the AFDB Safeguard, while the IFC PS requires assessments as part of a larger management system designed to ensure that environmental and social risks and impacts are identified and adequately managed throughout the life of a project.</p> <p>A key difference between the two standards is in the semantics used: IFC PS 1 discusses requirements for an environmental and social management system (ESMS) for all investments, while AFDB Safeguard 1 distinguishes between environmental and social management plans (ESMPs) for development projects, and ESMSs for financial intermediaries.</p> <p>A key difference in the management systems as described by each standard, is the IFC PS 1 requirement for projects to adopt formalised environmental and social policies, and specified requirements. where a project will have direct, adverse impacts on a local community (i.e. Affected Community).</p>	<p>According to IFC PS 1, the following components of an ESMS should be in place for all investment projects, as appropriate to the nature and scale of project operations and commensurate with the potential risks and impacts:</p> <ul style="list-style-type: none"> ▪ Formal (documented) policy defining environmental and social objectives and principles, and signed off by senior management; ▪ Procedures for ongoing identification of environmental and social risks and impacts; ▪ Management programs to mitigate the identified environmental and social risks and impacts; ▪ An organisational structure that defines roles, responsibilities and authority for environmental and social matters; ▪ Emergency preparedness and response procedures; ▪ Procedures to monitor the effectiveness of the management programs and compliance with regulatory requirements; ▪ Stakeholder engagement procedures, including a Stakeholder Engagement Plan for Affected Communities; ▪ Procedures for external communications and a grievance mechanism; and ▪ Ongoing reporting to Affected Communities throughout the life of a project. 	<p>FEI will ensure that investment project ESMPs as defined by the AFDB comprise of all of the components of an ESMS as defined by IFC PS 1, and as appropriate to the nature and scale of operations and associated risks and impacts.</p>

IFC PS 2: Labour and Working Conditions

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
Safeguard 5: Labour Conditions, Health and Safety	<p>Both sets of standards are aligned with the International Labour Organisation (ILO) Core Labour Standards (fundamental conventions)²⁴ and discusses the same requirements/ standards for:</p> <ul style="list-style-type: none"> ▪ Working conditions and managing worker relationships, including requirements for human resources policies and procedures; ▪ Protecting the workforce from inequality, social exclusion, child labour and forced labour; ▪ Occupational health and safety; and ▪ Third-party and primary supply chain workers. 	N/a	N/a

²⁴ [ILO Fundamental Conventions](#)

IFC PS 3: Resource Efficiency and Pollution Prevention

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
<p>Safeguard 4: Pollution Prevention and Control</p>	<p>Both standards required projects to implement technically and financially feasible techniques and cost-effective measures for improving efficiency in the consumption of resources such as energy, water, raw materials and other resources, and to prevent/avoid the release of pollutants or, where avoidance is not possible, mitigate and/or control their release.</p> <p>Both standards reference the WBG EHS Guidelines in this regard and AFDB Safeguard 4 makes several references to IFC PS 3 requirements; it is clear that AFDB Safeguard was developed with the requirements of IFC PS 3 in mind.</p> <p>However, IFC PS 3 provides more detailed requirements for specific aspects, notably on greenhouse gas (GHG) emissions, water consumption and waste management.</p>	<p><u>GHG emissions</u></p> <ul style="list-style-type: none"> ▪ Options to reduce project-related GHG emissions must be considered during design and operation, including alternative project locations, reducing fugitive emissions and reducing gas flaring. ▪ Quantification and annual reporting of GHG emissions is required for projects producing more than 25,000 tonnes of CO₂-equivalent annually. <p><u>Water consumption</u></p> <ul style="list-style-type: none"> ▪ In addition to implementing measures to avoid or reduce water usage, projects that are significant consumers of water must ensure that water consumption does not compete with other water users and/or have adverse effects on others, e.g. on their access to water or the availability of water. <p><u>Waste management</u></p> <ul style="list-style-type: none"> ▪ Where hazardous waste disposal is conducted by third parties, in addition to ensuring the third parties are reputable and legitimate waste disposal contractors using licensed disposal sites, projects will ensure that the disposal sites used are being operated to acceptable standards. ▪ Where this is not the case, waste sent for disposal at these sites must be reduced and alternatives considered, including the possibility of developing on-site waste disposal facilities. 	<p>FEI will ensure compliance with the additional IFC requirements, as and where relevant.</p>

IFC PS 4: Community Health, Safety and Security

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
<p>Safeguard 1: Environmental and Social Assessment</p>	<p>AFDB does not have a standalone standard on community health, safety and security, but Safeguard 1 requires the assessment and management of direct and indirect impacts on the health and safety of local communities, and on their socioeconomic conditions and livelihoods. The establishment of preventative and management measures consistent with the WBG EHS Guidelines is required.</p> <p>Both standards refer to the WBG EHS Guidelines as providing internationally acceptable standards with regard to general and industry-specific community health and safety performance, but IFC PS 4 is more prescriptive with regard to specific community health and safety issues not specifically mentioned in the AFDB Safeguard. This includes risks associated with infrastructure design and safety, hazardous materials management and safety; community exposure to disease and the use of security personnel.</p>	<p><u>Infrastructure design and safety</u></p> <ul style="list-style-type: none"> ▪ Infrastructure and equipment must be designed, constructed and operated to as to minimise risks to third parties and Affected Communities, including incremental risks of exposure to accidents/hazards. ▪ For high-risk projects, external experts must be appointed to review and advise on the project's design and structural safety. <p><u>Hazardous Materials Management and Safety</u></p> <ul style="list-style-type: none"> ▪ Community exposure to hazardous materials and substances that may be released by the project must be avoided or minimised by modifying, substituting, or eliminating the conditions or materials creating the potential hazard. Where this is not possible, commercially reasonable efforts to minimise or control exposure must be implemented. <p><u>Community exposure to disease</u></p> <ul style="list-style-type: none"> ▪ The potential for community exposure to water-borne, water-based, water-related, and vector-borne diseases, and communicable diseases, including diseases that may be associated with the influx of temporary or permanent project labour, must be avoided. ▪ Where specific diseases are endemic in communities in a project's area of influence, he project should 	<p>FEI will ensure compliance with the additional IFC requirements, as and where relevant.</p>

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
		<p>explore opportunities to improve environmental conditions that could help minimise their incidence.</p> <p><u>Security personnel</u></p> <ul style="list-style-type: none"> ▪ The risks posed by a project’s security arrangements (whether in-house or contracted) to those within and outside the project site must be assessed. Security personnel must be adequately screened and trained in appropriate conduct, the use of force and legislative requirements. ▪ Use of force must be avoided unless absolutely necessary in proportion to the nature and extent of the threat. ▪ A project-level grievance mechanism must be provided for Affected Communities to express concerns about a project’s security provisions. 	

IFC PS 5: Land Acquisition and Involuntary Resettlement

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
<p>Safeguard 2: Land Acquisition and Resettlement</p>	<p>These standards are broadly aligned along generally accepted GIIP with regard to resettlement. Both require socio-economic surveys to ensure an understanding of affected assets and livelihoods, extensive consultation and engagement with the affected persons, fair compensation and the development of action plans to govern the process and ensure restoration and improvement of living conditions and livelihoods.</p> <p>Both standards require the development of a Resettlement Action Plan (RAP). AFDB Safeguard 2 distinguishes between two types of RAP based on the significance of potential impacts; an Abbreviated Resettlement Action Plan (ARAP) is required for resettlement involving less than 200 people, while a Full Resettlement Action Plan (FRAP) is required for resettlement involving more than 200 people and/or vulnerable groups. IFC PS 5 does not make this distinction and considers all involuntary resettlement as having the potential to have significant adverse impacts.</p>	<ul style="list-style-type: none"> ▪ RAPs are required for projects involving physical displacements and LRPs for economic displacement, regardless of the number of people affected. <p><u>Private sector responsibilities under government-managed resettlement</u></p> <ul style="list-style-type: none"> ▪ Projects must collaborate with the responsible government agency, to the extent allowed for by the agency, to achieve outcomes consistent with IFC PS 5. ▪ Where government capacity is limited, the project must play an active role during resettlement planning, implementation and monitoring. ▪ The project must develop and implement Supplemental Resettlement Plans in cases where government-led resettlement measurements do not meet the requirements of PS 5. ▪ In cases involving economic displacement only, if the government compensation measures do not meet PS 5 requirements, the project will develop an Environmental and Social Action Plan to complement government resettlement actions. This may include additional compensation for assets and additional livelihood restoration efforts where applicable. 	<p>FEI will ensure that RAPs and/or LRPs are compiled for all cases of involuntary resettlement, regardless of the number of people affected.</p> <p>RAPs compiled for economic displacement in compliance with AFDB Safeguard 2 will also address livelihood restoration in compliance with IFC PS 5 requirements for LRPs.</p> <p>FEI will ensure compliance with the additional IFC requirements in cases of government-led resettlement.</p>

	<p>The standards apply slightly different terms to the action plan depending on the situation. IFC PS 5 refers to a RAP for projects that result in physical displacement (i.e. relocation of people from their homes), but a Livelihood Restoration Plan (LRP) for projects where there is economic but no physical displacement. AFDB Safeguard 2 does not make this distinction, but requires that all RAPs include a comprehensive livelihood improvement programme.</p> <p>IFC PS 5, as a standard exclusively for private sector development, includes requirements specifically for cases where land acquisition and resettlement are the responsibility of the government.</p> <p>Note that IFC PS 5 does not address involuntary resettlement of Indigenous People; this is included in the IFC PS 7 (see below).</p>		
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IFC PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
Safeguard 3: Biodiversity and Ecosystem Services	<p>Both standards are aligned with the Convention on Biological Diversity and are similar in their scope and application. AFDB Safeguard 3 references various terms and definitions as used in the IFC PS 6, including definitions for natural, modified and critical habitats, and set similar requirements for projects to be developed in each type of habitat.</p> <p>Both standards require the development and implementation of biodiversity monitoring programmes for projects with biodiversity impacts, and Biodiversity Action Plans (BAPs) for projects in critical habitats and high-risk projects in natural habitats.</p> <p>Furthermore, both standards include requirements for managing invasive alien species, and the assessment of risks to ecosystem services.</p> <p>IFC PS 6 includes specific requirements for projects that involve the primary production of living natural resources, such as forestry, agriculture, fisheries, etc., which are not relevant to the activities of FEI.</p>	N/A	N/A

IFC PS 7: Indigenous People

There is no universally accepted definition of what constitutes “Indigenous People”. IFC PS 7 uses the term in a generic sense to refer to any distinct social and cultural group with the following characteristics:

- Self-identification as a distinct indigenous cultural group and recognition of this by others;
- Collective attachment to geographically distinct areas and the natural resources in these area;
- Customary cultural, economic, social, or political institutions that are separate from those of mainstream society or cultures; and/or
- A distinct language or dialect, often different from the official language or languages of the country or region.

Individual projects are required to exercise judgement in determining whether a group or communities should be considered indigenous for the purposes of PS 7 on a case by case basis.

The AFDB recognises the problem with applying the above definition in the African context, where most inhabitants are indigenous to the continent and where many societies existed before colonisation, with unique characteristics such as those described above. In Africa, there is a sense that the term Indigenous People is imported from other continents with very different contexts, there is no agreement and significant confusion around the concept and in some places the term is politically divisive and fraught with contention²⁵. As a result, the AFDB does not maintain a standalone safeguard for or place undue emphasis on Indigenous People as a separate group in its policies, but treats Indigenous People as a special case of vulnerable groups (which also include minorities, women, marginalised social groups, some categories of children, the handicapped etc.). The AFDB ISS, specifically Safeguard 1, includes specific requirements with regard to the assessment and management of potential impacts on vulnerable groups.

²⁵ For example, following the Rwandan genocide in 1994, Rwanda has abolished all references to ethnic groups and referring to all inhabitants as people of Rwandan origin. The government does not recognise nor allow any groups to identify as specific ethnic groups, as it is considered an issue of national security.

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
<p>Safeguard 1: Environmental and Social Assessment</p>	<p>Despite the difference in approach to the concept of Indigenous People (IP) as described above, both standards include provisions intended to protect the rights of IP, either as a recognised group (as per the IFC PS) or as a vulnerable group (as per the AFDB ISS). This includes requirements with regard to assessment and consideration of potential impacts; avoiding adverse impacts on communities of IP; the need for broad community support; ensuring free, prior and informed consultation based on culturally appropriate consultation methodologies and timeframes; establishment of culturally appropriate and accessible grievance mechanisms; and respect for their culture, knowledge, practices and their rights to land and natural resources, whether legally formalised or not.</p> <p>IFC PS 7, however, include additional requirements with regard to the need for specific IP development plans, the need for Free, Prior and Informed Consent (FPIC) of IP communities under certain circumstances, and private sector responsibilities when government is responsible for IP issues.</p>	<p><u>Indigenous Peoples Plan</u></p> <ul style="list-style-type: none"> ▪ Where adverse impacts on the identity, natural resource-based livelihoods, food security and/or cultural survival of Affected Communities of IP cannot be avoided, projects must develop an Indigenous Peoples Plan, either as a standalone plan or as a component of a larger community development plan. The plan must detail actions to minimise and/or compensate for adverse impacts and to enhance positive impacts. <p><u>Free, Prior and Informed Consent</u></p> <ul style="list-style-type: none"> ▪ In addition to the general requirements as set out IFC PS 7, projects with unavoidable adverse impacts on communities of IP must, under specific circumstances, obtain the FPIC of Affected Communities of IP. FPIC must be established through good faith negotiation with the Affected Communities. ▪ Circumstances that require FPIC include impacts on lands and natural resources under traditional ownership or customary use of IP, resettlement of IP from such lands, or impacts on cultural heritage of IP. ▪ Projects must document the mutually agreed consultation process as well as evidence of the agreements between the parties as outcome of the negotiations. FPIC does not necessarily require 	<p>FEI will ensure compliance with the additional IFC requirements, as and where relevant.</p>

		<p>unanimity and may be achieved even when individuals or groups within the community explicitly disagree. The involvement of external experts is required.</p> <p><u>Private sector responsibilities where government is responsible for managing IP issues</u></p> <ul style="list-style-type: none">▪ Projects must collaborate with the responsible government agency, to the extent permitted by the agency, to achieve outcomes consistent with the objectives of IFC PS 7. An IPP must be developed that, together with government documentation, addresses the requirements of IFC PS 7.	
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IFC PS 8: Cultural Heritage

AFDB standard	Comparison notes	Additional IFC requirements	FEI Approach
<p>Safeguard 1: Environmental and Social Assessment</p>	<p>The standards are broadly aligned with regard to the need to identify, assess and avoid adverse impacts on tangible and intangible cultural heritage resources, implement chance find procedures, and conduct a process of informed consultation and participation with the Affected Communities in this regard.</p> <p>Both standards state that tangible heritage resources may be removed only if there are no technically or financially feasible alternatives. The overall benefits must outweigh the loss of cultural heritage, and removal must be conducted in compliance with relevant legislation and using internationally accepted best available techniques. IFC PS 8 distinguishes between replicable, non-replicable and critical cultural heritage.</p> <p>IFC PS 8 makes provision for compensation to be paid to Affected Communities for loss of tangible cultural heritage sources only as a last resort and under specific circumstances, whereas AFDB Safeguard 1 does not impose limitations on compensation and only requires engagement with the Affected Communities to agree to acceptable financial and non-financial compensatory measures.</p>	<p><u>Community access</u></p> <ul style="list-style-type: none"> If a project site contains cultural heritage sites, or prevents access to previously accessible cultural heritage sites, the project must allow continued access to the site(s) subject to consultation with the Affected Communities and subject to overriding health, safety and security concerns. <p><u>Critical cultural heritage</u></p> <ul style="list-style-type: none"> Removal of critical cultural heritage (internationally recognised and/or legally protected) may only be removed, altered or damaged under exceptional circumstances. Where it is unavoidable, informed consultation and participation and good faith negotiation processes with the Affected Communities is required, and must result in a documented outcome. External experts must be retained to assist in the assessment and protection of critical cultural heritage. <p><u>Project's use of cultural heritage</u></p> <ul style="list-style-type: none"> IFC PS 8 also makes provision for a project's use of cultural heritage, including knowledge, innovations or practices, for commercial purposes; this is highly unlikely to apply to the activities of FEI. 	<p>FEI will ensure compliance with the additional IFC requirements, as and where relevant.</p>

Appendix D E&S Assessment Checklist

This checklist represents a list a potential E&S risks and opportunities against which a potential investee will be evaluated and its activities categorized (as Category 1, 2, 3, or 4). This is used to directly inform each investment’s ESA and the screening as well as credit paper, both of which must receive approval prior to the investee receiving approval for the investment. This checklist may be modified and added to by the Fund Manager.

Table 6: Illustrative assessment checklist for evaluating potential FEI investees based on the four AfDB categories of risk.

Environmental & Social Management System (ESMS) Assessment Checklist				
General information				
Name of investee:				
Type of investment: <input type="checkbox"/> Mini-grid <input type="checkbox"/> Renewable Energy Facilities <input type="checkbox"/> Other				
Lending amount and financial purpose:				
Proposed location of activities:				
Brief description of proposed activities, including proposed type of energy generation technology:				
ESMS policy and management commitment				
Y	N	N A	Description	Comment
			All categories:	
			Investee organization (or financial intermediary) has a policy with regard to Environmental and Social (E&S) risk management that was approved by Senior Management	
			Investee organization already complies with international and national agreements, such as on child and forced labour, pollution, and fair wages	
			Investee organization (or financial intermediary) has a documented process to assess E&S impacts and risks of its operations	
			If classified as Category 1 or 2, the potential investee has created or is willing to create an Environmental & Social Management Plan (ESMP)	
			If classified as Category 1 or 2, the potential investee has created or is willing to create a mitigation action plan as part of its ESMP outlining all actions it will take to proactively mitigate against risk	
			If classified as Category 3, the potential investee commits to proactively mitigating all potential E&S risk, and understands that it may be classified as ‘Category 2’ if it is unable to mitigate risks	
			If applicable, the potential investee has created or is in the process of creating a Resettlement Action Plan (RAP), if applicable.	

		The potential investee expresses willingness to cooperate and identify opportunity for positive E&S impacts beyond those already planned for or identified	
		Category 4:	
		Organization is a financial intermediary	
Risk evaluation across operational safeguards			
Safeguard 1: Environmental and social assessment (Covering IFC PS 1, 4, 7, 8)			
		All categories:	
		Investee involves civil society groups, academics, and potentially impacted communities in decision-making	
		Investee has already established a credible, independent grievance and redress mechanism (GRM)	
		Project site is:	
		Rural	
		Urban	
		Industrial	
		Forested	
		Adjacent to or within a water body	
		Adjacent to or within a protected area	
		Adjacent to or within a culturally sensitive or indigenous area	
		Category 2:	
		Proposed investee activities require beneficiaries to have access to capital that is not typically available to women-led or minority households in the area, and thereby activities may further marginalize women and minorities in the community	
		Proposed investee activities may indirectly pose physical, psychological, or economic harm to one or more individuals or communities	
		Proposed investee activities may damage a community's or group's historical, cultural, religious, or archaeological heritage	
		Proposed investee activities may take place on, or flood and damage, land previously used as farmland or for other productive use, and may therefore have negative economic impacts on affected communities; investees plan to actively compensate for lost income and offer at least as equally attractive alternative income generation opportunities	
		Category 1:	
		Proposed investee activities entail construction of power generation plants producing more than 30 MW	
		Proposed investee activities directly pose physical, psychological, or economic harm to women, minorities, or other marginalized communities	

		Proposed investee activities involve damage ²⁶ or destruction of a community's or group's historical, cultural, religious, or archaeological heritage	
		Proposed investee activities may result in the exploitation of children or others who are traditionally tasked as biomass collectors (such as for biomass plants using woody biomass for fuel)	
		Proposed investee activities are to take place on, or to flood and damage, land previously used as farmland or for other productive use, and may therefore have negative economic impacts on affected communities; investees do not plan to actively compensate for lost income	
		Proposed investee activities are likely to reduce women's participation in decision-making processes	
		Proposed investee activities are likely to intensify discriminatory practices against women or other minorities or vulnerable populations	
Safeguard 2: Involuntary resettlement and land acquisition (Covering IFC PS 5)			
		Category 3:	
		If land is to be acquired, the land parcel is currently not used for productive use (to grow crops or for aquaculture, or for livestock ranching and herding, or for active commercial or industrial activity)	
		Proposed investee activities will not require the resettlement of any individuals	
		Category 2:	
		Proposed investee activities will require the acquisition of rights to land not currently leased or owned by the organization	
		Proposed investee activities will require the resettlement of fewer than 200 persons and with no significant impact, as determined by external E&S specialist(s).	
		Proposed investee activities will require the transplantation of businesses or other productive ventures with minimal impact	
		Proposed investees have experience with compensation agreements for displacement of individuals or communities	
		Category 1:	
		If land is to be acquired, the land parcel is currently used for productive use (to grow crops or for aquaculture, or for livestock ranching and herding)	
		If land is to be acquired, the land parcel is currently lived on, leased by, or used by indigenous peoples, ethnic or religious minorities, by those in the lowest income quintile, or by other vulnerable populations, such as the elderly or widows	
		Proposed investee activities will require the resettlement of at least 200 people	

²⁶ The AFDB uses the standard of 'destruction' whereas the IFC considers 'damage or destruction' as indicator for Category A projects.

		Proposed investee activities will require the resettlement of minorities or vulnerable populations (as defined in IFC PS7), which for the avoidance of doubt shall include Indigenous People	
		Proposed investee activities will flood at least 1000 ha of land currently used by local populations (such as in the case of hydropower)	
		Potential investees do not have experience with compensation agreements for displacement of individuals or communities, or have a poor reputation with previous arrangements with communities	
Safeguard 3: Biodiversity and ecosystem services (Covering IFC PS 6)			
		Category 2:	
		Proposed investee activities are to be sited within 20 km of a protected area or wildlife corridor, including bird and bat migration routes or rookeries (nesting areas)	
		In the case of hydropower, Proposed investee activities are to be sited within a waterway that is known habitat for endangered aquatic or riparian species that are not likely to be able to move upstream after construction of the hydropower infrastructure	
		In the case of hydropower, Proposed investee activities are likely to take place during reproduction or spawning season, or are likely to affect underwater habitat used for reproduction or spawning, such as eelgrass	
		Proposed investee activities are likely to adversely affect bees, birds, bats, and other pollinators through poisoning, loss of food sources or nesting areas, introduction of disease, or other reasons	
		Proposed investee activities are likely to adversely affect non-managed forests, including secondary-growth forests, through deforestation, fire, or other means	
		Proposed investee activities are likely to require planting and harvesting managed forests with exotic tree species on land that was previously "degraded," "dryland," or previously used for occasional food production	
		Category 1:	
		Proposed investee activities will occupy a land area of 2000 ha or more	
		Proposed investee activities will require the construction of roads or other means of right-of-way that are 50 km or longer, in highly populated, cultivated, or forested regions	
		Proposed investee activities will require the construction of 110 kV or greater-voltage above-ground transmission lines	
		Proposed investee activities are to be sited within a protected area or wildlife corridor, including bird and bat migration routes or rookeries (nesting areas)	
		Proposed investee activities are likely to affect populations of endangered species	
		Proposed investee activities are likely to adversely affect riparian and near-riparian habitats through compromised water quality, increased sediment loading, or habitat loss	

		Proposed investee activities are located in fish or amphibian spawning areas and are likely to prevent movement of these species upstream or downstream, thereby threatening species survival	
		Proposed investee activities are likely to require planting and harvesting managed forests with exotic tree species on land that was previously forested with native species, in wetlands, or on lands used for food production for at least one growing season per year	
Safeguard 4: Pollution prevention and control (Covering IFS PS 3)			
		Category 2:	
		Proposed investee activities are likely to result in increased soil or water pollution, such as if they require clearing of forested or planted areas on slopes or sandy soils, and therefore result in erosion	
		Proposed investee activities use resources, including energy, less efficiently than competitors in similar geographies	
		Proposed investee activities include the use of lead acid or lithium ion batteries, but investees have a system in place for the collection, refilling, replacement, and safe recycling of these batteries ²⁷	
		Proposed investee activities may result in the release of dust, smoke, odours, noise, fumes, vibrations, or traffic congestion above national legislated standards, or in their absence, current WHO Guidelines for Air Quality and Community Noise, and IFC EHS Guidelines on Community Health and Safety	
		Proposed investee activities require the use of pesticides, herbicides, or fungicides	
		In the case of biomass, smokestacks will be filled with pollutant capture devices that prevent 95% or more of air pollutants from entering outdoors, and these will be cleaned and maintained regularly	
		In the case of hydropower, Proposed investee activities are likely to increase water turbidity and sedimentation, and thereby decrease water quality	
		Category 1:	
		Proposed investee activities are likely to release toxic chemicals into the environment, including known carcinogens or teratogens	
		Proposed investee activities do not mitigate against the release of hazardous substances into the environment	
		Proposed investee activities include the use of lead acid or lithium ion batteries, and investees do not have a system in place for the collection, refilling (for lead acid), replacement, and safe recycling of these batteries ²⁸	

²⁷ See Appendix L for more information

²⁸ ibidem

		Proposed investee activities may result in the release of dust, smoke, odours, noise, fumes, vibrations, or traffic congestion above national legislated standards, or in their absence, current WHO Guidelines for Air Quality and Community Noise, and IFC EHS Guidelines on Community Health and Safety for a period of over 3 months	
		Proposed investee activities require the use of pesticides, herbicides, fungicides, solvents, or asbestos	
		In the case of biomass, smokestacks will not be filled with pollutant capture devices that prevent 95% or more of air pollutants from entering outdoors	
Safeguard 5: Labour conditions, health, and safety (Covering IFC PS 2)			
		All Categories:	
		Potential investee commits to comply with all international and national labour and workers’ rights agreements and regulations	
		Investee will not directly or indirectly employ children (under the age of 18) or forced labour	
		Investee will not discriminate against employees on the basis of gender, age, ethnicity, religion, sexual orientation, or HIV status	
		Category 2:	
		Investee organization has been investigated for previous safety, labour, or health violations	
		Investee employees report wages paid are below average for the area and insufficient to pay for basic necessities	
		Past or future investee activities resulted in or are likely to result in worse physical or mental health outcomes for at least one individual	
		Proposed investee activities increase women’s workloads	
		Proposed investee activities may increase HIV/AIDS and other health risks	
		Category 1:	
		Investee organization has been investigated for previous safety, labour, or health violations, and current conditions during site visits do not demonstrate improvement in conditions to comply with health, safety, or labour codes	
		Investee employees report wages paid are below average for the area and insufficient to pay for basic necessities	
		Workers report working in unsafe conditions, including a lack of appropriate gear	
		Past or future investee activities resulted in or are likely to result in worse physical or mental health outcomes for at least one member of vulnerable communities, including among those earning less than the equivalent of less than \$1 per day, women, children, the elderly, or the disabled	
		Proposed investee activities will likely result in irreversible damage to health, including from exposure to toxins, unsafe drinking water, or air pollution (where PM 2.5 concentrations doubly exceed nationally allowed levels for at least 10 days per year, or are above nationally-allowed on average annually)	

Safeguard 6: Climate change²⁹			
			All Categories:
			Proposed investee activities are likely to result in the replacement of previously-used thermal energy sources with renewable energy sources
			Proposed investee activities are likely to offset 100,000 MT CO ₂ -equivalent or more per year
			Category 2:
			Proposed investee activities during construction, transportation, operations, or completion of activities may result in the emissions of greenhouse gases exceeding 100 MT CO ₂ -equivalent
			Proposed investee activities include construction of a biomass plant rather than solar, wind, or other renewable source
			Category 1:
			Proposed investee activities during construction, transportation, operations, or completion of activities may result in the emissions of greenhouse gases exceeding 1,000 MT CO ₂ -equivalent
			Proposed investee activities are likely to increase greenhouse gas emissions compared to not undertaking the operations
			Proposed investee activities include use of thermal generation
			Proposed investee activities are likely to increase communities' vulnerability to climate change, including siting on currently productive land
			Activities include construction of a biomass plant rather than solar, wind, or other renewable source, and there is no plan for continued access to feedstock that is not native vegetation
E&S monitoring and external reporting			
			Potential investee has sufficient capacity for periodic reports as well as annual reporting on E&S performance to the Fund
			Potential investee agrees to conduct baseline, midterm, and final evaluations, including greenhouse gas emissions calculations
Final risk categorization			
Tally			
Category 1: _____ statements			
Category 2: _____ statements			
Category 3: _____ statements			
Category 4: _____ statements			
Risk categorization			
<input type="checkbox"/> Category 1 (if 1+ Category 1 statements or 3+ Category 2 statements)			
<input type="checkbox"/> Category 2 (if 1+ Category 2 statements)			
<input type="checkbox"/> Category 3 (if no Category 2 statements)			
<input type="checkbox"/> Category 4 (if through a financial intermediary)			

²⁹ IFC Performance Standards do not directly cover Climate Change; however, climate change is discussed in IFC PS1 and GHG emissions are addressed in IFC PS3

Appendix E E&S Due Diligence Reporting Template

This reporting template represents the types of information to be gathered for E&S due diligence for each prospective investment. This template can be modified and added to by the Fund Manager.

Table 7: Illustrative template for conducting due diligence on E&S risks and likely performance for each potential investee.

Environmental & Social (E&S) Due Diligence Reporting Template	
General information	
<i>Name of potential investee:</i>	
<i>Type of investment:</i> <input type="checkbox"/> <i>Mini-grid</i> <input type="checkbox"/> <i>Renewable Energy Facilities</i> <input type="checkbox"/> <i>Other</i>	
<i>Lending amount and financial purpose:</i>	<i>Proposed location of activities:</i>
<i>Brief description of proposed activities, including proposed type of energy generation technology.</i>	
Management commitment to ESMS	
<ul style="list-style-type: none"> <input type="checkbox"/> Investee organization has a policy with regard to Environmental and Social (E&S) risk management that was approved by Senior Management, including if the organization is Category 4 (financial intermediary) <input type="checkbox"/> Investee organization has a documented process to assess E&S impacts and risks of its operations (or investments in the case of financial intermediaries) <input type="checkbox"/> If classified as Category 1 or 2, the potential investee supports external due diligence, has implemented or is committed to create an Environmental and Social Management Plan (ESMP) as well as Action Plan (ESAP). <input type="checkbox"/> If classified as Category 1 or 2, the potential investee is willing to create a mitigation action plan as part of its ESMP outlining all actions it will take to proactively mitigate against risk <input type="checkbox"/> If classified as Category 3, the potential investee commits to proactively mitigating all potential E&S risk, and understands that it may be classified as 'Category 2' if it is unable to mitigate risks <input type="checkbox"/> If applicable, the potential investee has prepared or is committed to prepare to create a Resettlement Action Plan (RAP) if applicable <input type="checkbox"/> The potential investee expresses willingness to cooperate and identify opportunity for positive E&S impacts beyond those already planned for or identified; in the case of financial intermediaries, the intermediary is willing to financially support investees' mitigation efforts 	
Risk evaluation for proposed activities across operational safeguards	
Overall risk categorization based on E&S risk assessment checklist:	
<ul style="list-style-type: none"> <input type="checkbox"/> Category 1 (high risk) <input type="checkbox"/> Category 2 (medium risk) <input type="checkbox"/> Category 3 (low to no risk) <input type="checkbox"/> Category 4 (through a financial intermediary) 	
Safeguard 1: Environmental and social assessment	

- Category 1 (high risk)
- Category 2 (medium risk)
- Category 3 (low to no risk)
- Category 4 (through a financial intermediary)

Reasoning:

Necessary mitigation measures:

Safeguard 2: Involuntary resettlement and land acquisition

- Category 1 (high risk)
- Category 2 (medium risk)
- Category 3 (low to no risk)
- Category 4 (through a financial intermediary)

Reasoning:

Necessary mitigation measures:

Safeguard 3: Biodiversity and ecosystem services

- Category 1 (high risk)
- Category 2 (medium risk)
- Category 3 (low to no risk)
- Category 4 (through a financial intermediary)

Reasoning:

Necessary mitigation measures:

Safeguard 4: Pollution prevention and control

- Category 1 (high risk)
- Category 2 (medium risk)
- Category 3 (low to no risk)
- Category 4 (through a financial intermediary)

Reasoning:

Necessary mitigation measures:

Safeguard 5: Labor conditions, health, and safety

- Category 1 (high risk)
- Category 2 (medium risk)
- Category 3 (low to no risk)
- Category 4 (through a financial intermediary)

Reasoning:

Necessary mitigation measures:

Safeguard 6: Climate change

- Category 1 (high risk)
- Category 2 (medium risk)
- Category 3 (low to no risk)
- Category 4 (through a financial intermediary)

Reasoning:

Necessary mitigation measures:

Mitigation potential

- Potential investee has full human capacity and other resources necessary to mitigate against all Category 1 and Category 2 risks
- Potential investee plans to invest in all of the mitigation measures identified

Risk evaluation of broader investee portfolio

Risks

- During the two years prior to the due diligence period, the potential investee engaged in activities on the FEI ESMS exclusion list
- During the two years prior to the due diligence period, the potential investee experienced incidents of severe E&S incidents or policy breaches, including forced resettlement

Opportunities

- Beneficiaries of and community members affected by the potential investees' previous activities maintain positive opinions of the investee organization and their activities
- If severe incidents have occurred, the potential investee has since modified their own E&S policy and procedures to prevent against future such incidents
- If proposed activities are classified as Category 1 or 2, the potential investee has experience with previously, successfully mitigating against the risk of such activities

Appendix F E&S Portfolio Monitoring Report Template

This reporting template represents the types of information to be gathered for E&S monitoring on a semi-annual basis for the Fund and its portfolio investments collectively. This template can be modified and added to by the Fund Manager.

Table 8: Illustrative template for monitoring investee E&S performance, including to allow for communication of emerging risks to investors during semi-annual reports.

INVESTOR			
Investment Manager/Officer	(Name)	(Phone)	
FEI Contact details and Signature			
Institution:	Facility for Energy Inclusion	11th Floor, Medine Mews, La Chaussee Street, Port Louis, Mauritius	www.feiafrica.com
Country of incorporation:	Mauritius		
Completed by:	(Name and Title)	(Date)	(Signature)
Reporting period	(Financial year)		
Approved by senior management representative:	(Name and Title)	(Date)	(Signature)
General Information			
Total loan portfolio EUR, USD:			
Reporting currency in the financial statement:			
Exchange rate at time of reporting:	Click to choose EUR/USD = reporting currency		
Purpose of financing:	<input type="checkbox"/> Corporate <input type="checkbox"/> Project Finance <input type="checkbox"/> Asset Backed Finance <input type="checkbox"/> Securitization <input type="checkbox"/> Other, please specify:		
Majority ownership (%):	<input type="checkbox"/> Private <input type="checkbox"/> Stock Exchange listed		
Number of branches:	<input type="checkbox"/> National <input type="checkbox"/> International (countries)		
Other Development Finance Institutions (DFIs) providing finance	<input type="checkbox"/> DEG <input type="checkbox"/> EBRD <input type="checkbox"/> FMO <input type="checkbox"/> IFC <input type="checkbox"/> Proparco <input type="checkbox"/> Other, please specify		
Has your institution developed, upgraded or implemented an ESMS during the reporting period?	<input type="checkbox"/> Yes → please fill out Sections 1, 3, <input type="checkbox"/> No, in progress → please fill out Sections 1, 3 <input type="checkbox"/> No, we already have an ESMS → please fill out Sections 2, 3 <input type="checkbox"/> Not applicable → please fill out Sections 3		

Section 1: Environmental and Social Management System (ESMS)		
1.1. Does your institution have an E&S policy approved by Management Board? (<i>refer to Appendix 1</i>)	<input type="checkbox"/> Yes <input type="checkbox"/> No	
A. Environmental and Social Governance		
1.2. Please provide the name of the person with overall responsibility for E&S matters within your institution (senior management/board management).	..... (name, function and contact details)	
1.3. Please provide the name of the person with overall responsibility for coordinating the day-to-day E&S matters within your institution (operational coordinator).	..... (name, function and contact details)	
1.4. Please provide details of general E&S responsibilities in the credit process within your institution.	<input type="checkbox"/> All credit/front office staff, supported by E&S Coordinator, are expected to address any E&S risk as part of their standard processing of transactions <input type="checkbox"/> We have designated credit/front office staff to deal with any E&S issues arising in the context of transactions <input type="checkbox"/> Other, please specify:	
B. Environmental and Social Training		
1.5. Did your institution provide E&S training to credit/front office staff during the reporting period?	<input type="checkbox"/> Yes, all relevant credit/front office staff received E&S training. Please provide number of staff trained: <input type="checkbox"/> Only applicable staff members, including the E&S Coordinator. Please provide number of staff trained: <input type="checkbox"/> No training was provided	
1.6. Please provide details of who provided the E&S training.	<input type="checkbox"/> Independent Consultant <input type="checkbox"/> Another DFI or training organization. Please provide name of organization: <input type="checkbox"/> In-house training provided by the organization's own E&S Coordinator <input type="checkbox"/> Other, please specify: <input type="checkbox"/> Not applicable	
1.7. Does your institution have an E&S training program integrated into the bank-wide capacity building program? (<i>refer to Appendix 1</i>)	<input type="checkbox"/> Yes <input type="checkbox"/> No	
C. Environmental and Social Procedures (<i>refer to Appendix 1</i>)		
1.8. Does your institution have an Exclusion List compatible to the EDFI List of Excluded Activities? (<i>refer to Appendix 1</i>)	<input type="checkbox"/> Yes → please provide details: <input type="checkbox"/> Not fully compatible → please provide details: <input type="checkbox"/> No	.....
1.9. Does your institution categorize its transactions based on exposure to E&S risks sectors? (<i>refer to Appendix 1</i>)	<input type="checkbox"/> Yes, → please specify method used: <input type="checkbox"/> No	<input type="checkbox"/> Questionnaire <input type="checkbox"/> Checklist <input type="checkbox"/> Other, please specify:

1.10. Does your institution perform E&S analysis for relevant transactions to assess the identified risks? (refer to Appendix 1)	<input type="checkbox"/> Yes, → please specify method used: <ul style="list-style-type: none"> <input type="checkbox"/> Questionnaire <input type="checkbox"/> Desk review of client documentation (i.e. permits etc.) <input type="checkbox"/> Site visits performed by <input type="checkbox"/> Impact assessment commissioned to a third party <input type="checkbox"/> Other, please specify: 	
	<input type="checkbox"/> No	
1.11. Does your institution mitigate and manage the E&S risks associated with transactions? (refer to Appendix 1)	<input type="checkbox"/> Yes, → please specify method used <ul style="list-style-type: none"> <input type="checkbox"/> ESMP or ESAP <input type="checkbox"/> E&S contract clauses <input type="checkbox"/> Other, please specify: 	
	<input type="checkbox"/> No	
1.12. When identifying, assessing, mitigating and managing the E&S risks associated with transactions, what standards does your institution apply?	Standards:	Type of transactions:
	National standards
	IFC Performance Standards
	ILO Conventions
	Other, please specify:
1.13. Does your institution monitor the E&S performance of your clients/financed transactions?	<input type="checkbox"/> Yes, → please specify measures taken: <ul style="list-style-type: none"> <input type="checkbox"/> Site visit by your institution’s staff <input type="checkbox"/> Inspection by environmental/health authorities <input type="checkbox"/> Copies of updated or renewed permits <input type="checkbox"/> Reports from the client <input type="checkbox"/> Other, please specify 	
	<input type="checkbox"/> No	
1.14. How often had your high-risk clients received monitoring visits by the E&S Coordinator during the reporting period?	<input type="checkbox"/> Once a year <input type="checkbox"/> No visits <input type="checkbox"/> Other, please specify:	
1.15. Has your institution integrated the E&S procedures (i.e. categorization, assessment, monitoring etc.) into the credit approval process? (refer to Appendix 1)	<input type="checkbox"/> Yes, E&S fully integrated → please provide short description <input type="checkbox"/> No, E&S process is a parallel process → please provide short description	
	<input type="checkbox"/> No	
D. Stakeholder Engagement		
1.16. Has your institution publicly endorsed or signed any national or international agreements or declarations concerning environmental and social issues?	<input type="checkbox"/> Yes, → please specify: <ul style="list-style-type: none"> <input type="checkbox"/> Equator Principles <input type="checkbox"/> United Nations Global Compact <input type="checkbox"/> United Nations Environment Programme for Financial Institutions <input type="checkbox"/> Global Reporting Initiative <input type="checkbox"/> Carbon Disclosure Project <input type="checkbox"/> Other, please specify 	
	<input type="checkbox"/> No	

<p>1.17. Does your institution report publically (e.g. in its Annual Report or in a separate E&S or CSR report etc.) on its E&S performance and client/portfolio compliance with applicable E&S legislation and standards? (refer to Appendix 1)</p>	<p><input type="checkbox"/> Yes, → please specify reporting mechanism:</p> <p><input type="checkbox"/> No</p>
<p>1.18. Does your institution have a mechanism in place to receive and respond to complaints from the public or civil society organizations?</p>	<p><input type="checkbox"/> Yes, → please specify number of complaints received per year and provide details of how they were handled:</p> <p><input type="checkbox"/> No</p>

Section 2: Environmental and Social Management System (ESMS)

<p>2.1. Has your institution changed or implemented its E&S policy, and requested approval by Management Board during the reporting period? (refer to Appendix 1)</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	
<p>2.2. Has your institution implemented or changed its Exclusion List during the reporting period? (refer to Appendix 1)</p>	<p><input type="checkbox"/> Yes → please provide details:</p> <p><input type="checkbox"/> No</p>	
<p>2.3. Does your institution apply different standards for different types of transactions?</p>	<p>Standards:</p>	<p>Type of transactions:</p>
	<p>National standards</p>	<p>.....</p>
	<p>IFC Performance Standards</p>	<p>.....</p>
	<p>Other, please specify:</p>	<p>.....</p>

A. Environmental and Social Governance

<p>2.4. Has your institution appointed a new E&S Manager³⁰ and/or E&S Coordinator³¹ during the reporting period?</p>	<p><input type="checkbox"/> Yes → please provide details</p> <p><input type="checkbox"/> No</p>	<p>..... (name, function and contact details)</p> <p>..... (name, function and contact details)</p>
<p>2.5. Have E&S responsibilities in the credit process changed during the reporting period?</p>	<p><input type="checkbox"/> Yes → please provide details:</p> <p><input type="checkbox"/> No</p>	

B. Environmental and Social Procedures

<p>2.6. Has your institution made any changes during the reporting period with regards to E&S procedures? (refer to Appendix 1)</p>	<p><input type="checkbox"/> Yes → provide details below:</p> <p><input type="checkbox"/> No</p>	
<p>E&S Procedure:</p>	<p>Changes (e.g. implementation of a new approach, tools, methods etc.)</p>	
<p>a</p>	<p>Transaction categorization</p>	<p>.....</p>
<p>b</p>	<p>Transactions analysis</p>	<p>.....</p>
<p>c</p>	<p>Management and mitigation of risks</p>	<p>.....</p>
<p>d</p>	<p>Monitoring of clients</p>	<p>.....</p>
<p>e</p>	<p>Other, please specify</p>	<p>.....</p>

³⁰ Person with overall responsibility for E&S matters within the institution (senior management/board management).

³¹ Person with overall responsibility for coordinating the day-to-day E&S matters within the institution (operational coordinator).

<p>2.7. How often do your high-risk clients receive monitoring visits by the E&S Coordinator during the reporting period</p>	<input type="checkbox"/> Once a year <input type="checkbox"/> No visits <input type="checkbox"/> Other, please specify:	
<p>C. Environmental and Social Training</p>		
<p>2.8. Has your institution provided E&S training to credit/front office staff during the reporting period?</p>	<input type="checkbox"/> Yes, all relevant credit/front office staff received E&S training. Please provide number of staff trained: <input type="checkbox"/> Only applicable staff members, including the E&S Coordinator. Please provide number of staff trained: <input type="checkbox"/> No training was provided	
<p>2.9. Please provide details of who provided the E&S training.</p>	<input type="checkbox"/> Independent Consultant <input type="checkbox"/> Another DFI or training organization? Please provide name of organization: <input type="checkbox"/> In-house training provided by the organization's own E&S Coordinator <input type="checkbox"/> Other, please specify: <input type="checkbox"/> Not applicable	
<p>D. Stakeholder Engagement</p>		
<p>2.10. Has your institution publicly endorsed or signed any national or international agreements or declarations concerning environmental and social issues?</p>	<input type="checkbox"/> Yes, → please specify:	<input type="checkbox"/> Equator Principles <input type="checkbox"/> United Nations Global Compact <input type="checkbox"/> United Nations Environment Programme for Financial Institutions <input type="checkbox"/> Global Reporting Initiative <input type="checkbox"/> Carbon Disclosure Project <input type="checkbox"/> Other, please specify
	<input type="checkbox"/> No	
<p>2.11. Does your institution report publicly (e.g. in its Annual Report or in a separate E&S or CSR report etc.) on its E&S performance and client/portfolio compliance with applicable E&S legislation and standards?</p>	<input type="checkbox"/> Yes, → please specify reporting mechanism: <input type="checkbox"/> No	

Section 3: ESMS related Borrower Information						
(3.4, 3.5 and 3.7 to be completed after ESMS implementation)						
3.1. Borrower Summary						
(please specify reporting currency)						
Total Loan Book	Average Loan Size	Short Term Finance % <1 year		Long Term Finance % >3 years		
Click to choose the currency.....	Click to choose the currency.....	Click to choose the currency.....		Click to choose the currency.....		
3.2. Borrower Overview						
#	Borrower's name ³² :	Country:	Employment Breakdown (incl by Gender)	High E&S risk sector? Please specify with Y/N	E&S Risks Identified	Experts Engaged / Last E&S Visit
1	.....	.....	.....	.....	.....	.....
...
3.3. E&S categorization of total loan book		High-risk (Cat. A)		Medium-risk (Cat. B)	Low-risk (Cat. C)	
		No	▪	▪	▪	
		%	▪	▪	▪	
3.4. Transaction with agreed ESMP/ESAP		High-risk (Cat. A)		Medium-risk (Cat. B)	Low-risk (Cat. C)	
		No	▪	▪	▪	
3.5. Transactions approved during the reporting period that finance activities specified in the E&S Exclusion List?						
	Name (Borrower/Project) ³³	Excluded activity and reason for approval		Amount		
1	.....	.....		.....
..		
3.6. Transactions rejected due to E&S reasons during the reporting period:						
	Name (Borrower/Project) ⁶	Reason				
1	.....	.....		

³² Client names can be anonymized if needed.

³³ Client names can be anonymized if needed.

..			
3.7. Projects/Clients with significant environmental and/or social issues and/or incidents during the reporting period (e.g. casualties, spilling, NGO campaigns, fines, strikes, non-compliance with local E&S law and/or permits, penalties)			
Project/Borrower ⁶	Environmental and/or social issue(s) and/or incident(s) during the reporting period	Information on any retrenchment (including number of employees laid off)	Measure(s) taken to manage the issue and/or incident
1			
..			
3.8. Operational Improvements / Social Benefits			
Project/Borrower ⁶	Any improvements in performance with a clear environmental benefit (e.g. energy savings, reducing (hazardous) waste, certification of relevant management systems such as ISO 14,001, OHSAS 18,000)	Any improvements in performance with a clear social benefit (e.g. improvements in labour conditions, certification of relevant management systems such as SA 8000)	
1			
..			

Section 4: Human Resources and Corporate Social Responsibility Management <i>(refer to Appendix 1)</i>		
4.1. Please specify (in % of workforce) any staff reductions or additions during the reporting period:	<input type="checkbox"/> Lay-offs of workforce <input type="checkbox"/> Additions to workforce <input type="checkbox"/> None	
4.2. Has responsibility for human resources management in your institution changed during the reporting period?	<input type="checkbox"/> Yes → please provide details <input type="checkbox"/> No	..... (name, function and contact details)
4.3. Has your institution made changes to the human resources policies during the reporting period? <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Yes, → please provide details: <input type="checkbox"/> No	
<ul style="list-style-type: none"> ■ HR Policy 	Changes (e.g. addition of social benefits, working hours etc.)	
1	.....	.....
2	.....	.....
3	.....	.....
4	.....	.....
5	.....	.....
4.4. Has your institution implemented an HIV/AIDS Program during the reporting period? <i>(refer to Appendix 1)</i>	<input type="checkbox"/> Yes, please provide details and budget <input type="checkbox"/> No	
4.5. Has your institution experienced labor related issues during the reporting period (grievances, strikes, court cases etc.)?	<input type="checkbox"/> Yes → please provide details: <input type="checkbox"/> No	
4.6. Has your institution provided non E&S related staff training during the reporting period (e.g. corporate governance, credit risk)?	<input type="checkbox"/> Yes, → please provide details and specify % of workforce trained <input type="checkbox"/> No	
4.7. Has your institution taken any measures to reduce its environmental footprint during the reporting period (e.g. use or production of paper, waste, energy etc.)?	<input type="checkbox"/> Yes → please provide details: <input type="checkbox"/> No	

Appendix G E&S Impact Indicators

Table 9: Summary of FEI E&S Impact Indicators

Instructions:
- Please exclude data from countries not on the DAC list of ODA recipients.
- Please fill in one column per company and use the comments field to add additional information where relevant.
- Please use USD as the reporting currency throughout the report and complete all figures with the correct number of digits (e.g. for one million, please write 1000000)

COMPANY INFORMATION	Definition
Name	Name of company
Reporting currency	Reporting currency
Figures used in report	Actual figures 2019 or best estimate 2019
Technology	E.g. hydro, small hydro, wind, offgrid solutions, services
Project type	E.g. greenfield, acquisition, rehabilitation
Status as of 31.12.2019	E.g. operational, construction, under development
Instrument	E.g. loan, mezzanine and/or equity
Ownership share	If no equity, set to 0%
Country	Country in which the plant is located

EMPLOYMENT	Definition
Permanent jobs	Number of people employed in the company on a permanent basis at the end of the calendar year in full-time equivalents (FTE).
Permanent jobs - women	Number of women employed on a permanent basis at the end of the calendar year in full-time equivalents (FTE).
Temporary jobs/contractors	Number of contract employees, including construction workers, that have worked for the company or the company's contractors during last the last calendar year in full-time equivalents (FTE).
Temporary jobs/contractors - women	Number of female contract employees, including construction workers, that have worked for the company or the company's contractors during last the last calendar year in full-time equivalents (FTE).
Management jobs	Number of management employees (FTE), defined as permanent employees in leading positions with people reporting directly to them, in the company at the end of last calendar year.
Management jobs - women	Number of female management employees (FTE), defined as permanent employees in leading positions with people reporting directly to them, in the company at the end of last calendar year.
Board of Directors - members	Number of directors on the company's board
Board of Directors - women	Number of female directors on the company's board

ECONOMY	Definition
Labour expense	Sum of compensation expenses paid to all permanent and temporary employees during last calendar year, including wages, salaries, bonuses, and benefits. Taxes and fees related to employment shall not be included.
Domestic purchases	Value of company's purchases of goods and services from domestic suppliers (e.g. raw materials, security, gardening, cleaning, marketing and research) during the last calendar year.
Corporate income taxes	Sum of corporate income taxes transferred to the government during last calendar year. If the company paid taxes to several countries, please provide the amount transferred to each country in the comments field.
Other taxes and government fees	Sum of all other taxes and fees transferred to the government during last calendar year, e.g. sales taxes, withholding taxes, net VAT, royalties, dividends, licence fees, social security payments, etc. If the company paid taxes to several countries, please provide the amount transferred to each country in the comments field. Any direct subsidies or other cash transfers from the government to the company should be deducted.
Total taxes	

ENERGY	
	Definition
Installed capacity (MW)	Installed production capacity (MW)
Of which renewable (MW)	Installed renewable production capacity (MW)
Capacity under construction/rehabilitation (MW)	Production capacity currently under construction
Of which renewable (MW)	Renewable production capacity currently under construction
Capacity under development (MW)	Projects with an investment decision
Of which renewable (MW)	Renewable projects with an investment decision
Production in 2019 (GWh)	Actual electricity production last calendar year
Of which renewable (GWh)	Actual renewable electricity production last calendar year
Baseline emissions factor (tCO ₂ /MWh)	For CDM projects only. A measure of CO ₂ emissions intensity per unit of electricity generation in the grid system.
<i>Avoided CO₂ in 2018 (tCO₂)</i>	
ENERGY	
	Definition
Clients, companies	Number of clients who were served by the company during the reporting period. (# of enterprise clients)
Clients, households	(# of household clients)
<i>Control line: Total Clients</i>	
OFFGRID SOLUTIONS	
	Definition
Units provided to Households	Number of units of goods or services provided by the Company and its Subsidiaries during the reporting period. (# of units)
Units provided to MSMEs	(# of units)
<i>Control line: Total units</i>	
Consumers (Households)	To the extent practicable, number of consumers of goods or services provided by the Company and its Subsidiaries during the reporting period that are (1) households; and (2) in Agribusiness and other micro-and small businesses. (# of Clients)
Consumers (MSMEs)	(# of clients)
<i>Control line: Total customers</i>	
INCREASED SUSTAINABLE FINANCING	
3rd party capital catalysed (USD)	FEI will seek to co-invest with local and foreign banks and institutional investors and play a catalytic role in attracting capital to the sector.
3rd party capital raised (qualitative: type of investor / on-/off-shore)	
Local Currency Funding (USD equivalent)	Most financing of energy-access companies to date has been in USD creating a currency mismatch which can lead to stress in periods of rapid local currency depreciation. The Fund seeks to promote local currency
Local Currency Funding (qualitative; type of currency / investor)	
HEALTH AND SAFETY	
Fatalities	Number of work-related deaths, i.e. deaths occurring: a) on company premises including employees/contractors, visitors, and trespassers; and b) outside of premises when work-related (i.e. occurring while doing work, or because of work being done for the company). Please include both employees and any non-employees involved.
TRIRate, employees	Total recordable injuries per million hours worked
TRIRate, contractors	Total recordable injuries per million hours worked
COMMENTS	

Appendix H Example of E&S Clauses for Investment Agreements

The investment agreement (or equivalent instrument) between FEI and all investees will include appropriate social and environmental clauses that address and protect E&S objectives in contractual agreements. These clauses may include:

1. A general environmental warranty/covenant that the investee organization is currently in compliance with, and will continue to comply with, all applicable national social and environmental laws and regulation, and with all ratified international agreements:

"The Developer has not received nor is it aware of any existing or threatened complaint, claim, citation or notice from any authority under applicable [specify country] law and local requirements."

"The Developer shall design, construct, operate, maintain and monitor the project in compliance with the Government of [specify country] and local requirements, and with all international conventions and agreements ratified by the Government."

2. A general environmental and social warranty or covenant that the investee organization will comply with all relevant policies of the FEI ESMS:

"The Developer shall ensure the social and environmental performance of the project is in compliance with the AFDB ISS as well as IFC PS as further set out in the FEI Environmental and Social Policy. To that end, the investee also commits to carrying out any remedial action set out in an ESMP or such ESG action/ mitigation plan requested by the Fund during the life of the investment "

"The Developer shall provide FEI with semi-annual updates on its environmental and social performance, including about compensation implementation when applicable, and respond within a reasonable time period to requests for further information."

3. A general environmental and social warranty or covenant that any contractors of the investee organization will be subject to and must comply with all relevant policies of the FEI ESMS:

"The Developer shall only choose contractors who agree to comply with the FEI Environmental and Social Policy, and will monitor their activity to ensure it is fully implemented."

4. Notification clause which requests the Developer to notify the Facility of any serious adverse environmental and social incident:

"Immediately and no later than 24 hours after its occurrence, the Project shall notify the Facility of any major social and environmental incident as a result of the Developer's operations (e.g., death, riot, spills, explosions, exhaustive negative media coverage, etc.). Notification will be in the form of an email and formal letter to FEI."

Appendix I Major Incidents Requiring Immediate Reporting

In the event that any of the below incidents occurs at an investee site, the investee must report the incident to FEI within twenty-four hours of occurrence, including a description of remediation measures already taken and to be taken.

- Fires or explosions;
- Significant fuel/Chemical spills;
- Significant pollution discharges above limits of normal operation;
- Major work-related injuries (including employees, contractors and/or members of public);
- Work-related fatalities (including by employees, contractors and/or members of public);
- Incidents significantly affecting the health of employees, contractors or members of public;
- Regulator enforcement actions/notices;
- Major security breaches;
- Strikes or employee unrest;
- Incidents requiring operations to be substantially curtailed or shut-down; and
- Significant community unrest or public relations incidents.

Appendix J Sample ToRs for E&S Due Diligence Consultants

The template below can be used as a guide for developing a Terms of Reference (ToR) for a Consultant to perform certain aspects of the Environmental and Social appraisal of prospective investments of FEI, as well as ongoing supervision of the investment portfolio.

Introduction

The purpose of this Terms of Reference is to ensure that the Consultant performs the environmental and social review of a prospective investment, and later, the ongoing evaluation and supervision of portfolio projects according to the Facility's environmental and social management policies and procedures.

The Facility for Energy Inclusion ('FEI') is committed to promoting sustainable development through renewable energy generation, which contributes to economic growth, social development and environmental conservation. FEI realizes this aim by carrying out appropriate environmental and social ('E&S') due diligence of proposed and committed investments. FEI will ensure that all projects it finances comply with FEI's Environmental and Social Management System ('ESMS').

Consultant Qualifications

The Consultant must have substantial experience in the E&S review of energy projects in Africa, with particular focus on the support of project finance activities (minimum 8 years). They must be thoroughly knowledgeable of FEI's ESMS policy and procedures. The experts must have appropriate knowledge and understanding of E&S management aspects in line with the requirements of the relevant international standards (AfDB Operational Safeguards, IFC Performance Standards, World Bank Group EHS Guidelines, etc.).

Scope of Work

The Consultant will conduct the E&S appraisal of a prospective project, as well as the ongoing supervision of E&S performance of a portfolio project consistent with the AfDB ISS and IFC PS and as set out further in the FEI's E&S policy and procedures.

For **new project appraisals**, the four tasks include:

1. *Preliminary Review.* Review all available information and documentation related to project environmental and social impacts and risks. Prepare a list of additional information and/or questions that will be needed to continue the appraisal.
2. *Site Visit and Further Review.* Conduct site inspections, review facility based records, and interview key staff, including both sponsor personnel and relevant stakeholders (regulatory officials, community leaders, suppliers, and customers).
3. *E&S Performance Gaps and Necessary Corrective Actions Analyses.* Analyse project environmental and social performance in relation to FEI's Environmental and Social Policy as outlined in the ESMS. Identify these gaps and any corresponding corrective actions that will be necessary. Prioritize these and recommend acceptable and justified implementation schedules.

4. *Due Diligence Documentation.* Prepare a report summarizing the results of the E&S due diligence. The report shall include a summary of the impacts and risks associated with the project, including the related performance gaps and corresponding correction actions that will be necessary in order for FEI to invest.

For **supervision** of FEI's portfolio projects, the three tasks include:

- Review Monitoring Reports. Review periodic documentation submitted by the project sponsor regarding implementation of any corrective actions included as conditions of investment, as well as overall environmental and social performance. Also, review information submitted by the sponsor concerning significant incidents or fatalities. Identify any follow-up corrective actions that might be necessary.
- Site Visit and Further Review (Optional). Where directed by FEI, conduct a site visit to confirm E&S performance and/or to investigate incidents. Identify any follow-up corrective actions that might be necessary.
- Supervision Documentation. Prepare a report summarizing the findings of the supervision activity.

Schedule

The Consultant shall submit a draft [*Due Diligence/Monitoring*] Report by [*insert date*]. The final Report shall be submitted within 2 weeks after receiving comments from FEI on the draft report. All reports should be written and prepared in English and delivered in electronic and hard copy.

Appendix K Client Protection Principles

APPROPRIATE PRODUCT DESIGN AND DELIVERY

Providers take adequate care to design products and delivery channels such that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

PREVENTION OF OVER-INDEBTEDNESS

Providers take adequate care in their credit process to determine that clients have the capacity to repay without becoming over-indebted. Providers implement & monitor internal systems that help to prevent over indebtedness and will foster efforts to improve market credit risk management (e.g. credit information sharing).

TRANSPARENCY

Providers communicate clear, sufficient and timely information in a manner and language clients can understand to allow clients to make informed decisions. The need for transparent information on pricing and T&Cs of products is highlighted.

RESPONSIBLE PRICING

Pricing, terms and conditions are set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers strive to provide positive real returns on deposits.

FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Providers and agents treat clients fairly and respectfully. They do not discriminate and ensure safeguards to detect and correct corruption and aggressive/ abusive treatment by staff and agents, esp. during the loan sales/ debt collection processes.

PRIVACY OF CLIENT DATA

The privacy of individual client data will be respected in accordance with local laws and regulations. Such data will only be used for purposes specified at the time of collection or as permitted by law, unless otherwise agreed with the client.

MECHANISMS FOR COMPLAINT RESOLUTION

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

Appendix L Waste Management and Recycling Principles

One of the major challenges facing certain types of mini-grids as well as commercial & industrial solar facilities that include battery back-up is the safe and environmentally sustainable treatment of e-waste derived from investees' products and infrastructure.

Given the relative immaturity of the sector, local and international regulations and general market best practice are still very much in development so we cannot subscribe to a read-made set of principles. Instead, FEI will take three steps to maximise the role of the fund in promoting responsible e-waste management and recycling as follows:

- 1) The Fund Manager commits to participate in industry activities to harmonise and enhance waste management policies in the sector, principally through pro-active membership in the GOGLA e-waste working group, and make every effort to be aware of international best practice from a wider range of stakeholder/sector-linked initiatives and apply and promote these across its portfolio;
- 2) FEI investee companies must ensure compliance with national and where applicable international regulations governing the treatment of e-waste and other materials in their supply chain and logistics, retail and generation/distribution infrastructure
- 3) FEI investee companies must have or commit to implementing a comprehensive waste management plan within their broader environmental and social risk management documentation. The waste management plan should generally prefer local service provider or solutions, noting that environmental and health and safety related performance needs to be assessed carefully in this regard. In case no local service provider or solution can be identified for this task, exports to specialized plants might also be organized via an international service provider. The waste management plan should, where applicable, incorporate the following major underlying elements of the energy access product range:
 - Batteries will be collected for either second-life application or sound recycling and disposal in accordance with international environmental and social standards and best-practice;
 - Electrical equipment (transformers, PCBs) will either be reused on other developments/projects or recycled;
 - PV panels will be removed from the fixed aluminium frames and tracker systems and then transported to approved recycling facilities, as per National Waste Regulation; and international best practice
 - Fixed aluminium frame and tracker system structures will be removed, reused or recycled;
 - Cable runs (where applicable) will be removed and recycled;
 - For buildings, all reusable material will be removed, the structures demolished, and the rubble transported to a municipal waste site.