

Africa50 Infrastructure Partners I Manager Limited

Environmental, Social and Governance (ESG) Management System Manual

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ACRONYMS

AfDB	:	African Development Bank
ES	:	Environmental and Social
ESG	:	Environmental, Social and Governance
ESG DD	:	Environmental, Social and Governance Due Diligence
ESG MS	:	Environmental, Social and Governance Management System
ESHS	:	Environmental, Social and Health and Safety
ESG AP	:	Environmental, Social and Governance Action Plan
IC	:	Investment Committee
IFC	:	International Finance Corporation
KPI	:	Key Performance Indicator
ToR	:	Terms of Reference

1. INTRODUCTION TO THE ESG MANAGEMENT SYSTEM MANUAL

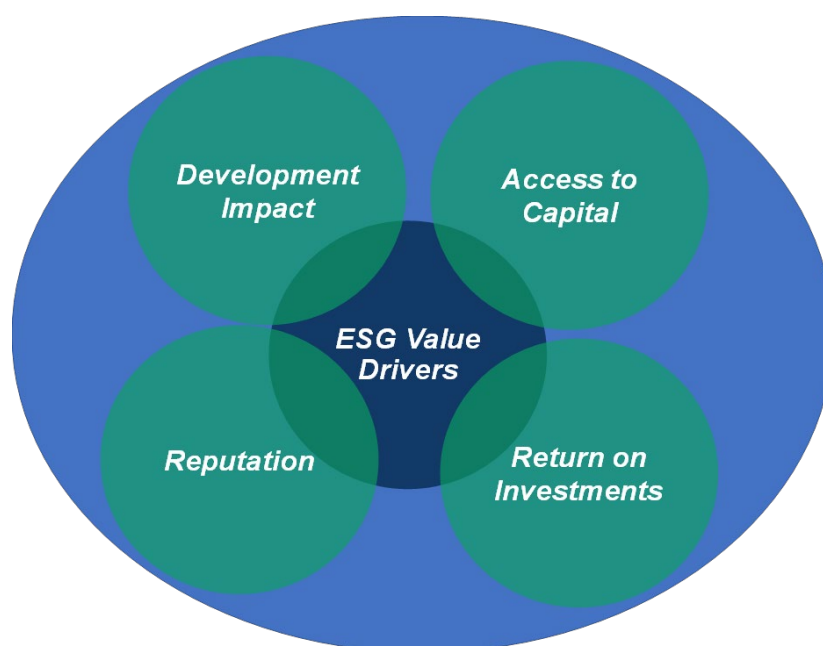
Africa50 Infrastructure Partners I Limited (the “Company”) is the Fund Manager of Africa50 Infrastructure Acceleration Fund I LLP (the “Fund”), the latter being a pan-African closed-end Infrastructure Fund established to make equity and quasi-equity investments in infrastructure projects on the African continent. By investing in infrastructure, the Fund aims to promote sustainable economic growth, job creation, and improve the lives of people on the continent, while preserving natural resources for future generations in addition to creating value for the Fund’s Investors.

This ESG Management System Manual provides a synopsis of the ESG policies, procedures, tools and templates that make up the Company’s ESG Management System (“ESG MS”) designed to manage ESG risks and opportunities across the Fund’s activities. The ESG MS has been developed to facilitate and support the practical implementation of the Company’s ESG Strategy and ESG Policy and the ESG commitments contained therein. This includes provisions to successfully integrate environmental, social and governance (ESG) considerations into the Company’s investment and decision-making processes, business activities, as well as the culture of the organisation.

2. WHY IS ESG IMPORTANT?

The Company recognises that ESG is a key driver in maximising value for investors (from both financial and environmental and social returns perspectives), enhancing the long-term sustainability of the Fund’s portfolio companies or projects, protecting the Fund’s and its investors’ reputations, as well as developing competitive advantage in the market. Therefore, ESG directly impacts four core themes critical to the overall success of the Fund; 1) Access to Capital; 2) Return on Investment; 3) Reputation; and 4) Development Impact (refer to **Figure 1**). Accordingly, the Company will ensure that ESG forms an integral part of its day-to-day operational activities and investment and decision-making processes.

Figure 1 *ESG Value Drivers*



2.1. Key ESG Risks, Impacts and Opportunities within the Infrastructure Sector

The infrastructure sector intrinsically comprises potentially complex, significant, and diverse ESG risks and impacts that are likely to have material implications for long-term investment valuation. This includes key ESG risk factors such as greenhouse gas emissions and energy consumption, soil and groundwater pollution, labour and working conditions, contractor management, occupational health and safety management (working at heights, deep excavations, emergency response and fire risk, etc.), local community health, safety and security, involuntary economic and/or physical displacement of communities. In addition to this, a number of potential opportunities exist, including adoption of energy and water efficiency, and cleaner production measures; and developing local community resilience to climate change.

For further information on key sector ESG risks, impacts and opportunities, please refer to **Annex 1**.

2.2. Approach to ESG Integration

The Company, on behalf of the Fund, engages stakeholders at or post financial close, and the Fund provides primarily equity and quasi-equity with flexible exit options.

Investments made by the Fund will be exposed to different levels of ESG risks and opportunities, depending on a number of factors, including geographic location, duration of the investment, size of investment in relation to other investments and number of co-investors, stage of project lifecycle, type of industry or sub-industry, operational performance, and historical track record. Therefore, within the bounds of the Fund's investment mandate, internal ESG requirements set by investors, and the specific ESG objectives set by the Company, the Company will adopt an ESG

integration approach that is value-based and tailored to the specific investment in question based on its specific contextual realities and level of ESG risk exposure (and potential opportunities).

3. COMMITMENT TO ESG

3.1. ESG Policy

The Company's ESG Policy provides the overall ESG MS management framework, illustrating the Company's approach and commitment to ESG integration across the Fund as well as its underlying portfolio companies or projects. The Company's commitment to ESG is informed through consideration of the Company's ESG strategy and the Fund's investment strategy, and the Company's level of ambition to drive ESG at both the Fund and portfolio company or project level. The scope of the Company's ESG Policy covers the day-to-day management of the Fund, as well as the Fund's investment activities, co-investors and its underlying portfolio companies or projects.

The key commitments made by the Company to manage ESG risks and opportunities in relation to the Fund, as prescribed in the ESG Policy, include the following:

- Incorporating and assessing ESG factors (both ESG risks and opportunities) of all prospective investments of the Fund, as an integral part of the investment and decision-making processes;
- Ensuring that consideration of ESG factors plays an influential role in determining whether the Fund shall make an investment or not;
- Not financing the types of projects / activities which form part of the Exclusion List (refer to the Investment Policy);
- Making available necessary resources to ensure adequate implementation and management of ESG integration, including appointment of external ESG specialists or partnerships for the Fund and its investments if required;
- An analysis of ESG performance against the prescribed Reference Framework will be undertaken (to the extent feasible) as an integral part of investment decisions, and recommended actions will be provided to rectify any gaps identified;
- Assisting co-investors with the Fund or portfolio companies, where applicable, in implementing action plans to address areas of non-conformance with applicable requirements outlined in the ESG Policy;
- Clearly highlighting, in writing, any ESG requirements that shall not be met by the portfolio company or project at the time of the investment decision, including proposed mitigation measures (in an ESG action plan) and appropriate covenants, if any, which are to be included in the legal documentation for the deal;
- Working in partnership with co-investors or portfolio companies (as applicable) of the Fund to help them 'unlock-value' through addressing linkages between material ESG issues and business strategy in a way that generates commercial benefit;

- Identifying, supporting, guiding and / or overseeing the realisation of value protection and creation opportunities driven by ESG value-add initiatives across the Fund, and subsequently at a portfolio company or project level;
- Seeking appropriate disclosure on ESG performance from co-investors or portfolio companies;
- Monitoring and reporting of the Fund's ESG performance against set objectives;
- Developing effective stakeholder engagement practices and structures which drive a culture of transparency and accountability, ongoing feedback, learning and continuous improvement; and
- Regular disclosure of the Fund's ESG efforts to investors and other relevant stakeholders, subject to the Company not including information that is proprietary to the Fund or portfolio companies or deals under execution.

3.2. Guiding ESG Principles

The Company and the Fund's commitment to ESG is guided by a host of applicable internationally and nationally accepted principles, guidelines and good practice standards. **Figure 2** below, provides an illustration of the 10 Guiding ESG Principles.

Figure 2 Guiding ESG Principles



3.3. Applicable ESG Standards and Guidelines

In addition to the above ESG commitments and guiding principles, the ESG MS requires the Company, the Fund, co-investors, and underlying portfolio companies or projects to act in accordance with selected national and international standards and guidelines. This is referred to as the “Reference Framework”. and includes the following:

Applicable national and local ESG laws and regulations relevant to the operating jurisdiction; and

International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (dated January 2012, as amended from time to time).

While the above standards form the basis of the Reference Framework, if co-investors, portfolio companies or projects have already committed to comply with the African Development Bank Safeguards and Sustainability Series (dated December 2015, as amended from time to time), the Company will consider adoption of these standards for the investment in question to satisfy such needs.

The Fund shall not invest in any portfolio company or project that in its reasonable opinion, cannot be expected to meet the minimum ESG requirements set out in the above standards over the life of the investment. The Company may invoke other international standards and / or guidelines as deemed appropriate.

3.4. ESG Strategy Drivers

The Company has identified a number of strategic drivers that will be critical in its ability to realise the ESG ambitions and targets of the Fund. These strategic drivers seek to ensure organisational alignment on the ESG value proposition and intent across the organisation, as well as driving a culture of learning and continual improvement in relation to ESG performance at both the Fund and portfolio company or project level. **Table 1** on the next page, describes the key strategic drivers that the Company will focus on in further detail.

Table 1 **Key Strategic Focus Areas**

ESG CULTURE	Ensures that ESG efforts driven from the top permeate to all levels of the organisation. Obtains broad organisational buy-in with respect to the ESG value proposition and vision. Reduces opposition to change and solicits advocates for ESG.
MEANINGFUL STAKEHOLDER ENGAGEMENT PRACTICES	Drive meaningful engagement with key stakeholders at both the Fund and portfolio company or project level to facilitate learning, continual improvement and improved decision-making and outcomes.
TRAINING & CAPACITY BUILDING	Undertake training and capacity building to develop and strengthen the skills, abilities, processes, and resources of the organisation, from an ESG perspective.
STRATEGIC ESG SELECTION PHILOSOPHY	Ensure that the portfolio company or project's capacity and commitment / behavioural alignment to integrate ESG considerations into its activities and operations is a key consideration in pre-investment ESG assessment processes.
ESG INFORMATION SYSTEMS	Development and implementation of a robust ESG monitoring, evaluation and reporting approach to effectively understand, assess, and demonstrate ongoing ESG performance.
ESG VALUE-ADD INITIATIVES	Identification and active management of selected ESG value-add initiatives. Namely, the delivery of practical and effective solutions in collaboration with the Fund's co-investors, to assist portfolio companies or projects in achieving meaningful results and long-term benefits, from an ESG perspective.

4. ESG MS SCOPE, PURPOSE AND KEY COMPONENTS

4.1. ESG MS Scope

The scope of the ESG MS covers the Fund, its future underlying investments (i.e., portfolio companies or projects), investment activities, and its day-to-day management.

4.2. ESG MS Purpose

The purpose of the ESG MS is to provide an overall ESG Management Framework for the effective integration and management of ESG factors throughout the Company's investment analysis and decision-making processes as well as the day-to-day business activities of the Fund. The ESG MS guides how the Company intends to drive the ESG performance of the Fund and the operational ESG performance of individual investments, through collaboration with the Fund's co-investors or portfolio companies and projects. Additionally, the ESG MS defines the key ESG principles, standards and guidelines and requirements which the Company, the Fund, the Fund's co-investors, and its underlying investments are expected to act in accordance with.

4.3. Key Components of the ESG MS

The ESG MS comprises several different components as illustrated in **Figure 3**. Each component is explained further below.

Figure 3 *ESG MS Architecture*



To operationalise the implementation of the ESG Strategy and ESG Policy (described in Section 3), the ESG MS sets out an approach to integrating ESG considerations into the Company's investment processes and decision-making (refer to **ESG Integration into the Investment Process**), comprising of several documented ESG procedures, tools and templates. These procedures underpin what tasks shall be done at various stages of the investment process to ensure consistent application and management of ESG factors (refer to **ESG Procedures, Tools & Templates**).

To ensure the effective application of the ESG MS, sufficient organisational capacity and competency is required within the Company and at the Fund's portfolio company or project level. This includes assigning appropriate ESG resources (e.g., dedicated and / or supporting) and functions at both the Company and the Fund's portfolio company or project level.

In addition to seeking compliance with internal ESG requirements, the ESG MS enables the Company to identify, support, guide, monitor and / or report on ESG-related value-add initiatives that enhance portfolio company or project performance (see **ESG Value-Add Initiatives**).

Stakeholder engagement and ESG training and capacity building are two key components that further support the effective implementation of the ESG MS. Stakeholder engagement seeks to facilitate learnings, transparency and accountability between investors, the Fund and its portfolio companies or projects, and to inform decision-making to drive continuous improvement (refer to **Stakeholder Engagement**). Internal training and capacity building equip the Company's Investment Team with skills and knowledge to implement and utilise the ESG MS (refer to **ESG Training & Capacity Building**).

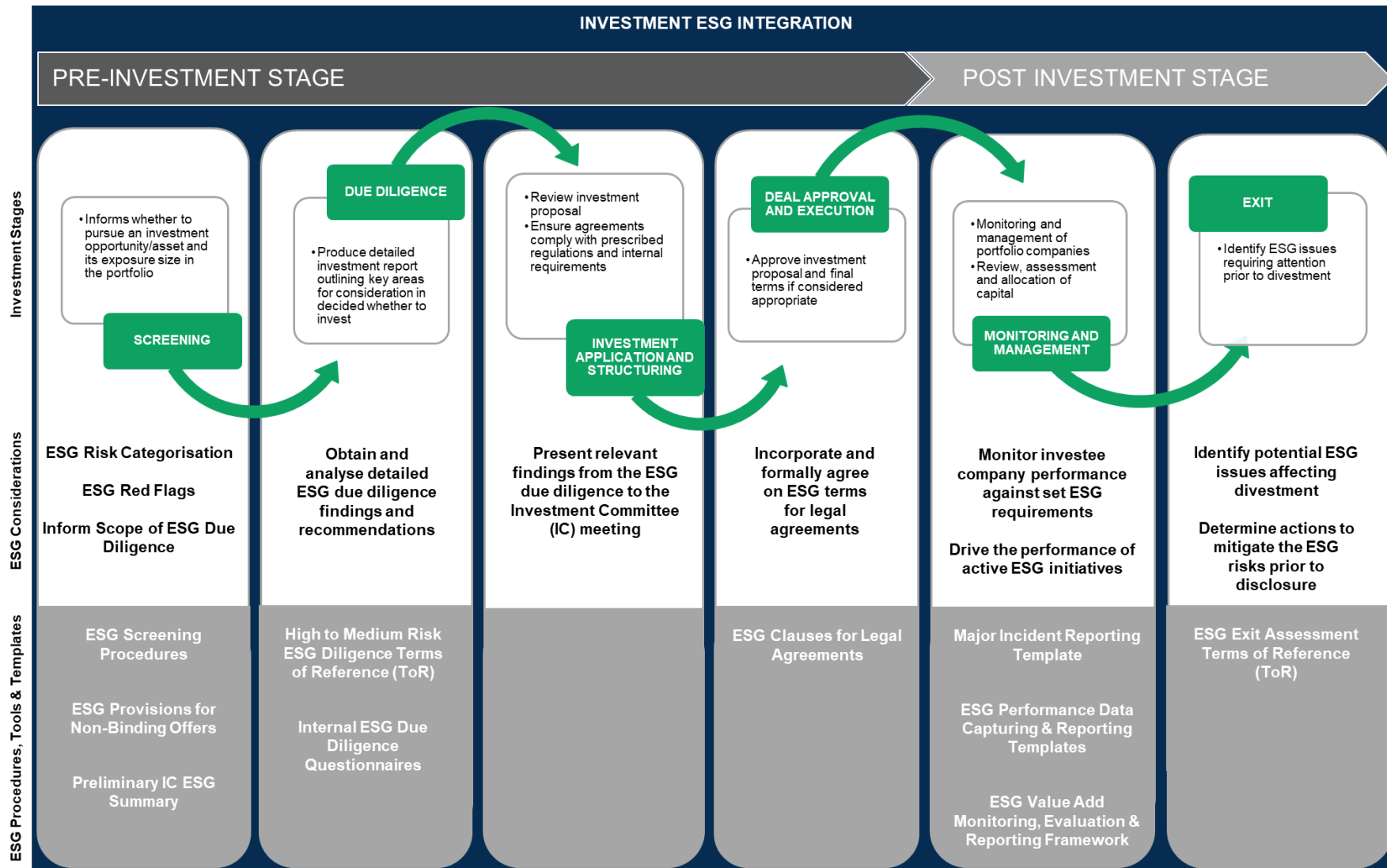
Monitoring and reporting on ESG performance allow the Company to gauge progress against agreed ESG objectives and activities and demonstrate this to internal and external stakeholders. This process seeks to enhance value for both the Fund and its portfolio companies or projects through ensuring ongoing management of ESG performance, continuous improvement and facilitating the ability to drive ESG performance through results-based management (refer to **Monitoring and Reporting on ESG Performance**).

Lastly, the ESG MS undergoes internal review on a three-yearly basis, with support from external ESG specialists (as deemed necessary) to ensure continuous relevance and enhance the potential value derived for the Fund (refer to **ESG Periodic Review**).

4.4. ESG Integration into the Investment Process

Figure 4 demonstrates the Company's framework for operationalising the integration of ESG throughout the Company's investment process. The diagram also makes reference to the supporting ESG procedures, tools and templates, which are described further in the **ESG Procedures, Tools & Templates** section below.

Figure 4 ESG Integration Framework



4.5. ESG Procedures, Tools & Templates

4.5.1. Pre-Investment Stage

Several tailored ESG MS procedures, tools and templates have been developed that shall be implemented during the pre-investment stage of the investment process to give effect to the ESG Policy, ESG strategy and ESG MS. This includes procedures, tools and templates to support integration of ESG into the screening, due diligence and deal structuring investment stages. **Table 2**, **Table 3** and **Table 4** expand on the key objectives and details for each of these ESG procedures, tools and templates.

Table 2 ESG Screening Procedures, Tools and Templates

INVESTMENT STAGE	OBJECTIVES	TOOLS	DESCRIPTION	OUTCOMES	RESPONSIBILITY	ANNEXURE
SCREENING	<ul style="list-style-type: none"> Confirm no excluded or prohibited activities are triggered (refer to Investment Policy); Identify any ESG fatal flaws associated with the prospective investment; Assign an initial ESG risk categorisation; Identify any ESG red flags (i.e., material ESG risks and impacts) requiring further interrogation during subsequent ESG DD; and Present ESG screening information to the IC to make an informed next step decision. 	Screening Procedure	Word document providing practical information necessary to perform the ESG screening of a prospective investment, including a step-by-step approach. The procedure is read in conjunction with the Screening Tool (as described below).	<ul style="list-style-type: none"> Decision to proceed to the next stage for the prospective investment or not (based on ESG considerations only); Inform Preliminary IC on the ESG Screening findings including: <ul style="list-style-type: none"> Initial ESG Risk Categorisation; Red Flag Assessment Summary; and Next Steps & ESG DD Considerations 	The Screening Procedure and Tool is to be used by the Investment Team.	Refer to Annex 2: ESG Screening Procedure and
		Screening Tool	Excel based tool that performs the following functions: <ul style="list-style-type: none"> Data and information storage platform - ensuring safe recording of information, for reference and validation purposes; Automatically assigns an initial ESG risk categorisation (i.e., Health & Safety Risk, Environmental Risk, and Social Risk Ratings per sector) to the prospective investment; and Facilitates checks against the prescribed Exclusion and Sanction Lists and Preliminary Red Flag Assessment Process. 			Refer to Annex 3

Table 3 ESG Due Diligence Procedures, Tools and Templates

INVESTMENT STAGE	OBJECTIVES	TOOLS	DESCRIPTION	OUTCOMES	RESPONSIBILITY	ANNEXURE
DUE DILIGENCE	<ul style="list-style-type: none"> Assess a prospective investment's compliance with internal ESG requirements; Identify material ESG risks and opportunities associated with the prospective investment; Confirm screening ESG Risk Categorisation; Identification of opportunities that may drive ESG value-add through the investment lifecycle; Develop an ESG AP that sets out corrective actions to address the ESG risks / areas of non-compliance; Present ESG DD findings to the IC to inform decision-making and deal structuring 	ESG DD Procedure <i>(Applicable to Internal & External ESG DD)</i>	<p>Word document providing practical information necessary to perform an Internal or External ESG DD of a prospective investment, including a step-by-step approach.</p> <p>Risk Categorisation informs the scope of the ESG DD:</p> <ul style="list-style-type: none"> <u>Low Risk</u>: Internal ESG DD is recommended. Performance of such ESG DD should be at the discretion of the Investment Team, and can be undertaken either by an appointed third party or by the Company's internal resources, using the ESG DD Tool <u>Medium / High Risk</u>: External ESG DD is performed by an appointed third party. 	<ul style="list-style-type: none"> Inform the IC investment decision-making process with the ESG DD findings covering the prospective investments: <ul style="list-style-type: none"> Site Setting; ESG Performance (Risks & Opportunities); Necessary contractual agreement, ESG Reporting & ESG AP nature and implementation requirements. 	The ESG DD Procedure and Tool is to be used by the designated ESG Officer in collaboration with the Investment Teams.	Refer to Annex 4 : ESG DD Procedure
		ESG DD Tool <i>(Applicable to Internal ESG DD only)</i>	<p>Excel based tool comprising of IFC Performance Standards & Corporate Governance Questionnaires to assess the alignment of a prospective investment against. The tool automatically populates an ESG AP and guides the type of information to be presented at the IC.</p>			Refer to excerpt in Annex 5
		ESG DD ToRs <i>(Applicable to Operating Assets and Financial Institutions)</i>	<p>Word document template to be populated with relevant investment specific information to ensure that the appointed third-party ESG specialist is competent, knowledgeable, and qualified to carry out the ESG DD (or parts of it) and to do so in accordance with the Company's ESG Policy and other prescribed ESG requirements. The scope of the ESG DD is determined by initial ESG risk categorisation.</p>	Appointed ESG specialist to perform the ESG DD		The Investment Team and designated ESG Officer as appropriate shall populate and distribute the ToR, review service provider proposals, and appoint a specialist and manage the relationship between the Company and ESG specialist.

Table 4 Deal Structuring Procedures, Tools and Templates

INVESTMENT STAGE	OBJECTIVES	TOOLS	DESCRIPTION	OUTCOMES	RESPONSIBILITY	ANNEXURE
DEAL STRUCTURING & APPROVAL	<ul style="list-style-type: none"> • Ensure the Fund and portfolio company or project interests and expectations on ESG matters are explicitly aligned; • Inclusion of ESG clauses into legal agreements to contractually hold portfolio companies or projects to the Fund's ESG and reporting requirements; • Ensure portfolio companies or projects have adequate financial and technical resources to comply with the terms in the legal agreements; and • Enhance the Fund's leverage and oversight of the portfolio company or project post-investment. 	Specimen ESG Clauses for Legal Agreements	Word document providing guidance on the inclusion of ESG Clauses into legal agreements, including suggested tailorable ESG clauses relating to the investments operating jurisdiction, structure of the transaction, nature of ESG AP(s), and the Fund's monitoring and reporting requirements.	Contractual agreement ensuring alignment between the Fund and portfolio companies or projects on ESG aspects and expectations.	The Investment Teams shall, in consultation with the Company's Legal Team and the designated ESG Officer, determine and include appropriate ESG clauses into legal agreements, for the investment in question.	Refer to Annex 7

4.5.2. Post-Investment Stage

Several tailored ESG MS procedures, tools and templates have been developed that shall be implemented during the post-investment stage of the investment process to ensure ongoing ESG performance of underlying portfolio companies or projects. This includes different levels of ESG monitoring and reporting activities at both the Fund and portfolio company or project level.

A standard level of monitoring and reporting will be applied by the Company to all the Fund's investments. **Table 5** on the following pages outline the approach to ESG monitoring and describe the accompanying procedures, tools, and templates.

Details on how this information will be applied to the Fund and / or portfolio company or project reporting activities is included under Section 4.11 (refer to **Monitoring and Reporting on ESG Performance**).

Table 5: Types of ESG Monitoring and Reporting, Associated Procedures, Tools & Templates

INVESTMENT STAGE	TYPE	OBJECTIVES	SUPPORTING TOOL	DESCRIPTION	OUTCOMES	RESPONSIBILITY	ANNEXURE
ESG MONITORING	ESG AP / Compliance Monitoring	Ensure portfolio companies or projects maintain ongoing compliance with the Company's set ESG requirements and implementation of the ESG AP	ESG Action Plan Tracker Template	Excel based tool that tracks the progress status of ESG AP implementation by portfolio companies or projects, as drafted at ESG DD stage	Obtain an understanding of the portfolio companies or project progress and ESG performance against set deadlines	<ul style="list-style-type: none"> Designated ESG Officer shall populate the template and oversee the ongoing implementation of the ESG AP and provide updates on progress to the Investment Team 	Refer to excerpt in Annex 8

INVESTMENT STAGE	TYPE	OBJECTIVES	SUPPORTING TOOL	DESCRIPTION	OUTCOMES	RESPONSIBILITY	ANNEXURE
ESG MONITORING	Major Incident Reporting	Assist portfolio companies or projects to timely report any major unplanned ESG events or incidents (i.e., fires, incidents of bribery or corruption, labour strikes, etc.) that could materially impact on the project or companies' operations and / or performance.	Major Incident Reporting Form Template	Word document form populated by portfolio company or project to notify the Company, on behalf of the Fund, within a pre-determined time period and detail the nature of the incident, what investigation has taken place and what actions have been taken to remedy the situation.	Provide the Company with an understanding of any material risks, initiate prompt corrective actions, mitigation of reputational risks or risk of ceased operations, and drive lessons learnt	Within and no later than two (2) days, the project or portfolio company management shall complete and submit the form to the Company's contact person.	Refer to Annex 9
	Ongoing KPI Reporting	Seeks to drive the internal ESG performance of portfolio companies or projects.	Operational ESG Data Capture Sheet	Excel based template used as a centralised platform for portfolio companies or projects to collect, track and report on ESG data and performance across selected qualitative and quantitative ESG KPIs, in a consistent, accurate and comparable manner	Enable monitoring of portfolio company or project operational ESG performance against set KPIs, enhancing the Company's understanding of the Fund's investment portfolio internal ESG performance	<ul style="list-style-type: none"> Appointed portfolio company resource shall obtain and populate the relevant information into the excel sheet, on a pre-determined basis (e.g., quarterly, bi-annually or annually). Designated ESG Officer shall review portfolio company reports, continuously monitor ESG data obtained, and provide feedback to portfolio company / Investment Team (e.g., notify of any new ESG risks etc.). 	Refer to excerpt in Annex 10

INVESTMENT STAGE	TYPE	OBJECTIVES	SUPPORTING TOOL	DESCRIPTION	OUTCOMES	• RESPONSIBILITY	ANNEXURE
ESG MONITORING	Ongoing KPI Reporting <i>(Continued)</i>	Seeks to drive the internal ESG performance of portfolio companies or projects.	Annual ES Monitoring Report Template	<p>Word document template provided to underlying investments where regular KPI data collection is not feasible. The template comprises the Company's preferred format for ES performance reporting and provides the Company with relevant ES data.</p> <p>This document seeks to obtain relevant ES data to support the Fund's annual ESG reporting to its stakeholders.</p>	Determine whether underlying investments are meeting applicable ES requirements agreed during investment negotiation and outlined in the legal agreements and compile ES information to support the Fund's annual ESG reporting to its stakeholders.	<ul style="list-style-type: none"> • Appropriate portfolio company or project personnel to populate the template upon request from the Company • Designated ESG Officer shall review portfolio company reports, continuously monitor ESG data obtained, and provide feedback to portfolio company / Investment Team (e.g., notify of any new ESG risks etc.). 	Refer to Annex 11
	Site Visits <i>(Applicable to high & medium risk investments, on an annual basis at a minimum)</i>	<ul style="list-style-type: none"> • On-the-ground assessment of portfolio companies covering: <ul style="list-style-type: none"> ○ Operations & ESG performance; ○ Adherence to key ESG commitments & requirements; ○ Identify key ESG strengths & weaknesses; and • Develop recommendations for improving ESG performance 	ESG Performance Review Guidance Note	Word document providing practical guidance on how to conduct a site visit annually, or when deemed necessary, and assess a portfolio company's or project's ESG performance, including a recommended approach and outputs.	Ensure awareness of any material ESG risks and opportunities, progress on ESG-related interventions and ESG AP items. This results in the development or revision of the portfolio company's ESG AP to address risks/gaps.	<ul style="list-style-type: none"> • Where it is considered that a site visit is essential the designated ESG Officer, Investment Teams, or assigned supporting resources will undertake the site visit on an annual basis (or when applicable). • An external third-party service provider will be appointed if certain / additional ESG expertise is deemed necessary 	Refer to Annex 12

4.6. Organizational Structure & Governance

The implementation of the ESG MS requires the allocation of competent ESG resources with sufficient capacity to drive ESG efforts. Typical ESG roles and responsibilities are outlined in the section below.

ESG Officer

General ESG Responsibilities include the following:

- Facilitating implementation of the Reference Framework;
- Overseeing implementation of the ESG Policy and ESG MS;
- Drive internal communication and engagement on ESG-related topics and initiatives, and contribute to strategic ESG conversations on behalf of the Fund;
- Support in ensuring that adequate Company resources are available and committed to implementing the ESG MS, and in doing so, that sufficient resources are available to satisfy the Company's ongoing ESG management responsibilities;
- Support in providing training to all relevant Company staff members relating to ESG management;
- Support and guide the Investment Team as appropriate in the execution of their ESG management responsibilities;
- Enhance the organisation's ESG credentials and represent the approach and strategy to both internal and external audiences;
- Act as an ESG ambassador for the Company and the Fund, representing their position on ESG to external audiences, engaging at ESG events, industry associations and conferences;
- Proactively identify areas where the Company would benefit from additional guidance and identify opportunities for enhancing value on ESG initiatives;
- Ensure the ESG Policy and ESG MS are reviewed and, if necessary, updated on a three-yearly basis;
- Evaluate and report on the Fund's ESG performance against set objectives on an annual basis; and
- Oversee disclosure of ESG information to key internal and external stakeholders.

Pre-Investment Operational Responsibilities include the following:

- Support the Investment Team in undertaking internal ESG screening and due diligence procedures;
- Collaborate with the Investment Team in co-ordinating the development of the ToR for the ESG specialist for completion of the ESG DD, and in reviewing proposals from the specialist;
- Support the Investment Teams in setting an appropriate budget for the ESG DD;
- Ensure the appointed ESG specialist(s) has(have) the requisite skills, capacity and experience in the infrastructure or relevant sector, the investment vehicle market, and in-depth knowledge of the IFC Performance Standards, as well as the ESG-related regulations of the country(ies) under investigation; and lastly, ensure familiarity with identifying ESG value-add opportunities;
- Review ESG DD reports and coordinate with the Investment Team to provide feedback to the ESG specialist(s) to ensure a comprehensive study that is of high quality;
- Support the Investment Team in ensuring that all investment decisions are supported by appropriate ESG DD documentation;
- Support the Investment Team as appropriate at Preliminary and Final IC meetings, and in responding to specifically directed IC questions on high risk ESG issues on investment opportunities.

Post-Investment Operational Responsibilities include the following:

- Support the Investment Team as appropriate in guiding portfolio companies or projects on the completion of ESG AP items and assist in identifying and mitigating potential ESG performance issues identified post-investment;
- Support the Investment Team in ensuring that the correct ESG requirements are included in the investment documents and that adequate resources are committed to allow effective and appropriate development and implementation of an ESG MS at the portfolio company or project level;
- Work in partnership with the Investment Team, portfolio company or project ESHS Manager or relevant individual, to collate quarterly ESG reports and data to ensure that records are maintained, detailing both the ESG-related obligations and the initiatives underway to meet or exceed the ESG mandate set out in the ESG Policy;
- Support the Investment Team in maintaining ongoing liaison and correspondence with portfolio company or project ESHS Managers, and engage directly with the ESHS Managers, where appropriate;
- Conduct site visits to review ESG performance of investments, where required;
- Support the Investment Team in responding appropriately to significant ESG incidents arising at portfolio company or project level, and in ensuring that Investors, the Company, and the Fund's co-investors are informed of such significant incidents, as appropriate;
- Communicate key ESG issues observed in portfolio companies and projects to the Investment Teams;
- Option to participate in, at the request of the Investment Team, ESG committee meetings of portfolio companies or projects; and
- Support the compilation of the Fund Quarterly and Annual ESG data for input into reports.

Investment Team

- Ensure compliance with the ESG Policy and implementation of the ESG MS within the Investment Team;
- Review and analysis of all the ESG screening deliverables and outputs, including preparing the summary of key ESG screening findings for the preliminary IC meeting;
- Coordinate the collection of relevant ESG information from portfolio companies or projects and share the same with the ESG Officer as appropriate;
- In collaboration with the ESG Officer, provide input on the development of the ToR for the ESG specialist for completion of the ESG DD and review proposals from specialists;
- With support from the ESG Officer, set an appropriate budget for the ESG DD;
- Review ESG DD reports and obtain feedback from the ESG Officer to ensure a comprehensive study that is of high quality;
- Ensure that all investment decisions are supported by appropriate ESG DD documentation;
- With support from the ESG Officer, ensure that the correct ESG requirements are included in the investment documents and adequate resources are committed to allow effective and appropriate development and implementation of an ESG MS at portfolio company or project level;
- Incorporate appropriate ESG representations, warranties, and covenants into Investment agreements;
- Obtain support from the ESG Officer to work in partnership with portfolio company or project ESHS Managers, to collate quarterly ESG reports and data to ensure records are maintained and remain current on ESG matters;
- Conduct site visits as appropriate, to review the ESG performance of portfolio companies or projects, where required;

Remain current on any ESG issues and / or infringements occurring at portfolio or project level, as appropriate, and ensure that all emergency incidents are addressed, and risks remedied where possible;

- Prepare responses to queries from the Company's Board, related to portfolio company or project ESG performance; and
- Attend ESG committee meetings and Social and Ethics Board Sub-Committee meetings, or the equivalent, in portfolio companies where appropriate.

Portfolio Company or Project ESHS Manager

- Develop and implement an ESG Policy and ESG MS, if applicable;
- Implement the ESG AP items set as part of the ESG DD process;
- Ensure the portfolio company or project remains in compliance with applicable national legislation and prescribed Company ESG requirements;
- Document and report serious ESG incidents to the Company as per the Major Incident Reporting procedure;
- Ensure the implementation of remedial actions on serious ESG incidents and appropriately address identified risks where possible;
- Complete regular ESG reports for the Fund using the Company-supplied templates where possible;
- Train staff on an ongoing basis on ESG issues related to the portfolio company or project activities and on the implementation of the ESG MS; and
- Collaborate with the Company's Investment Team and designated ESG Officer to drive ESG value-add opportunities.

Portfolio Company or Project: Board Appointee (Where Applicable)

- Motivate as appropriate for the inclusion of ESG as an agenda item for discussion at board meetings (including progress on outstanding ESG action items and ESG performance);
- Represent and promote the Company's ESG mandate at board meetings as appropriate; and
- Notify the Company's designated ESG Officer and the Fund's Board appointee as appropriate on key ESG issues arising during board meetings.

External ESG Specialist (As Deemed Necessary)

- Perform ESG DD assessments for medium to high-risk investments;
- Update and maintenance of the ESG MS;
- Assist with the investigation of significant incidents occurring at investments;
- Collection, summary, review, and collation of ESG data received from portfolio companies or projects; and
- Support the Company and portfolio company or project with training and capacity building on key ESG aspects; and
- Supervise and facilitate ESG monitoring activities of investments, where required.

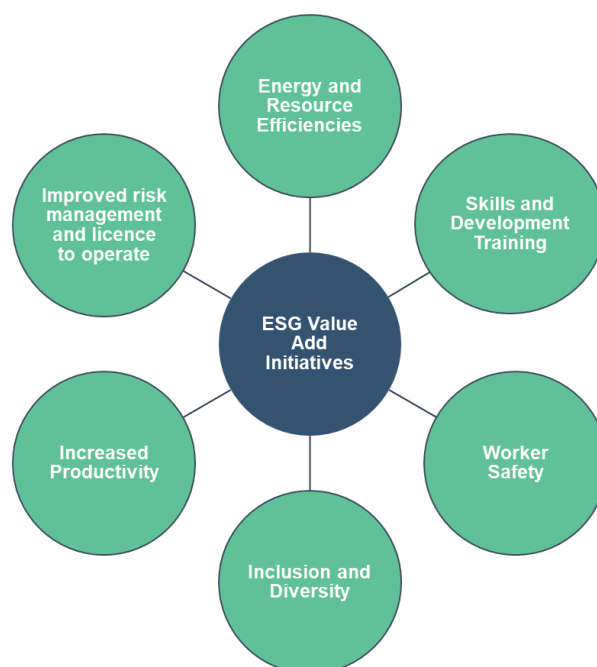
4.7. ESG Value-Add Initiatives

Over and above ESG risk management, the ESG MS intends to drive value protection and unlock opportunities, which are aligned with the Fund's strategic objectives, at portfolio company or project level. This is achieved through the integration and embedding of ESG value-add considerations into each stage of the investment process. Namely, by utilising various ESG value-add procedures, tools, and templates to identify potential initiatives, design and deliver practical and effective solutions to assist portfolio companies or projects in achieving meaningful results and long-term benefits from ESG interventions, and enable ongoing monitoring of such initiatives (refer to **Annex 13**).

The selection, oversight and / or management of ESG value-add opportunities is specific to the investment in question and dependent on a number of factors, such as the type of investment and extent to which the Fund has an interest in driving such initiatives; as well as a host of elements regarding the specific ESG value-add opportunity, including its measurability, extent of value, sustainability, timing, etc.

Refer to **Figure 5** for examples of key ESG value-add areas which the Company, on behalf of the Fund, and in partnership with other co-investors, will look to identify, drive and provide support on an investment-by-investment basis.

Figure 5 *Examples of ESG Value Add Initiatives*



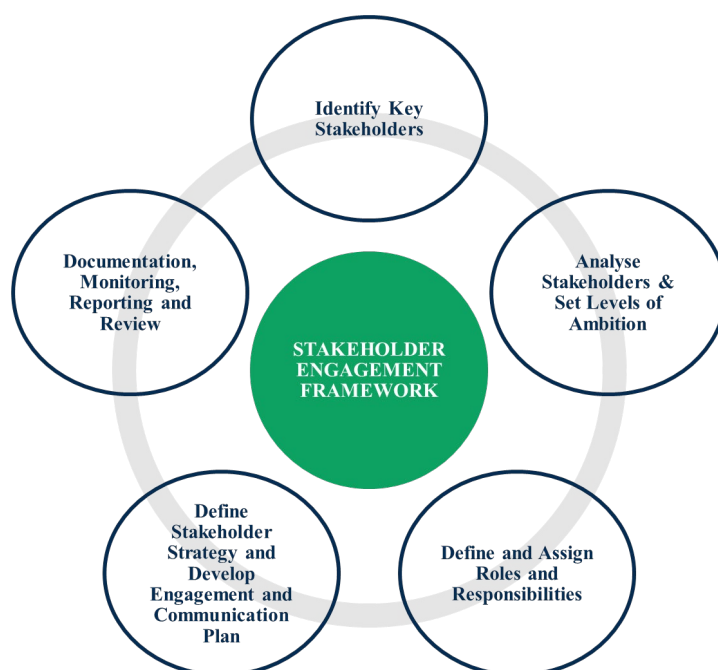
4.8. Stakeholder Engagement

Stakeholder engagement denotes proactive ongoing dialogue, information-sharing, and interactions between the Company and the Fund's stakeholders. The effective engagement with stakeholders is a key tool to facilitate the integration of ESG throughout the Fund and its portfolio companies or projects. Stakeholder engagement aims to:

- Facilitate learnings, transparency and accountability between investors, the Fund, co-investors and portfolio companies or projects;
- Ensure the Company remains in touch with the interests, needs and perspectives of the stakeholders of the Fund;
- Obtain and maintain buy-in to the Company's management strategies, systems and procedures for the Fund;
- Pre-empt any internal or external risks or challenges facing the Fund or its underlying investments;
- Drive continuous improvement;
- Reduce opposition to change and solicit advocates for ESG at both a Fund and underlying portfolio company or project level;
- Generate robust, consistent, and appropriate ESG disclosures; and
- Assist the identification of new opportunities for superior returns, growth, and innovation.

Figure 6 Stakeholder Engagement Framework

The ESG MS outlines the Company's stakeholder engagement framework, outlining a practical and proactive approach to engaging with stakeholders (refer to **Annex 14**). This involves the identification of all stakeholder groups and designing and initiating frequent engagements at appropriate levels with each of these groups (e.g., informal dialogues, structured and formal regular consultation, reporting and information sharing) (refer to **Figure 7**). The level, frequency and methods of engagement deployed to engage with stakeholders (e.g., direct engagement, questionnaires / surveys, etc) is commensurate with the risks, impacts and interests associated with the investment in question as well as the role the Fund plays.



As part of ensuring effective engagement, the Company has developed a grievance mechanism which will be communicated, implemented and monitored to ensure that any complaints or feedback received from internal or external stakeholders of the Fund are formally recorded, and appropriately responded to (refer to **Annex 15**).

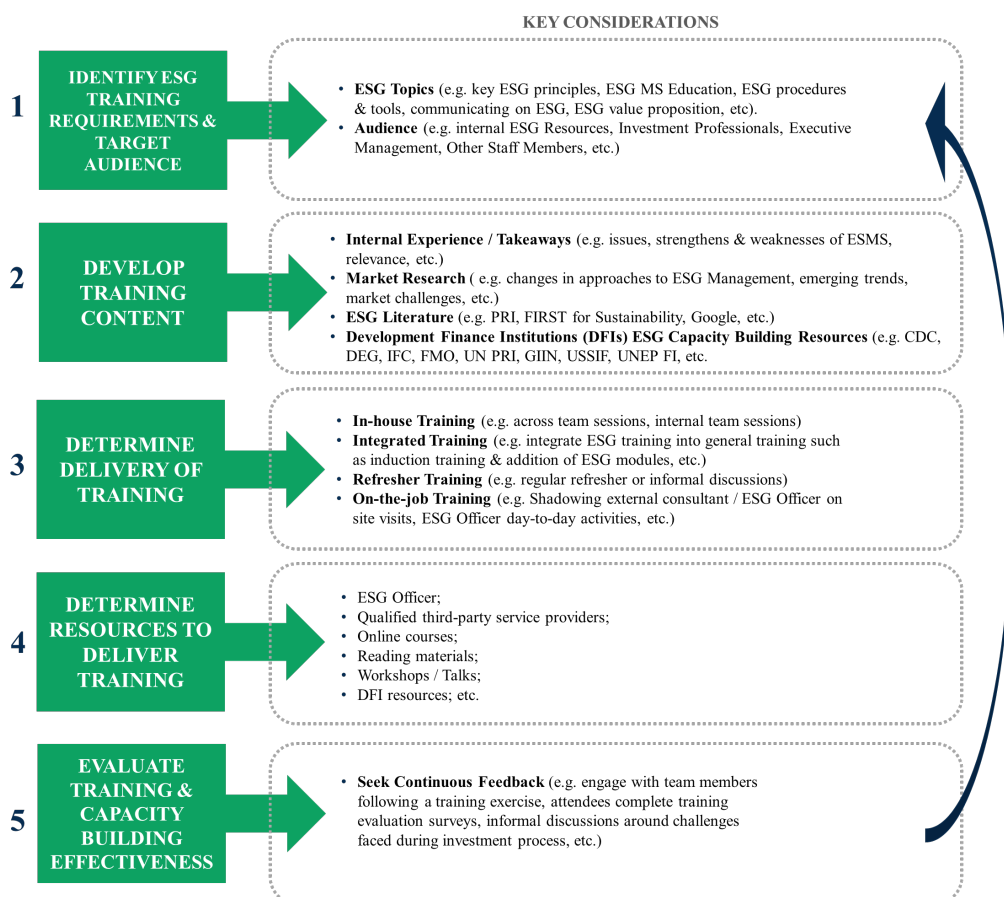
The responsibility lies with the Company to drive and facilitate stakeholder engagement across the Fund’s activities; however, the Investment Team is required to participate to their fullest extent with the stakeholder engagement processes, measures, communications, and platforms.

4.9. ESG Training & Capacity Building

The Company recognises that both the effective integration of ESG and realisation of key ESG commitments of the Fund is heavily reliant on providing adequate ESG training and capacity building for the Company’s Board, management, and staff (i.e., the Company’s Board members, Investment Team). Training and capacity building initiatives shall provide staff members with improved ESG knowledge and the necessary skills to engage effectively on ESG issues within the Fund and portfolio company or project level, in addition to enhancing awareness and buy-in around ESG and creating an ESG culture within the Fund.

On an annual basis (or when deemed necessary), the Company will conduct a review of the Company’s internal training requirements. The review will be used to determine the gaps in ESG skills and competencies needed to achieve the Fund’s ESG commitments. Based on the findings from this process, an annual training plan will be developed defining the ESG training requirements and associated timelines. The review, development and implementation of training sessions and programmes is guided by the process outlined in **Figure 7**.

Figure 7 Approach to ESG Training & Capacity Building



4.10. Monitoring and Reporting on ESG Performance

The Company will seek to drive improved operational performance of the Fund's portfolio companies or projects through accurately measuring and tracking ESG activities and information. The monitoring and reporting of ESG derives value for both the Fund and its portfolio companies or projects by enabling ongoing management of ESG performance, continuous improvement and facilitating the Company's ability to drive and support ESG performance through results-based management. In turn, this allows for the Company to disseminate ESG performance information to internal and external stakeholders, thereby demonstrating its efforts.

To give effect to these provisions, the Company has developed a robust performance monitoring and reporting system that broadly follows the steps below:

- Identifying key monitoring and reporting goals and objectives by understanding the questions that the system is trying to answer;
- Identifying ESG KPIs for tracking progress;
- Deciding on the method and frequency of data collection;
- Identifying the person(s) responsible for the data collection;
- Developing the tools necessary to capture, store and analyse collected data; and
- Collecting, analysing, and disseminating the data to relevant stakeholder groups (including disclosure of a glossy annual ESG report for investors).

A standard level of reporting will be required from each portfolio company or project of the Fund.

4.11. ESG Periodic Review

In order to ensure that the ESG MS remains relevant, achievable, and applicable to deliver on the Fund's ESG commitments, as well as ensuring continual improvement, a periodic review shall be undertaken of the ESG MS on a three-yearly basis. It is important to note that the success of a periodic review is conditional on appropriate records being kept and documented of any ESG-related activities and initiatives (e.g., record all ESG processes taken for each investment and any challenges encountered). This includes proper document control and sharing of ESG information between internal teams.

The designated ESG Officer will ensure that the periodic review covers the following key areas, but not limited to:

- Evaluate the Company's ESG Strategy and ESG Policy against any changes in the Fund's investment strategy and investment portfolio (e.g., sector focus, geographies, or shareholdings) and / or investor requirements;
- Evaluate internal resources assigned to the responsibility of managing and implementing the ESG MS (i.e., that the level of internal capacity and competencies is still sufficient and ESG resources are committed to continue successfully driving implementation of the system);
- Evaluate the level of compliance with the Company's ESG Strategy and ESG Policy across the organization;

- Review any feedback from various internal teams, including successes and challenges faced when implementing the ESG MS, and important lessons and insights to improve the effectiveness of the ESG MS;
- Determine appropriate corrective measures to address any gaps, limitations and improvement areas within the ESG MS;
- Analyse what resources are needed to implement corrective measures to address limitations or improvement in areas identified. These may include:
 - Additional training and awareness-raising;
 - Improving the oversight of the ESG MS components and procedures;
 - The inclusion of ESG performance into staff members' personal objectives;
 - Improved ESG MS tools and guidance;
 - Use of external specialists to advise the team; and
 - Peer-to-peer learning within and across teams; and
- Investigate and remain up to date with global ESG trends and competitors' approaches to ESG.

The designated ESG Officer shall assess the need for support from an external ESG specialist and will prepare relevant reports to be used to inform investors, and / or portfolio companies or projects, as appropriate, of any significant proposed changes to the ESG MS.

Annex 1: List of ESG Materials and Resources

- 1 **Guidance on ESG Topics of Interest, Sector ESG Risks & Opportunities, E&S Value Add, etc.**
[CDC Group ESG Toolkit for Fund Managers](#)
 - 2 **Guidance on ESG Risk Management, Implementation and ESG MS, Training, etc.**
[FIRST for Sustainability - Financial Institutions: Resources, Solutions and Tools](#)
 - 3 **IFC Performance Standards**
[International Finance Corporation \(IFC\) Performance Standards](#)
 - 4 **Guidance on ES Sector Risks**
[World Bank Group Environmental, Health, and Safety Guidelines](#)
 - 5 **Guidance on Sector Specific ESG KPIs and Reporting Guidelines**
[Global Reporting Initiative \(GRI\)](#)
 - 6 **King IV Code for Corporate Governance**
[King IV Code for Corporate Governance](#)
 - 7 **Equator Principles**
[Equator Principles](#)
 - 8 **African Development Bank (AfDB) Safeguards and Sustainability Series**
[AfDB Safeguards and Sustainability Series](#)
-

Annex 2: ESG Screening Procedure

1. PURPOSE AND SCOPE

The purpose of this document is to provide an overview of the Company's ESG Screening Procedures to be undertaken for all prospective investments prior to approval. This includes practical information on the screening activities to be performed in conjunction with the Screening Tool. Namely, a description of how ESG risks and impacts associated with a prospective investment are identified and assessed as well as the manner in which these ESG risks and impacts are communicated amongst the Investment Team and decision makers during the early stages of the investment process.

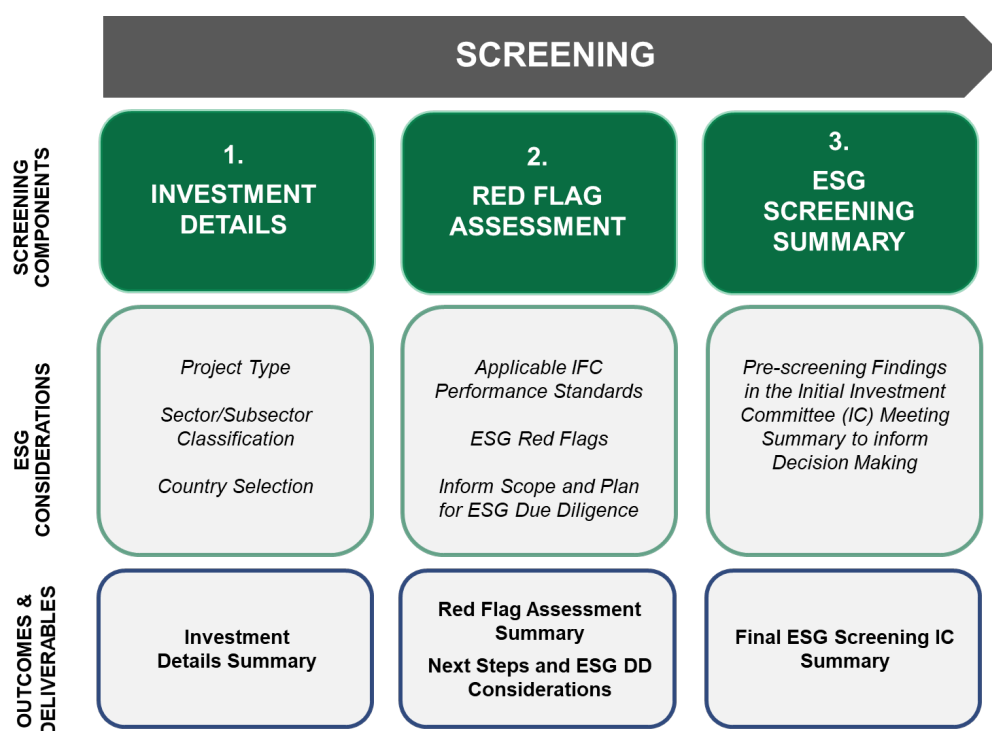
The objectives of screening are as follows:

- Ensure that the Fund does not invest in any excluded / prohibited activities as specified in the Investment Policy;
- Undertake a high-level review of any ESG fatal flaws associated with the prospective investment;
- Assess the inherent ESG risk in the prospective investment opportunity's sub-sector;
- Provide the Investment Team with guidance in order to make an informed decision on material ESG risks and impacts (i.e., potential red flags) associated with the prospective investment, for further interrogation during subsequent stages (e.g., ESG DD);
- Provide a template for ESG disclosures for the initial IC meeting; and
- Where appropriate (e.g., sufficient information is available at the screening stage), plan and budget for further studies (as considered relevant), including defining key ESG factors to be assessed at the ESG DD stage of the investment process and the allocation of resources required to effectively conduct or oversee the ESG DD process.

The scope of this procedure applies to all prospective investments of the Fund.

2. PROCEDURE

The Company's screening procedure comprises of three (3) components, covering ESG considerations, activities and outcomes, and deliverables (refer to Figure 8). Each component is discussed in further detail below.

Figure 8 **Screening Procedure**


2.1. Investment Details

Objectives

Classify the prospective investment sector and sub-sector and obtain basic information on investment timing, geographic location, stage of project lifecycle, etc. This information will inform subsequent stages of the screening procedure.

Activities

Populate the Screening Tool during the screening process for a prospective investment opportunity. This includes assessing the project information against the Screening Tool.

Outcomes and Deliverables

Populated investment screener checklist.

2.2. Red Flag Assessment

Objectives

Review all available ESG information to identify any likely red flags associated with the prospective investment. A red flag includes any ESG issue that could expose the Fund to material financial or reputational risk (e.g., major human rights or environmental abuses associated with the prospective investment).

Activities

Perform the following assessment activities (in conjunction with the Screening Tool):

- a. Confirm that the prospective investment does not involve any of the activities in the excluded projects list in the Investment Policy.
- b. Confirm, using the information available, that there are no known/outstanding material issues, litigations or claims related to ESG that are associated with the company or project site.
- c. Review any other applicable information provided to the Investment Team through preliminary engagement with the prospective investment's sponsor, management team, transaction advisor, or other stakeholders (i.e., potential co-investors, industry bodies, etc.).
- d. Taking all the information gathered during the steps above, review any red flags identified with regard to the prospective investment.

[Note: The types of red flag considerations to pay close attention to during the review are highlighted in

Table 6 below.]

Outcomes and Deliverables

Using the information gathered from the red flag assessment, the Investment Team should evaluate whether to progress the review of the investment to the initial IC stage or decline the deal.

Table 6 ***Examples of Red Flag Considerations (not an exhaustive list)***

1. Outstanding ESG litigations or claims associated with the project site or operations.
2. Allegations of bribery or corruption and/or money-laundering.
3. Non-compliance with regulations (e.g., land-use zoning scheme, prerequisite planning applications, existing planning permissions, operating permits etc.).
4. Significant fines or penalties received for non-compliance with national or local ES/labour requirements.
5. Labour issues (i.e., strikes, worker action, instances of child or forced labour, etc.).
6. Resource efficiency: Threat of water or energy supply shortages.
7. Land or groundwater contamination at the project site(s).
8. Reports or incidents of improper use, management, handling and disposal of chemicals, waste or wastewater that are potentially creating nuisances or impacting on surrounding community's health.
9. Community and employee health/safety/security: environmental issues impacting community health or livelihoods, and/or poor occupational health and safety performance (including high incident rates for worker injury and/or fatalities).
10. Resettlement issues: potential for physical or economic displacement of people as a result of the portfolio company's activities and/or the absence of a Resettlement Action Plan.

11. Opposition, complaints, or grievances from external stakeholders, including NGOs, interest groups or local communities surrounding the project.
12. Site proximity to formally protected ecological areas and habitats of endangered species (e.g., nature reserves, national parks, Ramsar sites, etc.).
13. Presence of cultural heritage including (i) tangible forms of cultural heritage, objects, property, sites, structures, or groups of structures, (ii) unique natural features or tangible objects that embody cultural values (i.e., sacred groves, rocks, lakes, and waterfalls) and (iii) certain instances of intangible forms of culture that are proposed to be used for commercial purposes, such as cultural knowledge, innovations, and practices of communities embodying traditional lifestyles.

2.3. ESG Screening IC Summary

Objectives

Outlines the key ESG findings of the screening procedure to be summarised in the IC memo for the Fund's initial IC meeting with respect to the prospective investment with the goal of informing the investment decisions by understanding the important ESG factors, potential related risks, liabilities and cost allocations associated with the prospective investment and ensuring ESG considerations are integrated throughout the investment process.

Activities

Populate the IC memo with an ESG Summary section by extracting the key findings recorded in the screening process.

Outcomes and Deliverables

Use information gathered from the red flag assessment to include a section in the initial IC memo that comprises of the following elements:

- Summary of the Investment Team's initial views on ESG risks based on the available information;
- A summary of the red flags identified (if any);
- A description of ESG red flags assessed against applicable ES IFC Performance Standards, where applicable
- Initial views on key areas for ESG DD going forward;
- Initial views on the scope of ESG DD or level of ESG DD oversight necessary in subsequent stages of the investment process based on the level of risk accompanying the prospective investment;

Annex 3: ESG Screening Tool

See the ESG Screening Tool

Annex 4: ESG DD Procedure

1. PURPOSE AND SCOPE

The purpose of this document is to provide an overview of the Internal and External ESG DD Procedures to be undertaken by the Company for high, medium and low risk investments (i.e., Category A, Category B or Category C, or FI-1, FI-2, or FI-3) prior to investment. This document includes practical information on the ESG DD activities performed in conjunction with the Company's ESG DD Tool.

The primary aim of an ESG DD assessment is to gain insight into the prospective investment's operations and functions with respect to ESG risks and opportunities. The ESG DD also aims to understand the extent to which prospective investment management is committed to integrating ESG practices into the business and effectively addressing ESG risks. Furthermore, the ESG DD process allows for the identification of opportunities that may drive ESG value add through the investment lifecycle.

Key objectives of the ESG DD process are as follows:

- Ensure compliance with the Company's ESG policy requirements (including prescribed ESG standards, safeguards, guidelines, etc.) or at a minimum ensure that the prospective investment will, in the future, be able to comply with such requirements;
- Identification of material ESG risks and opportunities that may be present in a potential high, medium, or low risk (as categorised during the screening assessment) investment;
- Perform a deep-dive assessment on fatal flaws and red flag issues identified during the screening process;
- Confirm the ESG risk categorisation (Category A, B, or C or FI-1, FI-2, or FI-3) as per [IFC Environmental and Social Categorization Guidance](#);
- Develop an ESG AP which includes identifying avoidance or mitigation measures for identified risks and associated corrective actions to address these;
- Provide the IC with the results of the ESG DD to facilitate improved investment decision-making and planning of next steps.

The scope of this procedure applies to all the Fund prospective investments that have moved past screening and are therefore subject to an ESG DD review.

The designated ESG Officer shall collaborate with the Investment Team on ESG DD workstreams for prospective investments, with the Investment Team taking the lead and the ESG Officer providing support as appropriate.

When the Fund is co-investing with other investors and holds a minority stake, some of them may take the lead on the ESG DD process. In these instances, the ESG Officer will support the Investment Team or assigned ESG resources in checking that similar standards to the ones adopted in the Company's ESG Policy were used to perform ESG DD on the transaction, as detailed in Table 3 on the following pages. Where ESG

DD was performed by lead investors other than the Company, and subject to the Company's satisfaction with the experience of the investors and/or their ESG consultants and with the quality of the ESG DD performed, the Company should seek reliance rights (release rights at minimum) regarding the ESG Due Diligence Report. If the Company is unable to obtain reliance rights, or that a credible ESG Due Diligence Report does not already exist, the Investment Team alongside the designated ESG Officer can decide what course of action is most appropriate, including undertaking full scope ESG DD commissioned by the Company.

About the ESG DD Tool

The ESG DD tool has been developed to provide the Investment Team or other relevant persons undertaking the ESG DD with a structured framework for assessing the potential investment against the Reference Framework.

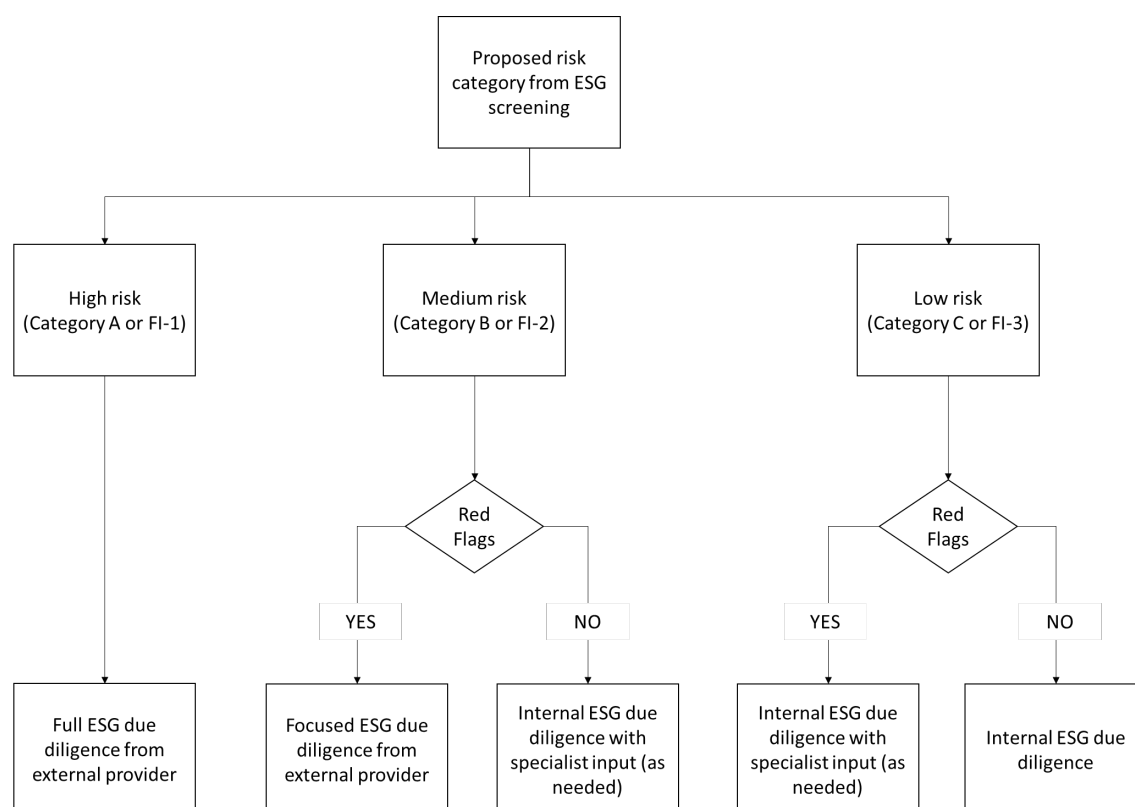
The structured framework is designed to ask a series of questions relevant to each IFC Performance Standard and relevant governance standards, to guide the assessment (or provide a level of oversight on the types of issues to be covered) of those undertaking the ESG DD, and the extent to which the potential investment aligns with the standards.

The tool also provides for the development of the ESG AP and guidance on the type of information that is considered relevant for presentation to the Investment Committee.

2. RISK CATEGORISATION

During the ESG screening process, the ESG Officer / Investment Team will allocate a preliminary ESG risk categorisation to the prospective investment (refer to the Screening Procedure and Screening Tool). This risk rating should be used to inform the scope of the ESG DD necessary, based on the level of risk accompanying the prospective investment.

Refer to *Figure 1* below for guidance on the type of ESG DD required in each instance.

Figure 9: Different Types of ESG DD

The level of risk associated with the prospective investment may significantly vary depending on the asset class, the duration (medium and long-term), and the sector of activity (power, transport, water, gas, ICT, etc.) and status of the project (greenfield vs. brownfield). To further determine the appropriate ESG DD level, the Investment Team and the ESG Officer will exercise judgement in addressing the combination of factors that the Company may consider looking at in deciding the risk categorisation from different lenses, including but not limited to: asset class, financial instrument(s) used, and sub-sector of activity

Table 1 *Prospective Investment's Sector of Activity Risk*

Risk relating to the sector of activity	Potential level of exposure to risks
<ul style="list-style-type: none"> Prospective investment in gas (midstream, downstream) or power (generation, transmission and distribution) sectors 	Cat A or FI 1 - High
<ul style="list-style-type: none"> Prospective investment in transport sector (roads, airports and ports) 	Cat B or FI-2 - Medium
<ul style="list-style-type: none"> Prospective investment in water (production, distribution, and waste management), healthcare, education, and ICT sectors 	Cat C or FI-3 - Low

The Investment Team and the ESG Officer will maintain the flexibility / judgement to determine the appropriate risk category for a given project using *Table 1* as a guide.

Table 2 hereunder provides for the combination of the above-mentioned variables and as such illustrates how financial facilities risk and sector of activity risk may determine the overall ESG risk level and hence the required level of ESG DD.

Table 2 **Different Levels of ESG DD**

Financial Facilities Risk ↓	Sector of Activity Risk →	Cat A or FI-1 (High)	Cat B or FI-2 (Medium)	Cat C or FI-3 (Low)
Cat A or FI-1 (High)		Full detailed ESG DD EXTERNAL	Focused ESG DD EXTERNAL	Minimal ESG DD INTERNAL
Cat B or FI-2 (Medium)		Full detailed ESG DD EXTERNAL	Focused ESG DD EXTERNAL	Minimal ESG DD INTERNAL
Cat C or FI-3 (Low)		Focused ESG DD EXTERNAL	Minimal ESG DD INTERNAL	Minimal ESG DD INTERNAL

Table 3 hereunder provides for an overall summary of this section, linking risk categorisation to appropriate activities and roles and responsibilities.

CATEGORISATION	DEFINITION	RECOMMENDED ACTIVITIES	ESG RESPONSIBILITIES
HIGH RISK (CAT A OR FI-1)	<p>Category A: Business activities with significant adverse ESG risks / impacts that are diverse, irreversible or unprecedented. Impacts cannot be mitigated, or, if they can be mitigated, only at significant cost (refer to IFC Environmental and Social Review Procedures Manuals, December 1998 and October 2016 for example of activities).</p> <p>FI-1: When an FI's existing or proposed portfolio includes, or is expected to include substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.</p>	Full detailed ESG DD from <u>external</u> provider.	Investment Team or the designated ESG Officer to work closely with Lead Sponsor or other responsible party to direct or oversee the ESG DD process (as much as is feasible). Input and review of ESG DD report.
MEDIUM RISK (CAT B OR FI-2)	<p>Category B: Business activities with the potential for limited adverse ESG risks / impacts that are few in number, generally site specific, largely reversible, and readily addressed through well-known mitigation measures refer to IFC Environmental and Social Review Procedures Manuals, December 1998 and October 2016 for example of activities).</p> <p>FI-2: When an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.</p>	Focused ESG DD from <u>external</u> provider (this could include an <u>internal</u> ESG due diligence with specialist input).	Investment Team or the designated ESG Officer to work closely with the Lead Sponsor or other responsible party to direct or oversee the ESG DD process (as much as is feasible). Input and review of ESG DD report.

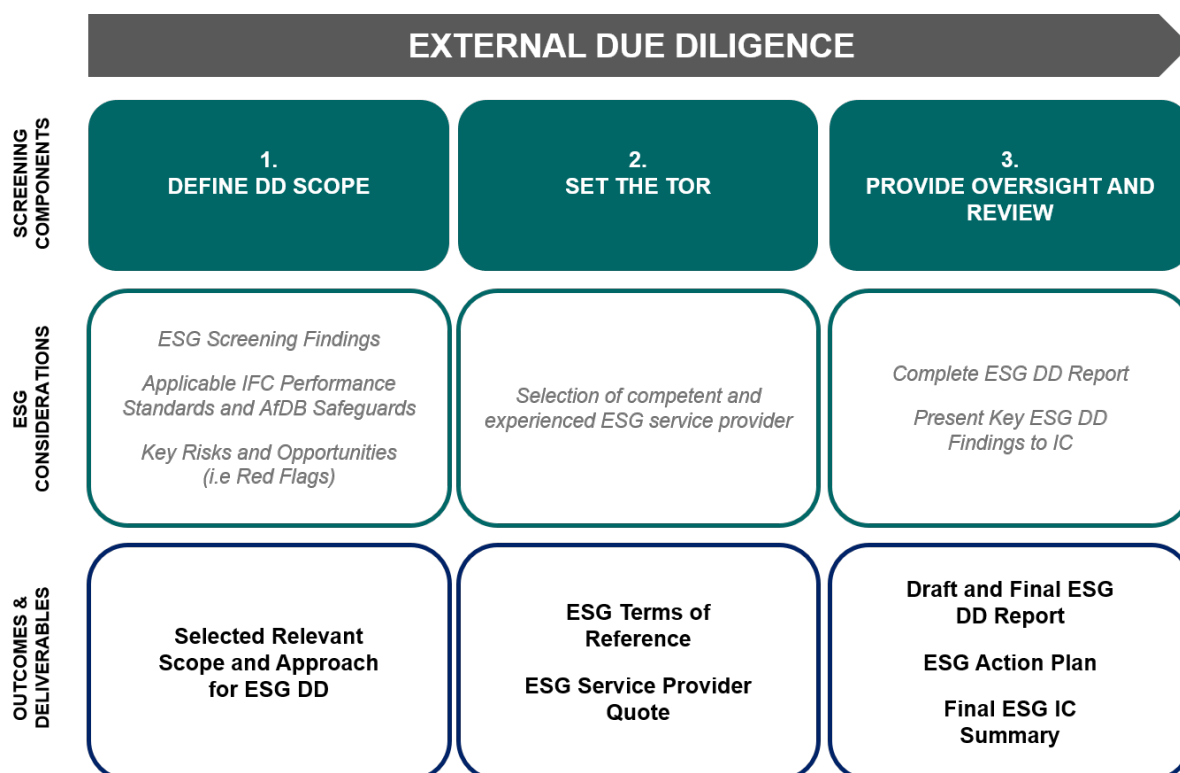
CATEGORISATION	DEFINITION	RECOMMENDED ACTIVITIES	ESG RESPONSIBILITIES
LOW RISK (CAT C OR FI-3)	<p>Category C: Business activities with minimal or no adverse ESG risks or impacts. ESG risks and impacts are generally limited to common issues such as occupational health and safety, labour standards and, in some cases, energy efficiency in office environments refer to IFC Environmental and Social Review Procedures Manuals, December 1998 and October 2016 for example of activities).</p> <p>FI-3: When an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.</p>	<u>Internal</u> ESG due diligence.	Investment Team to keep the designated ESG Officer informed. Input and review of ESG DD report.

3. EXTERNAL ESG DD PROCEDURE

The following section deals with the high-level process of performing an external ESG DD process.

The external ESG DD procedure comprises three (3) components, each with specific ESG considerations, activities, and outcomes and deliverables (refer to *Figure 10*). Each component is discussed in further detail below.

Figure 10: External ESG DD Procedure



3.1 Define the ESG DD Scope

Objectives

Define the scope of the ESG DD based on findings from the screening assessment (i.e., applicable performance standards, red flags and/or key ESG risks and opportunities identified). The scope should take into consideration applicable ESG standards to conduct the assessment against, the sites that need to be visited, the people that need to be interviewed, and the documents that need to be reviewed to ensure that a comprehensive understanding of ESG risks and opportunities is gained.

Activities

The prospective investment will be allocated an ESG risk category against the IFC ESG Risk Categorisation Guidelines which, in addition to the actual context of the investment, will guide the level of ESG DD conducted.

As part of appointing a competent ESG specialist to undertake the assessment, the Investment Team and the designated ESG Officer shall take all relevant ESG screening information into account (from the screening phase).

Outcomes and Deliverables

Determine whether an external ESG specialist will be required to undertake the ESG DD and to what extent (i.e., whether they will conduct the full ESG DD assessment or focus on key ESG issues only).

Develop an understanding for the scope and plan for the ESG DD, including key ESG risks and opportunities to be covered, the applicable ESG standards to be assessed, cost and timing for completion of the exercise.

3.2 Set the ToR

Objectives

To ensure that the appointed ESG specialist is competent and qualified to carry out the ESG DD and executes the assessment in accordance with the ESG Policy and other prescribed ESG standards.

Activities

Before appointing an external ESG service provider to undertake an ESG DD, the designated ESG Officer will support the Investment Team in setting out the ToR for the ESG DD. The ToR will specify the scope of the ESG DD to be conducted and invite relevant, qualified firms to tender for the engagement (as relevant).

The Company has developed a ToR template that the Investment Team or assigned ESG resources can populate to obtain quotes from prospective bidders (refer to the ESG DD Terms of Reference).

Where possible, the identification of opportunities for value creation (e.g., focused HS training programs to reduce the number of worker incidents and associated operational delays, etc) should be added to the ToR.

The chosen ESG specialist should be knowledgeable and have experience of working in the specific target sector / sub-sector and have worked with applicable ESG and industry specific regulations and standards, including, amongst others, the IFC Performance Standards (2012), the Equator Principles (2013), the World Bank Group Environmental, Health and Safety (EHS) Guidelines (April 2007), World Bank Group Infrastructure Specific Guidelines (dated April 2007 – February 2017), etc.

The Investment Team and the ESG Officer or assigned ESG resources will review all proposals received from chosen ESG specialists (as relevant) to determine which candidate is most appropriate from a competency, resources, and cost perspective.

Outcomes and Deliverables

The Investment Team and the ESG Officer or assigned ESG resources will review all ESG DD proposals received and make a decision on which candidate to select to carry out the ESG DD assessment.

3.3 Provide oversight and review

Objectives

The objective of the ESG DD is to identify and assess the prospective investment's ESG performance (including ESG risks, opportunities, and impacts), that Company will undertake to inform decision-making as to whether or not to invest.

Activities

Once a qualified ESG service provider or specialist is appointed, it is the responsibility of the Investment Team and the ESG Officer or assigned ESG resources to provide oversight for the project and to perform the final review and sign-off of the ESG DD report once completed. The Investment Team and the ESG Officer or assigned ESG resources are therefore responsible for ensuring that the ESG DD is carried out in accordance with the ToR.

The Investment Team and ESG Officer or assigned ESG resources are also responsible for managing issues that may arise and, if required, managing scope creep and change control.

Ensure that corrective actions identified as part of the ESG DD are prioritised according to identified risks and gaps, with justified implementation schedules. Prioritisation should be based on the level of ESG risk (i.e., high risk could be the potential for a significant fine or site closure, reputational risks, or material costs for upgrades or compliance; whereas low risk could be the potential for a minor fine or non-compliance issue, or non-material requirements to achieve compliance).

As a final step, the Investment Team (in consultation with the ESG Officer as appropriate) will populate the Final IC summary (refer to *Appendix 1*), with relevant information from the ESG DD report.

Outcomes and Deliverables

The ESG AP developed will provide a comprehensive list of risks, an implementation schedule, a total cost estimate and prioritisation of required actions. In addition, this process will develop a list of value adding ESG opportunities (where relevant).

It will also provide a summary of the key ESG DD findings for inclusion in the IC memo presented for the final IC (refer to *Appendix 1*).

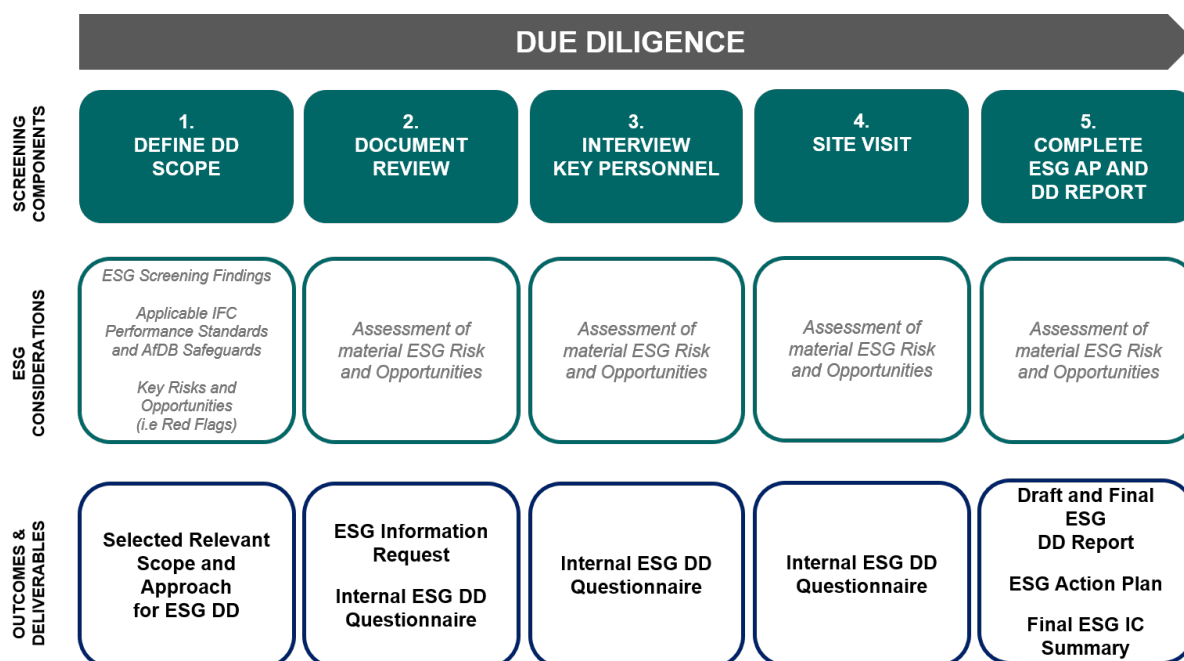
This is intended to assist the Investment Committee in making an informed decision on relevant ESG factors and the viability of the prospective investment from an ESG perspective.

4. INTERNAL ESG DD PROCEDURE

The following section deals with the high-level process of performing an internal ESG DD.

The internal ESG DD procedure comprises five (5) components, each with specific ESG considerations, activities and outcomes and deliverables (refer to *Figure 83*). Each component is discussed in further detail below.

Figure 11: Internal ESG DD Procedure



4.1 Define the ESG DD Scope

Objectives

Define the scope of the ESG DD based on findings from the screening assessment (i.e., applicable performance standards, red flags identified and/or key ESG risks and opportunities identified).

Activities

The Investment Team and the ESG Officer or assigned ESG resources shall scope and plan the activities necessary to perform a comprehensive ESG DD. The Investment Team or assigned ESG resources shall populate the assessment setup in the ESG DD Tool prior to conducting the DD. This includes the following activities:

- a. Review the information from the screening stage.
- b. Enter the project information including (refer to the ESG DD Tool Assessment Setup Tab):
 - Date;
 - Investment name;

- Name of any co-investors;
 - Executed by; and
 - Type of investment (Financial Institutions or Non-Financial Institution).
- c.** Select which performance standards are applicable by checking or unchecking the relevant boxes (refer to the ESG DD Tool Assessment Setup Tab).
- d.** Pull and confirm relevant information from screening in relation to the prospective investment's sector and sub-sector category and the relevant country(s) per investment selection (refer to the ESG DD Tool Assessment Setup Tab).
- e.** The Investment Team and the ESG Officer will confirm the relevant standards, safeguards and guidelines from the Reference Framework against, which the ESG DD will be performed;
- f.** The Investment Team and the ESG Officer will also develop a list of the site(s) that need to be visited (if relevant), the people that need to be interviewed and the document request list (refer to *Appendix 2* for example ESG Information Request List);
- g.** The Investment Team and the ESG Officer also need to decide if there is a need to bring in external technical experts to conduct portions of the ESG DD. Technical experts may be required when:
- Material and complex ESG risks were identified during the screening process (for example the potential exists for resettlement);
 - The internal team does not have the technical competencies to assess specific portions of the ESG DD;
 - There are time pressures for completing the ESG DD and the internal team requires additional resources.
- h.** Once the scoping and planning of the ESG DD is complete, the Investment Team or assigned ESG resources should fill in the relevant information into the ESG DD Tool (refer to the IC Summary Tab, Section 4: Due Diligence and Section 5: Approach).

Outcomes and Deliverables

Summary of key prospective investment details, sector / sub-sector classification, the selection of applicable performance standards, and a defined scope of activities for the ESG DD.

At this time, it may be prudent to develop a ESG DD report framework for capturing information that will be gained during the subsequent activities. If the Investment Team or assigned ESG resources elects not to write a full ESG DD report, then the ESG Tool IC Summary will serve as the ESG DD report.

If external technical experts are going to be commissioned, the Investment Team and the ESG Officer or assigned ESG resources will complete the ESG DD Terms of

Reference and subsequently appoint the relevant consultant(s) (refer to Section 3 External ESG DD Procedure).

4.2 Preliminary Documentation Review

Objectives

To build on the initial findings of the screening assessment by reviewing publicly available information and documents requested from the prospective investment. The document review will enable the Investment Team to begin identifying the extent to which material ESG risks are being managed and any significant gaps that may be present, as well as key areas to interrogate during subsequent stages of the ESG DD process (as relevant).

Activities

The ESG Officer, Investment Team or assigned ESG resources shall perform a document review. Where possible, the Investment Team or assigned ESG resources, supported by the ESG Officer, shall begin answering applicable Performance Standards and / or Corporate Governance questions in the ESG DD Tool:

- a. Request relevant ESG information for document review from the prospective investment (refer to *Appendix 2* for example ESG Information Request Lists);
- b. Review the information and documents that have been made available and identify any additional documents that may be required to perform a comprehensive ESG DD;
- c. If necessary, and based on the external factor review performed during the screening stage, review additional external data sources (such as the internet and other publicly available information);
- d. Where possible, begin answering the IFC Performance Standard and corporate governance questions (refer to the ESG DD Tool).

Outcomes and Deliverables

A preliminary assessment of the extent to which ESG risks are being managed and the identification of gaps in the prospective investment's policies, procedures, systems, and activities. The document review also provides the ESG Officer, Investment Team or assigned ESG resources the opportunity to develop questions to direct at the management of the prospective investment during subsequent stages of the ESG DD process.

The key findings from the document review should be written into the draft ESG DD report that may have been setup during the ESG DD Scoping activity / IC Summary. Furthermore, if there are material issues that are uncovered and need to be reported on, these can be captured in the ESG DD Tool (refer to the IC Summary Tab, Section 8: ESG Assessment).

4.3 Interviews with Key Prospective Investment Personnel

Objectives

Interviewing key personnel (typically situated at the Head Office and/or key operational sites) at a prospective investment provides an opportunity to delve deeper into the ESG commitment, capacity and track record (CCTR) of the prospective investment and the ESG risks and opportunities identified during screening and the initial document review. Typically, interviews would be conducted with:

- CEO, COO and / or other senior management to gain insight into their levels of ESG awareness and CCTR;
- HSE / Sustainability Manager to understand their CCTR and gain insight into the extent to which policies and procedures are implemented;
- Interviewing the Head of Operations / Operations Manager provides the opportunity to understand key processes, use of resources and materials, and identify opportunities for process improvements;
- The Head of Human Resources / Human Resources Manager can provide information on labour practices and the extent to which the prospective investment conforms to ILO best practice and Performance Standard 2; and
- Community Liaison Officer (CLO) or personnel with such responsibilities, will provide insights into any initiatives being driven within surrounding communities, current or historical external grievances or issues raised and ongoing stakeholder engagement practices with interested and affected parties.

Activities

The Investment Team, with the support of the ESG Officer or assigned ESG resources, shall conduct the interviews according to the following guidelines:

- a. Following the document review process, the ESG Officer, Investment Team, or assigned ESG resources may have identified gaps in information or areas that require greater explanation. The ESG Officer, Investment Team or assigned ESG resources should identify those individuals who would be best positioned to gain more information;
- b. The ESG Officer, Investment Team or assigned ESG resources should also identify IFC Performance Standard questions from the ESG DD Tool, that can be answered through the interview process;
- c. Identify questions from other standards, safeguards and guidelines from the Reference Framework that need clarification or require specific answering;
- d. For each of the people to be interviewed, a questionnaire should be developed to ensure that all required information is gained. It may be pragmatic, for long questionnaires, to provide the person to be interviewed with the questionnaire in advance to ensure efficiency of the ESG DD process;

- e. Conduct and record the interview and where Reference Framework answers have been gained, fill in the ESG DD Tool.

Outcomes and Deliverables

The key findings of the interview process should be written into the draft ESG DD report that may have been setup during the ESG DD Scoping activity / IC Summary. Furthermore, if there are material issues that are uncovered and need to be reported on, these can be captured in the ESG DD Tool (refer to the IC Summary Tab, Section 8: ESG Assessment).

4.4 Site Visits

Objectives

The objective of the site visit(s) is to provide first-hand insight into the actual operations of the prospective investment and therefore allows for the identification of ESG risks and opportunities that may be the most material to the operations. Furthermore, the site visit(s) allows the ESG Officer and Investment Team to determine the level of ESG integration into business operations and compare the actual performance to the information gained during the document review and interview steps.

[Please note that site visits may not always be practical from a time or effort perspective, and therefore need to be assessed on a case-by-case basis depending on the level of risk associated with the target investment and issues identified during preceding stages of the investment process.]

Activities

- a. Liaise with the relevant site to arrange a time for the site visit as well as times to conduct interviews with site-level personnel;
- b. Identify the questions arising from application of the Reference Framework that can be answered during the site visit(s);
- c. Where required, review site-level records and documents;
- d. Conduct a physical tour of the operations and gain insight into the extent to which the operations align with the Reference Framework;
- e. Interview key site-level personnel (for example Site HSE Officer, Operations Manager, Community Liaison Officers, etc.) to understand the extent to which the Environmental and Social Management System (ESMS) has been implemented. The interviews also provide an opportunity to discover new or existing ESG risks, exposures or opportunities at a site level;
- f. It is important to interview key stakeholders (such as affected communities and local authorities) to understand if and how the prospective investment's operations have an environmental and / or social impact on the stakeholder;
- g. Where Reference Framework answers have been gained from the site visit(s), fill in the ESG DD Tool.

Outcomes and Deliverables

The key findings from the site visit(s) should be written into the draft ESG DD report that may have been setup during the ESG DD Scoping activity / IC Summary. Furthermore, if there are material issues that are uncovered and need to be reported on, these can be captured in the ESG DD Tool (refer to the IC Summary Tab, Section 8: ESG Assessment).

4.5 Develop the ESG AP / ESG DD Report and IC Summary

Objectives

Following the completion of the document review, interviews and site visit(s) an important output is the development of an ESG AP. The aim of the ESG AP is to address ESG risks identified, with actions required to avoid or mitigate the risks, such that the prospective investment complies with the required ESG standards. Furthermore, the development of the ESG AP provides for the identification of ESG value add opportunities for further interrogation by investment professionals outside of the formal ESG DD process.

Activities

- a. Throughout the process and at this stage, material risks should have been identified and documented. If the Reference Framework questions in the ESG DD Tool have been completed, the tool will automatically generate a partial ESG AP (refer to the Action Plan Tab). The Investment Team or assigned ESG resources, supported by the ESG Officer as appropriate, will be required to fill in the following information against each identified risk:
 - Time duration
 - Timing for completion
 - Cost
 - Responsible person
 - Status
- b. The action plan from the ESG DD Tool can be printed directly from the excel tool. It is important to note that the ESG DD Tool only provides for a risk assessment against the IFC Performance Standard and corporate governance.
- c. Fill in other risks that may have been identified against other Reference Framework standards, safeguards, guidelines, etc, into the AP;
- d. Where required, it may be prudent to identify those risks that need to be dealt with prior to investing (conditions precedent). These should be highlighted to the IC;
- e. Ensure that the ESG AP is completed as much as possible to provide a baseline for monitoring and reporting on progress against the plan;

- f. During the process potential opportunities for ESG value creation could also have been identified;
- g. Define the next steps that need to be undertaken. Complete the information in the ESG DD Tool (refer to IC Summary Tab).
- h. Complete the ESG DD report / IC Summary (refer to *Appendix 1*).

Please note that when the ESG DD identifies ESG risks, these should be raised with the prospective investment's management and possible methods/costs of rectification should be discussed and agreed. Where the prospective investment's management agrees the need for changes to be made to the business to meet international good practice, these should be added to the ESG AP with a cost and timetable agreed by both parties, and appropriate costs incorporated into the projections. The Investment Team should always ensure that the ESG AP assigns a person responsible for action and highlights areas that may require technical assistance (TA) funding.

The ESG AP forms an important part of the ESG management process, as it provides a breakdown of all the actions that an investee is expected to address in order to become compliant with the Company's expectations from an ESG perspective. It is also a good tool to be used to track ongoing compliance with the ESG requirements.

Outcomes and Deliverables

The ESG AP developed will provide a comprehensive list of risks, an implementation schedule, a total cost estimate and prioritisation of required actions. In addition, this process will develop a list of value adding ESG opportunities (where relevant).

A summary of the key ESG DD findings for inclusion in the memo presented for the final IC (refer to *Appendix 1*).

This is intended to assist the IC in making an informed decision on relevant ESG factors and the viability of the investment from an ESG perspective.

Appendix 1: ESG DD IC Summary Template

[Home](#)
[Print](#)

Investment Committee (IC) ESG DD Summary

INVESTMENT DETAILS

Name of Investee Company:

Sector:

Go to Assessment Setup tab and select Industry

Sub-sector:

Go to Assessment Setup tab and select Location

Location:

Go to Assessment Setup tab and select Location

ESG CATEGORISATION

Environmental

Insert confirmed or amended risk rating assigned in screening

Health & Safety

Insert confirmed or amended risk rating assigned in screening

Social

Insert confirmed or amended risk rating assigned in screening

IFC Risk Cat.

Insert confirmed or amended risk rating assigned in screening

KEY ES RISKS, OPPORTUNITIES & CORRECTIVE ACTION

Key ESG risks identified during Due Diligence

Key ESG opportunities identified during Due Diligence

Main corrective action items to be implemented (including cost)

NEXT STEPS

Legal Documentation Requirements

In order to meet the Company's internal ESG requirements, indicate the relevant legal terms and undertakings/covenants/ reps/warranties to be included into legal documentations and to be agreed upon with the portfolio company or project. In addition, the ESG Action Plan shall be included in the legal documentation.

ESG Action Plan Requirements & Negotiation

Indicate how the Company intends to monitor and manage actions contained in the ESG Action Plan (resources, templates, frequency of monitoring, etc.)

ESG Reporting and Other Requirements

Indicate the ESG Reporting requirements that the portfolio company or project is required to adhere to (e.g., prescribed ESG Reporting Template, frequency of reporting, etc)

SIGN OFF

Completed by:	Signature
Signed by:	Signature

Appendix 2: Document Request List

Examples of potential ESG documentation to be requested based on the ESG DD assessment.

INFORMATION REQUEST LIST
GENERAL
Site layout plan, details of surrounding land uses and summary of site history
Investment Portfolio (including names of all companies, activities, location, date of entry, and investment share)
Accurate location of the current facilities (e.g., GPS coordinates)
Summary of current site activities
Organisation chart indicating who is responsible for environmental & social matters
Environmental and social impact assessment (ESIA) reports and permits (if conducted)
Environmental, health and safety (EHS) management plans, including emergency response plans, contingency plans, resettlement action plans, waste management plans, environmental monitoring plans, etc.
Local EHS and labour authority's inspection and correspondence records
EHS incident records, including correspondence with authorities and steps taken (e.g., spills, leaks, air emissions, odour, noise, traffic etc.)
ESG MANAGEMENT SYSTEM
ESG Certifications
ESG Policies, Procedures and Plans
ESG Regulatory Register
ESG Key Performance Indicators and Targets
ESG Roles and Responsibilities Descriptions
ESG Training Register
Crisis Management Plans and Procedures
ESG Budget Plan
ESG Audit Procedures (Internal and External)
ESG Grievance Procedures and Registers
Ongoing and pending ESG Claims and Litigations
ENVIRONMENTAL
Current operating permit, including any recent permit applications
Site drainage plans (supply water, process effluents, storm water, sanitary wastewater)
Local authority permit/trade effluent discharge licence
Licence from the safety authorities (e.g., fire brigade)
Waste management documentation
Waste contractor licences/permits
Environmental incidents register
Corrective actions register
Environmental complaints register
Storage tanks register (above ground or underground) with characteristics, volumes and contents
Inventory of hazardous substances present onsite
Material safety datasheets (MSDS)
Emergency response plan

Bund integrity testing records
Pipeline integrity testing records
Asbestos inventory
Soil/groundwater investigation and remediation reports
HEALTH AND SAFETY
Health and safety risk assessments
Safety committee (reports, meeting minutes)
Electrical systems inventory and inspection reports
Fire protection system inspection reports (and insurance reports if available)
Fire drill and evacuation plans
Incidents and accidents statistics and investigations
Occupational illness statistics
Insurance / enterprise risk audit reports
Medical and first-aid equipment inventory
Policies on occupational health and safety
SOCIAL
Employee statistics
Collective bargaining agreement(s)
Human resources policies and recruitment procedures including copies of contracts given to permanent and temporary staff
Documents on the nature of training given to staff in relation to OHS in the last 24 months and training plan for this year
List of unions within the prospective investment/union representatives/staff representatives
Reports of last staff/union representative meetings
Grievance procedure for staff
Details of litigations (outstanding legal actions from employees, employee claims, request from the work inspector etc.)
COMMUNITY
Stakeholder engagement plan or records of stakeholder engagement and public consultation meetings
Grievance mechanism for communities and any records of grievances received
Any community agreements or memorandums of understanding
Resettlement actions plans and information on compensation
Any documentation regarding community development / investments
Information on any outstanding claims or legal proceedings from staff or external parties
Security procedures (in relation to community incidents)

Annex 5: ESG DD Tool

See the ESG DD Tool

Annex 6: ESG DD Terms of Reference

1 INTRODUCTION

The Company will seek to appoint an independent Environmental, Social and Governance (ESG) Consultant to undertake an ESG DD assessment of prospective investments of PSIF.

In line with the Company's ESG Policy (refer to **Annex 1**), the Company considers the management of ESG issues to be a critically important investment consideration to ensure compliance, mitigate risks, protect capital and create value. On this basis, the Fund is not permitted to invest in any company that, in the Company's reasonable opinion, is in breach of prescribed the ESG requirements, and will be unable to adhere to the ESG requirements over the lifespan of the Fund's investment in the Prospective Investment.

The following Terms of Reference (ToR) are to ensure that the appointed ESG Consultant executes the ESG DD assessment in accordance with the ESG Policy and international best practice.

2 ESG CONSULTANT QUALIFICATIONS

[This section is to be adapted based on the specific nature of the investment; i.e., location, sector, project size, type of investment etc.]

For all Category A or FI-1 investments, and where the ToR is also used for Category B or FI-2 investments (in terms of the [IFC ESG Risk Categorisation Guidelines](#)), the Consultant must have experience of working in the prospective investment's operating jurisdictions [i.e., *insert operating jurisdictions*], and experience of conducting ESG DD within the specific type of sector/sub-sector [i.e., *insert Prospective Investment sector type*].

The Consultant must be knowledgeable and have worked with applicable ESG and industry specific regulations and standards that are consistent with the Reference Framework.

3 SCOPE OF WORK

Prospective Investment Description

COMPANY NAME:	
LOCATION (LIST ALL ASSETS):	
DESCRIPTION OF OPERATIONS, SERVICES AND FACILITIES:	
TYPE OF FINANCING	

Objective of the ESG DD

The objective of the ESG DD is to identify and assess the Prospective Investment's ESG performance (including ESG risks, opportunities and impacts), as part of a larger Due Diligence investigation, that the Company will undertake to inform the decision as to whether or not to invest.

Through the ESG screening procedure, the Company has identified the following high-level ESG risks and opportunities (i.e., red flags) which may be associated with a prospective investment, which require specific investigation as part of the ESG DD:

HIGH-LEVEL ESG RISKS AND OPPORTUNITIES [AS IDENTIFIED DURING SCREENING]

The ESG DD should focus on assessing the Prospective Investment's ESG Management System Development and Implementation including:

- ESG Policies (e.g., Environmental and Resource Efficiency, Labour and Working Conditions, Human Rights, Anti-Money Laundering / Anti-Bribery and Corruption or Corporate Governance Policies, etc.);
- ESG resources and support functions (including training and organisational capacity)
- Identification of ESG risks and opportunities;
- Management Programmes to manage ESG risks and opportunities;
- Emergency preparedness and response;

- Monitoring and reporting (i.e., how the Prospective Investment monitors and reports on its ESG performance to both internal and external stakeholders);
- Stakeholder engagement; and
- Grievance mechanisms (or whistle blower mechanisms).

Reference Framework

ESG performance of a prospective investment is to be assessed against the Reference Framework as a minimum. However, additional reference material that may be used as guidelines on the ESG Principles, include the following:

- Applicable International Treaties and Protocols;
- The Equator Principles (June 2013);
- The World Bank Group Environmental, Health and Safety (EHS) Guidelines (April 2007);
- Applicable World Bank Group Sector Specific Guidelines; and
- Applicable Industry Guidelines [to be determined on an investment-to-investment basis] such as the UK Health and Safety Guidelines, CDC Sector Specific Guidelines, ILO Core Labour Standards etc.

Output / Deliverable of the ESG DD

The outcome of the ESG DD is expected to be a clearly written report in the format as described in Annex 4.

4 ESG DD APPROACH

To conduct the ESG DD for a high to medium (Category A or FI-1 and Category B or FI-2) Prospective Investment, the appointed ESG Consultant will undertake the following tasks:

1. Preliminary Documentation

- Request relevant ESG information for review (refer to Annex 4 for example ESG Information Request List).
- Review all available information and documentation related to the Prospective Investment as made available by the Prospective Investment.
- Conduct a reputational review using external data sources as required (based on publicly available information).
- Prepare a list of additional information and / or questions that will be needed to continue / complete the assessment.

2. Interviews with Key Prospective Investment Personnel

Interviews with key staff (i.e., HSE / Sustainability Manager, Human Resources Manager, Head of Operations, Chief Operating Officer, etc.), typically at Head Office, where applicable. These interviews should focus on understanding:

- The ESG performance of the company;

- Levels of ESG Management System implementation, including formal and informal environmental, occupational health & safety, process safety and labour related systems, community safety processes, policies and procedures;
- Clarity on the ESG leadership, roles and responsibilities of the management team;
- Labour and third-party contractor management; and
- Human resource management and community issues (including human rights, worker unions and labour standards).

3. Site Visit and Further Review

The scope of the site assessment will include visiting selected company sites and associated facilities (as below) to observe the on-the-ground implementation of the ESG Management Systems as well as identify any ESG risks and opportunities associated with the operation of these sites.

SITE NAME	LOCATION(S)	BRIEF DESCRIPTION OF SITE

[This is to be amended if there are multiple Prospective Investment sites]

The site visit(s) should involve the following:

- The assessment of a selection of the sites (including a sample of both challenging and well-performing sites) to determine the level of ESG integration by the Prospective Investment into business operations (as part of its ESG Management System implementation) and how well it is managing key ESG risk exposures and opportunities;
- A review of facility-based records and documentation;
- Interviews with key staff at site level (i.e., Site HSE Officer, Operations Manager, Site Level Human Resources Manager, Community Liaison Officers, etc.). These interviews should focus on understanding the following:
 - ESG Management System implementation and ESG performance of the site against the prescribed Reference Framework; and
 - New or existing ESG risks exposures or opportunities at a site level.
- Further interviews with relevant and representative stakeholders, if required (regulatory officials, key suppliers, surrounding community members / forums, etc.). These interviews should focus on understanding:

- The overall relationship the company has with its stakeholders;
- History of interactions with stakeholders;
- Any outstanding ESG risks, exposures or opportunities associated with company operations; and
- Identification of successes or gaps in community engagement procedures and grievance mechanisms.

(All external stakeholder interviews will be approved by the Prospective Investment and the Company in advance)

4. Categorisation of the Prospective Investment

Confirm the ESG Risk Categorisation (Category A or FI-1, Category B or FI-2 or Category C or FI-3) as per the [IFC ESG Risk Categorisation Guidelines](#).

Verify that the Prospective Investment's operations do not entail any activities listed under the Exclusion List (*Refer to the Company's Investment Policy*).

5. ESG Assessment and Corrective Actions

- Assess the performance of the Prospective Investment against the Reference Framework;
- Identify foreseeable risks (including non-compliances, fines, liabilities and penalties) and advise the Company on any issues that could negatively or positively impact the value of the Prospective Investment;
- Identify performance gaps in compliance with applicable standards and propose corresponding corrective actions to address these gaps; and
- Develop and prioritise corrective actions to identified risks and gaps, with justified implementation schedules. Prioritisation should be based on the level of ESG risk (i.e., high risk could be the potential for a significant fine or site closure, reputational risks, or material costs for upgrades or compliance; a low risk could be the potential for a minor fine or non-compliance issue, or non-material requirements to achieve compliance).

6. Opportunities for Value Creation

Where possible, identify opportunities for value creation (e.g., focused HS training programs to reduce the number of worker incidents and associated operational delays, etc).

7. ESD DD Report

Prepare a report summarizing the results of the ESG DD. The report shall include a summary of the risks and opportunities associated with the Prospective Investment, including the related ESG performance gaps and corresponding corrective actions (see Annex 3 for the prescribed reporting template) to inform the Company's decision-making.

5 SCHEDULE

The ESG DD period agreed by the Company with the Prospective Investment is from *[insert date as appropriate]* to *[insert date as appropriate]*. The Consultant shall notify the Company of any ‘red flags’ in writing within 72 hours of completing the interviews (i.e., any contraventions with the Exclusion List or significant legislative non-compliances or pending fines and / or notices).

A draft ESG DD report shall be submitted *[insert number as appropriate]* working days after completion of all interviews. The final ESG DD report shall be submitted within *[insert number as appropriate]* days after receiving one round of consolidated comments from the Company on the draft report.

Annex 4 outlines the format to be used in presenting the findings of the ESG DD, including a corrective action plan format.

6 EXTERNAL ESG CONSULTANT PROPOSAL

The Consultant should provide a proposal, which includes:

- A profile of the Consultants;
- A detailed description of the proposed ESG DD methodology;
- Details of the proposed ESG DD Consultants involved in the ESG DD, including CVs and details of the main point of contact for the proposal;
- A list of relevant experience of the consultants involved;
- Confirmation that no conflicts exist;
- A company profile (or equivalent);
- An indication of the total costs for the performance of the ESG DD, including estimated number of hours/days required per task by each consultant, and a breakdown of estimated disbursements; and
- A proposed schedule of work.

Please submit a pdf. version of the proposal by close of business (Date) to (the Company’s contact person and email address).

PLEASE ADDRESS ANY QUERIES TO:

NAME:	
POSITION:	
EMAIL:	
PHONE:	

Appendix 1: ESG Policy

See the ESG Policy

Appendix 2: Exclusion List

The Fund shall not invest in any Portfolio Company that, on the date of investment, is engaged in any of the following activities:

- (a) Production or trade in any product or activity that is illegal under host country laws or regulations or international conventions and agreements, or subject to international bans;
- (b) Production, trade, or other activities involving harmful or exploitative forms of forced labor (where “forced labor” means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty) or harmful child labor (where “harmful child labor” means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development);
- (c) Production or trade in weapons and munitions;
- (d) Production or trade in alcoholic beverages (excluding beer and wine);
- (e) Production or trade in tobacco;
- (f) Gambling, casinos and equivalent enterprises;
- (g) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment where the Board, following a recommendation of the Investment Committee, considers the radioactive source to be trivial and/or adequately shielded;
- (h) Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- (i) Drift net fishing in the marine environment using nets in excess of 2.5 km in length; or
- (j) Commercial logging operations for use in primary tropical moist forest or the production or trade in wood or other forestry products other than from sustainably managed forests.

Appendix 3: Environmental, Social and Governance (ESG) Due Diligence Information Request List

[Examples of potential ESG documentation to be requested]

INFORMATION REQUEST LIST
GENERAL
Site layout plan, details of surrounding land uses and summary of site history
Investment Portfolio (including names of all companies, activities, location, date of entry, and investment share)
Accurate location of the current facilities (e.g. GPS coordinates)
Summary of current site activities
Organisation chart indicating who is responsible for environmental & social matters
Environmental and social impact assessment (ESIA) reports and permits (if conducted)
Environmental, health and safety (EHS) management plans, including emergency response plans, contingency plans, waste management plans, environmental monitoring plans, etc.
Local EHS and labour authority's inspection and correspondence records
EHS incident records, including correspondence with authorities and steps taken (e.g. spills, leaks, air emissions, odour, noise, traffic etc.)
ESG MANAGEMENT SYSTEM
ESG Certifications
ESG Policies, Procedures and Plans
ESG Regulatory Register
ESG Key Performance Indicators and Targets
ESG Roles and Responsibilities Descriptions
ESG Training Register
Crisis Management Plans and Procedures
ESG Budget Plan
ESG Audit Procedures (Internal and External)
ESG Grievance Procedures and Registers
Ongoing and pending ESG Claims and Litigations
ENVIRONMENTAL
Current operating permit, including any recent permit applications
Site drainage plans (supply water, process effluents, storm water, sanitary wastewater)
Local authority permit/trade effluent discharge licence
Licence from the safety authorities (e.g., fire brigade)
Waste management documentation
Waste contractor licences/permits
Environmental incidents register
Corrective actions register
Environmental complaints register
Storage tanks register (above ground or underground) with characteristics, volumes and contents
Inventory of hazardous substances present onsite
Material safety datasheets (MSDS)
Emergency response plan
Building integrity testing records
Pipeline integrity testing records
Asbestos inventory
Soil/groundwater investigation and remediation reports
HEALTH AND SAFETY
Health and safety risk assessments
Safety committee (reports, meeting minutes)
Electrical systems inventory and inspection reports
Fire protection system inspection reports (and insurance reports if available)

Fire drill and evacuation plans
Incidents and accidents statistics and investigations
Occupational illness statistics
Insurance / enterprise risk audit reports
Medical and first-aid equipment inventory
Policies on occupational health and safety
SOCIAL
Employee statistics
Collective bargaining agreement(s)
Human resources policies and recruitment procedures including copies of contracts given to permanent and temporary staff
Salary policy (notably regarding minimum wage)
Pay slips of last 12 months (examples only)
Description of work allowances: company cars, accommodation allowance, healthcare, private pension scheme, school fees paid, etc.
Turnover statistics, including list of leavers in the last 12 months with end of contract paperwork/turnover and list of joiners in the last 12 months
Planning of work hours
Evidence of extra-hours payment (if any extra hours)
Staff holiday planning
Details of temporary workers (type of temporary contract, contract duration, number of workers, payment, etc.)
Documents on the nature of training given to staff in relation to OHS in the last 24 months and training plan for this year
List of unions within the prospective investment/union representatives/staff representatives
Reports of last staff/union representative meetings
Grievance procedure for staff
Details of litigations (outstanding legal actions from employees, employee claims, request from the work inspector etc.)
COMMUNITY
Stakeholder engagement plan or records of stakeholder engagement and public consultation meetings
Grievance mechanism for communities and any records of grievances received
Any community agreements or memorandums of understanding
Resettlement action plans and information on compensation
Any documentation regarding community development / investments
Information on any outstanding claims or legal proceedings from staff or external parties
Security procedures (in relation to community incidents)

Appendix 4: ESG Due Diligence and Action Plan Reporting Template

1. Executive Summary

Provides an overview of key risks and mitigation measure and opportunities in the table below:

ASPECT	RISK IDENTIFIED	RISK RATING	PROPOSED MITIGATION MEASURE	COSTS AND TIMING
ENVIRONMENT		<i>[High, Medium or Low]</i>		
HEALTH & SAFETY				
SOCIAL				
SUMMARY OF VALUE-ADD OPPORTUNITIES				

2. Prospective Investment Description

Provides relevant information regarding the Prospective Investment (e.g., industry, sector of activity, site location(s), relevant environmental and social setting(s) information, surrounding land use(s), history, Prospective Investment facilities and infrastructure, permitting status, etc.).

3. Identified Applicable Performance Standards and Legal Requirements

Provides a description of the applicable Reference Framework that was used and against which the Prospective Investment was assessed.

4. Environmental, Social and Governance Categorisation Rationale

Provides an assessment of the Prospective Investment Risk Categorisation (in terms of the IFC ESG Risk Categorisation Guidelines) providing rationale for the final categorisation given.

5. Prospective Investment Environmental, Social and Governance Management System

A description of the Prospective Investment's ESG Management System in place (to manage ESG risks and opportunities for both internal operations and site level operations where applicable).

6. ESG DD Assessment Findings

A description of the key ESG risks and opportunities identified against the Reference Framework.

7. Recommended ESG AP

For ESG performance gaps, recommend corrective actions on the corresponding schedules, indicate priorities, and advise on how to incorporate these into the contractual documentation, as either conditions precedent or covenants. Include the table below in the ESG DD report for insertion into the relevant transaction agreements.

ISSUE	ACTION/ DELIVERABLE	RISK RATING	TIME DURATION	TIMING FOR COMPLETION	COST IMPLICA- TION
<i>Summarised description of the specific risk or gap identified.</i>	<i>Recommendation to avoid, minimise or manage the issue identified.</i>	<i>(High, Medium or Low)</i>	<i>(Period of time to complete action)</i>	<i>(e.g., prior to financial close or prior to construction)</i>	<i>(most likely cost and reasonable worst case)</i>

8. Value Add Opportunities

Identified opportunities for value creation through ESG-related interventions.

ESG VALUE OPPORTUNITY	CATEGORY	SECTOR / INDUSTRY	OPPORTUNITY TYPE	KPIS
Provide a basic description of the opportunity. Include specific recommendations to facilitate its realisation (i.e. strategic partnerships, technical assistance, etc.)	<i>Environmental, Social, Health and Safety, Governance</i>	<i>Include specific industry type</i>	<p><i>Describe the type(s) of benefit(s) for the Prospective Investment. This could include any of the following:</i></p> <ul style="list-style-type: none"> <i>Improved risk management and licence to operate</i> <i>Revenue growth</i> <i>Operational efficiencies and cost savings</i> <i>Increased productivity</i> <i>Enhanced company reputation</i> <i>Value at exit</i> <i>Improved community relations</i> <i>Improved ability to attract, retain and motivate employees</i> 	<i>Provide potential KPIs to track / measure outcomes from the ESG value opportunity initiative identified.</i>

Annex 7: Specimen ESG Clauses for Legal Agreements

INTRODUCTION

Prior to submitting the approval memo authorizing the execution of transaction documents related to the Prospective Investment, the Company shall negotiate and agree upon contractual ESG provisions in the transaction documents (the “ESG Clauses”) in order to provide a clear understanding and record of the Company’s expectations, from an ESG perspective and hold the counterparty(ies) and their successors contractually responsible for compliance with the ESG Clauses.

The objectives of integrating ESG Clauses are as follows:

- Ensuring that the Fund and the counterparty’s interests and expectations on ESG matters are explicitly aligned and set at an early stage of the investment process;
- Facilitating sufficient influence and oversight for the Company on the ESG performance of the counterparty’s operations throughout the investment lifecycle;
- Securing and formalising the counterparty’s commitment to meet the Company’s internal ESG requirements (i.e., ESG AP);
- Ensuring a common understanding between the Company and the counterparty’s management around the necessary ESG corrective actions, the resources required and responsible individual(s) for implementing the corrective actions (stipulated in the ESG AP);
- Minimising possible conflicts with the counterparty around the Company’s expectations on ESG performance and reporting post-investment; and
- Providing the Company with leverage to take action should prescribed minimum ESG requirements not be met by the counterparty during the investment lifespan.

PURPOSE

The purpose of this document is to provide a suite of potentially applicable ESG Clauses, and to guide the inclusion of such clauses, into legal agreements in which the Fund is a party. The Investment Team, with support from the appointed Legal Team and designated ESG Officer as appropriate, will identify relevant ESG Clauses given the nature and type of investment. The ESG Clauses may be adapted and tailored as necessary.

Where the Fund enters into a transaction with an existing regime of legal documentation already in place, an assessment should be made by the Investment Team, in consultation with the appointed Legal Team and the ESG Officer, about the adequacy of the existing documents in meeting the Fund’s substantive legal and ESG requirements.

ESG DEFINITIONS

“Environmental, Social and Governance Action Plan” means the plan or plans defining, but not limited to, corrective actions, responsibilities, associated costs, deliverables, and timeframes for the measures required to remedy any known non-compliances with the ESG requirements in the business activities of the portfolio company, including the establishment of an appropriate ESG Management System, as may be amended with the approval of the Investors from time to time;

“IFC Performance Standards” means the International Finance Corporation (IFC) 2012 Performance Standards on Social and Environmental Sustainability (including the technical reference documents known as World Bank Group Environmental, Health, and Safety (EHS) Guidelines), which may be downloaded from the IFC website:

- (a) IFC Performance Standards: <http://www.ifc.org/PerformanceStandards>; and
- (a) World Bank Group EHS Guidelines: <http://www.ifc.org/EHSGuidelines>

“ESG Management System” means the Environmental, Social and Governance Management System of the portfolio company, appropriate to the size and nature of the business and satisfactory to the Company, which is designed to (1) ensure a systematic approach to compliance with ESG Requirements; (2) monitor progress against the ESG AP; (3) provide a mechanism to assess environmental, social and governance risks and address those risks; (4) monitor and report on progress; and (5) to the extent possible, involve stakeholders;

“ESG Requirements” ensures compliance with: (i) the Exclusion List; (ii) Applicable ESG Laws; (iii) the IFC Performance Standards; and (iv) any other requirements established by the Company’s ESG Management System and ESG Policy

“Exclusion List” PSIF’s list of Prohibited Activities;

“Major Incident Report” the template provided to portfolio companies for reporting major ESG incidents occurring at operations to the Company within three (3) days of their occurrence (refer to [Annex 9](#));

“Portfolio Company Operations” means the existing and future operations, activities and facilities of the portfolio company and its subsidiaries (including the design, construction, operations, maintenance, management and monitoring thereof as applicable);

“ESG Breach” means the breach by the portfolio company of any ESG obligations; and

“ESG Claim” means any claim, proceeding or investigation by a person in respect of any ESG Laws/ requirements / international best practice.

LIST OF ESG CLAUSES

1. ESG REQUIREMENTS

- 1.1. The Portfolio Company shall procure that each entity in the Group will:
- (a) Adhere to **[insert relevant ESG principles/standards / commitments based on the Company's ESG Policy and any investor specific requirements; e.g., IFC Performance Standards, World Bank EHS Guidelines, etc.]**, and where non-compliance is established, agree to an action plan to come into compliance (refer to [Annex 1](#));
 - (b) Comply with applicable national and local ESG laws and regulations, and where non-compliance is established, agree to an action plan to come into compliance;
 - (c) Agree to not engage in (nor authorise or permit any subsidiary or any other person acting on its behalf to engage in, or finance) any activities listed on the Exclusion List (refer to Exclusion List); and
 - (d) Comply with the ESG requirements, subject to any period permitted to achieve compliance with the ESG requirement, set out in the ESG Action Plan.
- 1.2. The Portfolio Company shall implement all corrective actions set out in the ESG Action Plan, within the stipulated timeframes, as defined in the ESG Due Diligence (ESG DD) ESG AP **[ESG AP to be attached]**;
- 1.3. An Environmental and Social Action Plan (ESAP), attached to this Agreement, has been established between the Fund and the Portfolio Company **[include appendix 3 reference for the ESAP – the template is provided hereafter]**. The Portfolio Company commits to carry out this ESAP.
- 1.4. The Portfolio Company shall commit to take all reasonable steps in anticipation of any known or expected future changes to comply with the set ESG requirements as outlined in **[Section 1.1(a)]**; and
- 1.5. The Portfolio Company commits to continuous improvements with respect to management of ESG matters.

2. ESG RESOURCES

- 2.1. The Portfolio Company shall designate the responsibility of ESG matters to the appropriate individual(s) within the organisation. The individual(s) shall be the Company's primary contact person(s) on ESG matters arising at the Portfolio Company. **[The appropriate individual(s) shall be identified by the Company during the due diligence stage of the investment process]**;

3. ESG MONITORING AND REPORTING

- 3.1. The Portfolio Company shall undertake to report formally as part of its normal reporting system (i.e., management accounts, compliance certificates and / or board packs) on ESG performance;

- 3.2. The Portfolio Company shall report to the Company on a **[Include timeframe here i.e., Annual, Bi-Annual, Quarterly, etc.]** using the prescribed ESG reporting template (refer to Appendix 3);
- 3.2.1. The Portfolio Company is responsible for populating the agreed ESG reporting template with complete and accurate information.
- 3.3. The Portfolio Company undertakes to notify the Company, using the specified Major Incident Reporting Form (refer to Appendix 5) of any social, labour, health and safety, security or environmental incident, accident or circumstance (as and when applicable) arising from its business activities that:
- (a) has, or could reasonably be expected to have, any material adverse effect or a material adverse impact on the Portfolio Company operations;
or
 - (b) involves or causes, or is reasonably likely to involve or cause, any material breach of the ESG Requirements.

The Portfolio Company shall notify the Company immediately after becoming aware of such an incident, accident, or circumstance (no later than **[two (2)]** days following the incident).

- 3.4. The Company may, as is reasonable, request further information from the Portfolio Company to confirm that the ESG requirements are being followed. The Portfolio Company must submit such information within **[ten (10) days]** of a request from the Company.

4. ESG SUPERVISION

- 4.1. The Portfolio Company permits representatives of the Company and the Fund the right to visit, upon reasonable notice and at the Fund's cost, any of the premises where the Portfolio Company operations are conducted, to have access to Portfolio Company management, and to have access to their records and books of account, in each case, to:
- (a) monitor compliance with the ESG requirements;
 - (b) assess the legal or reputational risk posed to the Fund or its investors by any incident, accident, or circumstance; and / or
 - (c) assess progress against the ESG Action Plan.
- 4.2. The Portfolio Company understands that each such site visit shall take as long as is reasonably necessary, shall not unreasonably disrupt the day-to-day business of the Portfolio Company, and that the Company shall arrange such a visit at a time that is mutually convenient for such Portfolio Company acting in good faith.

5. ESG BREACHES

- 5.1. The Portfolio Company must inform the Company in writing immediately upon becoming aware of:
- (a) any ESG Claim being commenced or threatened against the Portfolio Company or any facts or circumstances which will or are reasonably likely to result in such an ESG Claim being commenced; and / or
 - (b) any written notice or other allegation received by, or brought to the attention of, the Portfolio Company to the effect that a breach of any ESG requirements has occurred.

6. EXERCISE OF REMEDIES

- 6.1. If the Company has reasonably determined that the Portfolio Company is in breach of any of the ESG requirements, the Company shall inform the Portfolio Company of their suspicions. The Company has the right to appoint consultants to investigate the possible breach.
- 6.2. The Portfolio Company must co-operate in good faith with the Company in determining whether a breach has occurred. The Portfolio Company must respond promptly and in reasonable detail to any request for information from the Company and provide documentary support for the response if requested;
- 6.3. If a breach has occurred, the Company and the Portfolio Company shall engage in discussions to identify possible remedies for the ESG breach;
- 6.4. The Portfolio Company must undertake to implement any corrective measures necessary or appropriate to remedy such breach, stipulated and formally documented in the ESG Action Plan(s) within the associated timeframe specified by the Company;
- 6.5. The Portfolio Company shall keep the Company regularly informed of the ongoing implementation of those measures by providing progress updates on the corrective actions;
- 6.6. If the Portfolio Company fails to implement such corrective measures within such timeframes, the Company has the right to act in terms of the relevant remedies to be outlined in the aforementioned legal agreements.

Appendix 1: ESG Policy

See the ESG Policy

Appendix 2: Exclusion List

The Fund shall not invest in any Portfolio Company that, on the date of investment, is engaged in any of the following activities:

- (a) Production or trade in any product or activity that is illegal under host country laws or regulations or international conventions and agreements, or subject to international bans;
- (b) Production, trade, or other activities involving harmful or exploitative forms of forced labor (where “forced labor” means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty) or harmful child labor (where “harmful child labor” means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development);
- (c) Production or trade in weapons and munitions;
- (d) Production or trade in alcoholic beverages (excluding beer and wine);
- (e) Production or trade in tobacco;
- (f) Gambling, casinos and equivalent enterprises;
- (g) Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment where the Board, following a recommendation of the Investment Committee, considers the radioactive source to be trivial and/or adequately shielded;
- (h) Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- (i) Drift net fishing in the marine environment using nets in excess of 2.5 km in length; or
- (j) Commercial logging operations for use in primary tropical moist forest or the production or trade in wood or other forestry products other than from sustainably managed forests.

Appendix 3: Environmental, Social and Governance (ESG) Action Plan Template

ISSUE	ACTION/ DELIVERABLE	RISK RATING	TIME DURATION	TIMING FOR COMPLETION	COST IMPLICATION
<i>Summarised description of the specific risk or gap identified.</i>	<i>Recommendation to avoid, minimise or manage the issue identified.</i>	<i>(High, Medium or Low)</i>	<i>(Period of time to complete action)</i>	<i>(e.g., prior to financial close or prior to construction)</i>	<i>(most likely cost and reasonable worst case)</i>

Appendix 4: Example Environmental, Social and Governance (ESG) Reporting Template

[Refer to Annex 11 and Annex 14 of this ESG management System Manual]

Appendix 5: Major Incident Reporting Form

[Refer to Annex 9 of this ESG management System Manual]

Annex 8: ESG Action Plan Tracker Template

PROJECT NAME	PROJECT ESG LEAD					
ACTION	RESPONSIBLE	PRIORITY	STATUS	START	DEADLINE	COMMENTS
Action #1:						
<i>Insert Action Item Text</i>	<i>Include Responsible Person</i>	<i>High, Medium, Low</i>	<i>Complete, Not Started, Outstanding, In Progress</i>	<i>Insert Start Date</i>	<i>Insert Due Date</i>	<i>Provide any supporting comments</i>
Action #2:						
Action #3:						
Action #4:						

Annex 9: Major Incident Reporting Form Template

1. INTRODUCTION

ESG can materially influence the ability of the Fund to meet its financial obligations, deliver strong investment returns in the long term, and provide development impact. The Company therefore strives to integrate ESG into its day-to-day operational activities, investment processes, and decision-making.

Portfolio companies in which the Fund invests should promptly notify the Company of the occurrence of any major unplanned ESG events within a pre-determined period of time. This enables all key stakeholders to respond appropriately and swiftly to serious accidents, incidents or events, or other changes in the portfolio company's circumstances, and to facilitate lessons learnt to be applied in future.

The Major Incident Reporting Form should be provided by portfolio companies to report any major incident within two (2) days of its occurrence. While the Company will strive for consistency in ESG integration across all the Fund activities, each investment will have different levels of ESG risks and opportunities depending on several different factors, including geographic location, stage of project lifecycle, type of industry or sub-industry, operational performance and historical track record. This means that it is not possible to adopt a single approach to ESG integration across all the portfolio companies in which the Fund invests. Accordingly, within the bounds of its overall investment mandate, and the internal ESG requirements set by the Fund's investors, the Company will adopt an ESG integration approach that is value based and tailored to the specific investment in question, based on such investment's specific contextual realities and the level of ESG risk exposure (and potential opportunities). This will also take account of instances whereby the Company, on behalf of the Fund, will be playing more of an oversight or guiding role in the adoption of ESG practices by portfolio companies (e.g., when it holds a minority stake or is not the lead investor for a particular investment).

2. TYPES OF MAJOR INCIDENTS

The following events are classified as a major incident and must be reported on:

- Large Fires or explosions;
- Significant fuel / chemical spills, especially when they reach subsoil, bare ground or surface water;
- Significant pollution discharges above limits of normal operation;
- Major work-related injuries (including employees, contractors and / or members of the public);
- Work-related fatalities (including employees, contractors and / or members of public);
- Incidents significantly affecting the health of employees, contractors or members of the public;
- Regulator enforcement actions / notices;
- Major security breaches;
- Strikes or employee unrest;
- Security incidents with communities;

- Environmental or social related litigations or claims against the company / asset;
- Incidents requiring operations to be substantially curtailed or shut down;
- Significant community unrest or public relations incidents; and
- Adverse publicity related to ESG from local media, NGOs, social media, etc., especially when related to Human Rights breach, pollution, etc.

3. REPORTING FORM

The EHS Manager / Officer or the personnel responsible for managing EHS issues at the Portfolio Company must report any major incidents to the Company within two (2) days of its occurrence, using this Major Incident Reporting Form or equivalent.

MAJOR INCIDENT REPORTING FORM			
PORTFOLIO COMPANY DETAILS			
Company Name	<i>Name</i>	<i>Signature</i>	
Completed by:	<i>Name</i>	<i>Signature</i>	
Contact Details:	<i>(email, phone number)</i>	Date:	

INCIDENT EVENT DETAILS			
Type of event:	<p><i>Use the following list:</i></p> <ul style="list-style-type: none"> • <i>Large Fires or explosions;</i> • <i>Significant fuel / chemical spills, especially when they reach subsoil, bare ground or surface water;</i> • <i>Significant pollution discharges above limits of normal operation;</i> • <i>Major work-related injuries (including employees, contractors and / or members of the public);</i> • <i>Work-related fatalities (including by employees, contractors and / or members of public);</i> • <i>Incidents significantly affecting the health of employees, contractors or members of the public;</i> • <i>Regulator enforcement actions / notices;</i> • <i>Major security breaches;</i> • <i>Strikes or employee unrest;</i> • <i>Security incidents with communities;</i> • <i>Environmental or social related litigations or claims against the company / asset;</i> • <i>Incidents requiring operations to be substantially curtailed or shut down;</i> • <i>Significant community unrest or public relations incidents;</i> • <i>Adverse publicity related to ESG from local medias, NGOs, social media, etc., especially when related to Human Rights breach, pollution, etc.</i> 		
Date occurred:		Time occurred:	

Summary	<i>What happened?</i>	
	<i>Who was involved?</i>	
Was anyone injured or killed as a result of this event?		
If "Yes" provide further details:		
Have the regulator, local authority government or emergency services been involved in or informed of this event?		
If "Yes" provide details:		
Detailed Description:		
What remedial action has been taken?		
What lessons can be learnt to prevent reoccurrence?		

SIGN OFF		
Completed by:	<i>Name</i>	<i>Signature</i>
Signed by:	<i>Name</i>	<i>Signature</i>
Date:		

Annex 10: Operational ESG Data Capture Sheet

Ref No.	Question	Reference Standard	Guidance	Frequency	Unit of Measure	Quarter 1 (Jan-Mar 20XX)		Quarter 2 (Apr-June 20XX)		Quarter 3 (July-Sept 20XX)		Quarter 4 (Oct-Dec 20XX)		General Comments
						Response	Comment	Response	Comment	Response	Comment	Response	Comment	
1. Environmental Indicators														
1.1	Total monthly Scope 1 Greenhouse Gas Emissions (for reporting period)	GRI 305	See GRI Guidance	Annual	Tonnes									
1.2	Total monthly Scope 2 Greenhouse Gas Emissions (for reporting period)	GRI 305	See GRI Guidance	Annual	Tonnes									
1.3	Total kilowatt hours (kWh) of electricity used by company operations purchased from an external electricity supplier (e.g., directly from national electricity company or Municipality) during the reporting period?	GRI 302 - p. 5	Total energy consumption should be identified by meaningful segmentation, for example by portfolio, fund, geographic location, or asset type.	Monthly (reported quarterly)	Kilowatt Hours									

Annex 11: Annual ESG Monitoring Report Template

INTRODUCTION

The Company requires [*Insert portfolio company or Project Name*] to prepare a comprehensive Annual ESG Monitoring Report in order to determine whether its investments are meeting applicable environmental and social requirements agreed during investment negotiation and outlined in the current Agreement and its annexes (and notably in the ESG Action Plan).

The Company defines the term “ESG” to include environmental and health & safety issues, human resource management, labour rights and labour conditions, biodiversity aspects and social/cultural risks and opportunities.

The Company requires that annual ESG Monitoring Reports are completed and returned within the same deadline period as your annual financial report.

When you first complete this checklist, please attempt to answer all the questions. Where you feel a question is not applicable to your operations, this should be clearly indicated. In subsequent years, you may wish to report only on those areas that have been subject to change.

The ESG requirements applicable to the project are those listed in the [Shareholders Agreement].

This document comprises the Company’s preferred format for ESG performance reporting. The following template may be supplemented with annexes as appropriate to ensure all relevant information on project performance is reported.

The completed checklist should be returned to the Company’s Investment Officer.

Thank you for your co-operation.

A. REPORT INFORMATION

Reporting period (<i>month/year – month/year</i>)	
Company – Project	
Address – Country	
Report completed by (<i>name and title</i>)	
Contact phone number	
Contact e-mail address	
Postal address	
Third Party Organization Certifying the Annual Monitoring Report (if any)	
Representative Third-Party Organization (<i>name and title</i>)	

B. PROJECT STATUS AND PROCESS MODIFICATIONS

Please describe status of the project (Pre-Development / Construction / Operation) and related deadline(s):

.....

Please describe any significant changes during the reporting period in the company or in day-to-day operations that may affect environmental and social performance (process modification, extension, location etc):

.....

Has any Environmental & Social Impact Assessment been completed during the reporting period? Please describe in further detail (e.g., in compliance with local regulation or with international standards, related new activity): and attach document:

.....

Has any environmental permit been obtained during the reporting period? Please describe and attach the related document:

.....

C. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

Please specify the names and positions of the individuals formally responsible for managing environmental and/or social issues:

	Name	Title	Phone number	Email address
Site Manager				
EHS Manager				
HR Manager				
Community Relation Manager				
Other person involved in ESG questions (security manager, external expert supporting on ESG, etc.)				

Confirm the current approach to the management of environmental and social issues (including that related to health and safety). This will be relative to whether the project is in the construction or operational phase:

.....

Describe any change in the ESG Management team during this reporting period (nomination, new procedures, new certification, etc):

.....

Describe the experience/training of new persons nominated in the ESG Management team and attach CVs where possible:

.....

Describe the ESG training programs (safety, HIV, waste management, workers' rights...) that were provided to staff during the reporting period (subject of training – number of persons – type of employees – duration – provider)?

.....

Have any environmental, H&S or social audits been performed during the reporting period (ISO 14 001 audit, OHSAS 18001 audit, compliance audit, external audit, etc.)? If yes, please provide a summary of the audit report:

.....

Have any new ESG Policies been introduced or modifications made to existing Policies (e.g., community engagements, HIV Policy, etc)? Please describe or attach the corresponding documents:

.....

D. HEALTH AND SAFETY

Have any improvements been made to existing systems related to HS? (inspection, HIV, medical facilities, equipment safety, personal protective equipment etc) please describe the improvements:

.....

Personal incident data during the reporting period:

	Number of incidents	Incident rate (no. of incidents / no. of workers)	Comments and follow-up
Fatalities ¹			
Serious Injuries ²			
Lost Time Accidents ³			
Incidents involving evacuation ⁴			
Compensation claims ⁵			

¹ Please provide details, including how the accident happened, the cause of death, any follow-up (investigation, compensation, prevention of re-occurrence).

² Serious injuries are those requiring emergency or hospital treatment. Please provide details, including how the accident happened, the nature of the injury and any follow-up (treatment, investigation, compensation, prevention of re-occurrence).

³ Lost time accidents are those where employees required more than one day off work to recover, but the injury was more temporary in nature (for example sprains and cuts).

⁴ Please detail any fires, spillages or other emergencies that required total or partial evacuation of the site, as well as any follow-up actions taken (emergency response, remediation measures, prevention of re-occurrence).

⁵ Please detail any compensation claims filed by workers or trade unions in relation to industrial injuries or health problems, and compensation measures actually taken (financial or otherwise, for example, assistance in retraining or finding other work).

Provide details of any fatalities or significant H&S incidents occurring during this reporting period.

Company or contractor employee?	Total workdays lost	Description of fatality or injury	Cause of accident	Corrective measures to prevent reoccurrence

Please detail any emergency preparedness and response drills that you conducted this year:

.....

.....

Please describe any workplace monitoring (air quality, noise, ambient temperature, etc). Please describe the results, compliance with regulatory or IFC limits, and follow-up actions:

.....

.....

E. LABOR AND WORKING CONDITIONS

Have any improvements been made to existing systems related to labour practices (e.g., new Collective Bargaining Agreement, gender initiative, election of new workers' representative, increase in minimum wage, new working hours, etc.)? Please describe the improvements:

.....

.....

Employee Statistics

	Total	% female / % male	% temporary / % permanent workers	%skilled/ %unskilled
Number of employees				
Number of contractors				
New jobs created*				
Retrenchments*				

* during the reporting period

Labour KPIs

	Reference Standard	Unit of Measure	Q1	Q2	Q3	Q4
Absentee Rate	GRI 403-2					
Average Hours of Training	GRI-404-1					
<i>(insert additional KPIs)</i>						
<i>(insert additional KPIs)</i>						

In case of mass retrenchments, please describe the reason and how it was managed:

.

.....

.....

Have you engaged with worker representatives during the reporting period? Please detail frequency, topics, follow-up:

.....
.....

Have you received any complaint or formal request from workers or workers' representatives? Did any strike occur during the reporting period? Please describe complaints and actions taken in response:

.....
.....

Is there an employee grievance mechanism in place? If so, please provide the register of complaints/grievances and how these were resolved. Is this mechanism also applied to contractor employees?

.....
.....

F. COMMUNITY

Have any modifications been made to existing systems related to community engagement and relations/communication? Please describe the improvements:

.....
.....

Did the Company consult local communities during the reporting period? Please detail frequency, topics, follow-up:

.....
.....

Is there an external grievance mechanism in place for local people to engage with the Company on any issues of concern or feedback that they may have regarding the project (e.g., about traffic, air quality, noise, etc.)? If so, please describe:

.....
.....

Have you received any complaint or formal request from neighbours, NGOs, authorities, journalists during this reporting period? Please attach the relevant document (complaint, formal notice, etc) and describe the actions taken in response.

.....
.....

Have you provided any ESG information to authorities/NGOs/Communities during this reporting period (monitoring report to authorities, meeting with NGOs, etc.)? If so, please describe and attach the relevant documents (minutes of meetings, reports, etc):

.....
.....

G. ENVIRONMENT

During the reporting period, were there any improvements in process, technical equipment or treatment facilities, that resulted in reduction of air, noise or wastewater emissions, reduction of chemical, water or energy consumption, reduction of waste generation, increase of waste recycling or use of renewable energy? Please describe:

.....

Has your company had any incidents or accidents that resulted in pollution into atmosphere, water, soil/groundwater, chemical spill, fire, explosion etc during the reporting period? Please describe (seriousness, cause, mitigation measures, follow-up):

.....

Environmental KPIs

	Reference Standard	Unit of Measure	Q1	Q2	Q3	Q4
Gross direct (Scope 1) GHG emissions (in metric tons of CO2 equivalent) as a result of operations	GRI 305-1					
Water consumption from all sources	GRI 303-1					
Total waste (hazardous and non-hazardous waste) from production activities	GRI 306-2					
<i>(insert additional KPIs)</i>						

H. SECURITY

Please describe any changes in the project’s approach to security management and engagement with private/public security forces during the reporting period and any corresponding agreements:

.....

Describe any security incidents that occurred during this reporting period, and any corrective actions taken:

.....

I. ACTION PLAN FOLLOW UP

Please provide an update on the ESG Action Plan completion status. In case of delay compared to the initial deadline or modification of the deadline, please describe the reason and the action:

.....

J. OTHER INFORMATION

Please report any other information that the Fund should be aware of:

.....

Please give us your feed-back on the annual ESG monitoring report and please make suggestions for improvement:

.....

	DATE	SIGNATURE
Contact		
Third Party Organization Representative		

Annex 12: ESG Performance Review Guidance Note

1 PURPOSE

Site visits will be conducted for selected portfolio companies, if necessary and cost-effective, to assess performance against the ESG MS requirements; as well as to identify any other material issues and recommend corrective actions, if within our rights, associated with the site(s).

The outcome of the review shall be a summary of findings and recommended corrective actions with an indication of timelines for completion.

2 SCOPE & APPLICABILITY

The scope of the review involves assessing site ESG performance against the Reference Framework.

Key ESG areas to consider include, but are not limited to, those highlighted in *Table 7* below. Examples of additional sector specific ESG risks (for high-risk sectors) to be considered during the annual ESG performance review are provided in *Appendix 1*.

Foreseeable risks (including non-compliances, fines, liabilities, and penalties) should be identified, and recommendations provided for any issues that could negatively impact the value of the portfolio company.

Generally, an annual ESG performance review will be conducted on high risk investments (Category A – as categorised during due diligence) where considered appropriate. Occasional site visits to medium and low risk investments will also be made to ensure ongoing ESG performance. Visits may also be necessary when circumstances arise that pose specific areas of concern for the Company, such as:

- Major accidents, incidents or concerns raised by stakeholders;
- Harmful media reports or enquiries or action by law enforcement authorities;
- Acquisition or major development / extensions to operations being considered that could expose the Fund to additional ESG risk exposure; or
- Geographic or sector trends presenting potential new ESG risk exposures.

Any additional factors that may affect the frequency of site visits shall be considered on an investment-by-investment basis.

3 APPROACH

The ESG performance review will include a visit of the portfolio company operations and activities, interviews with key management staff and workers (i.e., ESHS Officer / Manager and Representatives, Human Resources Manager, Head of Operations, Stakeholder Relations Manager, Labourers, etc.) and review of relevant site documentation.

A summary of the findings will be reported on using the prescribed template (refer to *Appendix 2*).

The Investment Team shall ensure that all findings and recommended actions are sufficiently discussed and agreed with portfolio company management prior to issuing a final report. The Investment Team, with the support of the ESG Officer as appropriate, should actively engage with the relevant personnel at the site to ensure completion of the recommended corrective actions.

Table 7: Key ESG Focus Areas

ENVIRONMENTAL	SOCIAL	HEALTH AND SAFETY	GOVERNANCE
<ul style="list-style-type: none"> • Emissions to Air and Ambient Air Quality • Energy Use and Supply • Water Use and Supply • Wastewater and Ambient Water Quality • Hazardous Materials Management • Waste Management • Environmental Nuisances (e.g., Noise, Dust and Erosion) • Contaminated Land • Erosion • Protection and Conservation of Biodiversity • Management and Use of Renewable Natural Resources 	<ul style="list-style-type: none"> • Labour and Working Conditions • Sexual Harassment • Collective Bargaining • Minimum Wages • Discrimination • Preferential Employment • Migrant Workers • Forced Labour or Child Labour • Employment Contracts and Terms of Employment • Worker Accommodation • Retrenchment • Contractor Management • Food Safety • Community Exposure to Disease • Community Safety and Exposure to Nuisances (including traffic, air pollution, noise, vibration, dust etc.) • Community Displacement, Resettlement Planning and Implementation • Impact on Indigenous Peoples • Protection of Cultural Heritage in Project Design and Execution • Project's Use of Cultural Heritage • Visual Impacts • Supply Chain Risks and Opportunities 	<ul style="list-style-type: none"> • Health and Safety File Compliance • Occupational Exposure and Medical Testing • Health and Safety Communication and Training • Physical Hazards • Chemical Hazards • Biological Hazards • Radiological Hazards • Personal Protective Equipment (PPE) • Hazardous Environments • Emergency Preparedness and Response • Hazardous Materials • Health and Safety Monitoring and reporting 	<ul style="list-style-type: none"> • Corporate Governance • Structure and Functioning of the Board • Controls, Risk and Compliance • Transparency and Disclosure • Treatment of Minority Shareholders • Commitment to ESG Matters

Appendix 1: Sector Specific ESG Risks

Examples of ESG risks specific to each relevant sector

CONSTRUCTION

ENVIRONMENTAL	SOCIAL	HEALTH AND SAFETY	GOVERNANCE
<ul style="list-style-type: none"> • Risks for alterations to the natural habitat, with negative impacts for local communities, flora and fauna; • Waste management, including general wastes and hazardous wastes; • Effluent monitoring and controls; • Water pollution; • Land contamination; • Energy use; and • Non-compliance with local environmental laws and regulations. 	<ul style="list-style-type: none"> • Non-payment of minimum wages; • Lack of proper labour contracts; • Lack of workplace associations / unions; • Contractor management; • Community exposure to dust, noise and vibrations; and • Lack of community involvement in planning of new constructions on previously unused land. 	<ul style="list-style-type: none"> • Elevated working conditions and risks for accidents; • Fire safety; • Emergency preparedness and response • Worker exposure to hazardous building materials; and • Non-compliance with local health and safety laws and regulations. 	<ul style="list-style-type: none"> • Risk of corrupt payments for access to planning permissions from the local or national government, certifications and new property development contracts; • Risk of corrupt business practices, with non-registered and improper payments to sub-contractors; • Avoidance of tax payments; • Poor corporate governance; and • Management of challenging or controversial projects from a regulatory perspective.

INFRASTRUCTURE

ENVIRONMENTAL	SOCIAL	HEALTH AND SAFETY	GOVERNANCE
<ul style="list-style-type: none"> • Habitat alternations, with adverse impacts for local communities; • Flora and fauna; • Impact on biodiversity; • Waste management, including general wastes, chemical wastes and other hazardous wastes; • Gaseous emissions; • Unsustainable land use with resulting damage; • Emissions of dust; • Hazardous effluents; • Water pollution; • Land contamination; • Reduction in local water supply from overuse; • Energy use; and • Non-compliance with local environmental laws and regulations. 	<ul style="list-style-type: none"> • Forced labour; • Non-payment of minimum wages; • Lack of proper labour contracts; • Inflow of non-local labour, with impacts on local communities including increase in prostitution HIV / AIDS prevalence and / or other negative impacts, especially if the non-local workers are not bringing their families; • Impacts on indigenous populations; • Impacts on cultural heritage; • Resettlement of local communities from sites of new or expanded infrastructure developments; • Lack of workplace associations / unions; • Community concerns over land alternations from new or expanded infrastructure developments; • Visual impacts that could impede tourism or recreation; • If the new or expanded infrastructure development is remotely located, risks for improper living conditions for workers and their families; and • Risks associated with the use of a company security force. 	<ul style="list-style-type: none"> • Worker exposure to hazardous substances; • Worker use of unsafe machinery; • Use of explosives; • Lack of proper training and protective equipment for workers; and • Non-compliance with local health and safety laws and regulations. 	<ul style="list-style-type: none"> • Risk of corrupt payments to obtain concessions, permits, certifications or similar; • Risk for corrupt business practices, with non-registered and improper payments to subcontractors; and • Poor corporate governance.

ENERGY AND UTILITIES

ENVIRONMENTAL	SOCIAL	HEALTH AND SAFETY	GOVERNANCE
<ul style="list-style-type: none"> • Habitat alternations, with adverse impacts on local communities, flora and / or fauna; • Impacts on biodiversity; • Waste management, including general wastes and chemical wastes; • Hazardous emissions; • Hazardous effluents; • Damage to land from new developments; • Energy use; and • Non-compliance with local environmental laws and regulations. 	<ul style="list-style-type: none"> • Non-payment of minimum wages; • Lack of proper labour contracts; • Resettlement of local communities for new or expanded facilities; • Lack of workplace associations / unions; • Inflow of non-local labour, with impacts on local communities including increase in prostitution, HIV / AIDS prevalence and / or other negative impacts, especially if the non-local workers are not permitted to bring their families; • Impact on local indigenous populations; • Impacts on cultural heritage; • Risks associated with use of corporate security forces; • Delays or disruption caused by community alienation to new or expanded facilities; and • If the site is remotely located, risks for improper living conditions for workers and their families. 	<ul style="list-style-type: none"> • Safety issues concerning electric currents, and electric and magnetic fields for workers and local communities; • Worker exposure to hazardous substances; • Lack of proper training and protective equipment for workers; and • Non-compliance with local health and safety laws and regulations. 	<ul style="list-style-type: none"> • Risk of corrupt payments to obtain concessions, permits, certifications or similar; • Risk of corrupt business practices, with non-registered and improper payments to subcontractors; and • Poor corporate governance.

Appendix 2: Annual ESG Performance Review Report Template

1. Background and Introduction

Explain the rationale for conducting the ESG performance review and which asset(s) were visited.

2. Identified Applicable Performance Standards and Legal Requirements

Provides a description of the applicable Reference Framework that was used to assess the portfolio company against. As a minimum, this should include the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012) and National and Local Laws and Regulations

3. Approach

Specify what activities were undertaken as part of the review process, including details of people interviewed, areas visited, and documents reviewed.

4. Findings and Recommended Corrective Actions

For ESG performance gaps identified, recommend corrective actions in the format shown in the table below.

REFERENCE STANDARD	ISSUE IDENTIFIED	RISK RATING <i>(high, medium or low)</i>	RECOMMENDED ACTION	TIME FOR COMPLETION	RESPONSIBLE PERSON

5. Photolog

Provide a photolog of observations made on site. This should be linked to the findings identified as part of Section 4 mentioned above.

Annex 13: Value Add Framework

1. INTRODUCTION

Over and above ensuring compliance with internal ESG requirements, the Company will seek to identify, support, guide, monitor and/or report on ESG-related value-add initiatives that enhance portfolio company or project performance. As part of this, we will work with co-investors to deliver practical and effective solutions to assist our portfolio companies or projects in achieving meaningful results and long-term benefits from ESG interventions. This involves identification of ESG value-add initiatives on an investment-by-investment basis. This is done at an early stage during the pre-investment stage, followed by ongoing monitoring of such initiatives post-investment.

This document serves as a guideline to assist in identifying, measuring, and managing opportunities for ESG value protection or creation at the outset of the investment process. It also includes considerations for driving the value protection/creation process more consciously throughout the investment lifecycle.

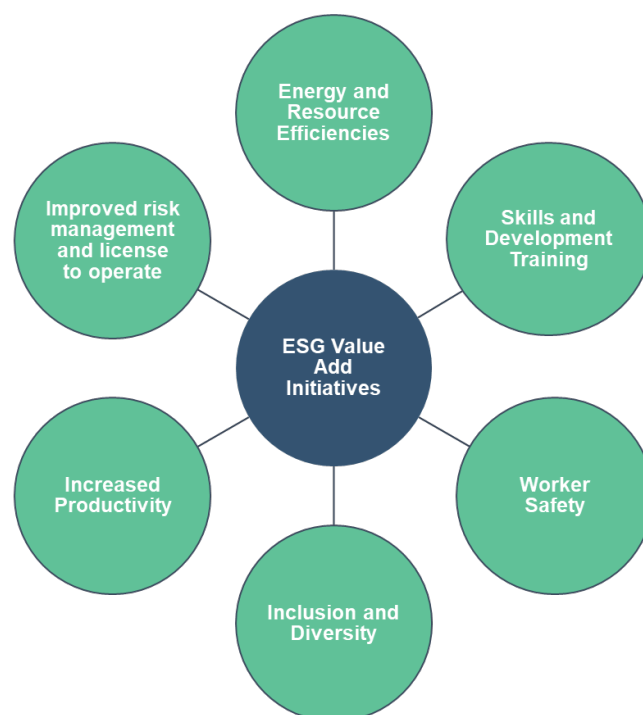
2. DEFINING VALUE

For the purposes of this document, value is considered in two ways, as follows:

- **Value protection:** this relates to opportunities that enable one to preserve existing value, thereby preventing the risk of value being destroyed. Value protection generally considers the risk elements of an investment and of managing these to minimise or avoid value destruction through fines or penalties, business interruptions, reputational damage, etc.
- **Value creation:** this relates to opportunities that enable one to generate further/additional value beyond that which would normally be achieved. From an ESG perspective, value creation generally relates to opportunities that will lead to increased investment returns through cost saving mechanisms, efficiencies and/or increased productivity and brand enhancement.

Some examples of key ESG value-add focus areas which the Company will look to assess for each investment are illustrated in **Figure 12** below.

Figure 12 : Examples of ESG value-add opportunities/initiatives



3. INTEGRATION OF ESG VALUE-ADD OPPORTUNITIES

In terms of identifying and maximizing ESG value-add opportunities, there is a need to fully integrate value-add considerations into each stage of the investment process (from deal origination, through pre-investment screening and ESG DD, to post-investment monitoring and final divestment). This integration is embedded into the ESG MS to provide a streamlined approach to driving value protection and creation opportunities that are aligned with the Fund's strategic objectives from an ESG perspective.

The selection, oversight and/or management of specific ESG value-add opportunities is determined on an investment by investment basis depending on a number of factors, including the type of investment and extent to which the Fund is actively involved in the transaction or project and has an interest in driving such initiatives; as well as a host of elements regarding the specific ESG value-add opportunity, including its measurability, extent of value, sustainability, timing, etc.

Each of these components is described in further detail below. How such considerations feed into the different stages of the Company's investment process and decision-making is also discussed.

3.1. SCREENING PROCEDURE

Objectives

During screening, the Company will seek to assess whether it is able to drive ESG value-add within the investment in question (i.e., whether this is feasible) and whether this is something it wants to actively pursue. There are four criteria used in this assessment including leverage, interest, duration of investment, and capacity. Each of these criteria are discussed in further detail below.

- **Leverage**

This criterion assesses the extent to which the Company will have sufficient leverage to drive value-add opportunities in the investment. In this case, leverage refers to whether the Company, on behalf of the Fund, is playing a leading, supporting or oversight role within the transaction.

- **Interest**

This criterion assesses the extent to which the Company has an interest in driving value-add opportunities for the investment. This can be dependent on leverage (defined above) but can also be informed by other factors such as weighing up the potential opportunities for driving ESG value-add in relation to the value of the investment (and whether the value justifies the effort that is required to drive such value-add opportunities).

- **Duration of investment**

This criterion considers the investment period and assesses whether there is sufficient time available to implement, measure and realise value-add opportunities as part of the Fund's investment lifecycle.

- **Capacity**

This criterion assesses whether the Company has sufficient capacity to drive, implement and measure ESG value-add opportunities in the investment and/or to what extent it would be able to support such efforts.

Activities

- The Investment Team to use the ESG Value-Add Screening Questionnaire which incorporates the above criteria (refer to **Appendix 1**) to determine whether there is interest in further interrogating ESG value-add initiatives during the due diligence stage of the investment process.
- If there is interest in pursuing ESG value-add opportunities for the investment, the Investment Team must ensure that such intentions are incorporated into the relevant ESG DD documentation (i.e., the ESG DD ToR) to ensure that ESG value-add opportunities are sufficiently interrogated during the due diligence

assessment process (refer to **Appendix 3** for ESG Value-Add Due Diligence Questionnaire).

Outcomes and Deliverables

- Once the Screening Questionnaire is completed, the results will be captured in the form of a Screening Summary (refer to **Appendix 2**) which will provide an indication of whether the Company should consider driving ESG value-add opportunities within the investment in question. If such opportunities are to be further investigated, this expectation should be incorporated into the ESG DD process (i.e., the ESG DD scope), whether this is undertaken on an internal or external basis.

3.2. DUE DILIGENCE PROCEDURE

Objectives

During the ESG DD process, the objective is to identify and qualify potential ESG value-add opportunities within the specific investment and assess their feasibility to determine whether it makes sense to pursue any specific ESG value-add opportunities and to what extent the Company, on behalf of the Fund, plays a leading or supporting role in this process.

While the Fund will typically in majority stakes in portfolio companies, there will or may be some instances where it owns a minority stake (e.g., the seed asset portfolio acquired at first close). In that event, the Company, on behalf of the Fund, will occupy an oversight role in the investment and the ESG DD stage needs to consider how this will influence the Company's ability to implement and monitor specific value-add opportunities. In this case, the Company may need to work with or support the lead sponsor in driving any specific ESG value-add opportunities identified.

Activities

- Obtain the relevant information gathered during the ESG DD process (through the ESG Value-Add Due Diligence Questionnaire – **Appendix 3**) to identify and qualify potential ESG value-add opportunities. These opportunities should be categorized according to the Reference Framework (refer to **Appendix 8** for a list of examples).
- Assess each opportunity using the Opportunity Assessment Framework (refer to **Appendix 4**) to determine the extent of the opportunity and enable a comparison of opportunities.

Outcomes and Deliverables

- Once the relevant information is collected (as per the ESG Value-Add Due Diligence Questionnaire) and each opportunity is assessed (as per the Opportunity Assessment Framework) during due diligence, the results will be summarised and captured in the Investment Committee Summary (refer to **Appendix 5**), which will provide an indication of the ESG value-add

opportunities that have been identified, as well as the corresponding assessment of the feasibility of each opportunity, to inform the Company's decision on which of them to pursue.

- Once an opportunity is selected, an ESG Value- Add Action Plan (refer to **Appendix 6**) will be developed which will articulate the key activities that need to be undertaken in implementing the opportunity, the timing of the activities, the associated cost, the personnel responsible for implementation and the status of the activity.

3.3. MONITORING, EVALUATION AND REPORTING

Objectives

During the monitoring, evaluation and reporting phase, the objective is to collect relevant data on a periodic basis to determine whether the ESG value-add opportunity is on track to achieve its goals, and to provide this feedback to relevant stakeholders such as the IC and investors alike.

Activities

- The first step is to establish a set of goals/objectives for the opportunity, which articulate what the opportunity is trying to achieve. These goals should be determined by matching the Fund's ambitions with respect to the opportunity with what can feasibly be achieved in practice.
- Thereafter, a set of indicators should be developed to understand the degree to which progress in the direction of established goals is being achieved, and whether goals / objectives are being reached. Indicators are a 'quantitative or qualitative factor or variable that provide a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of an actor'. Indicators should be 'SMART':
 - S: Specific
 - M: Measurable
 - A: Assignable
 - R: Realistic
 - T: Time-bound

In many cases, indicators will be tailor-designed to align with the context and realities of the Fund and the investment in question. There are, however, a number of useful resources which serve as a repository for existing indicators that can be used. These include:

- The IRIS metrics (<https://iris.thegiin.org/metrics/>)
- Global Value Exchange (<http://www.globalvaluexchange.org/>)
- The Global Reporting Initiative (<https://www.globalreporting.org/>)
- The Sustainable Development Goals (<https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>)

- Once goals have been identified and indicators chosen, targets should be identified which codify the ESG value-add aspirations for the investment. These should be informed by the baseline assessment (see below).
- At the outset of the investment period, a baseline assessment should be undertaken to determine what the status of each indicator is prior to the opportunity being implemented. These baseline results should be used to inform the targets that are set, and progress will be measured using the baseline results as the starting point.
- The portfolio company will need to provide updated data on the set of indicators on a periodic basis (depending on the nature of the indicators being tracked) to assess progress towards achieving targets (this is referred to as ongoing monitoring)
- The monitoring data that has been collected and the corresponding progress towards targets will need to be documented in the Fund's annual report and disseminated to the relevant stakeholders.
- From time to time, the monitoring data may indicate that the opportunity is not on track to achieve its targets. In this case, the Company will undertake an evaluation to determine what the underlying cause is and how the opportunity needs to be amended, if at all, to ensure it achieves its targets.

Outcomes and Deliverables

- The set of indicators together with the data sources, targets and baseline data will form the basis of the opportunity's Monitoring Framework (refer to **Appendix 7**). As monitoring data is collected on a periodic basis, the Monitoring Framework will be updated to reflect this data.
- The data captured in the Monitoring Framework should be used to inform the Fund's periodic ESG Reports to relevant stakeholders.
- As and when an evaluation is undertaken, the evaluation results and corresponding recommendations should be captured in an Evaluation Report which will be used to inform ESG value-add opportunity objectives and the approach going forward. The information contained in the Evaluation Report will also be used to inform the Fund's periodic ESG Reports as deemed appropriate.

Appendix 1: Screening Questionnaire

LEVERAGE

Will the Company have leverage to drive value-add opportunities in this investment?

Yes

No

Comment

INTEREST

Does the Company have a significant stake or interest in driving value-add opportunities for the investment in question?

Yes

No

Comment

DURATION OF INVESTMENT

Is the investment period long enough to implement, measure and realise ESG value-add opportunities?

Yes

No

Comment

CAPACITY

Does the Company have the internal capacity to drive ESG value-add opportunities in this investment?

Yes

No

Comment

Appendix 2: Screening Summary

ESG VALUE-ADD SCREENING SUMMARY		
1. Leverage	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. Interest	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. Duration	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4. Capacity	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Next Step	<input type="checkbox"/> Proceed with Investigation	<input type="checkbox"/> Do Not Proceed with Investigation
Reason(s) / Recommendation(s)		
Considerations for Due Diligence		

Appendix 3: ESG Value-Add Due Diligence Information Request

For each identified opportunity, please complete the below information.

Overview	
Name of opportunity ⁶	<i>e.g., Project X</i>
Alignment to relevant IFC Performance Standard ⁷	<i>e.g., Resource Efficiency and Pollution</i>
Alignment to value-driver/s ⁸	<i>e.g., Cost savings and Productivity</i>
Opportunity objectives	
What is PSIF trying to achieve through this opportunity i.e., what are the objectives of this opportunity?	<i>e.g., A reduction in the energy consumption of the investee company by 10%</i>
Opportunity implementation	
What are the specific activities that need to be undertaken to realise this opportunity?	
Please provide a breakdown of the key costs per activity for this opportunity	
How will this opportunity be funded?	
Who will be responsible for implementing each activity (including any external partners)?	
What would the above responsibilities include per person?	
Monitoring, evaluation and reporting	
Which stakeholders do you need to report to?	

⁶ Please refer to *Appendix 8* for a list of example opportunities

⁷ Please refer to *Appendix 8* for a list of the IFC performance standards

⁸ Please refer to *Appendix 8* for a list of PSIF's ESG value drivers

What information do you need to report on to each stakeholder?	<i>e.g., Indicators as per the Monitoring Framework (Appendix 7): Amount of money spent by the investee on sources of energy</i>
How often do you need to report on this information?	<i>e.g., Quarterly</i>
What internal resources/support do you need for monitoring and evaluation to be able to report to stakeholders?	<i>e.g., Indicator data to come from investee company. Appoint person within the Company to collate and analyse data and incorporate into annual report</i>
What external resources/support do you need for monitoring and evaluation to be able to report to stakeholders, if any?	<i>e.g., Monitoring and evaluation expert to undertake an evaluation in the event that the investee company is not reducing the amount of money it spends on energy (to determine the reasons why and recommendations on course correction)</i>

Appendix 4: ESG Value-Add Opportunity Assessment Framework

This document assesses the opportunity against seven criteria which will be used to determine whether the opportunity should be taken forward.

- **Measurability:** assesses the extent to which the value achieved through the opportunity can be measured
- **Value:** assesses the potential quantum of the value that will be realised
- **Sustainability:** assesses the likelihood of the value sustaining into the future
- **Timing:** assesses the likelihood of the value being realised during the life of the investment
- **Leverage:** assesses the extent to which the Fund is able to drive this opportunity within the investee
- **External funding:** assesses the extent to which there exists potential to access external funding for the opportunity
- **Alignment:** assesses the extent to which the opportunity is aligned to the Fund's mission

Scenario analysis	Measurability	Please tick the applicable scenario
Best case (Score = 1)	Indicators can be developed	
	Data can be collected to report on indicators	
	The cost and effort of data collection is feasible	
Worst case (Score = 0)	Indicators can/cannot be developed	
	Data can/ cannot be collected to report on indicators	
	The cost and effort of data collection is not feasible	
Score		
Scenario analysis	Value	Please tick the applicable scenario
Best case (Score = 1)	There is evidence that indicates value can be achieved e.g., other research	
	The potential value is higher than the associated cost	
Worst case (Score = 0)	There is /is no evidence that indicates value can be achieved e.g., other research.	
	The potential value is/is not higher than the associated cost	
Score		
Scenario analysis	Sustainability	Please tick the applicable scenario

Best case (Score = 1)	The value diminishes but remains positive	
Worst case (Score = 0)	The value diminishes and ends or becomes negative at a specific point in time	
Score		
Scenario analysis	Timing	Please tick the applicable scenario
Best case (Score = 1)	The value will be realised within the life of the Fund investment	
Worst case (Score = 0)	The value will not be realised within the life of the Fund investment	
Score		
Scenario analysis	Leverage	Please tick the applicable scenario
Best case (Score = 1)	We have sufficient leverage to drive this opportunity	
Worst case (Score = 0)	We do not have sufficient leverage to drive this opportunity	
Score		
Scenario analysis	External funding	Please tick the applicable scenario
Best case (Score = 1)	There is potential for an external stakeholder e.g., DFI to contribute to the funding of the opportunity with no implications on the return of the investment	
Worst case (Score = 0)	There is no potential for an external stakeholder e.g., DFI to contribute to the funding of the opportunity with no implications on the return of the investment	
Score		
Scenario analysis	Alignment	Please tick the applicable scenario
Best case (Score = 1)	The initiative aligns to our core investment mandate/strategy	
Worst case (Score = 0)	The initiative does not align to our core investment mandate/strategy	
Score		

Appendix 5: ESG Value-Add Investment Committee Summary

This document summarises the key details of the potential opportunity and the Opportunity Assessment results from the Due Diligence process.

1. Name of opportunity

2. Brief description of opportunity

3. Assessment of opportunity

The opportunity was assessed against a set of defined criteria to determine whether the opportunity should be taken forward.

Each criterion is awarded a score of 0 or 1. A score of 0 means that the criterion is not fulfilled. A score of 1 means that the criterion is fulfilled.

Criterion	Score
Measurability: assesses the extent to which the value achieved through the opportunity can be measured	
Value: assesses the potential quantum of the value that will be realised	
Sustainability: assesses the likelihood of the value sustaining into the future	
Timing: assesses the likelihood of the value being realised during the life of the investment	
Leverage: assesses the extent to which the Fund is able to drive this opportunity within the investee	
External funding: assesses the extent to which there exists potential to access external funding for the opportunity	
Alignment: assesses the extent to which the opportunity is aligned to the Fund's mission	

Overall comment

Appendix 6: ESG Value-Add Action Plan

This document summarises the key activities that need to be undertaken in implementing the opportunity, the timing of the activities, the associated cost, the personnel responsible for implementation and the status of the activity.

Activities/tasks (including monitoring and reporting)	Time duration	Timing for completion	Cost	Responsible Person	Status

Appendix 7: Example Monitoring Framework

#	Goal		Indicators	Data collection tool	Data source		Target	Baseline	Q1 2020	Q2 2020
1	Investee reduces energy consumption	1.1	Amount of money spent by the investee on sources of energy	Investee survey	Investee					
2	Investee reduces waste generation	2.1	Amount of waste created by the investee's operations	Investee survey	Investee					

Appendix 8: Example Value-Add Opportunities, Activities and Value-Drivers

IFC Performance Standard	Example value protection and value creation opportunities	Example activities	Potential ESG value-drivers
Labour and working conditions	<ul style="list-style-type: none"> Increased worker productivity Reduced employee turnover Increased staff retention Improved access to markets and finance if labour and working conditions standards or certifications are achieved 	<ul style="list-style-type: none"> Revisions to HR policies Amendments to contractor management system Amendments to procurement policies and procedures Provision of training and capacity building to staff 	<ul style="list-style-type: none"> Revenue growth Market access Cost savings Productivity Access to capital Brand value and reputation Improved decision-making Employee wellbeing Attraction and retention of good employees License to operate
OHS	<ul style="list-style-type: none"> Improved worker and contractor safety, leading to reduced fines, penalties and business interruption Quality of service can be improved and insurance premiums for workers' and compensation payments can be reduced 	<ul style="list-style-type: none"> Implementation of risk management measures Provision of OHS training to staff Implementation of major incident reporting mechanism Amendments to procurement policies and procedures 	
Resource efficiency and pollution	<ul style="list-style-type: none"> Lower operating costs, reduced environmental footprint and better preparedness for resource shortages 	<ul style="list-style-type: none"> Reduction in energy consumption Reduction in water consumption Minimisation of pollution Reduction in waste generation Revisions of waste disposal practices Revision of waste recovery and reuse practices 	
Community health and safety	<ul style="list-style-type: none"> Avoid reputational damage and significant management costs incurred to address social opposition Improved health and wellbeing of surrounding communities has positive knock on effect for wellbeing of workforce and sustainability of supporting services in local economy Building relationships with local communities can contribute to positive perception of the business, sustainable social license to operate and minimise security risks 	<ul style="list-style-type: none"> Proactive provision of health and safety and wellbeing awareness to neighbouring communities Proactive community engagement 	
Biodiversity	<ul style="list-style-type: none"> Improved access to markets or higher product prices and margins related to sustainable production. 	<ul style="list-style-type: none"> Implementation of specific biodiversity conservation measures 	

Annex 14: Stakeholder Engagement Framework

PURPOSE AND SCOPE

The Company recognises that effective engagement with stakeholders is a key tool to ensure the success and sustainability of the business of the Fund. Frequent, proactive and systematic engagement keeps an organisation in touch with the interests, needs and perspectives of its stakeholders, allows them to obtain and maintain buy-in to the organisation's management strategies, systems and procedures, and pre-empts any internal or external risks or challenges to the business. In addition, it ensures that the business's ESG and operational objectives are aligned to the extent possible with those of its different interest groups. A robust approach to stakeholder engagement also ensures transparency and accountability across the organisation and can assist with finding new opportunities for superior returns, growth, and innovation.

The Company will therefore adopt a practical and proactive approach to stakeholder engagement to manage the relationships with all stakeholder groups both internally and externally, on behalf of the Fund, that may have an interest or influence in the Fund's business and investment activities. This involves identification of all stakeholder groups and designing and initiating frequent engagement at appropriate levels with each of these groups, including both informal dialogues, and more structured and formal regular consultation, reporting and information sharing.

These targeted activities will seek to regularly gauge from stakeholders, both positive and negative perceptions of the Fund, and identify areas where attention may be required to improve business practices and more specifically, ESG performance of the Fund.

Stakeholder engagement is a journey and requires proper planning, action, reflection, and monitoring for improvement over time. This framework is intended to ensure that the Company actively and meaningfully engages with the Fund's stakeholders to build trust and achieve sustainable relationships over time.

The framework comprises of five (5) steps which are elaborated below:

1. Identify Stakeholders
2. Analyse Stakeholders and Set Level of Ambition
3. Assign Roles and Responsibilities
4. Define Engagement Strategy and Communication Plan
5. Roll Out and Monitor

1. IDENTIFY THE FUND'S KEY STAKEHOLDERS

Identify or 'map' all of the Fund's stakeholders and list in a register (see Figure 13) with key information to profile each group e.g., (i) their geography or location; (ii) area of influence; (iii) their degree of awareness about the Fund and its investment strategy and activities; and (iv) their expectations and underlying interests or concerns.

A 'stakeholder' can be defined as a person, group, or organisation that has a direct or indirect stake in an organisation's activities because they can affect, or be affected by, the organisation's actions, operations, objectives, strategies and policies.

When identifying and analysing stakeholders it is important to draw on broad knowledge and experience from several different role players and sources, both within the organisation and externally.

For completeness, include the Investment Team to ensure all relevant stakeholders will actively engaged.

1.1. The Fund's Stakeholder Universe

Figure 13 Stakeholder Categories

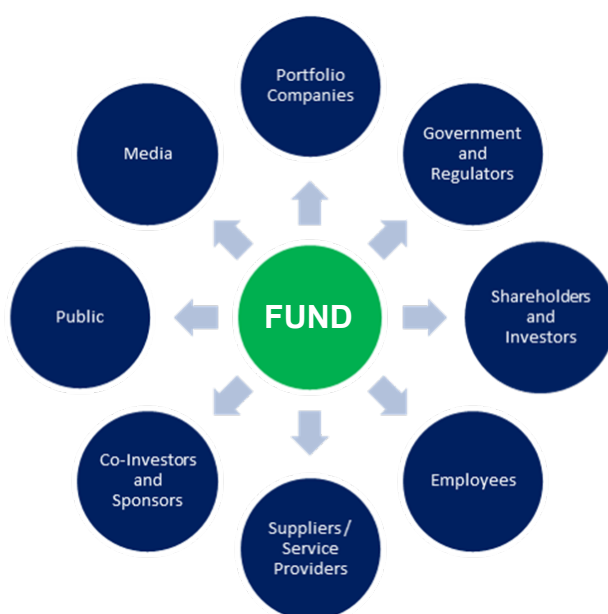


Table 8 below provides an initial list of the Fund's stakeholders within the above key categories. The list is dynamic and iterative: changing as the environment concerning the Fund evolves and as its stakeholders make decisions or change their opinions and perceptions.

Appendix 1 can be used as a template for populating stakeholders within each group and should be updated regularly when new groups are identified.

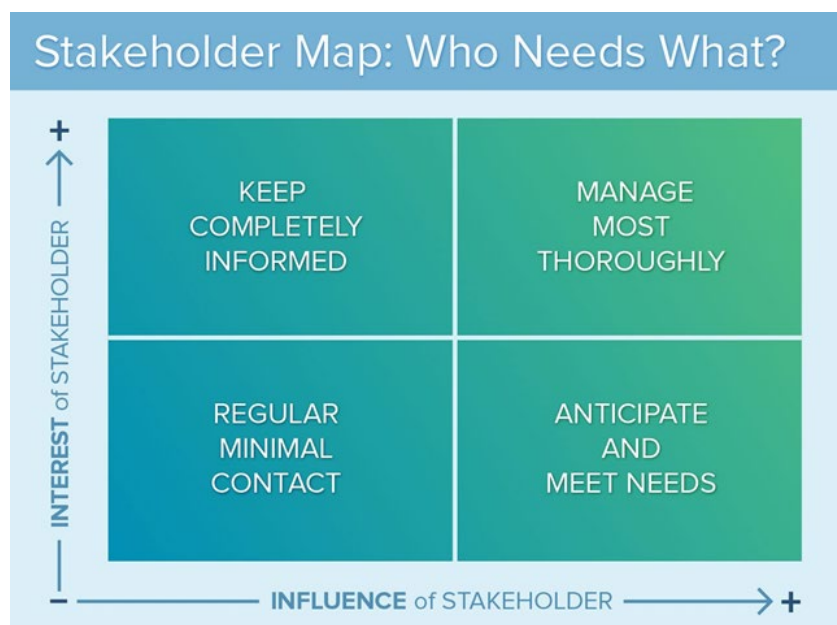
Table 8 **The Fund's Stakeholder Groups**

STAKEHOLDER GROUP	IDENTIFIED STAKEHOLDERS
Shareholders	<ul style="list-style-type: none"> • Limited partners
Investors	<ul style="list-style-type: none"> • <i>To be inserted</i>
Board and Committees	<ul style="list-style-type: none"> • Board of Directors • Enterprise Risk Management Committee • Finance Committee • Audit Committee • Strategy Committee • Budget Committee • Sustainability Committee • ESG Committee • Board Governance Committee • Ethics Committee • Nominations Committee • Compensation Committee • Investment Committee
Co-Investors	<ul style="list-style-type: none"> • <i>To be inserted</i>
Employees	<ul style="list-style-type: none"> • Investment team
Directors	<ul style="list-style-type: none"> • <i>To be inserted</i>
Portfolio Companies	<ul style="list-style-type: none"> • Management Teams • EHS Manager • To be inserted
Government and Regulators	<ul style="list-style-type: none"> • <i>To be inserted</i>
Suppliers / Service Providers	<ul style="list-style-type: none"> • <i>To be inserted</i>
Public	<ul style="list-style-type: none"> • <i>To be inserted</i>
Media	<ul style="list-style-type: none"> • <i>To be inserted</i>
Other	<ul style="list-style-type: none"> • <i>To be inserted</i>

2. ANALYSE STAKEHOLDERS AND SET LEVELS OF AMBITION

Analyse and prioritise (as with any other business risks) potential actions or reactions from stakeholders whose concerns or expectations are not, or cannot be addressed or met, based on their probability of occurrence and likely risk implications for the Fund. This can be done using a simple risk mapping approach, and by positioning stakeholders on an influence/interest matrix (Figure 14).

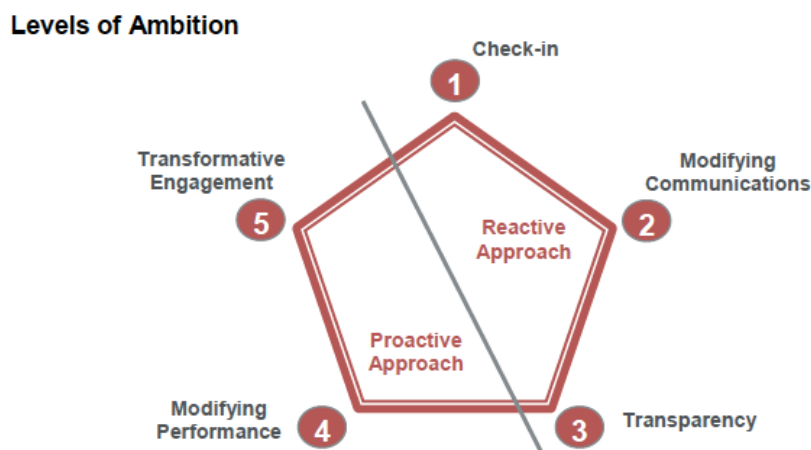
Figure 14 Stakeholder Map



To ensure consistency, the Company should leverage any existing risk assessment framework used by the organisation to manage business and financial risks.

Use the model in Figure 15 below diagram to assign a Level of Ambition for each stakeholder. This should guide the extent and type of engagement needed for each group, ranging from periodic check-in to transformative engagement.

Figure 15 Level of Ambition Infographic



Actively manage groups with a negative perception of the business, those that represent an opportunity, or groups with high interest in and ability to influence the Fund's business activities or investment strategies: i.e., engage them more frequently, intensively and proactively than others.

This may range from keeping stakeholders satisfied and provided with regular information to stay in touch with strategic developments, to seeking collaboration and partnership with stakeholders around a key change, product, or initiative by the business.

Table 9 **Levels of Engagement**

CHECK IN	Maintain current communications practices	e.g., check in and refine the required level of disclosure on topics where there are already communication practices in place
MODIFYING COMMUNICATIONS	Adapt communications to meet stakeholder expectations	e.g., identify new topic areas that require reporting.
TRANSPARENCY	Provide assurance to satisfy stakeholder concerns	e.g., identify ways to ensure levels of confidence and trust around information shared with stakeholders
MODIFYING PERFORMANCE	Change some business processes and practices in response to stakeholder feedback	e.g., obtain new ideas to meet specific needs
TRANSFORMATIVE ENGAGEMENT	Fundamentally change business strategies and models.	e.g., gather intelligence to operate major transformational changes in a business model

Source: BSR

3. DEFINE ROLES AND RESPONSIBILITIES FOR ENGAGEMENT

Clearly define who within the Company will be responsible for planning and driving engagement and managing communication with each group, and if relevant, set engagement related KPIs for those roles.

Roles and responsibilities for stakeholder management can change over time, depending on the influence of a given group and the urgency and legitimacy of issues raised.

It may be the case that the Company needs to invest in building capacity or internal skills to support and drive an effective stakeholder engagement process for the organisation. This will be reviewed once the groups to be engaged are identified and a strategy for engagement has been determined.

Overall ownership of all the Fund's stakeholders resides with the fund manager.

Specific responsibility for engaging each of the identified stakeholder groups on ESG performance will need to be assigned to relevant personnel within the Company, with supporting resources being appointed as needed.

4. SET STAKEHOLDER STRATEGY AND DEVELOP ENGAGEMENT AND COMMUNICATION PLAN

Strategy: Define a concise stakeholder engagement strategy based on the stakeholders identified and analysed and any risks or opportunities identified for each. This should set specific and measurable goals and objectives for engagement with each of the key groups, over defined timeframes, e.g., 12-18 months.

Plan: Develop a practical and implementable engagement and communication plan (in Excel or easily updatable format), describing steps and activities to deliver on the strategy and level of ambition. The plan should contain clear guidance notes for those responsible roles, to ensure the ongoing two-way communication between the Company and stakeholders is undertaken proactively and tracked. The plan should outline for each stakeholder or group:

- Responsible roles;
- Key contact person(s);
- Frequency of engagement and level of intensity, e.g., point on the spectrum;
- Type of Engagement: activities/methods/forums/channels most appropriate for engaging the stakeholder/group.

Roll out engagement plan both internally and externally and review and evaluate activities, in a systematic way, to allow for learning and improvement going forward (see Documentation, Monitoring and Reporting).

4.1. Internal Communication

Effective internal communication and engagement will improve coordination and collaboration within and between functions in the Company, and ensure that objectives, targets, performance requirements and responsibilities around ESG are clearly understood at all levels of the organisation.

Key objectives for internal communication on ESG:

- Dissemination of ESG management strategy, actions, guidelines, objectives and targets within the Company and other stakeholders, and instructions on the implementation where appropriate;
- Open communication within the organization on ESG matters, ensuring that information relating to ESG issues are communicated in a format and language(s) that is accessible to internal stakeholders;
- Ensuring that ESG issues are included in the agendas for management and committee meetings; and
- Actively promoting ESG awareness by disseminating information such as accident and injury statistics, environmental performance indicators,

internal/external grievances, as well as sharing of ESG experience and best practices among staff.

The following channels may be used for the internal communication on ESG matters:

- Meetings (including Board and Committee meetings);
- Direct communication through e-mails;
- Face to face engagements e.g., with Investee Companies
- Supervision or monitoring (investee companies);
- Newsletters (produced monthly);
- Reports (produced annually, bi-annually or quarterly);
- Department or function meetings (held weekly, bi-weekly or monthly depending on the department);
- Staff offsite (held annually or bi-annually);
- Office notice boards and posters; and
- Staff Training and awareness campaigns.

All employees should also be informed and encouraged to provide feedback on ESG-related topics through their manager and/or supervisor.

4.2. External Communication

The Company is committed to maintaining an open dialogue with all relevant external stakeholders on ESG matters, with particular attention to investee companies, shareholders, and government or regulating entities. In certain instances, the Fund may have an obligation to communicate externally with authorities in order to comply with laws and regulations or to report on events, incidents or changes, in accordance with the specific regulatory requirements.

Key Objectives for external communication on ESG:

- Establish and maintain an external facing presence/interface between the business and its stakeholders, to build trust and convey accessibility, responsiveness and accountability to stakeholder groups;
- Provide a platform to support the effective communication of the Company's ESG strategy intentions and progress/performance;
- Proactively manage expectations and information needs of stakeholders;
- Ensure that all external communication on ESG is consistent and aligns with the the Company stakeholder strategy and engagement/communication plan, to avoid multiple channels of communication or mixed messaging.

The following channels may be used for the external ESG communication:

- General Shareholders Meeting (held annually);
- Annual, bi-Annual or quarterly reports;
- Direct correspondence (phone calls, emails on specific topics of concern or interest);
- Website;
- Marketing brochures or product launch materials;

- Conferences or events;
- Media releases;
- One-on-one meetings;
- Formal meetings;
- Focus group meetings or consultations on specific topics of concern or interest.

5. DOCUMENTATION, MONITORING AND REPORTING

Document all activities to support tracking and assessing effectiveness of ESG-related stakeholder engagement and communication activities.

All information, and importantly, any commitments made and recorded during individual engagements, should be captured in meeting minutes or notes and tracked in a register or log using pre-defined templates. Examples of tools that will be used to support ongoing monitoring and review of engagement activities is provided in *Appendix 2*.

These can be collated, categorised, and aggregated to aid in the monitoring of recurring issues and trends in stakeholder perceptions, concerns, or opportunities for collaborations/partnerships, over time. This data should be fed back into informing other business processes, management decision-making, and ESG engagement strategy setting and review.

Finally, a review of the engagement and communication plan will be undertaken periodically, at least annually, or:

- whenever significant changes in the business or its investment strategy are affected; or
- after a major internal or external event that may represent an impact on the Fund in the eyes of stakeholders and/or relative to significant expectations.

Appendix 1: Stakeholder Register

No	Stakeholder Category	Name of the Organization / Entity	Key Individuals	Contact Info (address / email / phone)	Location	Description of Stakeholder Group's Concerns / Activities	Geographical Area where Stakeholder is Active or Influential	Issues of Interest	Influence over the Fund (High/Medium/Low)	Interest in PSIF/Portfolio entity (High / Medium/Low)	Likely Stance, concerns and expectations	Links with other stakeholders

Appendix 2: Ongoing Stakeholder Engagement Monitoring Templates

A. Attendance Register

Meeting: _____

Date: _____

Location: _____

Name	Organisation	Position Held	Contact Details	Signature

B. Meeting Minutes

DATE	LOCATION	TIME

PURPOSE FOR MEETING:
CHAIR:
SECRETARY:

PRESENT	ORGANISATION
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

APOLOGIES	ORGANISATION
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

AGENDA
1.
2.
3.
4.
5.

1.	ACTION	DATE

2.	ACTION	DATE

3.	ACTION	DATE

4.	ACTION	DATE

5.	ACTION	DATE

DATE OF NEXT MEETING:	
SIGNATURE CHAIR:	
SIGNATURE SECRETARY:	

Annex 15: Grievance Mechanism

1. Purpose

The Company's grievance mechanism allows for stakeholders (including portfolio companies, employees, local communities and interest groups) to confidentially and / or anonymously report incidents, feedback or complaints about the Fund, using a publicly available and easily accessible platform such as the Fund's website.

The purpose of the grievance mechanism is to identify and proactively solve any issues of non-compliance, dissatisfaction, feelings of injustice or feedback (herewithin referred to as "grievances") from stakeholders. Consequently, methods are provided to enable these stakeholders to have their grievances or concerns resolved in an effective manner and to do so as fairly and as quickly as reasonably practicable.

This procedure manual provides transparency on how grievances will be managed by the Company on behalf of the Fund and will be aligned with the relevant Company policy as applicable once it is in place.

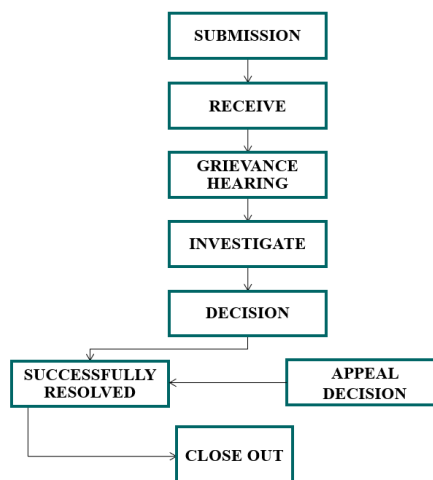
2. Scope

The grievance mechanism procedure applies to all internal and external stakeholders, including portfolio companies, employees, local communities and interest groups.

3. Grievance Procedure

Stakeholders are encouraged to raise any issues, problems, complaints or suggestions with the Company representatives, including an explanation about the nature of the problem and the relief sought. For each grievance received, the Company shall assess the relevance of the external and / or internal communication submitted and determine the level of response necessary, if any, to achieve a resolution. Ideally, the Company would like grievances to be resolved in an informal way, however where this is not possible, the following Formal Grievance Procedure set out below shall be adhered to (refer to *Figure 16*).

Figure 16 Formal Grievance Procedure



Step 1 – Grievance Submission

The Company may receive a grievance complaint from stakeholders by means of different methods including a) submission of online form on the Fund’s website, b) submission of the prescribed grievance form directly to a Company representative (refer to *Appendix 1*) or c) submission of prescribed grievance form sent via email

All grievances must be submitted in writing for record purposes. A notice confirming receipt of a grievance should be submitted to the aggrieved party within three (3) days of receiving the grievance.

Step 2 – Grievance Hearing

For any serious grievances received, the Company will arrange for a meeting to take place (either in person or via conference call) as quickly as possible but within one (1) week of confirming receipt of the grievance to discuss the matter further.

In preparing for such a meeting, the Company are to consider the following:

- Having an independent representative in attendance to witness and record the meeting;
- Ensuring all relevant personnel are made fully aware of all facts in the case;
- Being aware of how similar grievances may have been resolved in the past; and
- Whether an interpreter may be needed to ensure efficient communication.

The aggrieved party has the right to be accompanied by a colleague or acquaintance, who may be allowed to address the meeting on the aggrieved party’s behalf.

Step 3 - Management Decision Process

Upon completion of the hearing, the Company shall conclude and present a decision in writing within two (2) weeks of the hearing. Shortly after a decision has been made, the appropriate the Company representative shall inform the aggrieved party in writing of the outcome. The latter has the right to appeal, if they are dissatisfied with the decision.

Step 4 - Grievance Appeal (if applicable)

If the aggrieved party is dissatisfied with the outcome of the decision, they can appeal the decision. The appeal must be submitted within three (3) working days explaining the grounds for appeal in writing. .

Consequently, an appeal hearing shall be arranged within one (1) week of the appeal submission and will be chaired by the fund manager. The hearing will follow the same format described in Step 2 above and the aggrieved party may be accompanied. The aggrieved party shall be informed in writing of the final resolution made within five (5) working days of the appeal hearing.

Step 5 – Follow-up and Close Out

A grievance is closed out when no further action can be or needs to be taken. When closing out a grievance it is important to ensure that full proof of the close-out is recorded based on fully documented evidence of the resolution process. This includes:

- Written internal records (with the date and time that close-out took place and sign off by responsible staff);
- Photographs, if relevant to documenting the resolution; and
- Written confirmation of the aggrieved party's agreement with the resolution.

The grievance will be assigned a close-out status e.g., open (under investigation), resolved (resolution has been agreed), unresolved (not possible to reach an agreed resolution and case has gone to external dispute resolution), abandoned (complaints where the complainant is not contactable after a certain period and complaint becomes null and void), which shall be recorded in the Grievance Register (refer to *Appendix 2*).

4. Record Management

The Company shall retain a copy of the original grievance correspondence for its own records. During each step of the resolution process, a record of the progress will be minuted and retained by the fund manager, for recording purposes. Upon closure of the matter the original claim with the accompanying minutes will be filed as a record of the action steps and resolution.

5. Matters to be Aware of when Handling Grievances

When dealing with a grievance, the Company should be aware of, and practice, the following:

- Hold any grievance interviews in private without interruptions;
- If the grievance relates to a stakeholder's direct manager, ensure that the aggrieved party can raise the grievance with someone else;
- Listen carefully to the aggrieved party's explanation of the problem and consider whether there is a deeper issue, which might be the root cause of the grievance;
- Listen to any conflicting points of view;
- Weigh up all evidence to determine the main concern that needs to be addressed and the appropriate action(s) to take;
- Decide what action to take by trying to balance fairness to the aggrieved person without compromising the Fund or other stakeholders;
- Inform all concerned parties of the decision made; and
- Keep the grievance resolution process as confidential as possible.

6. Non-Retaliation

The Company shall protect any stakeholder that raises a grievance. Any form of retaliation, victimization or threats will not be tolerated.

7. Confidentiality

All the reporting on the grievance process is to be kept confidential. This means that the information shall only be shared with a limited number of people on a strictly need to know basis. The Company will carry out the investigation and take the necessary action(s).

8. Publication

This grievance procedure will be disseminated to relevant stakeholders as part of informal ESG training procedures. In addition, the grievance mechanism document will be shared via electronic distribution with access details provided, specifically to new Company employees.

Appendix 1: Online Grievance Form

If you have a grievance or concern in relation to the conduct of our business, our people or our portfolio companies, please submit this using the feedback form below.

AGGRIEVED PARTY DETAILS	
Name:	
Company:	
Anonymity:	Yes / No
Date:	•
GRIEVANCE DETAILS	
Description of Grievance / Feedback	
•	
Solution/Information Desired:	
•	

** All the information received is considered confidential in nature. This means that the information will only be shared with a limited number of people on a strictly need to know basis.*

Genuine concerns or feedback raised will be interrogated and treated fairly and appropriately. Any person raising a grievance in good faith will be protected and any form of retaliation, victimization or threats will not be tolerated.

