

ESMS and ESG Policy

Date of Publication: 25-Nov-24

Date of Revision: 5-Feb-25

Version 1.8

Applicable to and approved by board of Prosperete Growth Fund (Mauritius)

ENVIRONMENTAL, SOCIAL MANAGEMENT SYSTEM

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Section A – ESG Policies and Principles

1. Background

- 1.1. It is Prosperete’s (defined ahead) endeavour to meet the highest standards of corporate stewardship by investing responsibly and engaging with communities where Prosperete works and invests. ‘Responsible Investing’¹ is a key guiding philosophy for Prosperete. Prosperete recognizes that Environmental, Social and Governance (“**ESG**”) aspects are among the key influencers of the value and long-term performance of any company. Prosperete is thus committed to implementation of ESG policies within its own organization and also organizations that it partners with and invests in.
- 1.2. This Policy on Management of Environmental, Social and Governance Aspects (“**ESG Policy**”) defines Prosperete’ approach to ESG related issues within its own organization, as well as the integration of ESG risks and value creation opportunities into the investments that it makes. It sets forth the guidelines for creating effective ESG management systems and adopting internationally recognised standards of best practice.

2. Scope & Applicability

- 2.1. This ESG Policy applies to Prosperete Growth Fund 1 (Fund), its pooling vehicles and each of its affiliated entities (collectively the entities are referred to as “**Prosperete**”). The Policy also extends to all Prosperete-contracted investment advisory/management entities in relation to Fund’s investments and portfolio companies. The ESG Policy sets down the procedures and guidelines for Prosperete personnel to evaluate ESG aspects at the time of making investments and to effectively monitor and improve the ESG aspects of portfolio companies throughout the investment period. It also gives directions for each of the portfolio companies to ensure full compliance with the ESG requirements of Prosperete. Employees of Prosperete are required to adhere to the policies and procedures set forth in this ESG Policy.

3. What is ESG?

- 3.1. The term ‘ESG’ is used to refer to Environmental, Social and Governance matters relevant to a company’s strategy and operations. Each of the three elements of ESG are explained in a bit more detail below.
- 3.2. **Environmental:** Environmental matters look at how a company performs as a steward of the environment. Environmental factors / criteria for any company refer to the manner in which any company assesses and manages its impacts on the environment, including waste management, effluents, emissions, pollution,

¹ Responsible Investing is an approach to investing that aims to incorporate environmental, social and governance factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

use of energy and water, use of natural resources, hazardous materials, greenhouse gas emissions, climate change, biodiversity, etc.,. This also covers environmental risks that might affect a company and how the company is managing those risks.

- 3.3. **Social:** Social matters examine how a company manages its business relationships - with employees, suppliers, customers and the communities where it operates. Social factors / criteria refer to compliance with labour laws, issues of labour and working conditions such as child labour, slavery, minimum wages, discrimination, diversity, etc.; and health and safety factors such as human rights, sexual abuse / harassment (SEAH), working conditions, safety record, employee relations, protective measures, training, product safety and liability, etc.
- 3.4. **Governance:** Governance factors comprise of business integrity matters such as transparency, corruption, bribery, money laundering, political lobbying and donations, etc.; and corporate governance matters such as board constitution, political connections, shareholder rights, internal controls, tax evasion, etc.

4. Principles followed for ESG at Prosperete

- 4.1.1. Prosperete is committed to adhering to the highest standards of ethical and legal conduct of its business operations. Prosperete shall ensure that its operations (including that of its Investment Manager and Investment Advisors), are in full compliance with all applicable local laws, and shall be guided by the principles of 'Responsible Investing' in its functioning.
- 4.1.2. The primary responsibility of ensuring compliance with the ESG Policy is of the Senior Management and KMPs. This is done by making sure that all investment professionals, deal teams and portfolio companies adhere to the ESG policy in their operations and assessments. The investment team at Prosperete shall be supported by a designated officer ("ESG Officer"). The ESG Officer shall:
 - 4.1.2.1. ensure that various Prosperete entities are in compliance with this ESG Policy;
 - 4.1.2.2. make employees aware of the 'Responsible Investing' guidelines of Prosperete from time to time and contribute to the integration of ESG factors into the broader investment process of Prosperete;
 - 4.1.2.3. ensure that employees at Prosperete are clear on the various ESG related checks to be followed at each stage of the investment process;
 - 4.1.2.4. ensure that all investment decisions are supported by due diligence of ESG related factors appropriate to the company and the industry and the same is documented in 'Investment Memo';

- 4.1.2.5. be a part of the ESG due diligence team in instances where the potential portfolio company is categorized as having 'Medium' (Category B) risk;
 - 4.1.2.6. take part in training programs on a periodic basis and/or undergo training programs conducted by investors / limited partners from time to time;
 - 4.1.2.7. provide ESG training for investment staff on a regular basis;
 - 4.1.2.8. track implementation of ESG related matters at various portfolio companies of Prosperete; and
 - 4.1.2.9. measure performance on periodic basis as listed in this Policy.
- 4.1.3. The ESG Officer shall be one of the principals and focal point for application of this policy on Prosperete's activities. This ESG Policy may be reviewed and amended by the ESG Officer with the approval of IC from time to time. All situations requiring interpretation of this ESG Policy, instances requiring clarification on any of the Prosperete guidelines on 'Responsible Investing', and ESG related checks at various stages of the investment process and the processes to be followed will be directed to the ESG Officer.

4.1.4. Environmental Policy Considerations

4.1.4.1. Prosperete will aim to:

- Avoid / minimize adverse impacts on human health and the environment;
- Inspire the efficient use of energy and natural resources in order to reduce the impact on the environment; and
- Promote the improvement of the environment wherever possible.

4.1.4.2. Prosperete shall consider these above mentioned factors in the build out of its office and related infrastructure and its day to day functioning.

4.1.5. Social Policy Considerations

4.1.5.1. Prosperete recognizes the impact that its operations will have on its stakeholders and is committed to ensure the following:

- Provide fair labour and working conditions;
- Ensure compliance with all applicable national, state and local labour laws;
- Respect human rights;
- Protect the health and safety of workers, surrounding communities, and consumers;

- Not employ or make use of forced labour and not employ or make use of child labour;
- Make sure there are sexual exploitation / abuse policies and guidelines in place to prevent such practices as well as a grievance mechanism to enable anyone subjected to SEAH behavior to safely bring this to the attention of management;
- Pay wages which meet or exceed industry or legal national minima;
- Ensure that all benefits that employees are eligible to are clearly communicated to them;
- Not discriminate in terms of recruitment, progression, terms and conditions of work and representation, on the basis of gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers' organisations, legal migrants, or HIV status; and
- Make available a redressal mechanism for employees and other stakeholders in respect of the above.

4.1.5.2. Where Prosperete uses employees on a contract basis, Prosperete shall ensure that it obtains appropriate certification from its contractors to the effect that contractor is in compliance with all applicable national, state and local labour laws, does not employ or make use of forced labour and does not employ or make use of child labour; pay wages which meet or exceed industry or legal national minima; and that such contractor will provide fair labour and working conditions to its employees.

4.1.5.3. To achieve the above mentioned objectives, Prosperete has implemented a set of policies which include a 'Sexual Harassment Policy', 'Code of Conduct', and a 'Whistleblower Policy'. Stakeholders can also access Grievance Handling of Prosperete (available on its website: <https://www.prosperete.com/contactus>). In addition, in certain cases, stakeholders can also access Grievance Handling processes of investors in Prosperete fund e.g. GCF Grievance Handling (<https://irm.greenclimate.fund/case-register/file-complaint>).

4.1.6. Governance Policy Considerations

4.1.6.1. At Prosperete, integrity, transparency and trust form part of the core beliefs of all activities. Prosperete also believes that its reputation and brand name is a valuable asset and critical to its success. Prosperete requires its personnel to observe high standards of business and personal ethics in the conduct of their duties and responsibilities, practice integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

4.1.6.2. Prosperete is guided by the following governance policy considerations:

- Adopt high standards of professional conduct, business integrity and excellence;
- Exhibit integrity, fairness and respect in all business dealings;
- Adopt diverse and high quality leadership and board to guide the operations;
- Adopt and implement policies to prevent extortion, bribery, fraud, corruption and financial crime;
- Use information received from its business partners only in the best interests of the business relationship and not for personal financial gain;
- Properly record, report and review financial and tax information;
- Enhance the good reputation of the firm / company; and
- Manage business affairs prudently and with due skill, care and diligence

4.1.6.3. To ensure that Prosperete follows the highest standards of governance, it has put in place a number of policies and procedures which include:

- 'Policy on Compliance with Anti-Corruption and Anti-Bribery Laws';
- 'Code of Conduct';
- 'Whistleblower Policy';
- 'Sexual Harassment Policy';
- 'Anti-Money Laundering Policy';
- Prevention of Insider Trading as per law of the land and applicable Prosperete Policy

4.1.6.4. The objectives of setting-put these policies in detail is to reduce ambiguity, lay down clear procedures and implement global governance best practices. Prosperete employees will need to be familiar with these policies at all times. In case of doubt or queries in respect of the above mentioned policies, the employees can reach out to the relevant authority under each of the policies.

5. ESG Industry Developments and Guidelines

5.1. Driven by societal demands, fiduciary responsibilities, regulations and a better understanding of the potential materiality of issues, ESG consideration is now approaching mainstream. The focus on ESG considerations have developed alongside

investors' growing appreciation of the impact that non-financial factors can have on value creation, long-term company performance, and the health of society at large.

- 5.2. Over the past decade, this rising level of awareness has been spurred on by several organizations and industry bodies that have developed guidelines on best practice. The United Nations supported Principles of Responsible Investment (“**UNPRI**”), drafted by an international network of investors, provides a framework for incorporating sustainability and ESG management best practices into investment decisions and ownership practices across asset classes. In coordination with the UNPRI, the Private Equity Growth Capital Council (“**PEGCC**”) developed Guidelines for ‘Responsible Investment’ focusing on environmental, health, safety, labour, governance and social considerations specifically in the context of private equity investment.
- 5.3. In setting out the principles included in this ESG Policy, particular attention has been paid to the following guidelines and industry principles:
 - 5.3.1. IFC Performance Standards – IFC’s Performance Standards on Environmental and Social Sustainability (“**Performance Standards**”) are considered the global benchmark for private sector investment in developing countries. In their previous senior management positions in IFC, Prosperete’s founders have seen firsthand the importance of investee companies adhering to the Performance Standards, which identify risks and impacts, and delineate how to avoid, mitigate, and manage such risks and impacts. They include guidelines for effective stakeholder engagement and disclosure in regard to an investee’s project-level activities.
 - 5.3.2. IFC SEAH Toolkit (2022): The Toolkit provides a detailed guide for investors and investees to identify the potential for SEAH incidents and behaviors in their operations, and develop and implement a grievance and feedback mechanism to enable employees and other stakeholders to safely report instances of SEAH. A robust reporting and feedback mechanism ensures that incidents are identified, investigated and responded to in a timely and transparent manner.
 - 5.3.3. GCF Environment and Social Safeguards: GCF’s ESG safeguards, provide a comprehensive review of climate and ESG risks associated with business operations. GCF safeguards are derived from IFC PSs.
 - 5.3.4. ADB Environment Safeguards - ADB’s environmental safeguards aim to ensure the environmental soundness and sustainability of projects, and to support the integration of environmental considerations into the project decision-making process. The Safeguard Policy Statement (SPS) requires borrowers to identify project impacts and assess their significance; examine alternatives; and prepare, implement, and monitor environmental management plans. The SPS requires borrowers to consult people likely to be affected by the project and disclose relevant information in a timely manner and in a form and in languages understandable to those being consulted.

- 5.3.5. UNPRI – A set of six principles that aim to help investors integrate consideration of ESG issues into investment decision-making and ownership practices. There are over 1,400 signatories to the UNPRI principles - asset owners, asset managers and service organizations.
- 5.3.6. The UN Global Compact - The UN Global Compact supports companies to do business responsibly by aligning their strategies and operations with ‘Ten Principles’ on human rights, labour, environment and anti-corruption; and take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation. The UN Global Compact has over 12,000 signatories (corporates and non-corporates) in 170 countries and offers a wide spectrum of best practices and resources.
- 5.3.7. PEGCC – The PEGCC has adopted responsible investment guidelines to be applied to investing in companies and during their ownership period.
- 5.3.8. Other industry guidelines – These include the IFC ESG Procedures Manual, CDC ESG Toolkit, ILPA governance principles, guidelines for increased transparency (e.g. BVCA Walker Guidelines) and various other initiatives at international and national PE/VC associations.

An overview of some of the above mentioned ESG guidelines are provided in **Annexure A**.

6. Guidelines For Responsible Investing At Prosperete

Prosperete has drawn up a set of guidelines for ‘Responsible Investing’, adopted from the PEGCC. These draw on a variety of existing internationally recognized norms and guide the decision-making process at Prosperete both within the organization and those relating to investments. The ‘Responsible Investing’ guidelines at Prosperete comprise of:

- 6.1. Commitment to compliance with IFC Performance Standards, applicable national, state, and local labour laws in the countries in which Prosperete operates and/or invests in.
- 6.2. Commit to GCF ESG Safeguards, GCF Gender Policy and GCF Indigenous Peoples Policy. This includes the following risk management practices:
 - Avoid, and where avoidance is impossible, mitigate adverse impacts to people and the environment;
 - Enhance equitable access to development benefits; and
 - Give due consideration to vulnerable populations, groups, and individuals (including women, children, and people with disabilities, and people marginalised by virtue of their sexual orientation or gender identity), local communities, Indigenous Peoples, and other marginalised groups of people and individuals that are affected or potentially affected by our activities.

- 6.3. Commit to continuous improvement with respect to management of ESG matters.
- 6.4. Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest as well as during the period of ownership.
- 6.5. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate. Prosperete will keep regular interactions with various stakeholders. A broad outline of the such engagements is provided in Annex B-1.
- 6.6. Seek to grow and improve the companies in which Prosperete invests for long-term sustainability and to benefit multiple stakeholders, including on ESG issues.
- 6.7. Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
- 6.8. Support payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local laws; and apply relevant international best practice standards.
- 6.9. Maintain policies that prohibit bribery and other improper payments to public officials consistent with the US Foreign Corrupt Practices Act, 1977; UK Bribery Act, 2010; The Prevention of Corruption Act, 1988; similar laws in other countries, and the OECD Anti-Bribery Convention.
- 6.10. Respect the human rights of those affected by its investment activities and take steps to ensure that its investments do not flow to companies that utilize child or forced labour or maintain discriminatory policies.
- 6.11. Maintain safe working environment for all genders and have policies and practices in place in relation to SEAH.
- 6.12. Provide timely information to Prosperete's limited partners on the matters addressed herein, and work to foster transparency about the activities of Prosperete.
- 6.13. Encourage portfolio companies of Prosperete to advance these same principles in a way which is consistent with the fiduciary duties of Prosperete.

All employees are obligated to follow these guidelines for 'Responsible Investing' at Prosperete without fail.

Section B – Environment and Social Management System

7. ESG Policy of Prosperete

7.1. Prosperete's ESG policy shall ensure that all its operations are in strict compliance with globally accepted best practices on ESG related matters. Prosperete believes that ESG performance is a key determinant of the value of any company, and hence has integrated ESG aspects into the various stages of its investment process. The following paragraphs describes the compliance with ESG related matters within Prosperete and also the manner in which ESG related aspects are integrated into the investment process at Prosperete.

7.2. Integrating ESG Considerations into the Investment Process

7.2.1. Prosperete's approach to 'Responsible Investing' starts with assessing the ESG risks associated with its investments. By understanding and reducing risks, companies can become more resilient, enabling them to be better investments. Incorporation of ESG factors into the investment process and at portfolio companies has many direct benefits - from financial benefits (such as reduced energy costs, employee turnover related-costs, and reduced worker's compensation costs) to social benefits (such as fewer safety incidents, increased job satisfaction and a more productive workforce) to an overall alignment of interests through better governance infrastructure.

7.2.2. It is important that the Prosperete investment team engages carefully with the potential investee company with regards to ESG factors to establish and greater awareness of the role these factors play in its long term success and sustainability. This can be done by starting conversations about ESG at the beginning of the investment process, being clear that ESG matters are central to the business process and describing how ESG improvements can result in improved efficiencies, better worker relations and productivity, better management and improved oversight.

7.2.3. Prosperete has thus integrated ESG factors into its investment process, wherein the various aspects of ESG are assessed and identified through the different stages of the investment process. Below is a summary of our ESG action

- Inform potential portfolio companies of our ESG expectations and processes during early phases of engagement.
- Follow a formal ESG due diligence process appropriate to the level and nature of ESG risks identified during early screening processes.
- Based on any gaps identified prior to investment and in line with opportunities to enhance company value, work with portfolio companies to determine a suitable Action Plan for performance improvement during the life of the investment.

- Embed ESG commitments and Action Plans in the investment agreement with clear timelines, responsibilities, and reporting requirements.
- Work with portfolio companies throughout the life of the investment to enhance business value through improved ESG performance.
- Champion ESG strategic considerations and planning as part of fiduciary duty in our participation as nominated directors at board level.
- Monitor value created through improved ESG performance throughout the life of the investment and measure total value created by the time of exit.
- Report to our Limited Partners and broader stakeholders on the aggregate ESG performance of our investment portfolio.

7.2.4. Cost of ESMS verification, audit and monitoring are part of the Prosperete fund's operating expenses and will be financed through funds operating expenses to the extent not reimbursed from other sources. Cost of internal ESG team are typically part of cost of operating. Costs relating to implementation of ESMS at portfolio companies will be borne by the respective companies.

7.2.5. In the case of non-compliance with the ESMS by a portfolio company, Prosperete shall make all efforts to remedy the situation and work with the company to achieve compliance as quickly as possible. Should the engagement not be successful, Prosperete reserves the right to exit the investment in cases of egregious and irremediable breaches in order to protect the reputation and integrity of our Limited Partners.

7.2.6. Capacity building of portfolio companies is an important component of Prosperete ESMS engagement. Prosperete will help companies with identifying talent, internal training and knowledge tools to help them build their capacity. Prosperete will also liaise with industry bodies to help companies obtain external training programs. Where needed, Prosperete will also help companies with identifying external experts to conduct periodic training and other reviews required by companies for their capacity building. Such capacity building may also be required to stakeholders and other institutions that may be affected by company operations for which Prosperete will work with portfolio companies as well.

7.2.7. Formally, ESG assessment is part of all investment processes - (i) initial screening; (ii) due diligence; (iii) investment decision; (iv) legal documentation and definitive agreements; and (v) post investment monitoring & reporting. At every stage of the investment life-cycle the Prosperete deal team will check for relevant ESG requirements which need to be considered and met prior to moving on to the next stage.

7.2.8. Responsibility of ESG is a shared effort of entire Prosperete team. This includes senior management, investment team and ESG officer. Below table provides an overview of ESG across Prosperete:

Team	Responsibilities
Investment Teams	- Review E&S due diligence report and provide feedback - Draft and prepare an Investment Proposal (IP) which will include a summary of the findings from the E&S Self-Assessment and related documentation. - Ensure that E&S covenants and ESAP are included in the legal agreements with the portfolio companies. - Provide portfolio companies with post investment support to mitigate environmental and social risks and complete ESAPs
ESG Officer / Risk team	- Support implementation of the ESMS and perform checks on compliance with this ESMS, which will include a review of the underwriting process and verifications obtained by the Relationship Managers, reviewing documentation and satisfying all ESMS related conditions precedent, as well as documentation related to monitoring and reporting. - Oversee annual ESG assessment of portfolio companies to be conducted by external E&S consultants.
Senior Management	- Responsible for overseeing overall implementation of the ESMS. - Ensure that adequate resources are available for management of E&S risks and training programs are implemented - Ensure that adequate technical expertise, either in-house or external expert support, is available to carry out due diligence and manage the environmental and social risks, including providing implementation support as required to Prosperete and its portfolio companies.
External E&S consultant	- Interface directly with prospects on conference calls to determine and verify the prospects' understanding of statements made in the E&S due diligence assessment. - Obtain all related documentation from potential investees. - Provide a report to Prosperete with recommendations for ESAP to be executed with the company. - Provide E&S training and refresher training tailored to the implementation of this ESMS. - Conduct annual ESG assessment on all portfolio companies.
External Climate Consultant	- Provides Climate risk assessment of each investee - Maps climate risks geographically for the countries of operations - Communicate climate adaptation and resilience opportunities within geographies assessed.

Investment Committee	• The Investment Committee will review the Investment Proposal including the Committee E&S summary and ESAP. • Investment Committee will oversee implementation of ESAP and direct corrective steps to be taken up by the team.
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7.2.9. Initial Screening of Investment Opportunities

7.2.9.1. Prosperete will focus on identifying key ESG risks at the initial screening stage itself. The primary activity at this stage will be to identify high level deal-breakers, by checking if the investment opportunity falls within the businesses / sectors listed in the Exclusion List. **Annexure B: Exclusion List** contains a list of activities, businesses and sectors into which Prosperete or its affiliate fund shall not make or consider an investment. Investment professionals at Prosperete are requested to strictly adhere to the Exclusion List and not consider or make any investments in businesses / activities / sectors listed in the 'Exclusion List'. Further, investment professionals will, upon discovering that any part of the potential portfolio company is engaged in businesses / activities listed in the Exclusion List, (a) promptly notify the partner on the transaction; and (b) disengage immediately from the transaction.

7.2.9.2. During the initial deal screening process, Prosperete personnel will conduct initial reference checks and screen (including a media search) for other factors listed below. **It is the responsibility of every investment professional at Prosperete involved in a transaction to make sure he or she screens for these initial factors and highlights any adverse findings during a deal discussion or where a note is put-up, highlight the same in the relevant deal notes.** These factors include:

- nature of the industry and related risks;
- labour composition and intensity;
- review of working conditions during factory / site visits;
- nature of liaison with government institutions;
- quantum of revenues from government contracts;
- political connections of the Founders / Sellers of the businesses;
- level of cash in the business operations, reputation of the Founders / Sellers in the market, etc.

7.2.9.3. Factors such as high level of political connections, dubious reputation of Founders / Sellers, high level of government contracts / government intervention, high levels of labour intensity are significant negative factors for Prosperete while evaluating a transaction. Quality and independence of the board is another important factor to consider. Depending on the nature of the issue, the feedback received during the initial screening and

reference checks, and an internal deal discussion, the transaction is either dropped or moved to the next stage for further due diligence.

7.2.9.4. The deal discussion note on every potential investment will contain a categorization of ESG related risk in the proposed investment. The investment opportunity will be rated as 'Low', 'Medium' or 'High' based on the following criteria for categorization of the ESG related risk. The ESG categorization will be reviewed by the ESG Officer prior to discussion.

7.2.9.4.1. 'Low Risk' – The proposed investment can be categorized as 'Low Risk' where the business activities of the potential portfolio company have minimal (category C) adverse environmental or social risks ("E&S Risks") or impacts. In such cases, E&S 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. In case a proposed investment is categorized as 'Low Risk', the usage of an external ESG consultant is not mandatory unless the investment team thinks otherwise.

7.2.9.4.2. 'Medium Risk' – The proposed investment can be categorized as 'Medium Risk' (category B) where the business activities result in limited adverse E&S Risks or impacts that are few in number, generally site specific, largely reversible, and readily addressed through well-known mitigation measures. The investment team may also grade the risk as 'Medium-Low' or 'Medium-High' depending on the severity of the impact. In case a proposed investment is categorized as 'Medium-Low Risk', the usage of an external ESG consultant is not mandatory unless the investment team thinks otherwise. However, in cases, where the proposed investment is categorized as 'Medium-High', the usage of an external ESG consultant is mandatory and the scope of the due diligence by the external ESG consultant will be decided by the investment team. If Investment is proposed in a potentially conflict prone location an independent conflict assessment will be conducted.

7.2.9.4.3. 'High Risk' – **If the Investment is categorized as High Risk (category A) under IFC Performance Standards, Prosperete shall not proceed with the investment.**

7.2.9.5. **Annexure C, C-1 and C-2** contains a clear description of the key factors to be considered in the risk categorisation along with examples and hints / tips. Investment professionals at Prosperete are requested to also clearly state the reason for categorizing each risk as 'Low', 'Medium' or 'High'.

7.2.9.6. Impact on Indigenous People should be assessed. A guidance on assessment is in Annex D-2

7.2.10. In-depth review of ESG factors during due diligence

7.2.10.1. Once a transaction passes the initial screening and Prosperete executes a non-binding term sheet, more resources will be allocated to the deal to conduct a detailed due diligence on the opportunity. During this phase, the investment team and the investment advisory team will carry out a detailed due diligence on the potential portfolio company. The due diligence exercise will depend on the nature, size and complexity of the transaction but would typically be comprised of the following set of diligence activities. Since Prosperete has integrated ESG related factors into its due diligence process, each of the following due diligence exercises will cover a number of ESG related issues as part of the scope of the due diligence exercise:

- Reputation and background check on the Founders / Sellers and key management team and Board members;
- Accounting and financial due diligence;
- Legal due diligence; and
- Due diligence of ESG related matters by the ESG officer, using a specialized external ESG consultant (“**Expert ESG DD**”), where applicable.

7.2.10.2. The various aspects of ESG related matters as highlighted in section 7 will be covered in each of the above mentioned due diligence exercises. The following paragraphs list out the ESG related matters that need to be covered by Prosperete employees during the due diligence exercise.

7.2.10.3. Reputation and Background Check

7.2.10.3.1. Prosperete attributes enormous importance to due diligence on the founder / seller and management of the potential portfolio company. The reputation, track record and integrity are inter-alia some of the important factors which are analysed by the investment team. For any given investment opportunity, a satisfactory diligence on the founders / sellers and management of the company is the single-most important investment criteria. Formal background checks on the founder / seller and the key management team will be done through reputed firms to get information about the past and unearth potential issues. This will be done using reputed external resources based upon local and international public records, key in-country sources, global compliance databases, and will cover the following:

- Background and current activities of potential portfolio company and related individuals;
- Reputation of potential portfolio company and related individuals;

- Character, integrity, and reputation of the key founders;
- International sanctions check (Blacklists, Politically Exposed Persons Lists, Sanctions, Terrorist Lists, etc.);
- Review of public registration records;
- Political connections/issues;
- Litigation and bankruptcy history; etc.

7.2.10.3.2. Prosperete employees are requested to refer to the 'Policy on Compliance with Anti-Corruption and Anti-Bribery Laws' for a detailed procedure to be followed by the Prosperete investment team in this regard during the investment process, including reporting of the findings and related documentation.

7.2.10.4. Accounting and Financial Due Diligence

7.2.10.4.1. Whilst an accounting and financial due diligence typically covers the financial aspects of any portfolio company, the scope of the diligence exercise will cover the following ESG related matters.

- Review and comment on book keeping processes and cost capture;
- Review and comment on the internal controls, and specifically test large cash transactions;
- Comment on adherence and compliance with labour laws and retirement related compliance – employee provident fund, employee state insurance, minimum wages, superannuation, gratuity, leave encashment, etc.; and
- Withholding tax and other direct and indirect tax compliance and exposure on account thereof.

7.2.10.4.2. The said due diligence exercise will be carried out by an external audit firm and typically a big four accounting firm. The findings of the due diligence exercise form an important input in the investment decision process and shall be specifically captured in the 'Investment Memo'.

7.2.10.5. Legal Due Diligence

7.2.10.5.1. The legal due diligence will be carried out by a reputed legal firm (in India and where applicable even outside of India). The scope of the legal due diligence will part from a review of legal matters inter-alia include the following ESG related matters:

- Review and comment on the various licences to be obtained and compliance by the potential portfolio company against such licences;
- Review specific compliance with applicable labour laws, including compliance with minimum wages;
- Secretarial audit to review compliance and identify remedial measures from a secretarial and corporate law perspective; and
- Devise a due diligence questionnaire to assess operations and anti-corruption internal controls, get on a call or meet with the management team and go over the questionnaire. Prosperete employees are requested to refer to the 'Policy on Compliance with Anti-Corruption and Anti-Bribery Laws' for a detailed procedure to be followed in the said assessment process and the reporting of the findings from the said assessment.

7.2.10.5.2. Again as in the case of a financial due diligence, findings of the legal due diligence exercise form an important input in the investment decision process and shall be specifically captured in the 'Investment Memo'.

7.2.10.6. Expert ESG DD

7.2.10.6.1. In cases where the categorization of risk by the investment team is 'Medium', the ESG officer shall ensure that an ESG DD is mandatorily carried out with the help of an external ESG consultant (defined as Expert ESG DD earlier). However, depending on inputs / views of the ESG officer, the Expert ESG DD may also be extended to potential investments where the risk categorization is 'Low' or 'Medium-Low'. Annexure D-1 contains an indicative scope / areas of focus of an Expert ESG DD and the terms of reference ("ToR") to the external ESG consultant for the Expert ESG DD. Key elements to be covered are also included in section 7 below. The Prosperete investment team and ESG Officer will work closely with the external ESG consultant to determine the scope of the due diligence exercise and such an exercise will encompass those listed in the IFC Performance Standards. The scope and the ToR is only representative and will be modified to suit the requirement of each investment opportunity, industry / sector, geographical region, and business model of the target company.

7.2.10.7. Reporting Findings

7.2.10.7.1. Upon completion of the above mentioned processes, the deal team shall prepare a report summarizing the work performed,

narrative of the findings, ESG related issues and an assessment of the risks arising therefrom. A format of the said report is attached as Annexure E. This report will also be accompanied by a questionnaire prepared by the deal team on the evaluation of the ESG systems at the potential portfolio company. A template of the checklist to be filled in by the deal team is attached as Annexure D and an assessment of ESMS is in Annexure F.

7.2.10.7.2. Where any of the above mentioned due diligence exercises uncovers inadequate standards, systems, processes and/or performance of a potential portfolio company, Prosperete and the management of the potential portfolio company (assisted by industry experts as appropriate), will identify appropriate mitigating measures. The deal team shall formulate a plan detailing the gaps identified in the company's ESG management in relation to the IFC Performance Standards (**"Action Plan"**) that includes specific action items, the order of priority, time-frame for completion, proposed responsibilities and costs involved. The Action Plan will be approved by the ESG Officer. A format of the Action Plan report is provided in Annexure G. Pipeline companies should be encouraged to use the guidances available in Annexure D-2 to Annexure D-5 for development of their framework and Action plan.

7.2.10.7.3. During this phase, it is important for the Prosperete investment team to emphasise to the potential portfolio company that the goal is to integrate ESG management into existing business practices. The Prosperete investment team may also need to work with financial controllers to quantify how addressing ESG risks and impacts can positively influence financial performance.

7.2.10.7.4. Prosperete will seek the specific buy-in of the management team at the potential portfolio company to this Action Plan.

7.2.10.7.5. All the above mentioned reports shall accompany the 'Investment Memo' on the transaction.

7.2.11. Investment Decision

7.2.11.1. Upon completion of the due diligence, the Prosperete deal team will submit a report to the Prosperete Investment Committee (or such other authority as may be designated from time to time to approve an investment) in connection with the proposed investment. The ESG Officer shall be a permanent member of the Investment Committee. The report shall contain an overview of the business of the company, market analysis, the growth prospects, financial projections, key investment highlights, key risks, review

of the issues identified during due diligence, exit scenarios and any additional conditions to be fulfilled (should the KMPs decide to approve the transaction).

7.2.11.2. The said report will be accompanied by Annexure E, F G and H discussed above and such other documents and information as may be stipulated by Prosperete in its various policies and procedures. Prosperete employees are also requested to refer to the 'Policy on Compliance with Anti-Corruption and Anti-Bribery Laws' for templates of information and documentation that needs to accompany the 'Investment Memo'. Along with the traditional financial and business performance aspects of the opportunity, the Board will consider the ESG aspects, the Action Plan, and the feasibility/cost implications of the Action Plan before taking a final decision on the investment opportunity.

7.2.12. Legal Documentation and Definitive Agreements

7.2.12.1. The Prosperete deal team shall take care that appropriate clauses are included in legal documentation and definitive agreements (shareholder's agreement, share subscription agreement, etc.) to ensure that each portfolio company is fully committed to incorporating good ESG practices into its business activities. Key elements of the Action Plan shall also be captured in the definitive agreements. Specifically, these will cover the following:

- 7.2.12.1.1. Representation and warranties on compliance with applicable laws and regulations;
- 7.2.12.1.2. Formal written undertaking from portfolio companies that they will implement and adhere to a set of ESG standards that are in line with the 'Responsible Investing' guidelines of Prosperete (including ESG international standards and guidelines such as IFC Performance Standards, World Bank EHS Guidelines, IFC SEAH Toolkit). A format of the said undertaking is provided in Annexure H;
- 7.2.12.1.3. Representation that the company will adhere to and implement the Action Plan in a time bound manner; and
- 7.2.12.1.4. Anti-corruption and anti-bribery representations and warranties, and obligations on issuance of a compliance certificate. Prosperete employees are also requested to refer to the 'Policy on Compliance with Anti-Corruption and Anti-Bribery Laws' for templates of clauses that need to form part of the definitive agreements.

7.2.13. Post Investment Monitoring and ESG Related Reporting

7.2.13.1. Once any investment is made, Prosperete shall focus on monitoring the portfolio company closely on ESG aspects during the holding period so that the principles of 'Responsible Investing' are upheld and the value of the portfolio company is maximised at the time of Prosperete's exit. Active monitoring is key to reducing risks and realising opportunities to add value to investments through continuous improvements.

7.2.13.2. Post Investment Monitoring: During the investment period, the Prosperete deal team shall:

- Work with portfolio companies to set-up an ESG programme, which could include drafting a policy and setting-up processes to manage ESG activities;
- Depending on the size of the portfolio company, advise management to engage external technical consultants to achieve operational ESG improvements;
- Integrate ESG related issues and the Action Plan into the business plan of the portfolio company and formulate a roadmap with a three to five-year horizon which identifies clear key performance indicators, milestones and targets, including possible certification schemes on ESG related matters;
- Prioritise the relevant ESG issues and focus on the most important issues in the short or medium term;
- Ensure that the portfolio company implements a robust anti-corruption and anti-bribery policy;
- Make the portfolio company's Board of Directors accountable for ESG initiatives;
- Check the portfolio company's on-going compliance with applicable laws and regulations by undertaking periodic compliance audits;
- Conduct periodic site visits. Site visits at least every 6 months can help the Prosperete team to verify the portfolio company's reported information and reveal the full extent of the portfolio company's ESG activities;
- Monitor and record serious incidents involving portfolio companies that result in loss of life, serious injury, material effect on the environment or material breach of law, and promote appropriate corrective actions; and
- Collect information on ESG developments from portfolio companies and seek periodic reporting of ESG matters from the portfolio company.

7.2.13.3. Exit: To provide for continuity of environmental and social standards, to the extent possible, Prosperete will, propose to the new investor the need for the continuity of high ESG standards and good practices by the Portfolio company. Prosperete team shall seek to engage with incoming investors, provide ESG insights, and, encourage incoming investors about sustainable ESG practices.

7.2.13.4. ESG Related Reporting

- Prosperete will report annually to its shareholders on ESG related matters. This report will present information regarding ESG aspects in an understandable and meaningful way, and will be representative and comprehensive for Prosperete' portfolio companies. A sample format of the annual report is provided in **Annexure I**. Prosperete level E&S impacts are assessed through an annual verification process. Prosperete shall periodically review its E&S procedures and undertake training for the entire team. Prosperete shall also monitor, log, investigate and report appropriate and legitimate grievances received through the grievance redress mechanism.
- Prosperete shall also gather annual ESG reports from its portfolio companies, sample provided in Annex I in each the report will be customized to the business of the company, key ESG risks identified and agreed ESAP.
- Prosperete shall also monitor Portfolio Company ESAPs at the 100-day, midpoint, completion date, and annually to ensure that companies are completing ESAPs. Companies are expected to be able to report on compliance with the ESAPs
- Apart from the above mentioned regular reporting, Prosperete will also immediately report to its investors / shareholders any serious incidents involving portfolio companies that result in loss of life, material effect on the environment, or material breach of law. Such ad-hoc reports will be prepared using the guidance provided in Annexure J and the format provided therein. In addition, Prosperete commits to ESG incident reporting to the LPAC in a reasonable time period following any ESG incidents at the portfolio companies.

The table below summarizes activities of Portfolio company and Prosperete:

	E&S Data Gathering	E&S Categorization	Reputational Issues	Applicable E&S Laws	Investment Proposal
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Investees	Provide questionnaires and other related documents.				
Prosperete	Review	Review	Review	Review	Draft
E&S Consultant	Review & Assess	Review & Assess			
Background search firms			Review and assess		
External Law firms				Provide Inputs	
Investment Committee					Decision

8. Key Elements Of ESG Diligence

The team will assess that ESMS of portfolio company has the key elements as laid out in Annexure F. In addition, following factors should be considered:

8.1. Stakeholder Engagement

8.1.1. Prosperete acknowledges that solid and constructive relationships between Portfolio Companies and stakeholders are essential to successfully manage environmental and social risks and create positive impacts. Portfolio Companies shall be required to integrate stakeholder engagement into business operations as an inclusive and continuous process. The adopted strategies will be adapted to the specific characteristics of the operations, and resources and level of effort will be commensurate with the risks and impacts of the project. Portfolio Companies shall follow the guidelines of the IFC Performance Standards, the IFC Stakeholder Consultations Good Practices Handbook, the GCF Sustainability Guidance Note on Designing and ensuring meaningful stakeholder engagement on GCF financed projects.

8.1.2. Prosperete also uses the GCF Environmental and Social Standards as a guiding tool for stakeholder engagement. Stakeholder engagement involves the following elements in varying degrees:

- Stakeholder analysis and engagement planning; disclosure and dissemination of relevant information about the Portfolio Company operations; public consultations and stakeholder participation; effective grievance mechanism; and ongoing reporting to affected communities.
- Stakeholder engagement both at the Fund level and portfolio company level must incorporate a gender lens, indigenous communities, and consultation with marginalized communities.

8.1.3. Annex D-4 provides an outline of the contents that a comprehensive Stakeholder Engagement Plan should include, based on the IFC Performance Standard 1. Annex D-5 provides additional guidance related to Grievance Mechanisms that will be operated at Portfolio Company level. In addition to those, the Fund has developed a Grievance Policy and shall set up a mechanism to offer stakeholders the possibility to address grievances directly to the Fund management team. Such a mechanism will be made available to stakeholders through the Fund's website.

8.2. Labor and Working Conditions

8.2.1. Portfolio Companies shall be required to develop and adhere to labor and working conditions processes in compliance with IFC Performance Standard 2. Such processes will include putting in place SEAH policy, policies relating to HR, occupational health and safety (OHS), working conditions and terms of employment, workers' organizations rights, non- discrimination and equal opportunity, retrenchment, grievance mechanism and workers complaints, as well as child and forced labor.

8.2.2. Additional diligence could include site visits where Prosperete II would inspect that companies comply with relevant OHS standards and provide employees with proper personal protective equipment (PPE). Prosperete II would also use site visits to ensure that companies had proper emergency procedures and signage.

8.2.3. In addition, policies should address worker training, and the extension of the labor policies, to the extent relevant and possible, to workers engaged by third parties, labor contractors, recruiting agencies and other third parties, and as generally, as applicable, in the Portfolio Companies supply chain.

8.2.4. Companies are expected to ensure that there is no forced labor or child labor within their supply chain. Companies will be asked for a list of their suppliers, and suppliers' locations and their assesment of forced abor or child labor within their supply chain.

8.2.5. Companies are expected to maintain records of SEAH, HR, and OHS training and incidents.

8.2.6. If deemed insufficient, ESAP shall require companies to address any Labor and Working Conditions gaps.

8.3. Resource Efficiency and Pollution Prevention

8.3.1. Portfolio Companies shall be required to develop and adhere to Resource Efficiency and Pollution Prevention processes in compliance with IFC Performance Standard 3.

8.3.2. Companies shall implement technically and financially feasible and cost-effective measures for improving efficiency in its consumption of energy, water, as well as other resources and material inputs, with a focus on areas that are considered core business activities. Companies will avoid the production of hazardous and non-hazardous waste materials. Companies shall be expected to properly dispose of any hazardous waste that will have minimal impact on the environment.

8.3.3. Companies shall be asked to submit e-waste policies and contracts in the diligence process, addressing their strategy on any e-waste disposal, reuse, or recycling, and if deemed insufficient, ESAP shall require companies to address e-waste and/or other Resource Efficiency and Pollution Prevention gaps.

8.3.4. Companies shall track, log, investigate, monitor, and report environmental incidents that negatively impact local ecosystems. Specifically, companies must report if any pollution or hazardous waste incident does irreparable damage to an ecosystem or local community.

8.4. Community Health, Safety, and Security

8.4.1. Portfolio Companies shall be required to develop and adhere to Community Health, Safety, and Security processes in compliance with IFC Performance Standard 5.

8.4.2. Companies shall be required to put systems in place to anticipate and avoid adverse impacts on the health and safety of any affected communities during the project life from both routine and non-routine circumstances. In addition, Companies shall ensure that if relevant, safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to affected communities. Company policies shall also address, based on the area of operation, infrastructure and equipment design and safety, hazardous materials management and safety and emergency preparedness and response. In relation to E-equipment, the Fund will monitor emerging practices for assessing and managing e-waste disposal, responsible sourcing of materials for manufacturing, and health effects of electromagnetic radiation.

8.4.3. Regarding financing companies, strong consumer protection diligence, regarding data privacy and credit risk shall be instituted and monitored by the Fund. The Fund will adhere to the Global Consumer Protection

Principles. Any policies or implementations deemed insufficient will require ESAP to mitigate risks.

8.5. Land Acquisition/Involuntary Resettlement

8.5.1. Land acquisition and restrictions on land use that result from project implementation can have adverse impacts on the communities who use the land. Physical or economic displacement can lead to impoverishment of affected communities and to adverse environmental and socioeconomic impacts in the areas to which they are displaced. For these reasons, the Fund is committed to avoiding involuntary resettlement whenever possible, and to minimize and mitigate adverse impacts when involuntary resettlement is unavoidable.

8.5.2. Portfolio Companies will be required to address land acquisition processes in compliance with the IFC Performance Standard 5 – Land Acquisition and Involuntary Resettlement. Portfolio Companies shall identify any potential physical or economic displacement as part of the ESIA conducted prior to the start or expansion of business operations. All ownership status should be considered in the assessment.

8.5.3. In cases of unavoidable involuntary resettlement, the Portfolio Company shall develop a Land Acquisition and Resettlement or Livelihood Restoration Action Plan (LARP) that will be guided by the overall objectives: avoid forced eviction, avoid or minimize adverse impacts on displaced persons, compensate for losses and improve livelihoods of displaced persons. The process should be based on appropriate information disclosure, consultation and participation of the affected communities, with special attention to vulnerable peoples. The Portfolio Company should also explore ways to collaborate with public institutions. In those cases where the exact nature of displacement is still unknown, Portfolio companies shall develop a Land Acquisition and Resettlement or Livelihood Restoration Framework (LARF) that will set the principles to develop specific plans once the project is defined and necessary information becomes available. Such frameworks shall be developed following the requirements of the IFC Performance Standards, the GCF Environmental and Social Policy, standards and requirements of other investors, and applicable national laws and policies. Annex D-3 provides additional guidance on the objectives and components that should be considered for LARF and LARP.

8.6. Biodiversity and Natural Resources

8.6.1. Portfolio Companies shall be required to develop and adhere to Biodiversity and Natural Resources processes and protections in compliance with IFC Performance Standard 6.

8.6.2. Based on the ESIA conducted prior to the start or expansion of operations, Companies will put systems in place to protect and conserve biodiversity and to maintain the benefits of diverse ecosystems. In line with the nature of the operations, Companies shall promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities. Companies must avoid endangering or engaging in activity in critical and endangered habitats. Companies shall also comply with not engaging in excluded activities including deforestation and palm oil manufacturing.

8.6.3. If a Company is found to potentially harm biodiversity or natural, protected, or endangered habitats, the Company must comply with an ESAP that will identify and mitigate these harms. Additionally, a company must report environmental incidents with permanent adverse effects to natural, critical, or endangered habitats within a 5-day period of the incident.

8.7. Indigenous Peoples, Cultural Heritage

8.7.1. Portfolio Companies shall be required to develop and adhere to Indigenous Peoples and Cultural Heritage processes and protections in compliance with IFC Performance Standard 7 and 8.

8.7.2. Projects may be developed in areas where communities of indigenous peoples are present. Given that indigenous peoples are particularly vulnerable to adverse impacts, Portfolio Companies shall be required to identify all communities of indigenous peoples in the area of influence of the project as part of their Environmental and Social Risk and Impact Assessment.

8.7.3. Companies will avoid the creation of adverse impacts, and impacts on lands and natural resources subject to traditional ownership or under customary use and critical cultural heritage. Companies will ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples. To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts. To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner. To establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project's life cycle. To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present. To respect and preserve the culture, knowledge, and practices of Indigenous Peoples. Companies shall protect

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

- 8.7.4. In cases where adverse impacts cannot be avoided, Portfolio Companies shall develop an Indigenous Peoples Plan to address impacts and explore opportunities to create positive impacts in accordance with IFC Performance Standard 7. Annex D-2 provides additional guidance on indigenous peoples.

8.8. Climate Change Resilience and Adaptation

- 8.8.1. The fund assessed climate risks across the investing strategies, the sector, markets, and geographies. In doing so, the fund developed a comprehensive list of climate risks to the investing activity.
- 8.8.2. Portfolio companies are assessed with climate risk, maladaptation adaptation, and resilience lens. The fund developed a project climate assessment tool that will be used during diligence to measure a company's impact on climate risk and climate vulnerable populations. Companies will be diligenced for physical and transition climate risk, natural hazard and disaster risk, and climate change and disaster risk as a compounding factor.
- 8.8.3. Prosperete will have positive environmental and social impacts by investing in companies that will mitigate carbon emissions and provide climate vulnerable populations with climate adaptive and resilient tools. Some companies could have risks of maladaptation as demonstrated in the climate risk table.
- 8.8.4. The Fund will report on the assessment in the investment memo. If the Fund finds that a company could contribute to maladaptation the Fund will require the company to address the maladaptation risks in an ESAP.

9. Prosperete Impact Framework

- 9.1. Prosperete, during its diligence and ESG reporting, will utilise its Measurement and Evaluation Policy ("**Impact Framework**") to quantify the impact of portfolio companies on various environmental and social parameters, as defined by the Impact Framework.
- 9.2. The Impact Framework is intended to capture both positive and negative effects of a firm's operations and supply chains, to the extent they can be measured and benchmarked effectively, in order to present a comprehensive view of the sustainability impact. Prosperete is also encouraged to aggregate and present such metrics at a Fund level and track performance of its portfolio over time.
- 9.3. At the minimum Impact framework will have climate mitigation and adaptation outcomes and quantification of impact on lives. The Impact framework also requires the company to quantify the women impacted in line with Gender Action Plan.

10. Disclosure Of Information

- 10.1. Prosperete commits to transparency and accessibility in its operations with investors, portfolio companies, and relevant stakeholders including nationally designated authorities and indigenous populations. The Fund shall publicly disclose the Environmental and Social Management System.
- 10.2. Prosperete may disclose the Environmental and Social Impact Assessment, Indigenous Peoples Plan, Stakeholder Engagement Plan, the Gender Action Plan, and other relevant policies either publicly or to relevant stakeholders when appropriate. As shared earlier, the Fund will have a publicly available grievance mechanism. Prosperete shall publicly share reporting of funded activities through the Green Climate Fund in its Annual Performance Review.
- 10.3. Prosperete shall provide investors with annual reporting and impact reporting. Additionally, the Fund seeks to share knowledge and insights gained from funded activity with the Green Climate Fund, nationally designated authorities, indigenous populations, and other relevant stakeholders. The Fund will provide information disclosure on the environmental and social impact on an annual basis to GCF and other investors. As shared in the stakeholder engagement plan, during fund development, the Fund shall engage with relevant stakeholders on the goals, activities, and impact of the fund. When appropriate and needed, the Fund will seek free, informed, and prior consent from indigenous communities affected by fund activities, if any.
- 10.4. Companies who explicitly earmark investment capital for new infrastructure projects or new Category B activities are expected to have a fit-for-purpose ESIA that will be disclosed on their website at least 30 days in advance of beginning the activity. The ESIA may require a LARP or an IPP. These reports shall be in English and translated to a local language. The company will have the information available at the project site for community disclosure.
- 10.5. When appropriate and required, the Fund shall disclose Environmental and Social Impact Assessments and Environmental and Social Action Plans of portfolio companies. Companies may also be required to have and disclose Land Acquisition and Resettlement Action Plan, Livelihood Restoration Action Plan, Indigenous Peoples Plan, and other information that is required by GCF or other investors. Portfolio companies are also expected to engage in meaningful stakeholder engagement. Portfolio companies are expected to have publicly available grievance mechanisms.

11. ESMS Audit

- 11.1. In a normal course, Prosperete will rely on reports from portfolio companies. However, at specific periods, a separate E&S audit may be required from portfolio companies. This will establish, performance of the companies against agreed action plan, overall compliance and identify areas of improvement.

11.2. Based on audit findings, Prosperete will request portfolio companies, additional measures, audits etc as may be required.

11.3. An indicative guidelines for such audit is provided in Annex F-2.

12. Reporting Of Violations

12.1. Prosperete encourages all its employees including those of its Investment Manager to raise violations of the ESG policy at Prosperete, its investment manager, or in any of its portfolio companies, by writing to the Whistleblower committee.

13. Amendments To The ESG Policy

13.1. Prosperete considers ESG factors as important determinants of a company's value, and will enforce this ESG policy in in line with the 'Responsible Investing' guidelines of Prosperete. Prosperete shall also review its ESG policy periodically, and modify it as required needed.

13.2. The policies and procedures set forth in the ESG Policy are supplementary to other policies and procedures set forth by Prosperete including the Whistleblower Policy, Policy for Prevention of Sexual Harassment, Policy on Compliance with Anti-Corruption and Anti-Bribery Laws, Anti-Money Laundering Policy, Code of Conduct for Prevention of Insider Trading, Books and Records Policy, and such other policies that Prosperete may implement from time to time.

Annexure A: Applicable ESG Guidelines

ESG INDUSTRY GUIDELINES AND DEVELOPMENTS – AN OVERVIEW

IFC Performance Standards

The Performance Standards provide guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities.

There are eight Performance Standards established by IFC which are as follows:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
- Performance Standard 2: Labour and Working Conditions;
- Performance Standard 3: Resource Efficiency and Pollution Prevention;
- Performance Standard 4: Community Health, Safety, and Security;
- Performance Standard 5: Land Acquisition and Involuntary Resettlement;
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;
- Performance Standard 7: Indigenous People; and
- Performance Standard 8: Cultural Heritage.

The World Bank Group Environmental, Health and Safety Guidelines (“**EHS Guidelines**”) are technical reference documents with general and industry-specific examples of good international industry practice. The EHS Guidelines contain the performance levels and measures that are normally acceptable to IFC, and that are generally considered to be achievable in new facilities at reasonable costs by existing technology. The General EHS Guideline contains information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors. It should be used together with the relevant industry sector guideline(s).

ADB Environment Safeguards

Approved by ADB’s Board of Directors in July 2009, the Safeguard Policy Statement (SPS) builds upon the three previous safeguard policies on the environment, involuntary resettlement, and indigenous peoples, and brings them into a consolidated policy framework that enhances effectiveness and relevance. The SPS applies to all ADB-supported projects reviewed by ADB’s management after 20 January 2010. ADB works with borrowers to put policy principles and requirements into practice through project review and supervision, and capacity development support. The SPS also provides a platform for participation by affected people and other stakeholders in project design and implementation. These comprise of:

- A) Environment Safeguards
- B) Involuntary Resettlement
- C) Policy on indigenous peoples

UNPRI

The United Nations-supported Principles for Responsible Investment initiative (“**UNPRI**”) is an international network of investors working together to put the six principles for ‘Responsible Investment’ into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. The principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. ‘Responsible Investment’ is a process that must be tailored to fit each organization’s investment strategy, approach and resources. The principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The six principles of ‘Responsible Investing’ by the UNPRI are:

1. Incorporate ESG issues into investment analysis and decision-making processes;
2. Be active owners and incorporate ESG issues into ownership policies and practices;
3. Seek appropriate disclosure on ESG issues by the entities in which one invests;
4. Promote acceptance and implementation of the principles within the investment industry;
5. Work together to enhance effectiveness in implementing the principles; and
6. Report on activities and progress toward implementing the principles.

GCF Environment and Social Safeguards and Indigenous Peoples Policy

The Green Climate Fund in carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF will effectively and equitably manage environmental and social risks and impacts, and improve outcomes of all GCF-financed activities. The Safeguards provide methods in managing such risks in the projects that receive GCF financing.

The Green Climate Fund Indigenous Peoples Policy, adopted by decision [B.19/11](#) and issued on 1-March-2018. Sets out the approach to incorporating the circumstances of indigenous peoples into decision-making while working towards climate change mitigation and adaptation.

UN Global Compact

The UN Global Compact supports companies to do business responsibly by aligning their strategies and operations with ‘Ten Principles’ on human rights, labour, environment and anti-corruption; and take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

The following are the ten principles of the UN Global Compact:

- Human rights
 1. Businesses should support and respect the protection of internationally proclaimed human rights; and
 2. Make sure that they are not complicit in human rights abuses.

- Labour standards
 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
 4. Elimination of all forms of forced and compulsory labour;
 5. Effective abolition of child labour; and
 6. Elimination of discrimination in respect of employment and occupation.
- Environment
 7. Businesses should support a precautionary approach to environmental challenges;
 8. Undertake initiatives to promote greater environmental responsibility; and
 9. Encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption
 10. Businesses should work against corruption in all its forms, including extortion and bribery.

PEGCC

The PEGCC members have adopted a set of comprehensive responsible investment guidelines that they will apply prior to investing in companies and during their period of ownership. The guidelines cover environmental, health, safety, labour, governance and social issues. The guidelines grew out of a dialogue between PEGCC members and a group of the world's major institutional investors, which took place under the umbrella of the UNPRI.

Other Industry Guidelines

Guidance on implementation and monitoring ESG is emerging with a range of organizations, including funds, consultancies, multi-lateral agencies and public institutions working to develop metrics and guidelines. The International Finance Corporation in the United States, CDC in the United Kingdom, ADB in Asia have produced tools and guidelines for ESG management which often serve as important tools and reference points for investors and fund managers looking to implement a robust ESG policy.

Annexure B: Exclusion List

The Exclusion list identifies sectors, businesses or activities that Prosperete shall not invest in since they are judged to be inherently unsustainable and / or not in line with the ethical vision of Prosperete and investors in Prosperete.

The following businesses, sectors or activities form part of the Exclusion List for Prosperete:

- production of or trade in any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements such as certain:
 - chemicals, pesticides and wastes which are hazardous to life/environment,
 - ozone depleting substances;
 - endangered or protected wildlife or wildlife products; and
 - unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length.
- production of or trade in arms, (i.e., weapons, munitions, primarily designed or primarily designated for military purposes);
- production of, use of or trade in un-bonded asbestos fibres;
- production of, or trade in, radioactive materials; and
- prostitution.

Any business, if any of the following activities represents a substantial portion of such business (“substantial portion” for companies means more than 10% of their consolidated balance sheets or earnings, and for financial institutions it means more than 10% of their underlying portfolio volumes):

- pornography; and
- tobacco or tobacco related products.

Annexure B-1: Stakeholder Engagement at Prosperete

The Table outlines an indicative plan for engagement with various stakeholders of Prosperete.

Category	Key Stakeholders	Level of Interest and Influence	Strategy
1. Pipeline Companies	1.1 Early and mid-stage companies	These companies are aligned to Prosperete's goals of creating scaled climate solutions. As primary recipients of funds, they have high interest and influence.	Pro-active engagement with management teams to understand their strategies, business models and alignment to Prosperete's commercial and impact mandate. Post investment, Prosperete will closely monitor through governance and ongoing stipulated reporting on financial performance, impact achieved and ESG.
	1.2 Accelerators and Research Institutes	As they are not directly involved in the investment fund, they have low influence. Prosperete will engage with such institutions for understanding upcoming innovation and get understanding of the market.	Prosperete will engage these stakeholders when there is an alignment of interests. These representatives will also be invited to participate in knowledge-sharing events and round tables.
	1.3 Late-Stage Investors	These investors have high interest and influence as they provide capital beyond growth-stage and ensure continued success of climate solutions	Prosperete will discuss portfolio and pipeline companies with late-stage investors and engage in exit discussions to ensure alignment of strategy and availability of capital.
2. Partner Funds	2.1 Potential partners funds across emerging markets	As potential co-investors and providers of regional expertise, these funds have medium interest and low influence.	Prosperete will have regular cadence to discuss pipeline and portfolio companies. Prosperete will also exchange knowledge and best practices. There may be specific interactions for company-specific investments and plans.
3. Investors	3.1 Prosperete LPs or Other Investors	These stakeholders enable acceleration of climate solutions through allocation of capital to sectors and markets. They have high level of influence and interest as they have either	Prosperete will manage engagement with LPs through frequent interactions. Prosperete will also provide periodic reporting to its investors.

		contributed to Prosperete or are investors in portfolio / pipeline companies.	The fund will also hold meetings with co-investors to discuss company-specific actions.
4. Government Entities	4.1 Nationally Designated Authorities	Through GCF funding, National Designated Authorities (NDAs) retain a high level of influence in Prosperete's activities.	GCF NDAs for the countries in which Prosperete operates will be engaged proactively. The individuals will also receive periodic reporting highlighting Fund highlights and performance.
	4.2 Policy Makers	Policy makers are critical to development of an enabling environment for growth of climate solutions. They have high influence and medium interest.	Prosperete will regularly meet policymakers to suggest possible interventions that can accelerate climate solutions and interface for industry to incorporate government's suggestions
5. Think Tanks and Civil Society Organizations	5.1 Industry Organizations	These organizations have medium interest and high influence as they develop sector knowledge and best practices.	Prosperete will participate in conference and roundtables to share learnings.
	5.2 Women Groups	Women groups have medium influence and high interest as gender outcomes are critical to Prosperete's outcomes.	Prosperete will undertake mentorship interventions for women in investing and monitor gender outcomes both at fund level and portfolio companies as per its gender policy.
	5.3 Civil Society Organizations	Engaging with associations representing underrepresented, underserved, and marginalized communities will inform the implementation of the ESMS and grievance mechanism	Civic organizations and other associations may be consulted if the fund needs support on specific E&S issues.
6. Beneficiaries and end-users	6.1 Key customers of solutions, e.g. Purchasers of pumps, energy efficiency solutions, EVs, other solutions	Creating meaningful impact for beneficiaries is a very important component of Prosperete Growth Fund. Beneficiary and end-user feedback will act as important inputs for our engagement with portfolio companies	Prosperete will undertake feedback from end-users at diligence stage as well as periodically post its investments. At the fund level, Prosperete has a robust grievance redress mechanism aligned with international best practices.

7. Industry Experts	7.1 Prosperete Global Expert Network and Global Council	Prosperete's expert network will have low interest and medium influence as they act as industry experts for curated interactions	Prosperete will interact with its global council regularly for strategic direction and governance. Prosperete may involve experts for company-specific diligence or advice post investment to improve impact and commercial outcomes.
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Annexure C: ES Inherent Risks

E&S Inherent Risks / Impacts categorization – indicative criteria

General principles:

1. Prosperete shall not invest in projects which involve resettlement and / or economic displacement issues, unless these are minimal and minor;
2. Risks relating to IPs, Biodiversity etc will require special analysis and typically such risks typically will lead to “no-go” for Prosperete
3. Prosperete will pay particular attention to any conflicts in the project area, as this may have related complexities including, risks to IPs, loss of livelihood, and SEAH concerns in company’s operations

<u>Risk Category</u>	<u>Hints & Tips</u>	<u>Examples</u>
<u>Low</u> Business activities with minimal adverse E&S risks or impacts. E&S 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 (IFC Category C).	Basic E&S DD will still be done. Prosperete will carry out basic checks (e.g. labour rights, sexual exploitation / abuse, occupational health and safety) during DD, monitoring and ownership in order to verify the adequacy of the company’s E&S management practices and to ensure that the E&S risks and impacts have not significantly changed over time.	• Office based businesses. • Professional services (e.g. law firms, management consultants, accountants). • Small educational facilities. • Where certain service activities have significant indirect impacts, the indirect impacts will be taken into account in the overall risk rating.
<u>Medium</u> Business activities with the potential for limited adverse E&S risks or impacts that are few in number, generally site specific, largely reversible, and readily addressed through well-known mitigation measures (IFC Category B).	Prosperete will not invest in Infrastructure projects. Reference given only for indicative purpose. This category will be further divided into Medium-Low and Medium-High, on the basis of the scale and diversity of the risks and impacts identified. In the case of Medium-High risk transactions, the ESG Officer may appoint external specialists to assist with the DD.	<i>Infrastructure</i> • Smaller-scale dams, reservoirs, forestry and agriculture. • Smaller infrastructure or industrial developments (e.g. light industrial parks). • Moderate construction (usually renovation or expansion within an existing business footprint). • Small to medium-scale upgrades to existing infrastructure. • Telecommunications. <i>Tourism and hospitality</i> • Hospitals and medical facilities of small to medium scale. • Smaller-scale power facilities (refer to High-risk threshold).

		- Medium-scale, road-based logistics companies for non-hazardous cargo. <i>Manufacturing</i> - Food and beverage processing. - Manufacturing of fast-moving consumer goods (FMCG). - Injection moulding. - Textiles. - Automobile components (small scale)
<u>Risk Category</u>	<u>Hints & Tips</u>	<u>Examples</u>
High Business activities with significant adverse E&S risks/impacts that are diverse, irreversible or unprecedented. Impacts cannot be mitigated, or, if they can be mitigated but only at significant cost (IFC Category A). Businesses that trigger extensive application of IFC Performance Standards	These investment opportunities are typically 'no-go' deals.	<i>Infrastructure</i> - Railways, ports, harbours and terminals, airports, toll roads and long-distance pipelines. - Large dams, new or existing thermal or run-of-the-river power plants (>50MW) and wind parks (>100 MW). - Waste management/waste treatment facilities. <i>Oil & gas</i> - Offshore/onshore oil and gas development. - Liquefied natural gas (LNG) facilities. - Large-scale primary production (plants/animals). - Forestry and plantations. - Agriculture and aquaculture. <i>Heavy manufacturing/chemicals</i> - Cement and lime and glass manufacturing. - Foundries, steel mills and base metal smelting and refining. - Pulp and paper mills. - Coal, natural gas and oleo chemicals processing. - Pesticides and nitrogenous and phosphate-based fertiliser production. - Petroleum refining and large-volume, petroleum-based polymers and/or organic chemicals manufacturing.

		- Large-volume, inorganic compounds manufacturing. - Textiles (large scale). <i>Mining</i> - Mining, both open-pit and underground. Brownfield expansions may be considered as Medium risk in some circumstances.
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Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
Energy transition			
Distributed renewables (+ storage)	Solar home systems for households and commercial and industrial solar, including mini grids	➤ Environmental pollution (including GHG emissions) during resource material extraction of silica, silver, aluminium and copper and manufacturing of equipment. ➤ Supply chain emissions. ➤ Disposal of solar panels. ➤ Environmental and health risks from hazardous waste handling. ➤ Excessive water consumption in manufacturing and maintenance of solar solutions. ➤ Safety risks to project team workers during construction, installation and cleaning of modules. ➤ Health and safety risks to workers handling hazardous waste in solar panels.	➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Implement e-waste and hazardous waste recycling and reuse. Have an AMC with waste recyclers. ➤ Support and promote circular economy principles at supplier level through sustainable supplier code of conduct (with focus on supply chain emissions reduction). ➤ Engage in responsible sourcing. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD² and ESMS³ implementation).
Energy storage (primarily battery energy storage systems)	Grid-connected storage Energy storage solutions for consumers and businesses, specifically those that increase the usability of renewable	➤ Environmental pollution (including GHG emissions) during resource material extraction of lithium, cobalt, and nickel. ➤ Generation and disposal of hazardous waste during chemical processing at manufacturing stage. ➤ Environmental contamination from disposal of used batteries.	➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Implement e-waste and hazardous waste recycling and reuse. Have an AMC with waste recyclers. ➤ Support and promote circular economy principles at supplier level through sustainable supplier code of conduct (with focus on supply chain emissions reduction). ➤ Engage in responsible sourcing.

² Environmental and social due diligence

³ Environmental and social management systems

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
	energy solutions (e.g. home energy storage)	➤ Excessive water consumption in manufacturing and maintenance. ➤ Safety risks to project team workers while construction, installation and maintenance. ➤ Job displacement of workforce due to transitioning to RE. ➤ Health and safety risks to workers handling used battery waste.	➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation). ➤ Invest in reskilling and upskilling programs for Just Transition.
Battery recycling / 2nd life models	Recycling/upcycling of used Li-ion and other batteries for reuse of component materials or repurposing for 2nd life batteries	➤ High energy consumption during battery recycling, resulting in GHG emissions. ➤ Likely air pollution from battery recycling process. ➤ Processing of batteries can release toxic substances like cadmium, lead, and mercury, into the environment. ➤ Water and soil contamination due to release of acidic and alkaline solutions used to dissolve materials and separate components. ➤ Excessive use of water for washing and leaching processes ➤ Health risks from the hazardous waste generated during recycling process. ➤ Safety risks to project team workers involved in battery recycling process.	➤ Material recovery from effluent streams. ➤ Use of renewable energy in direct operations. ➤ Installation of state-of-the art air pollution control technology. ➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation).
Smart metering	Smart metering systems for grid-connected and off-grid distribution networks, to make power grids more capable of efficiently and reliably	➤ Smart meters and supporting infrastructure consume energy, thus leading to GHG emissions. ➤ End of life e-waste generation. ➤ Data privacy and security issues as smart meters collect detailed energy consumption patterns. ➤ Potential health effects of electromagnetic radiation emitted by smart meters.	➤ Optimize the energy efficiency of smart meters, use low-power communication technologies, and source energy from renewable resources wherever possible. ➤ Design for modular solutions (ease of disassembly and recycling) to enhance resource recovery and product life extension. Develop a recycling program for old meters.

Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
	operating with renewables	➤ Automation of meter reading through smart meters may lead to job losses for traditional meter readers. ➤ Disparities in access to smart metering technology.	➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR). ➤ Ensure compliance with best-in-class health and safety standards. ➤ Provide training and reskilling opportunities for displaced workers. Ensure Just Transition as part of ESMS. ➤ Partnerships with municipalities, DISCOMS and other government agencies to ensure equitable distribution.
Renewable energy financing	Financing platforms and fintech solutions for renewable energy companies and projects, leveraging AI and credit algorithms for optimal credit risk management	➤ Risks to financing on-ground energy inefficient solutions. ➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ High water requirement for cooling. ➤ Risks to user privacy and data security.	➤ Develop framework for DLIs⁴ that ensure financing in Just and sustainable operations. Alignment to Prosperete's ESG policies and internal ESMS. ➤ Demonstrable high energy efficiency and RE solutions with third-party verification and assurance. ➤ Ensure the company adopts procurement of energy efficient hardware and optimize software efficiency (as per global standards). Further maximize renewable energy for direct and indirect operations. ➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Implement e-waste recycling and hardware use. Have an AMC with e-waste recyclers. ➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR).

⁴ Disbursement linked indicators

Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
Modernization of grids and software	Software platforms focused on energy sector, including workforce management platforms, procurement solutions, marketplaces, AI and data tools - all to better performing energy supply chain; Integrated software and smart device systems for remote monitoring and control of energy generation assets, and reduction in energy consumption	➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ High water requirement for cooling. ➤ Disposal of electronic waste. ➤ Extraction of raw materials for hardware production (supply side- low contribution at the company level). ➤ Data security and privacy issues. ➤ Automaton and AI might result in job losses. ➤ Inequitable access to technology.	➤ Ensure the company adopts procurement of energy efficient hardware and optimize software efficiency (as per global standards). Further maximize renewable energy for direct and indirect operations. ➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Implement e-waste recycling and hardware use. Have an AMC with e-waste recyclers. ➤ Provide training and reskilling opportunities for displaced workers. Ensure Just Transition as part of ESMS. ➤ Support and promote circular economy principles at supplier level through sustainable supplier code of conduct. Engage in responsible sourcing. ➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR). ➤ Invest in reskilling and upskilling programs for Just Transition. ➤ Implement initiatives to improve digital literacy, provide affordable access to technology. ➤ Establish an ethics committee to oversee AI projects, ensuring they align with ethical standards and societal values.
Energy supply chain	Clean energy production equipment such as hydrogen electrolyzers and solar panels	➤ GHG emissions, air pollution and water pollution caused during resource material extraction and manufacturing of the equipment. ➤ Supply chain emissions. ➤ Land use land cover change at installation and manufacturing sites.	➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Implement e-waste and hazardous waste recycling and reuse. Have an AMC with waste recyclers. ➤ Support and promote circular economy principles at supplier level through sustainable supplier code of conduct (with focus on supply chain emissions reduction).
New forms of clean energy	New forms of clean energy such as green		

Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
	hydrogen, new solar technologies etc.	➤ Environmental contamination from management and disposal of end-of-life waste. ➤ Excessive water consumption in manufacturing and maintenance of modules especially in solar panels and hydrogen production methods. ➤ Safety risks to project team workers while construction, installation and cleaning of modules. ➤ Job displacement of workforce due to transitioning to clean energy. ➤ Health and safety risks to workers handling hazardous waste generated from used modules.	➤ Engage in responsible sourcing. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation). ➤ Invest in reskilling and upskilling programs for Just Transition.
Energy efficiency	Monitoring and development of better processes for lower energy consumption or Use of efficient equipment and reduction in HVAC etc. services consumed for savings; Industrial Efficiency: Energy efficient equipment across HVAC, motors, pumps etc. Target improvements in energy efficiency must be at least 20% against a conservative baseline.	➤ Energy and water intensive operations in manufacturing of equipment, such as HVAC systems, motors, and pumps. ➤ Supply chain emissions. ➤ Safety risks to project team workers during manufacturing and installation. ➤ Health and safety risks to workers handling hazardous waste generated from used modules. ➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ High water requirement for cooling. ➤ Data privacy and security issues as smart meters collect detailed energy consumption patterns.	➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Implement e-waste and hazardous waste recycling and reuse. Have an AMC with waste recyclers. ➤ Support and promote circular economy principles at supplier level through sustainable supplier code of conduct (with focus on supply chain emissions reduction). ➤ Engage in responsible sourcing for manufacturing. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation).

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
Urban environment and data systems			
Emissions monitoring	Helps gather source of emissions by a particular company to design appropriate intervention	➤ Data privacy and security issues as smart meters collect detailed energy consumption patterns. ➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ High water requirement for cooling. ➤ Disposal of electronic waste. ➤ Extraction of raw materials for hardware production of IT equipment required for operations. ➤ Managing and handling electronic waste. ➤ Limited competency of workforce.	➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR). ➤ Ensure the company adopts procurement of energy efficient hardware and optimize software efficiency (as per global standards). Further maximize renewable energy for direct and indirect operations. ➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Engage in responsible sourcing. ➤ Invest in programs related to e-waste and hazardous waste recycling and reuse. ➤ Invest in reskilling and upskilling programs in alignment with Just Transition.
Infra Monitoring	Infrastructure monitoring and predictive maintenance solutions through digitization	➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ High water requirement for cooling. ➤ Extraction of raw materials for hardware production of IT equipment required for operations. ➤ Data security and privacy issues. ➤ Managing and handling electronic waste. ➤ Limited competency of workforce.	➤ Demonstrable high energy efficiency and RE solutions with third-party verification and assurance. ➤ Ensure the company adopts procurement of energy efficient hardware and optimize software efficiency (as per global standards). Further maximize renewable energy for direct and indirect operations. ➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Invest in programs related to e-waste and hazardous waste recycling and reuse. ➤ Invest in reskilling and upskilling programs. ➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR).

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
“Green” manufacturing	Manufacturing processes and equipment that use less raw material, produce less waste and consume less energy.	➤ Limited competency of workforce due to the novelty of market ➤ Supply chain emissions. ➤ Job displacement of workforce due to transitioning to green manufacturing.	➤ Invest in reskilling and upskilling programs. ➤ Demonstrable high energy efficiency and RE solutions with third-party verification and assurance. ➤ Switch to EV transportation for supply chain logistics.
Sustainable packaging and other materials	Alternatives to traditional packaging and other materials that offer smaller carbon footprints (during production, transport, use or disposal) – e.g. bioplastics, multi-use plastics, recycled paper and cardboard, etc.	➤ Energy and water intensive manufacturing processes. ➤ Handling and managing residue chemicals used in manufacturing sustainable packaging. ➤ Supply chain emissions. ➤ Job displacement of workforce due to transitioning to new production methods. ➤ Health and safety risks to workers in the manufacturing process. ➤ End of life treatment of the alternatives. There may not be efficient collection of a newer waste stream.	➤ Engage in responsible sourcing. ➤ Invest in reskilling and upskilling programs, especially of end users and recyclers. ➤ Ensure water efficiency, rehabilitation and conservation measures in direct operations and nearby communities. ➤ Demonstrable high energy efficiency and RE solutions for direct operations with third-party verification and assurance. ➤ Switch to EV transportation for supply chain logistics. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation).
Low-carbon building material	Materials – such as concrete, recycled panels that have lower carbon footprints (during production, transport, use or disposal) than baseline alternatives over lifetime	➤ Environmental pollution during resource material extraction. ➤ Handling and managing residue chemicals used in manufacturing low carbon building materials. ➤ Supply chain emissions. ➤ Job displacement of workforce due to transitioning to new production methods. ➤ Health and safety risks to workers in the production process.	➤ Engage in responsible sourcing of low-emission raw materials. ➤ Invest in reskilling and upskilling programs. ➤ Demonstrable high energy efficiency and RE solutions with third-party verification and assurance. ➤ Switch to EV transportation for supply chain logistics. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation).

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
Waste management and circular economy	Solutions that avoid waste generation (e.g. composting, recycling) or reduce the GHG emissions from stored waste (e.g. landfill management), including plastics recycling	➤ Environmental pollution from waste processing. ➤ Handling and managing residue chemicals used in recycling processes. ➤ GHG emissions and air pollution from upstream and downstream transportation. ➤ Health and safety risks to workers in the waste management process.	➤ Engage in responsible sourcing. ➤ Installation of emission control equipment such as filters and scrubbers. ➤ Invest in reskilling and upskilling programs. ➤ Demonstrable high energy efficiency and RE solutions with third-party verification and assurance. ➤ Gradual switch to EV transportation for supply chain logistics. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation).
Sanitation	Technologies and processes that reduce GHG emissions associated with sewage management – e.g. variable speed pumps, energy efficient stirring, methane avoidance or capture, etc	➤ Environmental pollution (including GHG emissions) during resource material extraction and manufacturing of equipment. ➤ Supply chain emissions. ➤ Safety risks to project team workers while production, installation and maintenance. ➤ Health and safety risks to workers during operations.	➤ Engage in responsible sourcing. ➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation).
Waste to energy	Pyrolysis and other energy recovery processes that utilize waste conversion technologies to generate heat and electricity from non-reusable and non-	➤ Thermal decomposition processes release air pollutants that degrade the air quality ➤ Unpleasant odours and noise pollution affects the quality life of nearby residents and wildlife ➤ Communities living near these facilities have a risk of respiratory problems and cardiovascular disease and cancer ➤ Displacement of communities, either through direct removal for facility construction or indirectly through	➤ Utilizing state-of-the-art emission control technologies can significantly reduce pollutants released into the atmosphere. This includes filters, scrubbers, and catalytic converters ➤ Conducting comprehensive life cycle assessments (LCAs) can help identify the overall environmental impacts of WTE processes and highlight areas for improvement. Reduction measures and financial decisions on prioritizing strategies should be based on lifecycle costing.

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
	recyclable waste materials	decreased property values and environmental degradation	➤ Implementing continuous monitoring systems and transparent reporting mechanisms can help track emissions and other environmental impacts ➤ Implementing strict health and safety standards for workers
Renewables-based ESCOs	Renewable power for mobile connectivity, including ESCO models for solar-powered mobile towers	➤ Significant land area requirement for large scale solar installations ➤ Environmental degradation, including water pollution, habitat destruction, and soil erosion due to mining of raw materials ➤ Displacement of local communities and land use conflicts ➤ Workers can be exposed to hazardous materials during the production of solar panels and batteries	➤ Conduct thorough environmental and social impact assessments (ESIAs) before project implementation ➤ Carefully select sites for renewable energy projects to minimize environmental and social impacts
Food and security			
Farm equipment	Energy-efficient equipment to reduce emissions	➤ Carbon and resource intensive manufacturing of virgin raw materials used in farm equipment. ➤ Heavy farm equipment causes soil compaction, reducing soil porosity and root growth. ➤ Burning or dismantling without proper pollution control measures can release harmful emissions into the atmosphere. ➤ Improper use, lack of training, equipment malfunctioning leads to workplace hazards and physical injuries. ➤ Unequal access to mechanization.	➤ Encourage use of recycled/non-virgin raw materials. ➤ Encourage the adoption of energy efficient farm equipment. ➤ Invest in renewable energy sources such as solar and wind power for farm operations and electrification of farm machinery. ➤ Encourage farmers to implement sustainable farming practices. ➤ Provide farmers and farm workers with training and education on safe equipment operation, maintenance practices, health and safety protocols. ➤ Promote fair labour standards, occupational health and safety regulations and social protections for farm workers.

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
Smart farming	Sustainable food production methods and low-carbon foods; Crop monitoring facilitating climate informed Advisory	➤ Improper use of equipment to apply fertilizers leads to water pollution, chemical run – off and soil contamination. ➤ High energy consumption can lead to increased carbon emissions and environmental degradation. ➤ Toxic substances such as cadmium, lead, mercury are released due to improper disposal or recycling of e – waste. ➤ Malfunctions, software bugs or disruptions in technology infrastructure can disrupt agricultural activities.	➤ Encourage the adoption of renewable energy sources, such as solar, wind and biogas, to power smart farming systems and reduce dependence on fossil fuels. ➤ Promote the use of organic fertilizers, bio – pesticides and integrated post management strategies. ➤ Ensure equitable access to smart farming technologies. ➤ Strength data privacy regulations, cyber security measures and ethical guidelines to protect sensitive information.
Cold chain	Enables food to last for longer and reduces food wastage	➤ Energy intensive operations, leading to higher carbon emissions from electricity and fuel use. ➤ Increased reliance on trucks, ships and planes for cold chain logistics contributes to air pollution and carbon emissions. ➤ Many refrigeration systems use hydrofluorocarbons (HFCs), which are potent greenhouse gases. ➤ Manufacturing of equipment requires significant amounts of metals and other materials contributing to resource depletion. ➤ If the cold chain is broken, perishable goods can spoil leading to food waste. ➤ Health and safety risks to workers associated with working in cold environments.	➤ Invest in energy efficient refrigeration systems, cold storage facilities and transportation vehicles ➤ Transition to renewable energy sources such as solar, wind and hydroelectric power ➤ Replace synthetic refrigerants such as hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs) with natural refrigerants such as ammonia, carbon dioxide and hydrocarbons ➤ Minimize food waste, packaging waste and product losses throughout the cold chain ➤ Ensure compliance with food safety regulations, occupational health and safety hazards and hygiene protocols ➤ Ensure safe working conditions and fair wages for workers in cold chain and provide adequate training and health support for employees.
Water systems	Energy efficient / clean-energy powered water systems that	➤ These systems are designed to be user friendly, so adoption of technology has low risks. ➤ Overall, these systems have proven low risk profile.	➤ Conduct thorough environmental and social impact assessments (ESIAs) before project implementation.

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Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
	reduce emissions, improve irrigation methods	➤ Manufacturing risks associated with such systems are also relatively low. ➤ The investee companies may have certain internal and supply chain social risks such as fair compensation. ➤ Minor health and safety concerns.	➤ Comprehensive third-party health and safety due diligence (as part of ESDD and ESMS implementation). ➤ Skilling and training of end-users. ➤ Provide regular maintenance at the grass-root level to ensure product life extension of proposed solutions.
Wastewater treatment	Improve health and water security through efficient treatment	➤ Energy intensive processes contributing to GHG emissions ➤ Chemical residues in treated wastewater and sludge due to chlorine, coagulants and flocculants ➤ Eutrophication and degradation of water quality due to inadequately treated effluent ➤ Exposure of workers to harmful pathogens ➤ Construction of new treatment facilities can displace communities and alter land use	➤ Adopt sustainable sludge management practice ➤ Implement odour control measures ➤ Using environmentally friendly chemicals and optimizing chemical dosing ➤ Implement strict health and safety protocols for workers
Low – emission transport			
EV manufacturers or equipment suppliers	Electric vehicles and associated supply chain to change user behaviour to use electric alternatives to fossil-fuel	➤ Hazardous waste generated at the manufacturing facilities. ➤ High water and energy consumption in manufacturing. ➤ Consumer adoption or lack of skilled labour to manufacture the EVs and associated equipment. ➤ Supply chain emissions from supply of virgin raw materials.	➤ Engage in responsible sourcing. Increase procurement from suppliers with sustainable and responsible business practices. Ensure by having a third-party verified sustainable supplier code of conduct. ➤ Push for energy efficiency in direct and supply chain operations. ➤ Invest in reskilling and upskilling programs. Ensure Just Transition objectives are incorporated across value chain. ➤ Utilize RE in direct operations. ➤ Encourage utilization of reused/recycled raw material in place of virgin.
EV charging	Models for roll-out and management of EV charging networks, including fast-charge	➤ EV charging stations require electricity, which, if sourced from non-renewable energy, can contribute to greenhouse gas emissions. ➤ Land clearing for setting-up EV charging infrastructure.	➤ Maximize direct energy needs from renewable sources. ➤ Partner with renewable energy providers, integrate solar panels and energy storage systems into charging stations.

Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
	technology, batter swap models, and software platforms for battery network optimization	➤ Lack of skilled on-ground staff. Shift to EV infrastructure might affect jobs in traditional fuel stations and related industries. ➤ High concentration of EV charging stations can strain local electrical grids, potentially leading to instability or outages.	➤ Through EIA identify and select sites with minimal ecological disruption, and design stations with green infrastructure (e.g., permeable surfaces, landscaping with native plants). ➤ Work with utilities to manage grid load, implement smart charging technologies to optimize energy use, and explore vehicle-to-grid (V2G) solutions. ➤ Develop reskilling and upskilling programs in alignment with concepts of Just Transition for workers in affected sectors, create new job opportunities in the EV charging industry.
EV financing	Financing solutions for electric vehicles and fleet transition to EVs, such as asset finance, pay as you drive, etc.	➤ E&S risks of the investee company: The production of EVs, particularly batteries, can have a high environmental impact, including significant carbon emissions and resource extraction. Further, the demand for rare earth metals and other materials for EV batteries can lead to resource depletion and unethical mining practices. ➤ Financing options for EVs might not be accessible to low-income individuals or small businesses, leading to unequal access to EV technology. ➤ Transition to EVs can disrupt existing industries, such as those related to fossil fuel vehicles and traditional auto manufacturing, leading to job losses and economic shifts.	➤ Finance EV manufacturers with sustainable practices, promote recycling and circular economy initiatives for EV batteries, and support research into less environmentally damaging battery technologies. ➤ Support companies that invest in supply chain transparency and sustainability, and advocate for stricter regulations on mining practices. ➤ Develop inclusive financing products, offer subsidies or low-interest loans for disadvantaged groups, and partner with governmental and non-governmental organizations to promote wider access. ➤ Invest in retraining programs for workers affected by the transition, support the development of new industries and job opportunities within the EV sector, and engage in policy advocacy to manage economic impacts. ➤ Investee company should develop framework for DLIs that ensure financing in Just and sustainable operations. Alignment to Prosperete's ESG policies and internal ESMS.

Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
EV fleets	Reduction of emissions through use of electric vehicles as commercial fleet vehicles	➤ Energy intensive manufacturing of EV fleet, resulting in GHG emissions during manufacturing process. ➤ Significant demand on the electricity grid. ➤ Workers may be subjected to hazardous health conditions. ➤ Improper disposal of hazardous materials causes significant environmental degradation. ➤ Transition to EVs can disrupt existing industries, such as those related to fossil fuel vehicles and traditional auto manufacturing, leading to job losses and economic shifts.	➤ Invest in advanced recycling technologies. ➤ Maximize direct energy needs from renewable sources. ➤ Develop automated systems for battery disassembly and recycling to reduce the exposure of workers. ➤ Develop and enforce strict regulations for the safe disposal, handling, and recycling of EV batteries. ➤ Investee company should develop framework for DLIs that ensure financing in Just and sustainable operations. Alignment to Prosperete's ESG policies and internal ESMS.
Shared mobility	Business cases around shared mobility solutions (commuter buses, last-mile solutions, etc.).	➤ Significant amount of time driving without passengers leading to increased traffic congestion and emissions.	➤ Promote the use of electric vehicles powered by renewable energy sources. ➤ Invest in durable and repairable shared mobility devices ➤ Equitable access to all communities ➤ Regular maintenance and cleaning
Smart mobility	Route planning; apps for minimising fuel/energy consumption in transport systems and public/private fleet management	➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ Extraction of raw materials for hardware production (supply side- low contribution at the company level) used for monitoring equipment and operation of applications. ➤ Disposal of electronic waste. ➤ Data security and privacy issues. ➤ Inequitable access to technology.	➤ Ensure the company adopts procurement of energy efficient hardware and optimize software efficiency (as per global standards). ➤ Maximize renewable energy usage for direct and indirect operations. ➤ Implement e-waste recycling and hardware use. Have an AMC with e-waste recyclers. ➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR). ➤ Invest in reskilling and upskilling programs for Just Transition. ➤ Implement initiatives to improve digital literacy, provide affordable access to technology.

Annexure C-1: Sector-wise Guide

Guidance on E&S risks and possible mitigation strategies in sectors of Prosperete focus

Sector	Description of the sector	E&S Risks	Mitigation Strategies
Logistics platform	Solutions focused on reducing emissions in supply chain, including optimization of logistics systems, reduction of food loss in supply chains	➤ High energy usage for running data centres and servers, resulting in increased carbon emissions. ➤ Extraction of raw materials for hardware production (supply side- low contribution at the company level) used to carry out operations on the logistics platforms. ➤ Disposal of electronic waste. ➤ Data security and privacy issues. ➤ Automaton and AI might result in job losses. ➤ Inequitable access to technology.	➤ Ensure the company adopts procurement of energy efficient hardware and optimize software efficiency (as per global standards). ➤ Maximize renewable energy usage for direct and indirect operations. ➤ Implement e-waste recycling and hardware use. Have an AMC with e-waste recyclers. ➤ Provide training and reskilling opportunities for displaced workers. Ensure Just Transition as part of ESMS. ➤ Support and promote circular economy principles at supplier level through sustainable supplier code of conduct. Engage in responsible sourcing of IT equipment. ➤ Implement strong data encryption, adopt robust cybersecurity measures, and ensure compliance with data protection regulations (e.g., GDPR). ➤ Invest in reskilling and upskilling programs for Just Transition. ➤ Implement initiatives to improve digital literacy and provide affordable access to technology. ➤ Establish an ethics committee to oversee AI projects, ensuring they align with ethical standards and societal values.

Overall Mitigation Measures

To effectively manage the environmental and social risks associated with the emerging green sectors, a comprehensive approach involving both financial and non-financial measures is essential. These measures should align with IFC Performance Standards, regional and national environmental and social regulations. Following are the key mitigation measures categorized into financing, intermediate, and non-financing strategies:

Financing Measures

1. **Performance-Based Financing through Disbursement Linked Indicators (DLIs):** Developing a framework for financial disbursements to the achievement of specific environmental and social performance indicators. These would include the annual targets to be achieved by portfolio companies as well as the protocol that outlines the evidence required to demonstrate achievement. This would ensure that funding is contingent on meeting sustainability milestones.
2. **Financial support for Capacity Building:** Provide financial support and facilitation for capacity-building initiatives with technical experts to enhance relevant “green” skills and knowledge of internal and external stakeholders (of the portfolio companies).
3. **Subsidies for Green Technologies:** Provide subsidies or financial incentives to encourage the adoption of energy-efficient and low-emission technologies in direct and indirect operations for the applicable sectors.

Intermediate Measures

1. **Environmental and Social Action Plans (ESAP):** Develop and implement ESAPs to address identified risks and impacts. The plans will detail specific actions, timelines, and responsibilities aimed at enhancing the project's environmental, social, governance, and climate change-related aspects. The priority is to maximize benefits and to avoid, minimize, mitigate, or compensate for any adverse impacts. The financing would be linked to performance of ESAP implementation.
2. **Environmental and Social Management Systems (ESMS):** Develop and maintain a robust ESMS that provides a systematic procedure to check projects for potential adverse environmental and social impacts. The system should ensure that negative impacts are avoided or minimized to the extent possible, while promoting positive impacts. This includes risk assessment, mitigation planning, implementation, monitoring, and reporting.
3. **Environmental, Social and Governance Due Diligence (ESG-DD):** Conduct thorough ESG due diligence during project planning and development to identify company-specific potential risks and impacts that align with approach given by IFC and relevant regulations. This would include scoping, data collection, risk assessment, mitigation strategies, reporting, and implementation of measures.
4. **Monitoring and Evaluation:** Implement ongoing monitoring and evaluation programs to track environmental and social performance by establishing key performance indicators (KPIs) to measure progress and make necessary adjustments.
5. **Capacity Building and Training Programs:**
 - Provide technical training programs for project personnel on the installation, operation, and maintenance of clean energy systems, ensuring adherence to environmental and social standards.

- Offer support services such as technical assistance, advisory services, and consulting to help project teams implement and sustain best practices in environmental and social management.
 - Develop programs to support workforce transition, including retraining and job placement services for workers affected by the shift to clean energy technologies.
 - Organize training sessions with technical experts to enhance the capacity of project teams in implementing and maintaining advanced technologies and sustainable practices.
6. **Stakeholder Engagement:** Engage with stakeholders, including local communities, government agencies, and NGOs, throughout the project lifecycle to ensure their concerns and inputs are addressed.

Non-Financing Measures

1. **Regulatory Compliance:** Ensure strict compliance with regional and national environmental and social regulations. Regularly review and update project practices to meet evolving legal requirements.
2. **Health and Safety Programs:** Develop and implement comprehensive health and safety programs to protect workers from occupational hazards associated with construction, installation, and maintenance activities.
3. **Waste Management Plans:** Create and enforce waste management plans to responsibly handle and dispose of waste materials, including hazardous waste from used modules and equipment.
4. **Community Education and Outreach:** Conduct educational campaigns to inform local communities about the benefits, risks, and proper usage of clean energy technologies and systems.
5. **Grievance Mechanisms:** Establish accessible grievance mechanisms for stakeholders to raise concerns or complaints about environmental and social impacts. Ensure timely and effective resolution of issues.

Annexure C-2: PS-wise Guide For Key Sectors Of Focus

Environmental (PS3)

Risks	Potential Impacts	Mitigation Measures
Mobility and Logistics, Energy Productivity: Building internet connectivity, factories, or other resource intensive projects may pollute the environment	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Any resource intensive projects to undergo evaluation for measures to avoid potential pollution during construction or operation Assessment of projects which can help in achieving efficiency
Energy: Productive use products can be harmful or wasteful at end of life or end or use as some will have batteries or other hazardous materials that may harm the environment. Improper recycling of lead acid batteries could cause wide-scale lead poisoning/pollution, including air, soil and water contamination.	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of potential for companies to recover units at end of life or otherwise support ecosystem development for recycling and/or proper waste management
All investments: Proper e-waste management systems may not be in place. Opportunities for recycling and reuse may not be easily accessible or familiar to the companies. Companies in the growth stage may be weaker or immature with e-waste collection, e-waste policies, and e-waste services.	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of potential for companies to recover units at end of life, offer repairing and recycling services, or otherwise support ecosystem development for recycling and/or proper waste management
Battery and solar e-waste can harm local biodiversity polluting rivers, forests, and other natural resources.	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of potential for companies to repair, recycle, or recover units at end of life or otherwise support ecosystem development for recycling and/or proper waste management
Additional waste issues related to plastics materials, polystyrene residues, aluminium, copper still	Pollution of air, land and surface water, leading entry into the food chain resulting in diseases and fatalities.	Assessment of potential for companies to recover units at end of life or otherwise support ecosystem development for recycling and/or proper waste management

Release of air pollutants (air emissions)	Pollution of air, land and surface water	Assessment of potential for air pollution and management system would occur prior to investment
Improper or excessive land use	Soil degradation and biodiversity loss	Company activities expected to occur on company or client private land rather than larger infrastructure development
High or excessive noise levels	Negative effects on human health and disruption of local wildlife	Assessment of noise levels for relevant activities, in particular manufacturing
Release of liquid effluents or contaminated wastewater into local water bodies or improper wastewater treatment	Surface water pollution	Assessment at production sites for contaminant disposal
Generation of large amounts of solid waste and improper wastemanagement	Pollution of land, and ground and surface water	Assessment of recycling and/or proper waste management
Improper management of hazardous substances	Contamination of adjacent land and water	Assessment at production sites for contaminant disposal

Occupational Health and Safety (PS2)

Risks	Potential Impacts	Mitigation Measures
Hazardous materials may be insufficiently protected from the employees	Worker illness or loss of life	Assessment of company OHS and hazardous materials policies, PPE, and incidents. Companies may be required to mitigate risks found in diligence (improve OHS policy, PPE)
Products could be not safe or difficult to use resulting in workplace or at home injuries	Worker injury or loss of life	Assessment of product safety, product safety incidents, OHS policies, and PPE. Companies may be required to improve policies and procedures post-investment.
Products must be transported or built which can cause workplace or road accidents	Worker injury or loss of life	Assessment of company transportation, travel, and supply chain policies and incidents.

Green manufacturing, developing agricultural products, solar products, and other goods may lead to workplace accidents	Worker injury or loss of life	Assessment of OHS policies, B2B criteria, incidents/accidents and PPE.
Hazards of musculoskeletal disorders injuries, lack of protective equipment etc.	Worker injury or loss of life	Assessment of PPE made available by potential investee.
Slips, trips and falls	Worker injury or loss of life	Assessment of company workplace accidents/incidents, OHS policies, and cleaning procedures.
Collision with moving equipment (vehicles, forklifts, cranes)	Worker injury or loss of life	Assessment of workplace safety procedures, safety training, and PPE.
Explosion or fire due to ignition of dust or flammable materials	Worker injury or loss of life	Assessment of company emergency preparedness, equipment upkeep.
Exposure to hazardous atmosphere in confined spaces	Worker injury or loss of life	Assessment of hazardous materials policies and procedures.
Caught in by improperly enclosed, unguarded or moving machinery	Worker injury or loss of life	Assessment of workplace safety procedures, OHS policies, training on heavy machinery.
Lack of appropriate welfare facilities (e.g., portable water, toilets, washing facilities)	Worker ill-health	Assessment of appropriate welfare facilities including welfare facilities that are gender specific.
Repetitive motions	Worker injury	Assessment of working conditions of manufacturing facilities.
Improper techniques for lifting heavy items	Worker injury	Assessment of worker training when working with heavy objects. Assessment of operations manual to ensure staff are getting appropriate breaks.
Standing for long periods of time	Worker injury	Assessment of operations manual to ensure staff are getting appropriate breaks.
Falls when working at heights	Worker injury or loss of life	Assessment of OHS policies and safety equipment.

Exposure to high or excessive noise levels	Loss of hearing	Assessment of PPE (earmuffs or other products) offered to staff.
Contact with exposed or faulty electrical wires	Worker injury or loss of life	Assessment of company property.

Labor (PS2)

Risks	Potential Impacts	Mitigation Measures
Investees may not uphold national and international standards for employment and labor conditions, including work, health and safety, non-discrimination and equal opportunity, SEAH and child labor laws	Forced labor, child labor, workers ill-health, negative work environment and unequal access to opportunities and benefits	Company policies will be reviewed for forced labor, child labor, labor in supply chains, human rights protections, and compliance with local laws and international norms.
Investees may have gaps in their work plans, HR resources and policies, employee contracts, codes of conducts, and other worker protection policies	Negative work environment and unequal access to opportunities and benefits	Companies will be assessed for HR policies, HR capacity, employee contracts, codes of conducts, and other worker protection policies.
Forced labor and child labor in the supply chain via solar manufacturing	Forced labor, child labor	Companies using suppliers known to have used forced or child labor during due diligence will be excluded from investment activity
Productive use has been a male dominated industry and may not sufficiently promote gender equity or environments free from harassment and exploitation	Gender Inequality, worker dissatisfaction and trauma	Assessment of SEAH policies and procedures, equitable hiring and promotion policy, gender protections for staff and proper facilities for all staff.
Financing of third-party companies who do not have sufficient protection and procedures for labor and working conditions in place.	Forced labor	Assessment of third-party companies for protection and procedures for labor and working conditions in place. Companies will be assessed for HR policies, contracts, code of conduct, and other relevant labor policies.

Community Health, Safety and Security (PS4)

Risks	Potential Impacts	Mitigation Measures
The use and disposal of off-grid solar, ICT, and EV technologies, and electromagnetic radiation from cell towers and smart meters may have an adverse impact on health.	Negative impacts on the community's health	Assessment of e-waste policies, procedures, and contracts, and assessment of cell tower location and safety measures. Companies will be required to have e-waste policies and procedures.
Improperly controlled or trained security guards	Violence against local community member	Assessment of company security and third-party vendors for training, incidents, and security procedures.
Companies may have insufficiently detailed contracts, unethical sales incentives, or exploitative contracts when selling productive use items to base of pyramid (BOP) customers. Customers may have insufficient protections when purchasing productive use products with either cash or credit.	Negative impacts on the community's financial health	Assessment of company contracts, sales programs, consumer protection policies and plans. Companies with notable exposure to credit risk, predatory practices, or weak contracting may be required to mitigate risks post-investment (or may not receive investment).
Internet companies, logistics supply chain optimization software and ride-hailing platforms are exposed to privacy and data breaches, as user data collection is key to their development, which may result in adverse effects to safety and security.	Negative impacts on the community's privacy and consumer health	Assessment of company privacy policy and data storage policy and procedures. Weak controls will be mitigated by post-investment requirements.
Hazardous materials may be insufficiently protected from the communities	Negative impacts on the community's physical health	Assessment of company's hazardous waste handling and disposal. Companies will be required to find appropriate third-party vendors to handle hazardous materials.
Products could be not safe or difficult to use resulting in workplace or at home injuries	Negative impacts on the community's physical and mental health	Assessment of product safety policies, procedures, and consumer awareness.

Products must be transported or built which can cause workplace or road accidents; additionally, e-mobility products could create more accidents	Negative impacts on the community's health	Assessment of company policies on business travel and OHS policies. Assessment of sales requirements for e-mobility products.
Company staff may exploit or harass consumers	Negative impacts on the community's physical and mental health, community trauma	Assessment of company harassment, SEAH, and customer protection policies. Additional assessment of code of conduct and HR policy requirements of staff.

Land Resettlement (PS5)

Risks	Potential Impacts	Mitigation Measures
Company may operate on disputed territory		Assessment of land usage, land purchased, titles, deeds, rental agreements, and compliance with local laws.
Land purchased by company for operations could lead to involuntary resettlement	Land loss for Affected Communities	Assessment of land usage, land purchased, titles, deeds, rental agreements, and compliance with local laws. Companies with land resettlement issues will have to develop a LARP as shared in the annex.
Land usage could lead to loss of livelihood	Loss of livelihood for Affected Communities	Assessment of land usage, land purchased, titles, deeds, rental agreements, and compliance with local laws. If companies are found to have land resettlement issues, they will be required to have LARPs.

Biodiversity (PS6)

Risks	Potential Impacts	Mitigation Measures
Habitat loss through clearance or displacement	Habitat loss, degradation and fragmentation, leading to a reduction in species richness and density.	Assessment location of operations and operational activities. If company operations potentially generate habitat change or loss, the company will be asked to provide mitigants in diligence. If sufficient mitigants do not exist, mitigants will be codified in term sheet.
Bird collision with solar panels and/or transmission lines	Collision risk to birds and bat species, especially if the surfaces are vertically oriented and/or reflecting light	Assessment of companies who may pose an impact to birds or wildlife will be asked about collision risk to bird in diligence. If collision risk is found, companies will be asked to share mitigants including sun catchers. Largely impactful companies with insufficient mitigants will have mitigants codified in the term sheet.
Wildlife mortality due to attraction to evaporation ponds	Ponds may attract wild animals and pose risks in terms of chemical poisoning (in the case of concentration of chemicals before disposal) and drowning	Assessment of companies with chemicals in operations for proper waste management. If companies are insufficient, mitigants will be codified into term sheet.
Barrier effects	Large areas with PV panels and their associated facilities can disrupt wildlife/human movement (e.g., pastoralist communities) and/or migration by acting as a barrier	Assessment of minigrid and C&I solar investments for operational location and expansion plans to ensure that the projects are not encroaching upon wildlife or human migration. If risks are identified, the company will be required to either evidence sufficient mitigants or accept mandatory mitigants in the term sheet.
Habitat degradation due to changes in hydrology and water availability or quality	Excessive water usage at sites could alter the availability of surface and ground water sources to sustain habitats, such as riparian vegetation, particularly in arid areas.	Assessment of companies with significant water usage in their operations. Companies with significant risks will be asked to identify mitigants or will be required to mitigate risks post-investment.

Habitat alteration due to changes in microclimatic effects of solar panels	Shadow effects caused by solar panels can alter the species composition and diversity of underlying habitats as a result of air and soil microclimatic variations.	Assessment of habitat changes from solar panels, environmental policies, if risks are identified or deficiencies are found, company will be required to make improvements.
Introduction of invasive alien species	Movement of equipment, people or components may facilitate the introduction of invasive alien species (IAS) by various pathways. Additionally, the creation of new habitats, may also facilitate the spread of IAS already present on the site.	Assessment of supply chain procedures including shipping, containing, and storage.
Associated ecosystem service impacts	Land taken for solar developments and their associated facilities could lead to reduced access to, and the loss of important provisioning services such as areas important for agriculture or provision of natural resources. Local communities may also feel a loss of cultural values, including a sense of place and belonging.	Assessment of company locations, activity, and environmental policies.

Indigenous Peoples (PS7)

Risks	Potential Impacts	Mitigation Measures
Considering rural and off-grid business activities, the community health and safety risks (detailed above) may affect remote, indigenous peoples.	Negative impacts on the community's physical, financial, or mental health	Companies to identify coverage areas that include indigenous peoples and ensure that communication and outreach efforts are sensitive to indigenous peoples practices and information sharing.
While we do not anticipate investments to require significant land acquisition, if any potential investment required land for	Negative impacts on indigenous peoples	Any significant land acquisition will be subject to up-front screening for potential negative impacts and required to follow international best practices for similarly sized works for Free and Prior

project installation or facilities expansion, additional risks would be assessed.		Informed consent.
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PS - 8 Cultural heritage

While we do not anticipate investments to require significant land acquisition, if any potential investment required land for project installation or facilities expansion, additional risks would be assessed.	Negative impacts on cultural heritage.	Any significant land acquisition will be subject to up-front screening for potential negative impacts and required to follow international best practices for similarly sized works for chance finds and preservation of cultural heritage
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Annexure D: Indicative Review Checklist

ESG review indicative checklist

Objectives

- Provide relevant information for a preliminary assessment of potential ESG risks;
- Gather available documents and information on current ESG management;
- Identify to the extent possible any deal breaking issues at an early stage;
- Guide and inform the on-site due diligence process.

This list is not exhaustive, and further issues are considered as identified on a case-by-case basis ESG Checklist –

Business Overview	
Topic	Information
Company name	
Geography of operation	
Industry/Business Sector	
Type of operation associated with the business	
Exclusion list check	
Sustainability/Non-financial Disclosure Report - Does the company prepare a Sustainability (or Non-Financial Information) report? Please note that in such a report it is possible to find some information that maybe used in the compilation of tabs “environment”, “social” and “Governance”	
ESG Policy, Environmental Policy, Health & Safety Policy, Social Policy Does the company have policies that cover ESG aspects (ESG policy, Environmental policy, Health & Safety, Social policy)?	
Sustainability section on the website Does the company publish sustainability information on its website?	
Any specific pointers based on nature of business / geography of operations.	

ESG Checklist – Environment

ID	Topic	IFC Performance Standard	Relevant to the pipeline?	Description/question for guidance	Level of Maturity of pipeline company	Notes
E.1	Regulatory compliance	PS 3, 6		Serious incidents/regulatory breaches regarding environmental aspects. Nature of the incident, improvements made/lessons learnt and regulatory action (enforcement/prosecution/fine).		
E.2	Natural Hazards	PS 3		Is the company subject to flood, seismic or other natural hazards?		
E.3	Carbon emissions/Climate change	PS 3		Carbon emissions - Does the Company operate in an energy intensive sector? Does the Company monitor GHG emissions (inclusive of non-directly generated e.g., outsourced logistics, use of final product etc.)? Is the production (in particular the carbon intensive activities) mainly outsourced? Is the company subject to a cap-and-trade scheme (EU ETS)? - Plans or actions to control and/or reduce emissions. Exposure to climate changes - Could operations be at risk from current/evolving climate change regulation and/or physical changes associated with climate change (including increased flooding, drought or other severe weather events), for example: business disruption or damage to assets and production?		

E.4	Air Emissions	PS 3		Can the company operations originate significant emissions to air (e.g., oil & gas, energy, transportation, chemical)		
E.5	Energy and water management	PS 3		- Are the Company operations energy or water intensive? - Are there any plans in place to reduce energy consumption, increase the percentage of renewable energy in the Company's energy mix? - Do the products offered have energy labeling/certifications?		
E.6	Chemicals/hazardous substances handling & supply chain	PS 3		- Are chemicals/hazardous substances used in the production process? - Is management aware of any potential disruption to the supply of chemical/hazardous substances used in the production process through regulatory phase-out (e.g., REACH regulation)? - Is the company considering the use of more environmentally friendly and safer raw materials/chemicals in the production process?		
E.7	Waste management/ end of life of product	PS 3, 6		- Does the production process originate relevant quantities of waste or hazardous waste? - Waste management initiatives to minimize or reuse/recycle waste. - Are products offered designed in order to reduce their end-of-life footprint?		
E.8	Soil & groundwater	PS 6		- Is there a risk of soil contamination resulting from the activities of the target company? - Is the company aware of any former or current soil/groundwater contamination issues at the site(s) and is there a need to conduct investigation or		

				remediation activities? Has the company recognized any financial provision in the accounts to address any environmental liability such as contaminated land/environmental restoration?		
E.9	Biodiversity impact	PS 6		Has the production process had an impact on biodiversity (including deforestation and land degradation)?		
E.10	Green products	PS 6		Does the company offer “green” or “low impact” product lines?		
E.11	Packaging	PS 6		- Do the products offered by the company require a relevant amount of packaging (e.g., Fragile goods)? - Are sustainability criteria considered in the design of packaging?		

ESG Checklist – Social

ID	Topic	IFC Performance Standard	Relevant to the pipeline?	Description/question for guidance	Level of maturity of pipeline company	Notes
S.1	Human Resources	PS 2		• Workforce composition (employees, self- employed, trainee, seasonal workers) • Do all employees have a formal contract of employment? • Turnover rates and talent retention • Diversity issues (e.g., diversity on boards, pay gap) • Serious labor related complaints/claims /enforcement actions • Freedom of association and collective bargaining • Training Benefits provided to employees		
S.2	Health and Safety	PS 2		• Is the Company operating in an industry that presents a high risk for health and safety? • Are workers exposed to high incidence or high risk of diseases related to their occupation? • Has the company been subject to enforcement actions by the regulators for Breaches of relevant health and safety laws? • Is the Company classified as a major risk facility?		

S.3	Community involvement	PS 4		- Community investments, sponsorships, product donations - Formal programs in place to promote company involvement with the community (volunteering, stakeholder engagement, etc.). - Previous NGO/media negative campaigns, community/workforce unrest		
S.4	Consumer safety/ product regulations	PS 4		- Product or sector specific regulations (e.g., food safety, pharma GMP, other) - Actions taken to ensure the health and safety of consumers		
S.5	Customer privacy	PS 4		- Company's data Security policy and IT security management system - Sensitivity of information in possess of the Company - Breaches in cyber security within the last years - Substantiated complaints regarding breaches of customer privacy and losses of customer data		
S.6	Fair disclosure and labeling/Fair marketing	PS 4		- Requirements for product and service information and labeling - Incidents of non- compliance concerning product and service information and labeling - Incidents of non- compliance concerning marketing communications		
S.7	Innovation	PS 4		R&D investment plans, patents, innovative products and/or services		

ESG Checklist – Governance

ID	Topic	IFC Performance Standard	Relevant to the pipeline?	Description/question for guidance	Level of maturity of pipeline company	Notes
G.1	ESG systems and processes	PS 1		Roles and responsibilities • Has an ESG committee/steering committee been established? • Commitment and responsibilities at a senior management level on sustainability. • Has a designated reference person for day-to-day ESG matters been assigned? Policies & Procedures • Are ESG Values and principles clearly communicated (e.g., on the website)? • Does the Company have Sustainability or Business Conduct policies? • Do policies cover discrimination, and child, forced or compulsory labor, health and safety and environmental issues? • Are there environmental/health and safety procedures or management systems in place? • What is the level of establishment and embedment of procedures? Monitoring & Reporting • What are the arrangements in place for monitoring and reporting ESG issues and performance to senior management/the Board? • Does the Company publish an ESG/CSR/Sustainability report or a designated section in the annual accounts? • Is there a Sustainability section on the website?		

G.2	Corruption and business ethics	PS 1		• What does the organization currently do to safeguard against illegal practices? • Any corporate governance and/or ethical related employee claims/breach es/enforcement/litigation action relating to issues such as anti-bribery and corruption, cases of unfair labor practices, human rights abuses, and other unethical business practices? • Does the Company make financial or in-kind political contributions? • Does the Company participate in public policy development or lobbying activities? • Are there any anti-trust issues?		
G.3	Supply chain	PS 2, 4, 6		• Are key suppliers located in emerging • Markets with high social, human labor, environmental risks? • Is the supply chain part of an industry with high social, human labor, environmental risks? • Does the company have a responsible purchasing policy/Code of Conduct for suppliers? • Are ESG criteria included in the selection and monitoring of key suppliers?		

Additionally, the IFC performance standards are expected to apply

IFC Performance Standards (PSs)	Applicable to target company	Direct Exposure to risk	Risk in supply chain
PS1. Environmental and Social Risk Management			
PS2. Labor and working conditions			
PS3. Resource Efficiency and Pollution prevention			
PS4. Community health, safety, and security			
PS5. Land acquisition/Involuntary resettlement			
PS6. Biodiversity and Natural resources			
PS7. Indigenous Peoples			
PS8. Cultural Heritage			
PS9: Stakeholder Engagement			
PS10: Climate change			

Annexure D-1: Indicative Scope Of Expert ESG DD

The following is an indicative scope of the Expert ESG DD. The scope for the said due diligence exercise will be tailored for each transaction based on the risk categorisation, industry / sector, geographical region, and business model of the target company, and shall encompass those areas of due diligence covered in the IFC Performance Standards. The checklist prepared above will also be added to the scope of the Expert ESG DD.

<u>Environmental factors</u>	<u>Social factors</u>
• Pollution control regulatory approvals	• Labour and working conditions, including vulnerable labour
• Water and air pollution related matters including emission	• Compliance with minimum wages and retirement benefits
• Energy use and use of natural resources	• Discrimination, representation and unions
• Sewage treatment plant and compliance with effluent discharge norms and applicable regulations	• Types and level of health and safety risks; protective measures, procedures and equipment, safety record, training, etc.
• Water and natural resources use	• Corporate use of security force
• Other environmental areas – land clearance, forests or habitats, biodiversity loss, climate change, etc.	• Other social factors – conflicts, relocation and resettlement, retrenchment, sensitive cultural heritage issues, community consultation, impact on local communities, abuse of labor / stakeholders in any form including sexual exploitation, risk of adverse impact for indigenous people, etc.

The governance related matters are not covered in the scope as most of the governance related due diligence areas are mandatory and shall be covered as part of the background check, accounting & financial, and legal due diligence.

ToR for the external ESG consultant

The ToR for external ESG consultants will be tailored based on the risk categorisation of the transaction, and other factors such as geography, sector etc. While finalising the ToR for external ESG consultants, Prosperete will include the following points.

Context:

- Background information and set the context for the due diligence exercise that Prosperete intends to commission;
- An introductory passage about Prosperete, its ESG policy and strategic focal areas; and
- Introduction to the portfolio company or facilities to be investigated.

- Location of the project and any specific information e.g. conflict etc.

Nature and purpose of the study:

- The nature and purpose of the study required is specified, stating the purpose of the study and what the information provided would be used for (e.g. to determine compliance, to investigate opportunities to add value, to assess possible liabilities prior to acquisition, or to identify strengths and weaknesses in the Environmental and Social Management Systems (“ESMS”));
- The audience for whom the information/study is designed;
- Provide enough information to allow the proposed ESG consultant to plan man-hours of appropriate team members with relevant expertise and costings for travel and other inputs. Overviews of existing or likely ESG risks and impacts are important;
- Introduce the applicable requirements against which the study should be undertaken. Specify that the IFC Performance Standards and other applicable global conventions are the benchmark for the due diligence exercise; and
- Include a minimum list of documents to be reviewed.

Timing and scope:

- Provide clear guidance on the timing of the investigation and other project milestones. Indicate when the study is likely to be commissioned and when the final report and presentation should be given;
- Give clear guidelines as to the minimum number of sites to be visited, along with clear instructions as to which sites are essential. Alert the company to imminent site visits.
- Ensure the consultant is fully briefed on any expected future growth plans for the company, especially where this involves new sites, as this will impact on the management systems that will need to be in place.

Expected outputs:

- Include a list of headings or draft contents page for the final report;
- Ask for separate recommendations for what the company should do and recommendations for what Prosperete could do to support the company;
- Indicate the maximum length of the final report; and
- Indicate that a final presentation and discussion of findings will also be required.
- Suggested outline of the report is in Annex E.

Annexure D-2 - Indigenous People Management Broad Guidelines

Prosperete will primarily provide Equity and quasi-equity investments in companies bringing energy efficiency, productive use, and mobility and logistics access in target countries.

Potential impacts to Indigenous Peoples

Positive

- Improved access to clean energy and decreased reliance on traditional energy sources, translating into health and financial savings.
- Improved access to productive use products and services to increase climate resilience, improve agricultural outcomes, and improve income for small holder farmers.

Adverse

- Possible displacement if investees expand operations (factories, warehouses) and acquire land traditionally held by indigenous groups.
- Manufacturing waste could pollute indigenous lands if factories are located nearby.

Assessment Plan

For each investment contemplated by Prosperete, the investment team will ask certain questions during the diligence phase to assess the level of risk presented to indigenous people, and any action to take, as necessary. These questions may include:

Does the company operate in areas with known indigenous populations? If not, no further action. If yes, ask questions about business model and the community to understand:

Any potential adverse impacts, and, if any, how to mitigate them.

How to ensure indigenous groups have equal access to the goods or services provided by the company.

During the post-investment period, Prosperete may work with the company to develop its protections for indigenous groups, as relevant.

Prosperete shall also bind its investees by the same or comparable standards as the IPP, as appropriate.

Ensuring Meaningful Consultation and Free, Prior and Informed Consent

In the event that companies identify adverse impacts on indigenous groups, investees will construct a plan for engaging in meaningful consultation in its ESIA

Where activities of an investee may result in displacement, the investee shall obtain free, prior and informed consent, and document it in ESMS before any such action is taken.

Monitoring and Reporting

Where potential impacts have been identified, this will be updated in annual report provided by the company to Prosperete.

The above is a broad guideline. All projects where IP risks are identified, should be assessed using guidelines provided in "Prosperete IP Management Framework" document.

Annexure D-3: Guidance For Land And Resettlement

Rationale of LARP

The Land Acquisition and Resettlement Plan (LARP) describes the procedures for screening, assessing, compensating and managing risks and impacts generated by Portfolio Company operations.

A LARP is an important part of Prosperete's ESG guidance as it ensures the Portfolio Companies must abide by national land resettlement laws and regulations, and the Fund ESG requirements.

LARPs will be used when a Company is expected to generate resettlement impacts using proceeds from Prosperete. LARPs will ensure that project affected people will have a significant voice in the project and have access to grievance and complaints tools to ensure fair treatment.

The Fund will seek to avoid projects that contain significant risk of resettlement. Specifically, the Fund will not invest in projects that will resettle a significant number of people or have a strong negative impact on a vulnerable population.

Objectives of LARP

LARPs are intended to guide the Fund, the Portfolio Company, and affected stakeholders through the resettlement process.

Specific objectives of the LARP include:

1. To determine if a Portfolio Company will be purchasing or expanding their land usage and, if so, that the land is obtained legally and not involuntarily displacing residents;
2. To minimize Portfolio Company acquisition of land resulting in involuntary resettlement or other adverse social impacts using Prosperete proceeds;
3. To ensure that when land acquisition with involuntary resettlement is absolutely necessary that stakeholders receive sustainable social benefits;
4. To outline roles and responsibilities by various stakeholders in the project planning, implementation, and monitoring process of resettlement activities;
5. To ensure that the grievance redress mechanism entitles complainants to a thorough investigation of their complaint.
6. Involuntary resettlement or displacement must fit national and local legal and regulatory requirements.

Guiding principles for Land Resettlement are as follows:

1. To avoid, and when avoidance is impossible, minimize displacement through consultation and alternative project design;
2. To avoid forced eviction;

Screening Criteria

1. LARP only applies to Prosperete investees where land has been purchased and a dispute over land resettlement or livelihood restitution has been brought forward to the company.
2. Eligibility Criteria to be used by companies and residents
3. Dispute must be made within two years of the land purchased;
4. Dispute must be about land purchased by the portfolio company;
5. Claimant must have evidence of rights to land in order to be investigated.

Compensation

LARP will follow international best practices on compensation when Prosperete investment has been used for land acquisition that results in improper resettlement.

Livelihood restoration

LARP will follow international best practices on livelihood restoration when Prosperete investment has been used for land acquisition that results in improper resettlement and loss of livelihood.

Valuation

Valuation of any resettlement or restitution will consider the following factors:

1. Fair market value of land
2. Transaction costs
3. Interest accrued
4. Transitional and restoration costs
5. Other applicable payments

Expected Budget

Prosperete cannot determine an appropriate budget given the unlikely nature of land resettlement issues across the portfolio. However, portfolio companies are expected to have sufficient funds to pay the costs of any significant land resettlement or livelihood restoration incident that they are found by investigation to be completely at fault for.

Grievance Mechanism

Project affected communities may use the Prosperete or portfolio company grievance redress mechanism to trigger a land resettlement or livelihood restoration incidents.

Monitoring and Reporting

The Prosperete team will monitor ongoing land resettlement and livelihood restoration investigations and settlements.

Land Acquisition and Resettlement Action Plan

If a Portfolio Company requires a LARP, they will need to provide the following information.

1. Description of project: General project description and identification of project area
2. Project impacts:
 - The project activity that creates involuntary resettlement
 - The area of impact of the project activity
3. Alternatives considered to minimize or avoid involuntary resettlement
4. Strategy used to minimize resettlement during the project implementation
5. Objectives: Primary objectives of the resettlement project and a summary of stakeholder engagement, studies, and research accomplished for the resettlement project.
6. Regulatory summary: Summary of relevant host country laws and regulations around resettlement.
7. Stakeholder Engagement: Summary of discussions, engagements, information sharing with communities and people affected by resettlement activity. Summary should include a list of the stakeholder groups, meetings, outcomes, and significant grievances.
8. Socioeconomic characteristics: if available, share relevant studies or research into the socioeconomic demographic data of project affected people. Relevant information may include household and census data, information on vulnerable groups, information on livelihood and standards of living,
9. Eligibility: Define the criteria for displaced or involuntarily resettled populations who are eligible for LARP consideration.
10. Valuation and compensation for losses: The methodology used for valuing losses to determine replacement cost. Description of proposed compensation types and values that fit local regulatory and legal criteria.
11. Magnitude of displacement: Number of persons, households, structures, public buildings, croplands, and other persons and physical properties affected.
12. Entitlement Summary: Explains categories of affected people and investigation, grievance mechanisms, and options they were offered.
13. Resettlement sites: If available and applicable, the company will share relocation plans for displaced persons.
14. Grievance procedures: Company will outline how LARP connects to grievance mechanism and if there is any third-party arbitration necessary.
15. Organizational responsibilities: Summary detailing who is responsible for implementing the LARP, how the project team will coordinate with local jurisdictions and relevant stakeholders. The summary will detail responsibilities of any outside agency, parties, consultants, or firms in enacting the resettlement plan.
16. Implementation schedule: This section will summarize the LARP implementation timeline with milestones and targets.
17. Budget: If applicable, this section will detail the budget for compensation for resettlement. It will include budget estimates and expenditures, source of budget, and contingencies.
- 18. Monitoring, evaluation, and reporting:** LARPs will be reported to investors when appropriate. This section will detail the monitoring and evaluation plan and ensure organizational capacity to monitor the LARP. It will include a logic model that includes inputs, activities, outputs, and outcomes.

Annexure D-4: Guidance For Stakeholder Engagement Plans For Portfolio Companies

Context:

Companies are expected to engage with a variety of stakeholders to ensure that they are responsibly managing their operations. To that end, companies are expected to have or develop a right-sized and efficiently implemented stakeholder engagement plan. This annex is intended to provide guidance to Prosperete portfolio companies on how to develop and implement a stakeholder engagement plan that complies with this ESMS. We will describe the needed components of a stakeholder engagement plan including assessment, learning activities, engagement, and reporting.

Assessment:

Companies are expected to make a stakeholder map of relevant actors and beneficiaries based on the activities and operations of the fund. Portfolio companies should consider the following entities when developing their map of stakeholders:

- Government regulators
- Customers and beneficiaries
- Women's groups
- Indigenous People (IP), tribes and organizations
- Civil Society organizations
- Industry associations

Learning Activities:

The Portfolio Company must demonstrate that they have learned about the needs, risks, and opportunities presented by each group in the stakeholder list. The company must also share how and what they learned about these needs through dialogue with stakeholder groups.

Engagement

The company must list all the methods of engaging with stakeholders. Methods include:

- Meetings
- Reporting
- Grievance Mechanism
- Surveys

Reporting:

Companies are expected to share what kind of reporting they do to communities, stakeholders, and other relevant groups.

Updates:

The company is expected to periodically update their Stakeholder Engagement Plan.

Annexure D-5: Guidance For Grievance Redressal Plan For Portfolio Company

Portfolio companies should implement a Grievance Redress Mechanism which meets the following standards:

Scope

- The GRM should be open to all stakeholders, including a person or organisation representing a group of affected parties, who consider themselves affected by Company's activities. Complaints may be submitted on a named or anonymous basis.
- This GRM will be made available to parties who have grievances arising from activities related to the implementation of GCF-funded projects. These grievances could be related, but not limited to:
 - I. Environmental, social, community health, safety, and security;
 - II. Gender bias and harassment;
 - III. Labor, compensation, and any issues that may arise due to interactions between the labor workforce and host communities;
 - IV. Resettlement-related grievances, such as the valuation of assets, amount of compensation paid, level of consultation, non-fulfilment of contracts, and timing of compensation, amongst others, will also be handled by this process.

Grievances will be deemed non-eligible if:

- Complaint is submitted 2 years after the GCF- funded project or program has been closed;
- Complaint is submitted 2 years after the date that the complainant became aware of the negative impacts by a GCF-Funded project or program.

Complaints Procedure

- The Company should establish a clear timeline and communication points with the complainant, to include:
- Company receives the Complaint from the Complainant in any communication form (including face-to-face, phone, fax, letter, delivery, or email)
- Complaint recorded
- Record Complaint in Complaints Log
- Complaint Officer to assess Complaint eligibility and significance
- Complaint Officer to assign the complaint to an appropriate Complaint Owner
- Receipt of Complaint formally acknowledged to the Complainant through appropriate communication medium (recorded in writing)
- Protection of people raising concerns/grievance.
- Complaint handling procedures to be gender responsive specially in the case of SEAH related grievances
- Consult with relevant parties
- Identify further action required
- May require site visits and discussions with other stakeholders

- Progress update provided to Complainant – including, if necessary, an indication of additional time and resources required to resolve Complaint
- Confirm with Complainant that Complaint can be closed, or determine what follow-up is necessary.
- If Company and the Complainant are unable to agree on a solution, the Complaint may be escalated to the Appeals Committee for review and final decision.
- Record final sign-off of Complaint according to appropriate outcome

Roles & Responsibilities

The Company should assign roles for the administration of the process that include oversight, implementation and investigation.

Where matters relate to Indigenous People, GCF independent Redress Mechanism and the Secretariat's indigenous peoples focal point will be available for assistance at any stage.

Communication and Accessibility

Companies should inform communities about the grievance redress mechanisms available to them at all levels: GCF's Independent Redress Mechanism (<https://irm.greenclimate.fund/>), Prosperete GRM at Grievance@prosperete.com, and the Company GRM, when and how they can be accessed, and the specific steps and contact information for registering concerns with each GRM.

Multiple methods of communication should be available for lodging a grievance, which may include:

- Company website
- Direct complaints to Company's GRM investigator
- Direct complaints to Company staff
- Calling Company's phone line
- Mailing Company's address
- Emailing Company's email address

Annexure D-6: Guidance on preparation of Emergency Preparedness and Response Plan

Scope:

EPRP should cover all the emergencies that business operations may suffer. A separate EPRP should be prepared for key threats e.g. fire, flooding and other activities considering the nature / place of operations. Typically, Fire will be part of any business activity and earthquake may be considered in most of the business operations.

The EPRP should create detailed procedures that outline the steps you will take to prepare for and respond to an emergency. The EPRP should also cover training, drills etc so that organization is well prepared in case of eventual exigency.

Each such EPRP should provide the following:

- Responsibilities and Authorities of key personnel in relation to the respective risk
- SOPs to be followed in case of exigency
- Clearly laid out policies that take precedence of human live and safety over property and equipment
- Design of emergency response team along with their contact numbers
- Regular meetings and trainings of entire staff and emergency response team
- Escalation metrics to be followed
- Periodic preparation audits and drills
- Provision of adequate inbuilt safety methods (e.g. fire extinguishers etc)
- First Aid and other training procedures
- Record keeping of Training, Near miss and Incidents

Annexure D-7: Chance Find Procedure For Portfolio Company

This document describes the Chance Find Procedure for <project title> (hereafter referred to as “the Project”), outlining the procedures that < > will follow should potential cultural heritage discoveries occur during the small-scale construction and/or renovation activities associated with the Project.

The Chance Find Procedure has been developed in alignment with international good practice, including the Prosperete Environmental and Social Management System (ESMS) requirements and the IFC Performance Standards, and also complies with <host country> requirements as well as internal <companies> policies and procedures. Details on the Project description, social context and legislative framework can be found in the first two sections of the Environmental and Social Management Plan (ESMP).

Prosperete Fund requires projects to have established a provisional Chance Find Procedure before project start. The scope and scale of the Chance Find Procedure will be proportionate to the nature, scale and type of potential risks and impacts to cultural heritage that may arise from the Projects’ small-scale construction and/or renovation activities. In addition, the Chance Find Procedure will be commensurate with the type and scale of the planned construction/ renovation activities. As such, construction/ renovation activities deemed at screening to have a negligible potential negative impact on cultural heritage (e.g. renovations to ranger shelters, etc.) or with a small/ negligible footprint will not require a Chance Find Procedure. This will need to be justified in the ESMP. This Chance Find Procedure is provisional (full proposal stage)/ final (end of project inception stage). If provisional, it will be updated and established within the first three months of project implementation.

Cultural heritage is defined as resources with which people identify as a reflection and expression of their constantly evolving values, beliefs, knowledge and traditions. Cultural heritage encompasses tangible and intangible heritage, which may be recognised and valued at a local, regional, national or global level, as follows:

- Tangible cultural heritage, which includes movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance. Tangible cultural heritage may be located in urban or rural settings, and may be above or below land or under the water; and
- Intangible cultural heritage, which includes practices, representations, expressions, knowledge, skills—as well as the instruments, objects, artifacts and cultural spaces associated therewith— that communities and groups recognise as part of their cultural heritage, as transmitted from generation to generation and constantly recreated by them in response to their environment, their interaction with nature and their history.

Tangible cultural heritage is the focus of this Chance Find Procedure and in particular, chance finds which are when archaeological, historical, cultural and/or remain material is unexpectedly encountered during project construction or operation.

For this Project, the small-scale construction and/or renovation activities include <briefly list ALL small-scale construction/ renovation activities and civil works that that will form part of the Projects' activities>.

As such, risks and impacts to tangible cultural heritage, and in particular, archaeological material, that may arise from Project activities could include <provide examples of potential risks and impacts where small-scale construction and/or renovation activities could affect tangible cultural heritage, making this as broad as possible to cover all potential risk issues; e.g. damage to archaeological material owing to earth works, flooding areas, etc.>

Purpose of the Chance Find Procedure

A Chance Find Procedure is a project-specific procedure which is to be followed if previously unknown cultural heritage is encountered during project activities. The Chance Find Procedure sets out how chance finds associated with the project will be managed. The procedure includes a requirement to notify relevant authorities of found objects or sites by cultural heritage experts; to fence off the area of finds or sites to avoid further disturbance; to conduct an assessment of found objects or sites by cultural heritage experts; to identify and implement actions consistent with the requirements of IFC PSs and national law; and to train project personnel and project workers on chance find procedures.

The Chance Find Procedure aims to:

- Protect physical cultural resources from the adverse impacts of physical investment activities and support their preservation;
- Promote the equitable sharing of benefits from the use of Physical Cultural Resources; and
- Raise awareness of all construction workers and management on site regarding the potential for accidental discovery of cultural heritage resources.

This Chance Find Procedure therefore intends to provide <Project > and their contractors with an appropriate response in accordance with the relevant national legislation and international good practice. As such, all contracts for civil works will include this Chance Find Procedure.

In order for the Chance Find Procedure to be effective, the site manager must ensure that all personnel on the proposed development site understand the Chance Find Procedure and the importance of adhering to it if cultural heritage resources are encountered. In addition, training or induction on cultural heritage resources that might potentially be found on site should be provided by <Project >.

Procedure

Prior to project implementation, <Project > is responsible for siting and designing project activities to avoid significant adverse impacts to cultural heritage. The environmental and

social risks and impacts identification process at the screening stage should help determine whether the proposed location of a project is in areas where cultural heritage is expected to be found, either during construction or operations.

In such cases, in line with Prosperete ESMS, <Project > will develop provisions for managing chance finds through a chance find procedure which will be applied in the event that cultural heritage is subsequently discovered. <Project > and any contractors will make sure not to disturb any chance find further until an assessment by competent professionals is made. Where necessary, this will include qualified experts, including the relevant government authorities and civil society organisations, as well as traditional knowledge holders and other people from the area who should be consulted on whether disclosure of information is desirable, since there are situations in which disclosure may compromise the safety or integrity of the cultural heritage in question and/or endanger the sources of information.

<Note: if there is a legally established procedure for accidental discoveries (e.g., of archaeological objects or remains) in the host country, that procedure must be followed. However, if no such procedure exists, then this Chance Find Procedure can be used>.

Procedures for accidental discovery of cultural resources (chance finds)

This Chance Finds Procedure covers the actions to be taken from the discovering of a heritage site or item to its investigation and assessment by a professional archaeologist or other appropriately qualified person to its rescue or salvage.

If cultural resources (e.g. archaeological sites, historical sites, remains, objects, graveyards or individual graves) are discovered when undertaking small-scale construction activities, civil works and/or renovation activities, the following procedure will be executed <update this text accordingly>:

1. Halt the construction activities around the chance find to avoid any (or further) damage;
2. Report the discovery to your supervisor or the Environmental Control Officer (or project equivalent) immediately;
3. Delineate and fence the discovered site or area and provide a 25 meter buffer zone around all sides of the find;
4. Secure the site to prevent any damage or loss of removable objects. In cases of removable antiquities or sensitive remains, a night guard will be arranged until the responsible local authorities or the District/ Provincial Department of Culture, or the local Institute of Archaeology, if available, can take over;
5. Forbid any removal of the objects by the workers or other parties;
6. Note the type of archaeological materials you think you have encountered, their location (GPS) and if possible, the depth below the surface the find occurred;
7. Photograph the exposed materials, preferably with a scale (e.g. a file binder, coin, rules etc.);

8. Notify the responsible local authorities and the relevant Institute of Archaeology immediately (within 24 hours or less);
9. Responsible local authorities would oversee protecting and preserving the site before deciding on subsequent appropriate procedures. This would require a preliminary evaluation of the findings to be performed by the local Institute of Archaeology. The significance and importance of the findings should be assessed according to the various criteria relevant to cultural heritage; these include the aesthetic, historic, scientific or research, social, and economic values;
10. Decisions on how to handle the finding shall be taken by the responsible authorities. This could include changes in the physical investment layout (such as when finding an irremovable remain of cultural or archaeological importance) conservation, preservation, restoration, and/or salvage;
11. Implementation for the authority decision concerning the management of the finding shall be communicated in writing by relevant local authorities;
12. The mitigation measures could include the change of proposed Project design/ layout, protection, conservation, restoration, and/or preservation of the sites and/or objects;
13. Construction work at the site could resume only after permission is given from the responsible local authorities concerning safeguard of the heritage; and
14. The Project team on the site is responsible for cooperating with the relevant local authorities to monitor all construction activities and ensure that the adequate preservation actions are taken and hence the heritage sites protected.

In addition, <Project > is obliged to declare the chance find discovery at the earliest possible date to the Prosperete Fund.

Annexure D-8: Guidance on preparation of Conflict Sensitivity Assessment

There are various conflicts and violence at the local, sub-national, cross-border and regional level. These are becoming increasingly fractured with multiple actors and groups, with long term impacts on populations, economies, and governance. For companies operating in these complex environments, it is critical to understand how their activities may influence or be influenced by the conflict context. This helps projects to avoid exacerbating further conflict and violence and apply a “do no harm” approach, as well as identify opportunities to reduce conflict risks and have a positive impact.

This is important for the following reasons:

Higher risk for business operations

The risks of doing business in fragile and conflicted affected contexts are higher, with situations often escalating or changing quickly. By better understanding the project context and conflict issues and how they may intersect with operations, companies can be better prepared to manage these risks and avoid unintended consequences. For example, leveraging security forces for protection that are involved in conflict, implicating the company in broader conflict dynamics, and exposing them to reputational risks.

Better relationships

By managing or mitigating risks through understanding more about the context and forging stronger relationships with local communities, this can help promote social license to operate for the project. This is critical in conflict-affected project areas with different local stakeholders and dynamics. Without it, the business may risk stoking tensions between communities over jobs, project benefits or shared resources that can lead to conflict and jeopardize the project.

Reduce uncertainty and costs

Operating in complex and conflict-affected markets can be fraught with unforeseen challenges, delays and higher costs. By better understanding the conflict risk landscape, this can help shore up the project to be more resilient to possible shocks and deepen the value and longevity of the investment. It can also provide an opportunity to see how the business may be able to influence the context positively, for example providing economic opportunities that may lead to greater inclusion and incentivize peace and stability.

Steps for Conflict Sensitivity assessment and management

1. Planning

Early stages of project development and planning should include conflict risk screening and stakeholder mapping. It also provides an opportunity to look for ways to maximize positive impact during design.

From early stages of project planning, consider security and conflict risks within the country and how this may feed into the local project area. For example, a country may have pockets of insecurity not in proximity to where the project is located – but are there any spillover effects the project should be mindful of? This could be population displacement, stoking of broader

group-based divisions (such as along ethnic or political lines), or rotation of security forces to the project area.

Scope community dynamics, any group-based affiliations, and grievances. As part of early project engagements and screening, grounding the project in the local context and communities is critical. For example, even if a project is located in an area that is not affected by other conflicts within the country, these may manifest in divisions or grievances within the local community. Where a project is located in an area with conflict or post-conflict issues, this is even more important to understand the community structures (such as how they deal with grievances), representation (such as role of youth and women), communal dynamics (such as how socially cohesive they are) and share of land and resources (such as shared water resources). This helps better situate how the company may intersect with these local dynamics and what might exacerbate or trigger tensions or conflict.

2. Implementation

As the project moves to implementation and site activities, mitigation measures should be implemented based on conflict risks identified. These may be as standalone programming or integrated as part of existing processes, such as environmental and social actions

Integrate conflict risk considerations into your existing company systems and project plans. Conflict sensitivity measures do not mean having to ‘reinvent the wheel’. Companies have many existing processes and procedures, such as Environmental and Social Management Systems, that can be leveraged for integrating conflict sensitivity measures. For example, how a company plans engagements and information sharing with communities and workers, how they collect grievances, how they manage security risks, and how they engage with other stakeholders such as government. Where a company identifies potential conflict risks from their early screening, such as tensions between community groups over resources and benefit sharing, it can target its stakeholder engagement activities towards bringing these groups together to constructively engage, share information to provide more transparency on decision making around benefits, and include other actors such as respected community leaders to help mediate and find solutions. This type of proactive approach can make a big difference in avoiding conflicts escalating within project communities, and feeding into broader conflict dynamics in that area.

Build partnerships with other stakeholders that can help your company understand the risks and be part of solutions. Whether this is with government agencies, civil society groups or other key local actors, proactive outreach and engagement with stakeholders can help companies to 1) better understand the issues; and 2) be part of addressing the issues that may affect the project. For example, when a project is operating in a highly complex environment, being able to triangulate information with other stakeholders such as a local Non-Governmental Organization (NGO), can provide fresh perspectives on risks that may intersect with the project. Similarly, this NGO may be better positioned as a convenor to build trust and help facilitate engagements with communities and the company that can avoid tensions escalating

Look for opportunities to maximize positive impact of the project. Companies have well established approaches for corporate social responsibility (CSR) and other forms of benefit

sharing with communities. These existing approaches can be leveraged when considering how to maximize positive impact of a project not only in that particular community area, but more broadly for the region or country. This relies on the company developing an understanding of the key challenges and underlying fragility issues that may stoke grievances in the area, and as part of its project footprint look at ways it can contribute to reducing those and maximizing positive impact. For example, in conflict-affected areas where youth unemployment is high, this can incentivize people to join armed groups. Where economic opportunities exist – such as a trainee program to integrate local youth into project activities and secure income for their families – this may contribute to greater peace and stability in the area while also building a sustainable local workforce for the company over time.

3. Monitoring

For the life of the project, continuous monitoring should be part of project systems to keep an eye on existing and new potential conflict risks

Set up monitoring related to security and conflict risks in the broader project area. Conflict situations can change and escalate rapidly. They can also be triggered by key events such as elections, coup d'états, natural disasters or climatic events, population influxes, among others. Where projects are located in countries where there is a history of or ongoing conflict, as part of the company's assessment of security risks, they should monitor broader trends and how that may intersect with the project. This should include checking in regularly with project communities and partners to identify new issues/risks. For example, having the company security officer monitor changes in local security dynamics (such as increased military presence after political events). Though outside company control, it may affect the project and local communities. This may necessitate a change in how the company engages with local security authorities and its stakeholders.

Annexure E: ESG DD Summary Report Outline

ESDD Diligence report should include the following

a) Section 1: Introduction

Project background: Project description, Site and Environmental setting, Land requirements E&S categorization and rationale

Applicable Performance standards: IFC Exclusion list, National Environmental and Social Laws and regulations, the IFC Performance Standards (as relevant)

b) Section 2: Scope of review and methodology

Section to include the methodology used, documents reviewed Etc.

c) Section 3: E&S Categorization and rationale

A short section on the ESG risk profile of the company under assessment and its project categorization: A, B or C with justification.

d) Section 4: Environmental and social Issues and mitigation

By relevant performance standards; an examination of environmental and social issues and compliance with respective performance standards, identifying performance gaps and corrective action plans.

PS1: Environmental and Social Assessment and Management System

- Environmental and Social Assessment
- Management Program
- Organization
- Training
- Community Engagement
- Monitoring
- Reporting

PS2: Labour and Working Conditions

- Human Resources Policy and Management
- Worker's Organization
- Non-Discrimination and Equal Opportunity
- Retrenchment
- Protecting the Workforce
- Occupational Health and Safety

PS3: Pollution Prevention and Abatement

- Pollution Prevention, Resource Conservation and Energy Efficiency
- Wastes
- Hazardous Materials
- Emergency Preparedness and Response
- Ambient Considerations

- Greenhouse Gas Emissions
- Pesticide Use and Management

PS4: Community Health, Safety and Security

- Community Health and Safety
- Emergency Preparedness and Response
- Security Personnel Requirements

PS5: Land Acquisition and Involuntary Resettlement

- Project Design
- Compensation and Benefits for Displaced Persons
- Consultation and Grievance Mechanism
- Resettlement Planning and Implementation
- Physical Displacement
- Economic Displacement
- Private Sector Responsibilities under Government-Managed Resettlement

PS6: Biodiversity Conservation and Sustainable Natural Resource Management

- Protection and Conservation of Biodiversity
- Management and Use of Renewable Natural Resources

PS7: Indigenous Peoples

- Avoidance of Adverse Impacts
- Consultation and Informed Participation
- Impacts on Traditional or Customary Lands under Use
- Relocation of Indigenous Peoples (Ips) from Traditional or Customary Lands
- Cultural Resources

PS8: Cultural Heritage

- Protection of Cultural heritage in Project Design and Execution
- Project use of Cultural Heritage

e) Section 5: Details of project consultations and local disclosure undertaken. Include details on the site visit conducted.

f) Section 6: Summary and Recommendations

Summarize the most important and relevant aspects of the assessment, combining main risks with an assessment of the management set in place to respond to these risks. Then describe the main gaps and the current capacity and willingness of the company to address them.

g) Section 7: Environmental Management/Corrective Action plan

Define necessary actions to be taken by the company to address risks and gaps identified, including them in E&S action plan. To the extent possible, these should include clear timeliness, responsibilities, completion indicators and, to the extent possible, estimated costs.

Annexure F: Assessment Of The Target Company's ESG Management System

(TO BE COMPLETED BY DEAL TEAM)

Name of target Company:		Industry:	
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AREA OF ASSESSMENT	YES	NO	REMARKS
<u>Policy and processes</u>			
Are there formal policies and systems to manage ESG?			
Does the company pro-actively identify opportunities for ESG improvements?			
Does the company provide an appropriate risk assessment for its operations which can be used as a basis for on-going monitoring?			
Are formal action plans drawn up to address ESG issues?			
Are there defined processes in place to manage / monitor ESG matters and the implementation of the Action Plans?			
<u>Roles and Responsibilities</u>			
Does the company have an allocated ESG professional on staff?			
Has ESG responsibility been established at all levels up to the company's board?			
Are specialist consultants / external technical experts used to assess and monitor ESG issues (particularly for high risk companies)? If so, when and who?			
Does the company organise training for its staff on ESG?			
<u>ESG performance management</u>			
Are there key performance indicators in place to measure and track ESG performance?			
Does the company have a good safety record? Have there been accidents? Were issues subsequently addressed?			
Is there an established procedure to follow up any serious incidents to prevent their reoccurrence?			
<u>Reporting</u>			

Are there defined lines of communication in place to report ESG issues to the company's management and board?			
Is ESG performance reported on to investors at least annually?			
<u>Stakeholder management</u>			
Does the company have a good relationship with the local community?			
Does the company have good labour relations (e.g. have there been strikes)?			
Does the company have a grievance mechanism wherein stakeholders are able to raise their concerns and such concerns are handled impartially.			

Annexure F-1: ESMS Guidance Document

The ESMS of Target Company should be based on IFC Performance Standards and toolkit contained therein. It should take into account the following:

<u>Subject</u>	<u>Details</u>
Environment and Social Policy	Portfolio Companies shall formulate an ESG Policy that integrates the IFC Performance Standards, and any other applicable standards and principles that are compatible with the Fund's ESG Policy and related guidelines. The ESG Policy shall reflect the commitment of the Portfolio Company with sustainable development, Community Health, Safety and Security, fair Labor and Working Conditions and provide a framework for the environmental and social management on company level. Therefore, it shall be officially endorsed by the senior management of the Portfolio Company, and when capacity allows, designated ESG personnel shall be appointed, and the policy shall be appropriately communicated internally and externally.
Identification of Risks and Impacts	Portfolio Companies may carry out an Environmental and Social Risk and Impact Assessment (ESIA) or an environmental and social audit in case of existing assets, before initiating or expanding business operations and subprojects according to IFC Performance Standards and in line with national legislation. The assessment process shall adjust to the type, scale and location of foreseen business operations. It shall consider the nature, likelihood, magnitude and materiality of identified risks and impacts. The Portfolio Company shall consult with local communities, local authorities and other relevant stakeholders during the assessment, particularly when the project area is or has been subject to land use conflicts or/and when vulnerable local communities and indigenous peoples live in the project area or area of influence. If required or regulated by law in host countries, a formal ESIA process shall be initiated and fulfill all applicable administrative rules and formal procedures for public participation, documentation and decision making. In all cases the Fund management team will assess if the content and scope of the ESIA undertaken by the Portfolio Company is satisfactory. If the ESIA conducted by the company is not satisfactory in terms of identifying risks and impacts according to IFC Performance Standards, the Portfolio Company shall be obliged to undertake another assessment which will be evaluated for its quality and completeness by

	the ESG officer and/or the deal team, and to put action plans in place to identify further risks and impacts.
Environment and Social Management System	The environmental and social management system (ESMS) must be consistent with the company's ESG Policy and provide mitigation and performance improvements to address identified risks and impacts, which may consist of a set of operational documents and procedures. Portfolio Companies shall plan operations according to sound management plans considering the findings of the risk and impact assessment and outline social and environmental safeguards, including tools to safeguard workers and local communities. The management program shall be subject to continuous revision throughout the project cycle.
Organization Capacity and Competence	Portfolio Companies shall establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. Key environmental and social responsibilities should be well defined and communicated to the relevant personnel, and the human and financial resources provided shall be sufficient to achieve the Fund's ESG requirements on an ongoing basis. Furthermore, the personnel should possess the knowledge, skills and experience to implement the specific measures and actions required under the ESMS. Given the capacity, a designated ESG representative shall be appointed to monitoring and executing any ESG action plans and responsibilities.
Emergency Preparedness and Response	In line with the risk assessment conducted, Portfolio Companies shall prioritize the emergency scenarios that are most likely to occur, and that would have the most severe impacts, in their area of operation and create a comprehensive emergency preparedness plan to minimize damage to the Company and workers. Companies shall appoint emergency response team members and set in place emergency response policies and procedures for the respective emergency scenarios. Implementation steps may include performing evacuation mock drills, training emergency brigades and installing and maintaining emergency response equipment. Prosperete and ESG experts will advise Portfolio Companies on EPP including the identification of areas where accidents and emergency situations may occur, communities and individuals that may be impacted, response procedures, provision of equipment and resources, designation of responsibilities, communication, including that with potentially Affected Communities and periodic training to ensure effective response to communities.
Stakeholder Engagement	Portfolio Companies shall Identify and prioritize stakeholders, develop stakeholder engagement plan and start communication process with prioritized stakeholders as defined in the stakeholder engagement plan. Stakeholder engagement is an ongoing process that may involve stakeholder analysis and planning, disclosure and dissemination of

	information, consultation and participation, grievance mechanism, and reporting to affected communities. The nature, frequency, and level of effort of stakeholder engagement may vary considerably according to the project's risks and adverse impacts, and the project's phase of development. Typically, this involves identifying the communities that live in the area or adjacent to potential Portfolio Company's operations or depend on the resources of this area and the initiation and maintenance of a dialog that ensures their involvement in important decision making and safeguards their user rights and livelihoods.
External Communication and Grievance mechanism	Portfolio Companies shall develop an accessible system for receiving, documenting and responding to feedback and grievances, and implement communication channels and publicize their existence. The documenting system shall record complaints that come to the attention of the Company, while providing a transparent response regarding the plan for resolution. Furthermore, effective grievance mechanisms should be developed with culturally appropriate and transparent procedures. Grievance mechanisms will be aligned with international best practices.
Ongoing reporting to affected communities	Portfolio Companies shall develop a system for reporting and disclosing information to affected communities and maintain the determined communication to affected communities in line with the stakeholder engagement plan.
Monitoring and Management Review	Portfolio Companies shall set in place systems to monitor and routinely assess environmental and social matters. Portfolio Companies shall establish clear indicators that allow for an in-depth analysis of the set environmental and social goals formulated in the ESAP and reflect its ESG Policy. Results of the monitoring system shall be fully analysed and reported on, and shall be subject to periodic verification, revision and reporting by the deal team. When business operations are subject to external, independent reviews due to the attainment of the certification schemes, this may considerably minimize efforts undertaken directly by the Fund management team.

Annexure F-2: ESG Audit Report guidance framework

- **Summary of findings and suggested action plan:** A discussion of all environmental and occupational health and safety areas of concern. This may include recommended mitigation measures, importance, expected costs and expected timeline. These are typically suggested by auditor and agreed with the auditee.
- **Scope of the Audit:** A description of what the audit focused upon (where the audit was conducted), what was audited (processes, organization, operations, etc.), when the period of performance began and ended (did the audit cover a month, a year, or all operations since inception?).
- **Regulatory Setting:** Tabular summary of applicable, local and any other applicable environmental and occupational health and safety laws, regulations, guidelines, and policies as they may directly pertain to the scope of the audit.
- **Audit and Site diligence Procedure:** Brief overview of the approach used to conduct the audit. A discussion of the records review, site visits, and interview activities; a description of the site sampling plan and chemical testing plan, field investigations, environmental sampling and chemical analyses and methods, if applicable.
- **Findings and Areas of Concern:** Detailed discussion of all environmental and occupational health and safety areas of concern. The areas of concern should be discussed in terms of both existing facilities and operations and contamination or damages due to past activities, including the affected media and its quality and recommendations for further investigation and remediation, if applicable. The report may wish to consider prioritizing findings into categories: immediate action; mid-term action; and long-term action.
- **Action Plan, Costs and Schedule (CAP):** For each area of concern, the audit report may include specifics on the appropriate corrective actions to mitigate them and why they are necessary. If so, the report should indicate priorities for action, provide estimates of the cost of implementing the corrective actions and a schedule for their implementation if this has been agreed to between the auditor and auditee. Schedules should be recommended within the context of any planned capital expenditure for the facility.
- **Supporting docs:** These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above

Annexure G: Action Plan And Reporting Framework With Investee

[Reference standard]	Actions (examples)	[Priority Low, Medium, High]	Responsibility	Deadline	Completion indicator	[Cost]
IFC Performance Standard 3	<i>Develop and implement emissions control plan for the concrete batch plant (air and water),</i>	<i>Medium</i>	<i>Head of (Environmental, Health and Safety) EHS unit</i>	<i>Prior to plant operations. Maintain throughout operation of the plant.</i>	<i>Emissions control plan</i>	<i>[XXX]</i>
[STANDARD]	[ACTION 2]					
[STANDARD]	[ACTION 3]					
[STANDARD]	[ACTION 4]					

Impact Measurement

Impact measurement	Key monitorables	Responsibility	Baseline	Target	Achieved
GHG emissions avoided	<i>e.g. no of EVs charged</i>				
Climate Adaptation	<i>e.g. no of people using the service</i>				
Gender Outcomes	<i>e.g. no of female employed</i>				

Annexure H - Portfolio Company Investment Undertaking

(on the letterhead of the portfolio company)

Date

Prosperete entity

Address

Dear Sirs,

Re: Environmental, Social and Governance (“ESG”) compliance undertaking

We refer to the _____ agreement [*name of agreement*] between _____ [*name of the party*] and _____ [*name of the party*] dated _____ [*date*] wherein _____ [*name of the Prosperete entity*] has agreed to subscribe to _____ [*name of security*] in _____ [*name of the company*].

We acknowledge that a condition precedent to your obligation to complete and fund your subscription to shares is that we deliver to you a signed undertaking regarding compliance with the set of ESG standards annexed to this letter. Therefore, by this letter we undertake at all times until Prosperete ceases to be a shareholder of _____ [*name of the company*], _____ [*name of the company*] shall operate its business in accordance with a set of ESG guidelines and standards attached (**Annexure H-1**) which are in line with the ‘Responsible Investing’ guidelines of Prosperete (**Annexure H-2**).

We further agree that you may send a copy of this undertaking to your shareholders.

Yours sincerely,

_____ [*name of portfolio company*]

By: _____

Name: _____

Title: _____

Annexure H-1: ESG Standards

_____ [name of company] (including its subsidiaries, joint ventures and any company under the common control of _____ [name of company]) hereby undertakes to implement and comply with the following set of ESG standards in the conduct of its business.

A. General

1. Comply with applicable national, state, and local labour laws in the countries in which _____ [name of company] operates in;
2. Operate in compliance with relevant international sanctions, including those of the European Union and the United Nations (“International Sanctions”)⁵;
3. implement management systems, appropriate to the size and nature of the business, that ensure a systematic approach to ESG risk assessment, addressing relevant risks, monitoring and reporting on progress and, to the extent possible, involving stakeholders⁶
4. Achieve continuous improvement with respect to management of ESG related matters.
5. Agree not to commit capital to or invest capital in any of the following business activities:
 - production of or trade in any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans as defined in global conventions and agreements such as certain:
 - hazardous chemicals, pharmaceuticals, pesticides and wastes⁷,
 - ozone depleting substances⁸;
 - endangered or protected wildlife or wildlife products⁹; and
 - unsustainable fishing methods such as blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 kilometres in length;
 - production of or trade in arms, (i.e., weapons, munitions or nuclear products, primarily designed or primarily designated for military purposes);
 - production of, use of or trade in un-bonded asbestos fibres;
 - production of, or trade in, radioactive materials¹⁰; and
 - prostitution.
6. Agree not to commit capital to or invest capital in in any business, if any of the following activities represents a substantial portion of such business¹¹ :
 - gambling, gaming casinos or equivalent businesses;

⁵ Refer http://www.hm-treasury.gov.uk/fin_sanctions_index.htm for a full list

⁶ Refer IFC PS1 for guidance

⁷ As specified in the 2004 Stockholm Convention on Persistent Organic Pollutants (“POPs”), refer www.pops.int; the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, refer www.pic.int; the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see www.basel.int and WHO Recommended Classification of Pesticides by Hazard Class Ia (extremely hazardous); or Ib (highly hazardous) http://www.who.int/ipcs/publications/pesticides_hazard/en/; as may be amended from time to time.

⁸ As specified in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer, refer www.ozone.unep.org, as may be amended from time to time

⁹ As specified in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna (“CITES”), refer www.cites.org, as may be amended from time to time

¹⁰ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment in which the radioactive source could reasonably be considered to be trivial or adequately shielded.

¹¹ For companies, “substantial” means more than 10 % of their consolidated balance sheets or earnings. For financial institutions, “substantial” means more than 10% of their underlying portfolio volumes.

- pornography; and
 - tobacco or tobacco related products¹².
7. inform Prosperete about incidents that result in loss of life, material effect on the environment, or material breach of law, and any corrective actions taken.

B. Environment matters

1. Minimise adverse impact and consider the potential for positive environmental impacts from business activities.
2. Achieve efficient use of natural resources, protection of the environment wherever possible and support the reduction of greenhouse gas emissions that contribute to climate change.
3. Identify potential risks and appropriate mitigating measures through an environmental impact assessment where business operations could involve loss of bio-diversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impacts.

C. Social matters

1. Ensure compliance with all applicable national, state and local labour laws including IFC Performance Standards.
2. Prohibit the employment or make use of forced labour of any kind.
3. Prohibit the employment or make use of child labour.
4. Pay wages which meet or exceed industry or legal national minima.
5. Provide safe and healthy working conditions for employees and contractors of the company, working hours that are not excessive and clearly documented terms of employment¹³, and in situations where workers are employed in remote locations for extended periods of time to ensure that such workers have access to adequate housing and basic services.
6. Ensure that all benefits that employees are eligible to are clearly communicated to them.
7. Treat employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status.
8. Implement compensation and other policies that align the interests of owners and management.
9. Assess the health and safety risks arising from the business activities including potential adverse effects and mitigating measures through a social impact assessment in cases involving resettlement, critical cultural heritage, indigenous peoples, and non-local labour.
10. Implement a procedure for the reporting of wrongdoing and misconduct in the workplace that includes protection for the reporter and appropriate disciplinary action for anyone found to harass the reporter.

¹² Except, in the case of tobacco production only, with an appropriate timeframe for phase out.

¹³ Respecting any collective bargaining agreements that are in place or where these do not exist or do not address working conditions, make reference to conditions established, by collective agreement or otherwise, for work in the trade or industry concerned in the area / region where the work is carried out and local or national law. Refer IFC Performance Standard 2 for guidance.

11. Provide an appropriate grievance mechanism that is available to all workers and ,where appropriate, other stakeholders, including grievances concerning SEAH behaviors¹⁴.

_____ [name of the company] shall also ensure that items 1 to 5 (of Social matters) above also implemented by contractors of _____ [name of the company] and appropriate certifications shall be obtained in respect hereof.

D. Governance matters

1. Uphold high standards of integrity and honesty;
2. Exhibit fairness, diligence and respect in all business dealings.
3. Implement strong employee code of conduct, ethics policies, anti-corruption and anti-bribery policies to prevent bribery (covering US Foreign Corrupt Practices Act, 1977; UK Bribery Act, 2010; The Prevention of Corruption Act, 1988; similar laws in other countries, and the OECD Anti-Bribery Convention), prohibit contributions to political parties or political candidates, and prohibit employees from making or receiving gifts of substance in the course of business.
4. Implement a mechanism to determine that none of the portfolio companies deal with anyone listed on the US Treasury Department Office of Foreign Assets Controls Specially Designated Nationals and Blocked Persons and Foreign Sanctions Evaders List.
5. Promote transparency and accountability grounded in sound business ethics.
6. Use information received from its partners only in the best interests of the business relationship and not for personal financial gain by any employee.
7. Clearly define responsibilities, procedures and controls with appropriate checks and balances in company management structures.
8. Properly record, report and review financial and tax information.
9. Deal with regulators in an open and co-operative manner
10. Use effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.

E. Additional guidelines for specific activities

If the activities of the company involve or could be reasonably expected to involve:

- significant air emissions (including of Greenhouse Gases – GHGs), use of water or generation of liquid effluents, generation of hazardous or other solid wastes; or resource use inefficiencies;
- transactions that generate adverse community health and safety impacts;
- the acquisition and/or use of land that result in economic or physical displacement;
- significant negative impacts on biodiversity, habitats or ecosystem services¹⁵;
- impacts to indigenous peoples (or other marginalised and vulnerable groups);
- impacts cultural heritage; or
- other significant negative environmental or social impacts;

¹⁴ Refer IFC Performance Standard 2 and the “Effectiveness Criteria for Non-Judicial Grievance Mechanisms” within the UN Guiding Principles on Human Rights http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf for guidance

¹⁵ As defined in IFC PS 6, paragraph 2. These include but are not restricted to (a) provisioning services such as food or timber; (b) regulating services such as water flow regulation; (c) cultural services such as sacred sites; and (d) supporting services such as soil formation.

then such company shall ensure that it (i) manages its operations in accordance with the relevant IFC Performance Standards, (ii) implements an appropriate stakeholder engagement plan¹⁶, and (iii) develops an environmental and social impact assessment and/or issue specific action plan (e.g. a resettlement action plan)¹⁷ to close any gaps between its operations and the IFC Performance Standards and World Bank EHS guidelines.

If the activities of a company could reasonably be expected to involve:

- significant risks to the health and safety of workers or to other stakeholders, including affected communities, assess and mitigate those risks, for example through a Health and Safety audit and action plan, in line with the relevant IFC's Performance Standards and World Bank EHS Guidelines;
- microfinance, then endorse and apply the SMART Campaign Client Protection Principles¹⁸;
- coal-fired power, ensure the use of coal is justified by the investment's development impact¹⁹; and
- significant emissions of greenhouse gases, ensure that adequate measures to reduce emissions to the extent possible and mitigate adverse climate impacts are implemented and that the company reports on its emissions.

¹⁶ Refer IFC Performance Standard 1 for guidance.

¹⁷ The audit should be carried out in line with the appropriate IFC PS, any relevant World Bank Group EHS Guidelines (<http://www.ifc.org/ifcext/sustainability.nsf/Content/EHSGuidelines>) and the requirements in this section.

¹⁸ <http://www.smartcampaign.org/about-the-campaign/smart-microfinance-and-the-client-protection-principles>

¹⁹ Refer CDC's Policy on Coal Power.

Annexure H-2: Prosperete 'Responsible Investing' Guidelines

1. Remain committed to compliance with IFC Performance Standards, ADB Safeguards applicable national, state, and local labour laws in the countries in which Prosperete operates and/or invests in.
2. Commit to continuous improvement with respect to management of environment, social and governance matters.
3. Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
4. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
5. Seek to grow and improve the companies in which Prosperete invests for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues.
6. Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
7. Support payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local laws; and apply relevant international best practice standards.
8. Maintain policies that prohibit bribery and other improper payments to public officials consistent with the US Foreign Corrupt Practices Act, 1977; UK Bribery Act, 2010; The Prevention of Corruption Act, 1988; similar laws in other countries, and the OECD Anti-Bribery Convention.
9. Respect the human rights of those affected by its investment activities and take steps to ensure that its investments do not flow to companies that utilize child or forced labour or maintain discriminatory policies.
10. Provide timely information to Prosperete' limited partners on the matters addressed herein, and work to foster transparency about the activities of Prosperete.
11. Encourage portfolio companies of Prosperete to advance these same principles in a way which is consistent with the fiduciary duties of Prosperete.

Annexure I: Annual Reporting On ESG Matters

The annual report shall contain the following two sections:

- Section 1 – ESG report on the fund; and
- Section 2 – ESG reporting on the portfolio companies.

Section 1: ESG Report on the Fund ESMS and Governance & Business Integrity (“G&BI”) Systems

Fund ESG policy / processes

Were any investments declined on E&S and Governance and Business Integrity (G&BI) grounds since the last report?	
Have there been any updates to the Fund’s E&S and G&BI policies or process since the last report?	<i>If yes, highlight principal changes highlighted</i>
Has Prosperete worked with any other DFI (e.g. IFC, DEG, FMO) with respect to developing Prosperete’ E&S and G&BI systems or processes in the past year?	<i>Details if any work was done in this regard</i>
Actions and next steps that Prosperete is planning to undertake with regards to the implementation of the ESG policy / approach in the next 12 months.	<i>Include a summary of the Action Plans developed (or updated) for all Prosperete portfolio companies</i>

Fund Capacity

Details of who is responsible for the implementation of E&S, G&BI policies within Prosperete.	• Individual with senior level oversight of E&S and G&BI: • Individual with operational level E&S and G&BI responsibility: • Role of deal officers with respect to E&S and G&BI.
Summary of specific training provided to Prosperete staff related to E&S and G&BI issues undertaken since the last report	
What training related to E&S and G&BI issues has been provided to or undertaken by portfolio companies since the last report?	

Due Diligence and Monitoring

Description of, in general terms how Prosperete monitors E&S and G&BI performance in portfolio companies and with what frequency?

Section 2: E&S, G&BI and Economic and Employment Data: Annual report for [Portfolio Company]

Section 2 shall be an ESG report on each portfolio company in the format below provided below:

- Name of the Portfolio Company:
- A brief description of the business:

Country	Industry Sector	Rating of E&S and G&BI risks		
		E&S	G&BI	
Reporting period for data	Influence (equity stake % and listed / unlisted)	Board Seat (Yes/ No)	Action Plan included in legal or other documents (Yes/No)	
Currency of financial data	Total assets (current year)	Sales revenue/turnover	Cost of goods sold (COGS)	EBITDA
Direct employee	Number of female	Number of youth employees	Total cost of	Taxes paid

numbers (full time equivalents)	employees (FTEs)	(under 25 years old) (FTEs)	employees (wages & other costs)	
Third party E&S consultant used for DD and/ or monitoring?	Name of the firm, if applicable			
E&S and G&BI issues and opportunities identified at the time of investment	Each action item defined along with target dates			
E&S and G&BI improvements achieved	Results should refer to progress in achieving relevant standards; for example, the World Bank EHS Guidelines limits			
Status / Further actions to be undertaken with timeframe				
Specific Improvements to company's E&S and G&BI management systems				
Have there been any serious E&S and G&BI incidents (environmental, fatality/ corruption) at the company				

since the last report?	
What channels are used to monitor and influence E&S and G&BI in this investment?	
Directors and Major (20%+) Shareholders names	
Stakeholder Engagement activities	
Grievance status	

Annexure J: Report On Esg Issue / Incident In A Portfolio Company

Nature of incidents required to be reported:

ESG incidents, OHS incidents, HR incidents, SEAH incidents, and other company specific forms of incidents. Additionally, companies may be expected to report on ESG, HR, OHS, and SEAH trainings and ESG capacity building.

Companies are expected to immediately report serious ESG incidents or breach of contract immediately. The Fund management team will immediately investigate the ESG incident or breach of contract. If necessary, the Fund may seek to conduct a site visit and assess the incident with interviews of management, employees, contractors, and affected communities.

Serious incidents include:

1. Fatalities, serious injuries, and accidents at work. This includes any fatalities, serious injuries and other occurrences affecting: (1) fund employees or contractors, (2) portfolio company employees or contractors, or (3) community workers employed by or voluntarily working for the project. Reporting includes death and injuries from workplace accidents, accidents related to workplace transport or equipment, murder, kidnapping, or workplace violence.
2. Fatalities, serious injuries, and accidents impacting local communities and others. Fatalities, serious injuries, or accidents where a fund staff, portfolio company staff, or project-related person is at fault or may be at fault are considered serious incidents.
3. Conflicts, disputes, and disturbances leading to loss of life, violence or the risk of violence. This would include inter-community or inter-ethnic violence caused or exacerbated by investment activities, and conflicts that have the potential for violence towards fund/portfolio company personnel and/or local communities.
4. Human rights violations. This would cover human rights violations or public accusations of human rights violations attributed to project workers, contractors of community workers or volunteers. It would cover deaths and injuries to suspects arrested in the conduct of law enforcement activities, torture or other forms of unlawful use of force, or unlawful damage to or confiscation of community or private property. It would include violations of human rights that have occurred as a direct consequence of a project activity and with involvement of project workers, and violations that have taken place using equipment provided by the project, including occurrences that have taken place outside the boundary of the project, where a project partner was implicated (including members of state security agents). It would also cover sexual and gender-based violence attributed to project workers, including rape, sexual exploitation, abuse, harassment and physical violence against women. It would also cover the use of, and public accusations of the use of harmful child labour by the project, contractors or community workers and volunteers.
5. Forced evictions. This would cover the forcible eviction of people from portfolio company owned or operated upon land.
6. Theft, fraud, corruption, or other major financial crimes. This would cover any fraud, theft, or other major financial crimes worth above \$100,000 and would cover both fund level and portfolio company staff.
7. Large, irreversible, and financially impactful property damage. This would cover any fund level or portfolio company level property damage either created by natural disaster, fault of the company management, or company employees.

8. Environmental impacts or public accusation of significant environmental impacts attributed to investing activities that have led to or could lead to serious contamination, destruction or degradation of natural habitats or areas of high biodiversity value.
9. Companies are also expected to log and share any legitimate grievances received through their grievance redress mechanism.

A report about the incident either at Prosperete or any of its portfolio companies shall be provided to the investors containing the following elements:

SHEET A: REPORT ON ESG SERIOUS INCIDENT FOR INVESTORS [NAME OF COMPANY]	
Date of report	
Date of investment	
Date and time of accident / Date of notification to fund	_____ [Date, Time] _____ / _____ [Date/ explanation of delay]
Type of accident	(e.g. Fatality, major oil spill, explosion)
Victims and damage	- Fatalities (including number deceased and differentiating between employee/ contractor fatalities and members of the public). - Number injured (mention hospitalisations/ loss of limb). - Loss/ damage to company facilities or operating environment. - Environmental damage (e.g. Water pollution).
Immediate response	
Description of issue	Covers the following items where available or relevant: - names of involved (if fatalities) - witnesses (including relevant staff, unions, police, other authorities and other parties) - routine/non-routine activity being undertaken - factual statement of what happened - scene inspection photos/notes - sequence of events pre-dating accident - immediate cause - unsafe acts in sequence - unsafe conditions in sequence - underlying causes of unsafe acts/conditions (initial view) - root cause(s) - corrective / preventive action for EACH significant cause - actioned, timed-bound plan (can be attached) - Interim preventive measures - Other interim actions required cross-check to other activities / locations for lessons learned - Any negative publicity (including media) resulting from the incident
Concluding statement	Outline of accident, key causes, corrective/ preventative actions, final position, and lessons learned
Follow-up by fund manager	Sheet B based on preliminary investigation

SHEET B: FOLLOW-UP CHECKLIST	
Areas where further clarity is desired based on current information:	
Further information awaited (utilising third party expertise where necessary):	
Critical review of accident and investigation status	
Credibility of causes and corrective /preventive actions identified	
Outcome based on above:	1. Accept report / findings Or 2. Conditionally accept report / require additional / different corrective actions Or 3. Reject report
Key follow up points	Schedule to check / verify implementation of corrective and preventive actions. Include dates.
Additional plans for verification / close-out of actions?	Is third party expertise required?
Lessons learned that could be shared with other portfolio companies?	