

# **GEEREF NEXT**

## **Environmental and Social Management System**

August 2016

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## Acronyms

DAC	Development Assistance Committee
DFI	Development Finance Institution
EE	Energy Efficiency
EIB	European Investment Bank
EIB Group	European Investment Bank and European Investment Fund
E&S	Environmental and Social
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ESS	Environmental and Social Principles and Standards
EUR	Euro
FoF	Fund-of-Funds
FPIC	Free Prior Informed Consent
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GEEREF NEXT	Successor investment vehicle to GEEREF
GCF	Green Climate Fund
GHG	Green House Gas
GW	Gigawatt
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contribution
LDC	Least Developed Country
MW	Megawatt
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
RE	Renewable Energy
SME	Small and Medium Sized Enterprise
TW	Terawatt
USD	United States Dollar

## Executive Summary

**Project Objective.** GEEREF NeXt will contribute to the expansion of renewable energy (RE), primarily on-grid, and energy efficiency (EE) projects, markets and services contributing to the development of the RE/EE landscape in developing countries and economies in transition, defined as OECD Development Assistance Committee eligible countries (OECD DAC List), with the objective to reduce greenhouse gas emissions, improve energy access and to catalyse private sector funding for climate investment. GEEREF NeXt will be structured as a fund-of-funds (FoF) that will finance development, construction and operation of renewable energy assets and installation of energy efficiency measures ('Projects', or Investee Projects') mainly indirectly via specialized funds (which in turn would invest equity or quasi-equity into the Investee Projects) or via equity commitments and/or mezzanine financing directly from GEEREF NeXt (co-investments or direct investments).

Through its activities, GEEREF NeXt will contribute directly to the Green Climate Fund's (GCF) mitigation outcomes for reduced emissions (M1.0 and M3.0) and more low-emission power suppliers (M.6.0).

**Purpose of ESMS.** This document comprises the Environmental and Social Management System (ESMS) designed by GEEREF NeXt. The objective of the ESMS is to avoid and minimize negative environmental and social (E&S) impacts and to enhance positive aspects of the Investee Projects implemented by the Fund Managers supported by GEEREF NeXt as well as by GEEREF NeXt directly. The ESMS provides the framework and guidelines that ensure that GEEREF NeXt and Fund Managers GEEREF NeXt invests into are committed and able to comply with applicable standards and national laws in their screening, approval and investment into as well as monitoring of Investee Projects.

GEEREF NeXt institutionalises these guidelines and processes in each Fund Manager and enforces them through regular implementation, underpinned by the contractual provisions agreed with the fund managers. GEEREF NeXt's guidelines, procedures and mitigation requirements are in line with those of the EIB and the GCF. They will be supported and implemented by all Fund Managers on all their Investee Projects. This is ensured through a signature of a principal investment agreement between GEEREF NeXt and all underlying Fund Managers. This agreement includes fully binding components that govern the relationship between GEEREF NeXt and the Fund Manager. As a result of the contractual obligations agreed with Fund Managers:

- i. Any proposed deviation by the Fund Managers from these guidelines must be brought to the investors, including GEEREF NeXt, for their explicit approval; and
- ii. A non-authorized deviation from the guidelines by the Fund Manager would constitute a breach and a material fault, which, as a consequence would result in the removal of the Fund Manager.<sup>1</sup>

GEEREF NeXt's environmental and social practices are based upon the successful eight year operating history of its predecessor fund, GEEREF.

**Potential Social and Environmental Impacts.** GEEREF NeXt will support the development, construction and operation of early-stage small and medium-sized renewable energy projects and installation of energy efficiency measures. Some of these projects have potential for adverse impacts. Mitigating these is fundamental to the operations at Fund Manager and GEEREF NeXt level. Each of the Investee Projects will be categorized prior to the Fund Managers' investment based on potential risks associated with it as outlined in this document.

All projects, irrespective of their categorisation will be screened for their potential environmental and social impacts. While at the time of the ESMS formulation none of the Fund Managers and, in turn, Investee Projects have been identified, based on experience of GEEREF, it is expected that majority

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<sup>1</sup> Subject to majority vote of the Fund Investors.

of the Projects might cause some level of environmental and social impacts that would fall under Category B<sup>2</sup> for which Fund Managers and, in case of direct investment, GEEREF NeXt will carry out an Environmental and Social Impact Assessment (ESIA). It is also expected that some of the Projects will not have environmental impacts and will fall under Category C. For category A projects, the Fund Managers and, in case of direct investment, GEEREF NeXt, will conduct a full ESIA and disclosure according to EIB policies and procedures as detailed in this document. It is expected that none of the Projects will be located in protected and/or critical habitats or culturally or socially sensitive areas. Projects with potential significant negative impact on areas with high biodiversity value, nature conservation areas, bird or fish migration routes should be excluded. Other projects and/or activities that may be excluded are provided in Appendix II (Excluded activities list) of the ESMS.

Regional Funds backed by GEEREF NeXt are expected to support only the projects for which they have the appropriate mitigation measures and remediation plans and adequate management systems to implement these plans, including for category A projects.

The potential adverse impacts might be summarized as follows: 1) *renewable energy projects development*: resettlement, degradation of water resources, loss of habitat, etc.; and 2) *energy efficiency measures*: health and safety risks from waste disposal, health and safety risks from equipment installation, etc. All these impacts are expected to be relatively easily mitigated through good project design and implementation practices.

GEEREF NeXt's Investee Projects will generate a vast number of both direct and indirect positive impacts. Direct positive impacts will be created by new energy generating capacity added to the grid, electricity generated and associated GHG savings. GEEREF NeXt anticipates catalysing over 25 gigawatts of new clean electricity generating capacity over its period of implementation. This would reduce 100 million tonnes of carbon emissions each year and increase electricity access for the equivalent of 93 million households. Energy efficiency projects will contribute to the reduction of GHG emissions by saving energy.

Indirect positive impacts associated with Projects will relate to improved socio-economic conditions in local economies by creating jobs, increasing tax base, contracting local SMEs and other as well as wider national economy by increasing energy security.

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<sup>2</sup> The Green Climate Fund has adopted the Performance Standards of the IFC, including its project categorization.

# 1 Introduction

This document comprises the Environmental and Social Management System designed by GEEREF NeXt and provides the framework and guidelines for operation at both GEEREF NeXt level and underlying Fund Manager level in order to manage social and environmental impacts and risks of its Investee Projects. GEEREF NeXt inculcates guidelines and processes in each Fund Manager and enforces them through regular practice, underpinned by the contractual provisions included in the investment agreement signed with GEEREF NeXt and other investors in the fund.

## 1.1 Background and Project Objectives

GEEREF NeXt will be structured as a FoF that will finance development, construction and operation of renewable energy assets and installation of energy efficiency measures ('Projects', or Investee Projects) via specialized funds (which in turn would invest equity or quasi-equity into the Investee Projects) or via equity commitments and/or mezzanine financing directly from GEEREF NeXt (including co-investments alongside Fund Managers). The **objective** of the activity is to reduce greenhouse gas emissions, improve energy access and to catalyse private sector funding for climate investment.

GEEREF NeXt's investment objectives will contribute to at least three of the GCF's outcomes:

Table 1. GEEREF NeXt objectives and GCF mitigation outcomes

GEEREF NeXt investment objectives	GCF mitigation outcomes
Development, construction and operation of renewable energy assets	M1.0 Reduced emissions through increased low-emission energy access and power generation M6.0 More small, medium and large low-emission power suppliers
Installation of energy efficiency measures	M3.0 Reduced emissions from buildings, cities, industries and appliances

While GEEREF NeXt is primarily focused on its mitigation impact, the EIB as a whole is committed to best practice in adaptation, which includes risk screening to enhance climate resilience of its projects. These considerations and measures are fully integrated into GEEREF NeXt's environmental and social risk management approach from the earliest stages of implementation. Many of the most effective adaptation measures need to be taken at the planning and design stages and are not necessarily very costly.

## 1.2 Objectives of the ESMS

GEEREF NeXt's ESMS has been devised in accordance with the Performance Standards of the Green Climate Fund<sup>3</sup> and the Environmental and Social Standards (ESS)<sup>4</sup> published by the EIB, as a GCF-accredited entity. Throughout the ESMS whenever one refers to the application of the EIB (Environmental and Social Standards), if the EIB principles in question are less stringent than the corresponding IFC principles, then the latter apply and vice versa.<sup>5</sup> The main purpose of this ESMS is to avoid and prevent any potential adverse environmental and social impacts of the Investee Projects and to enhance positive aspects.

At the time of GEEREF NeXt development, none of the future portfolio Fund Managers (and in turn Investee Projects) have been identified. No specific information on their geographical focus and type of projects they will focus on (size and technology), as well as their requirements in terms of land and local communities and terrestrial geophysical features, is available. The ESMS therefore will:

<sup>3</sup> The GCF has adopted the Performance Standards of the International Finance Corporation and can be accessed here: <http://www.gcfreadinessprogramme.org/sites/default/files/Environmental%20and%20Social%20Safeguards%20at%20the%20Green%20Climate%20Fund.pdf>.

<sup>4</sup> EIB ESS can be accessed here: <http://www.eib.org/infocentre/publications/all/environmental-and-social-principles-and-standards.htm>.

<sup>5</sup> Comparative Review of EIB ESS and EIF's Performance Standards is available upon request.



- Provide a reference tool for selection of Fund Managers to ensure that only Fund Managers that are committed and able to comply with applicable environmental and social standards defined by GCF and EIB ESS, the EIB exclusion list (see Annex II) and applicable national laws receive GEEREF NeXt funding.
- Provide a reference tool for implementation of Investee Projects according to environmental and social standards defined by GCF and EIB ESS and in compliance with the applicable national standards.

**Table 2. Dual layer risk management**

<b>GEEREF NeXt</b>	<p>In the selection of Fund Managers:</p> <p>GEEREF NeXt verifies that Fund Managers it invests into are committed and able to comply with the guidelines and standards set forth in this ESMS as part of due diligence, investment approval and investment monitoring.</p> <p>In its direct investments, GEEREF NeXt will screen each Investee Project to determine the risks and impacts associated with the project, determine the level of assessment required and ensure that any assessment carried out by the project including mitigation and remediation measures through the application of the mitigation hierarchy and the precautionary principle are in line with GEEREF NeXt E&amp;S standards. GEEREF NeXt will verify the depth of the due diligence and impact assessment necessary to eliminate or minimize to an acceptable level any adverse environmental and social impact.</p>
<b>Fund Managers and Investee Projects</b>	<p>In the selection of Investee Projects:</p> <p>Each Investee project will be screened by Fund Managers to determine the risks and impacts associated with the project, determine the level of assessment required and ensure that any assessment carried out by the project including mitigation and remediation measures through the application of the mitigation hierarchy and the precautionary principle are in line their own ESMS and fully in accordance with GEEREF NeXt's ESMS (and aligned with the GCF and EIB ESS). The Funds are only expected to support the projects for which they have the appropriate mitigation measures and remediation plans and adequate management systems to implement these plans.</p>

The Fund Managers and, in case of direct investment, GEERF NeXt, will perform environmental and social due diligence on all Investee Projects to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified through an environmental and social impact screening and, when relevant, an assessment, including satisfactory and meaningful public consultation and participation. As part of the environmental and social due diligence Fund Managers and, in case of direct investment, GEERF NeXt, will categorize the projects based on the type of the project and associated risk as outlined below.

- **Category A:** with potential significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented;
- **Category B:** with potential limited adverse social or environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures; or
- **Category C:** with minimal or no impacts.

The initial categorization reflects the extent, significance and the complexity of potential impacts and risks of the project, its ancillary/associated facilities/infrastructure and its areas of influence, thereby determining the appropriate environmental and social assessment and due diligence requirements for the selected operation.

## 2 Environmental and Social Standards

### 2.1 EIB Standards

GEEREF NeXt fully incorporates the EIB ESS into all of its operating and investing activities and institutionalizes these through legally binding mechanism to operations and investing activities of its Fund Managers so as to ensure that they are fully observed on Investee Project-level.. The EIB ESS and procedures fundamentally govern this ESMS. EIB's ESS are aligned with the IFC/GCF standards.<sup>6</sup>

Table 3. EIB Environmental and Social Standards<sup>7</sup>

EIB ENVIRONMENTAL AND SOCIAL STANDARDS	
1.	Assessment and management of environmental and social impacts and risks
2.	Pollution prevention and abatement
3.	EIB standards on biodiversity and ecosystems
4.	EIB climate-related standards
5.	Cultural heritage
6.	Involuntary resettlement
7.	Rights and interests of vulnerable groups
8.	Labour standards
9.	Occupational and public health, safety and security
10.	Stakeholder engagement

All of the ESS are taken into account in the environmental and social standards of GCF/IFC. However, given that the EIB is primarily an EU institution, there are slight differences in the application of some principles. In the rest of this document, whenever one refers to the application of the EIB (ESS), should the EIB principles in question be less stringent than the corresponding GCF/IFC principles, then the latter apply and vice versa. Comparative review of the EIB ESS and GCF/IFC Performance Standards is available upon request.

According to EIB's ESS, all operations shall comply with national legislation and regulations as well as any obligations and standards in the relevant international conventions and multilateral agreements to which the host country is party to as well with the provisions of the following four treaties and conventions: UN ECE Aarhus Convention (related to access to information, public participation and access to justice in environmental matters), UN CBD (Convention on Biological Diversity), UNFCCC and Community approach on the prevention of natural and man-made disasters.

For EIB, projects outside of the EU must be subject to an Environmental and Social Impact Assessment (ESIA) procedure if they are likely to have significant and material impacts and risks on the environment, human health and well-being and interfere with human rights. The ESIA must be consistent with the principles contained in the EU EIA Directive and best international practice. The entity in charge of executing the project(s) (i.e. Fund Managers and, in case of direct investment, GEEREF NeXt) shall be responsible for putting in place its own systems that will allow for a comprehensive and rigorous environmental and social assessment of impacts and risks, using an integrated approach in order to achieve a high level of protection of the environment taken as a whole.

### 2.2 Assessment of applicable GCF and EIB Standards

The GCF and EIB ESS are the standards to consider during the environmental and social assessment of Investee Projects. The applicability of the GCF/IFC Performance Standards is summarized below.

Table 4: Assessment of the Applicability of the GCF Performance Standards

<sup>6</sup> EIB has gone through in-depth assessment of its Environmental and Social Policies by the GCF Secretariat during its accreditation process. Full accreditation with no conditions has been awarded.

<sup>7</sup> The EIB ESS defined in the Handbook are largely in line with the IFC/GCF Performance Standards. In some aspects, as for example with emission standards, EIB/EU standards are more stringent than IFC's. A full comparison analysis between EIB and IFC standards was submitted to GCF as part of EIB's accreditation application and is available on request.

<b>GCF / IFC Performance Standards</b>	<b>Contents</b>	<b>Applicability to GEEREF NeXt</b>
<b>Performance Standard 1</b> <i>Assessment and management of environmental and social risks and impacts</i>	<p>This criterion aims to identify and evaluate social and environmental impacts of the Project and to prevent, minimize, and manage negative impacts on the population, communities, and the environment. It emphasizes the need for projects to consult affected communities appropriately</p> <p>For GCF, projects are classified as category A, B, or C depending on their type, location, vulnerability, and scale of the project, and the scope and scale of potential impacts.</p>	<p>Yes. Potential environmental and social impacts could be caused by renewable energy projects.</p> <p>This document defines the processes needed for environmental assessments of these activities, the responsibilities of different actors, grievance mechanisms, stakeholder consultations, and dissemination of pertinent information to help affected communities understand the risks, impacts, and opportunities of the Project.</p> <p>Regional Funds backed by GEEREF NeXt are expected to support only the projects for which they have the appropriate mitigation measures and remediation plans and adequate management systems to implement these plans, including for category A projects.</p>
<b>Performance Standard 2</b> <i>Labour and working Conditions</i>	<p>This criterion aims to establish, maintain, and improve the working relationships between workers and management. It promotes equal employment opportunity, equitable treatment of workers and guards against child and/or forced labour. Work conditions must be safe and healthy and promote the wellbeing of employees. The environmental and social assessment must take into account worker protection and promote measures to protect the health and safety of workers and local communities.</p>	<p>Yes. The requirements of these performance criteria are met through adherence to EIB ESS, which include full compliance with International Labour Organization ("ILO") Fundamental Conventions and with the United Nations Universal Declaration of Human Rights.</p> <p>These provisions are applicable to all GEEREF NeXt sub-funds and to any of their contractors.</p>
<b>Performance Standard 3</b> <i>Resource efficiency, pollution prevention and reduction</i>	<p>This criterion aims to reduce negative impacts on human health and the environment by minimizing pollution generated by project activities and by reducing emissions from project activities that contribute to climate change.</p>	<p>Yes. The objectives of this criterion are specifically met by the primary activities of GEEREF NeXt through the application, where relevant, of Best Available Techniques. EIB ESS2 includes also the requirement for emergency, preparedness and response programme in the case of accidents. GHG emissions are dealt with in EIB ESS4 – its Climate Standard</p>
<b>Performance Standard 4</b> <i>Community health, safety and security</i>	<p>The objectives of this criterion are to:</p> <ol style="list-style-type: none"> <li>1. Avoid or minimize risks and adverse impacts on the health and safety of the local communities during the project lifetime from both routine and non-routine circumstances.</li> <li>2. Ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to the local community.</li> </ol>	<p>Yes. The project management and the environmental assessment process (to be put in place for sub-funds) also include monitoring and evaluation steps as well as a final evaluation of sub-projects. These steps will allow for impacts on the health and safety and security of local communities to be identified so that measures can be taken if necessary. These measures apply to sub-contractors as well and are part of EIB ESS9.</p>

<b>Performance Standard 5</b> <i>Land acquisition and involuntary resettlement</i>	<p>This criterion aims to avoid or minimize displacement of people. When displacement cannot be avoided, it provides a framework for providing assistance to improve or at least restore income sources and/or other means of livelihood.</p>	<p>Yes. Each of GEEREF NeXt's sub-funds will employ rigorous and extensive stakeholder and community engagement practices. GEEREF NeXt has procedures in place to avoid or at least minimise any project-induced involuntary resettlement. GEEREF NeXt's Regional Funds have well developed policies and procedures for land acquisition and compensation (such as resettlement - physical and economic displacement, impact on assets and livelihoods and compensation) when involuntary displacement is unavoidable.</p>
<b>Performance Standard 6</b> <i>Biodiversity conservation and sustainable management of living natural resources</i>	<p>The objectives of this performance criterion are to:</p> <ol style="list-style-type: none"> <li>1. Protect and conserve biodiversity</li> <li>2. Promote the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and development priorities</li> </ol>	<p>Yes. The environmental assessment process of sub-projects will take this issue into account, considering the sensitivity of each of the sub-project locations. EIB has a policy of No net loss and applies the mitigation hierarchy where offsets are a last resort. Measures will be put in place to enhance and protect key biodiversity areas. EIB ESS3 requires a criticality assessment already for species classified as vulnerable under the IUCN categorisation.</p>
<b>Performance Standard 7</b> <i>Indigenous Peoples</i>	<p>This criterion aims to:</p> <ol style="list-style-type: none"> <li>3. Ensure that development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples;</li> <li>4. 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;</li> <li>5. Promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.</li> </ol>	<p>Yes. Indigenous peoples can be affected by some renewable energy projects. Any potential such impacts will be identified in environmental and social impact assessments so that risks will be fully identified and appropriate measures and development plans implemented. Under EIB ESS7. Free prior and informed consent is applied in all instances when IPs are involved.</p>
<b>Performance Standard 8</b> <i>Cultural heritage</i>	<p>This criterion aims at protecting irreplaceable cultural heritage.</p> <p>The IFC defines cultural heritage as tangible objects and sites having archaeological (prehistorical), paleontological, historical, cultural, artistic and religious values, and unique natural features that embody cultural values such as sacred trees.</p> <p>This definition also includes intangible forms of culture such as knowledge, innovations, and cultural practices of communities embodying traditional lifestyles.</p>	<p>Yes. Cultural heritage (physical and intangible) can be affected by some renewable energy projects. Any potential such impacts will be identified in environmental and social impact assessments so that risks will be fully identified and appropriate measures implemented.</p>

<b>Gender integration Policy</b>	<p>The Gender Policy of the GCF aims to:</p> <ul style="list-style-type: none"> <li>□ Ensure that through the adoption of a gender-sensitive approach, the GCF will have climate-change related results that are more efficient, sustainable, and equitable as well as more efficient impacts</li> <li>□ Ensure better resilience and capacity for both women and men to address climate change and that women (and men) will contribute to and benefit from the activities supported by GCF</li> <li>□ Address and mitigate the potential risks of the project that affect women or men through adaptation and mitigation activities supported by GCF</li> <li>□ Contribute to reduce the variation of impacts of climate change on women and men that heighten social, economic, and environmental fragilities</li> </ul>	<p>Yes. As part of the EIB Group, GEEREF NeXt will adopt EIB's Gender Strategy. EIB's Gender Strategy is currently under development and scheduled to be finalized by the end of the year 2016.</p> <p>The Gender Strategy will be guided by and congruent with international agreements and will largely reflect the principles set out in the European Commission's Strategic Engagement for Gender Equality 2016-2019 and in sustainable development goals as well as in the Lima work programme on gender.</p>
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### 2.3 Conformity of the Project with National Policies and Strategies

GEEREF NeXt is aligned with and contributes to, the overarching international and national policies set out below. The planning, evaluation, and implementation of GEEREF NeXt's sub-funds will take into account these policies.

Table 5: Selected applicable international and national policies

Policy	Contents	Applicability to GEEREF NeXt
<b>Intended Nationally Determined Contributions (INDCs)</b>	Over 160 countries across the globe committed to create a new international climate agreement by the conclusion of the U.N. Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP21) in Paris in December 2015. In preparation, these countries have published what post-2020 climate actions they intend to take under a new international agreement, known as their Intended Nationally Determined Contributions (INDCs).	<p>All of the countries that GEEREF funds invest in have committed to Intended Nationally Determined Contribution (INDC) targets.</p> <p>These countries look to attract international institutional capital into their markets to invest in clean energy projects that meet these targets. Indeed, for the majority of these countries it will be impossible to meet their INDC targets without significant foreign direct investment flows.</p> <p>GEEREF NeXt is in the process of securing Non-Objection Letters from representative National Designated Authorities as part of this application and will continue to seek letters from relevant countries as new fund commitments are made.</p>
<b>Sustainable Development Goals (SDG)</b>	<p>Among the 17 SDGs, 5 are particularly relevant to GEEREF NeXt:</p> <ul style="list-style-type: none"> <li>□ Goal 1: End poverty in all its forms everywhere</li> <li>□ Goal 5: Achieve gender equality and empower all women and girls</li> <li>□ Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</li> <li>□ Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation</li> <li>□ Goal 13: Take urgent action to combat climate change and its impacts</li> </ul>	<p>Several components will contribute to achieve the 5 SDGs relevant to the Project:</p> <ul style="list-style-type: none"> <li>□ SDG 1: The delivery of affordable, clean electricity is a key enabler of poverty reduction.</li> <li>□ SDG 5: GEEREF NeXt's Gender Strategy will adopt EIB's Gender Strategy (published end 2016) and build on this by identifying specific additional initiatives relating to the energy/climate/gender nexus.</li> <li>□ SDG 7: GEEREF NeXt is specifically targeting this outcome.</li> <li>□ SDG 9: GEEREF NeXt is specifically targeting this outcome.</li> <li>□ SDG 13: GEEREF NeXt is specifically targeting this outcome.</li> </ul>
<b>Strategic Engagement for Gender Equality 2016-2019</b>	<p>The European Commission has published Strategic Engagement for Gender Equality 2016-2019, which reaffirms its 2010-2015 strategy for gender equality and five priorities:</p> <ol style="list-style-type: none"> <li>1) Equal economic independence for women and men;</li> <li>2) Equal pay for work of equal value;</li> <li>3) Equality in decision-making;</li> <li>4) Dignity, integrity and ending gender-based violence; and</li> <li>5) Promoting gender equality beyond the EU.</li> </ol>	<p>As above, GEEREF NeXt's Gender Strategy will adopt EIB's Gender Strategy (published end 2016) and build on this by identifying specific additional initiatives relating to the energy/climate/gender nexus (<i>please refer to Section 6. Gender Strategy</i>).</p>

## 3 Project Overview

### 3.1 Introduction to GEEREF NeXt Mission Statement

GEEREF NeXt will contribute to the expansion of RE and EE projects, markets and services in developing countries and economies in transition (defined as OECD Development Assistance-eligible countries) with the objective of increasing access to low carbon, secure and affordable energy and helping improve the economic and social circumstances of underserved or disadvantaged populations, encouraging sustainable economic development, while promoting protection of environment. All activities of GEEREF will be based on procedures that focus on established sustainability values in accordance with the Triple Bottom Line Principles (People, Planet, Profit). These values intrinsically demand that an investment has a positive impact on the environment and contributes to sustainable development.

GEEREF NeXt will be a FoF pursuing the above mission through investment into Fund Managers (approximately 21) that in turn invest in Investee Projects or direct investment (approximately 5), including co-investment alongside Fund Managers into Investee Projects in accordance with Eligibility Criteria. Investee Projects will utilise a range of proven renewable energy and energy efficiency technologies for applications in on-grid and off-grid environments. Provisional Eligibility Criteria for GEEREF NeXt are set out in Appendix I and these will be finalised in discussion with GCF and recorded in the appropriate legal documents.

### 3.2 Key Targets, Characteristics and Measurement of Progress

GEEREF NeXt has four Key Targets or Impact Pillars and will invest in a portfolio of Funds to deliver on these:

#### i. Energy

- The main indicators include capacity installed (MW), improvement of energy efficiency (e.g. MWh saved) and the generation of renewable energy (e.g. MWh generated).
- GEEREF NeXt targets to:
  - add over 25 GW of new clean energy capacity
  - generate 144,000 GWh of clean electricity

#### ii. Sustainable Development

- The main indicators include number of beneficiary households, beneficiary SMEs, jobs created, training provided and local taxes paid.
- GEEREF NeXt aims to provide clean power to the equivalent of 93 million households annually.

#### iii. Environment

- The main indicators include reduction of greenhouse gas emissions (e.g. in tons of CO<sub>2</sub> equivalent), other environmental benefits (e.g. waste management, recycling, pollution abatement and reforestation)
- GEEREF aims to:
  - reduce 100 million tonnes of emissions annually once all Investee Projects are developed.

#### iv. Financial Leverage

- The main indicators include the amount of capital mobilized at GEEREF NeXt level, Fund level and amount of funds mobilized at the Investee Project level.
- GEEREF NeXt aims to:
  - mobilize two dollars of investment for every one dollar invested by public investors into GEEREF NeXt.
  - mobilize seven dollars of investment for every one dollar invested by GEEREF NeXt into the Funds
  - mobilize seven dollars of investment at Investee Project level (debt and equity) for every one dollar invested by the Fund



GEEREF NeXt will gather data on the progress towards the Key Targets set above from its Fund Managers on annual basis. The methodology used to estimate the progress is publically available on GEEREF's website.<sup>8</sup>

Beyond its own four Impact Pillars, GEEREF NeXt aims to achieve the below targets in each of the key GCF indicator segments.

**Table 6. GCF Indicators and GEEREF NeXt Impact Target**

IMPACT TARGET	Comment
<b>Impact Potential (Mitigation)</b>	<ul style="list-style-type: none"> <li>• Reduce 100 m tonnes of CO2 equivalent.</li> <li>• Add of over 25 GW of new clean electricity capacity.</li> <li>• Provide electricity to up to 93 m households annually.</li> <li>• Install energy efficiency measures decreasing energy intensity of buildings, cities, industries and appliances.</li> </ul>
<b>Paradigm Shift Potential</b>	<ul style="list-style-type: none"> <li>• Define new asset class for international investors – development, construction and commissioning of renewable energy infrastructure in developing countries.</li> <li>• Demonstrate that these projects are bankable, creating track records and educating the market.</li> <li>• Alter risk perception of private sector investors for RE and EE investments.</li> <li>• Scale up fourfold from existing model (EUR 220 m).</li> <li>• Mobilize up to USD 50 bn in project financing for RE and EE (both equity and debt) from local and international financial institutions.</li> <li>• Potential to replicate the investment model in other sectors.</li> </ul>
<b>Sustainable Development Potential</b>	<p><b>Social:</b></p> <ul style="list-style-type: none"> <li>• Improve national enabling environments for private investment in RE and EE sector.</li> <li>• Enhance participation of both men and women in decision-making.</li> </ul> <p><b>Economic:</b></p> <ul style="list-style-type: none"> <li>• Create permanent and temporary jobs during construction and operation period of the Investee projects by women and men alike, particularly encouraging entry of women into labour force.</li> <li>• Expand involvement of local businesses by contracting local SMEs during sub-project construction and operation period, in particular encouraging female-owned businesses, where feasible.</li> <li>• Contribute to local public budget through tax payments.</li> <li>• Increase in energy security of the country/region of asset operation.</li> </ul> <p><b>Gender:</b></p> <ul style="list-style-type: none"> <li>• Encourage active female participation in the decision-making process.</li> </ul>
<b>Needs of the Recipient</b>	<ul style="list-style-type: none"> <li>• Target LDCs within the DAC list of countries, which are disproportionately affected by climate risks.</li> <li>• Provide resources for long-term financing of RE and EE where they currently do not exist or are insufficient.</li> <li>• Alter risk perception of investments in RE and EE and crowd in private investments to address the financing gap.</li> <li>• Contribute to economic development of target countries through increased employment, tax base and gender inclusion.</li> </ul>
<b>Country Ownership</b>	<ul style="list-style-type: none"> <li>• Contribute to the recipient countries' meeting their INDC targets.</li> <li>• Help countries close up the energy demand – supply gap with clean energy.</li> </ul>
<b>Efficiency and Effectiveness</b>	<ul style="list-style-type: none"> <li>• Each USD 1 contributed by GCF to GEEREF NeXt to unlock up to USD 2 of private finance.</li> <li>• Each USD 1 invested by GEEREF NeXt into a fund to unlock USD 7 from a combination of public and private sources.</li> <li>• Each USD 1 invested by a fund into a project to mobilize USD 7 in project</li> </ul>

<sup>8</sup> GEEREF Impact Methodology can be accessed here:

<http://geeref.com/assets/documents/GEEREF%20Impact%20Methodology%20June%202016.pdf>



	<p>finance from a combination of public and private sources.</p> <ul style="list-style-type: none"> <li>Given the above, in total, each USD 1 contributed by GCF to GEEREF NeXt is expected to catalyse up to USD 100 delivered to final beneficiaries, i.e. leverage factor of 100x.</li> <li>Expected cost of abatement is USD 25.10 / tCO<sub>2</sub>eq.</li> </ul>
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GEEREF NeXt intends to build on the success of its predecessor fund GEEREF which has so far made commitments to 11 regional Fund Managers in Africa, Asia and Latin America who are currently developing and constructing circa 2,500 megawatts of projects. By the end of its fund life, GEEREF will have made commitments to 15 fund managers who will in turn mobilise circa USD 10 billion for 5,500 megawatts over the course of their fund lives. With a much larger fund, GEEREF NeXt intends to have an even greater multiplier effect, supporting over 25 fund managers to raise significantly more capital and ultimately unlock USD 50 billion for over 25 gigawatts of new clean electricity capacity.

### 3.3 Project Funding and Structure

GEEREF NeXt will be a FoF that will blend GCF and private capital to back new clean energy and energy efficiency Fund Managers in developing markets.

GEEREF NeXt is targeting overall commitments of up to USD 1.2 billion and seeking commitments from the GCF of up to USD 400m, in order to reach a final total ratio of 1:2 public to private capital. GEEREF NeXt will use these funds to make equity commitments to underlying Funds (both new or 'Pioneer' funds and follow-on or 'Successor' funds) and direct project investments as follows:

The central case for project funding assumes USD 1 billion of capital commitments raised for GEEREF NeXt (being USD 400 million from GCF and USD 600 million then secured from the private sector) and from these equity commitments made to underlying funds (both new or 'Pioneer' funds and follow-on or 'Successor' funds) and direct project investments as follows:

- Pioneer funds: 12 x USD 28 million commitments
- Successor funds: 9 x USD 56 million commitments
- Direct investments and co-investments: 5 x USD 28 million investments

As previously mentioned, based on GEEREF's experience and track record, it is anticipated that each Fund Manager will continue to raise up to seven times as much total fund commitments from other investors as from GEEREF NeXt's initial commitment, amounting to circa USD 7 billion in total commitments. Each fund will invest this equity into 10 to 15 projects, drawing in co-investor equity and debt finance to deploy as much as seven times again, yielding an overall capital mobilisation number of USD 50 billion.

Table 7. Sources and uses of funding

SOURCES Commitments to GEEREF NeXt	USES Deployed by GEEREF NeXt		USES GCF Share	
GCF (USD 400M)	Fund 1 (USD 25M)	Project 1 (USD 20M)	Fund 1 (USD 10M)	Project 1 (USD 8M)
		Project 2 (USD 20M)		Project 2 (USD 8M)
		Project n (USD 20M)		Project n (USD 8M)
	Fund 2 (USD 25M)	Project 1 (USD 20M) Project 2 (USD 20M) Project n (USD 20M)	Fund 2 (USD 10M)	Project 1 (USD 8M) Project 2 (USD 8M) Project n (USD 8M)
Private investors (USD 600M)	Fund n (USD 25M)	Project 1 (USD 20M)	Fund n (USD 10M)	Project 1 (USD 8M)
		Project 2 (USD 20M)		Project 2 (USD 8M)
		Project n (USD 20M)		Project n (USD 8M)

## 4 Environmental & Social Impacts and Mitigation Measures

GEEREF NeXt will support development, construction and operation of early-stage small and medium-sized renewable energy projects and installation of energy efficiency measures. Given the type of the projects supported, some potential for adverse impact on environment and population is foreseen on some projects. Nonetheless, significant positive impact, both direct and indirect, is expected to be generated by these projects. This section outlines some of the potential negative impacts that could be generated by Investee Projects as well as the positive impacts. It also provides details on the key part of due diligence – the Environmental and Social Impact Assessment (ESIA) – that serves as a tool to assess the environmental and social acceptability of the potential adverse impacts of the project and serves to ensure these are mitigated.

### 4.1 Potential Adverse Impacts

All projects, irrespective of their categorisation will be screened for their potential environmental and social impacts. While at the time of the ESMS formulation none of the Fund Managers and, in turn, Investee Projects have been identified, based on experience of GEEREF, it is expected that majority of the Projects might cause some level of environmental and social impacts that would fall under Category B for which Fund Managers and, in case of direct investment, GEEREF NeXt will carry out an Environmental and Social Impact Assessment (ESIA). It is also expected that some of the Projects will not have environmental impacts and will fall under Category C. For category A projects, the Fund Managers and, in case of direct investment, GEEREF NeXt will conduct a full ESIA and disclosure according to EIB policies and procedures as detailed in this document. It is expected that none of the Projects will be located in protected and/or critical habitats or culturally or socially sensitive areas. Projects with potential significant negative impact on areas with high biodiversity value, nature conservation areas, bird or fish migration routes should be excluded. Other projects and/or activities that may be excluded are provided in Appendix II (Excluded activities list) of the ESMS.

Regional Funds backed by GEEREF NeXt are expected to support only the projects for which they have the appropriate mitigation measures and remediation plans and adequate management systems to implement these plans, including for category A projects.

For renewable energy, potential impacts revolve around the physical impact at the project site, including on resources such as water or on habitats. People's lives could be disrupted by project development and construction work and in some cases involuntary resettlement may be necessary. Some projects may be located in the vicinity of areas populated by indigenous peoples. The project activity may directly or indirectly impact their domains.

GEEREF NeXt's Fund Managers strive to fully mitigate these impacts through the application of the mitigation hierarchy.<sup>9</sup> They will ensure that local communities disrupted by projects are considerably better off with the development than if it had not happened at all. These measures may take the form of, for example, new housing, relocation assistance and farming assistance. In addition, GEEREF NeXt will encourage its Fund Managers, where applicable, to assess the way land concessions were awarded during the due diligence to mitigate land tenure risks.<sup>10</sup> Environmental assessments will identify remedial actions that will be addressed in environmental and social management plans Biodiversity Plans and similar initiatives (e.g. biodiversity action plans) as described in the EIB ESS Handbook.

In case of any disruption to Indigenous Peoples, both direct (e.g. changes to culture) and indirect (e.g. pollution, noise and dust) Fund Managers will follow the principle of free, prior informed consent (FPIC) to get a clear endorsement (or rejection) by the Peoples involved and a statement of all accompanying mitigating and remedial measures and benefit-sharing agreements. Indigenous Peoples Development Plan will be prepared to this end (please see Section 4.3.2 for further details).

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<sup>9</sup> Please see Annex 7, p. 180 of the EIB Environmental and Social Handbook for the Mitigation Hierarchy.

<sup>10</sup> GEEREF NeXt will encourage the Fund Managers to use the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forestry in the Context of National Food Security (VGGT) as a framework to help mitigate tenure risks.

Energy efficiency projects by their nature are typically contained within host sites and have a lower risk of adverse impact. The main risks for these projects concern the disposal of legacy equipment and waste products such as gases, fluid and building materials such as asbestos, together with the associated health and safety risks of disposal. These risks are managed through the employment of fully trained and competent engineers, the strict enforcement of health and safety standards and ongoing training programmes for facilities management staff.

**Table 8. Selected examples of potential adverse impacts**

COMPONENT	ACTIVITIES	POTENTIAL ADVERSE IMPACTS	MITIGATION MEASURES
Development of renewable energy sources	Biofuels Biomass Geothermal Hydro Solar Wind	<ul style="list-style-type: none"> <li>- Resettlement (physical &amp; economic displacement)</li> <li>- Impact on assets and livelihoods</li> <li>- Degradation of water resources</li> <li>- Unsustainable usage of water</li> <li>- Loss of habitat / biodiversity</li> <li>- Customary rights to land</li> </ul>	<ul style="list-style-type: none"> <li>- New homes built</li> <li>- Relocation assistance</li> <li>- Assistance with cultivating farmland</li> <li>- Biodiversity Action Plans</li> <li>- Comprehensive stakeholder engagement around land tenure issues and FPIC Process where required</li> <li>- Development and implementation of IP Plan or IP Planning Framework</li> </ul>
Energy efficiency measures	A/C Chillers Insulation Lighting	<ul style="list-style-type: none"> <li>- Inadequate disposal of cooling gases, asbestos, industrial waste</li> <li>- Health and safety risks from waste disposal</li> <li>- Health and safety risks from equipment installation</li> </ul>	<ul style="list-style-type: none"> <li>- Employment of engineers with appropriate certification</li> <li>- Enforcement of strict health and safety standards</li> <li>- Training</li> </ul>

## 4.2 Positive Impacts

GEEREF NeXt aims to achieve considerable positive impact across its investment programme in multiple dimensions. Fully deployed, GEEREF NeXt anticipates catalysing over 25 gigawatts of new clean electricity generating capacity. This would reduce 100 million tonnes of carbon emissions each year and increase electricity access for the equivalent of 93 million households. Clean electricity generating projects increase energy security in their host countries, by reducing the need for energy imports, and contribute to economic security by paying taxes.

In addition, the investments that flow through GEEREF NeXt's Fund Managers bring considerable positive impacts in the form of poverty reduction and economic development as clean electricity is a key enabler of this. GEEREF NeXt's Fund Managers look to create local jobs wherever possible and to encourage the development of local capacity in order to foster sustainable environments for Projects to operate in.

At the Project level, GEEREF NeXt will require all of its Fund Managers to consider gender dimensions across the full project cycle (development, construction and operation) and take actions to address any gender inequalities ensuring equal access and representation.

For energy efficiency projects, the main benefits are emissions reductions and lower energy bills. These projects also have positive impacts on local communities through job creation and awareness, as well as municipal benefits such as improved street lighting.

Many examples can be found in GEEREF's Annual Impact Report of the great variety of enhancement measures that Fund Managers can bring to their Investee Projects. Some Investee Projects endow local community trusts with millions of dollars of operating income. Others build new schools, community centres and homes or bring new or improved services such as clean water or electricity supply.

Table 9. Selected examples of positive impacts

COMPONENT	ACTIVITIES	POSITIVE IMPACTS	ENHANCEMENT MEASURES
Development of renewable energy sources	Biofuels Biomass Geothermal Hydro Solar Wind	- Clean electricity access - Energy security - GHG reduction - Poverty reduction - Gender equality promotion - Local job creation and training - Local taxes paid	- Ancestral Domain and Sustainable Development and Protection Plan - Local community trusts as project beneficiaries - New schools and community centres - Improved local water supply - Repaired housing - Extend clean energy to local schools and medical facilities
Energy efficiency measures	A/C Chillers Insulation Lighting	- GHG reduction - Reduction of energy bills - Local job creation and training - Municipal benefits such as reduced crime resulting from street lighting	- Local awareness and education of energy efficiency

### 4.3 Environmental and Social Impact Assessment (ESIA)

ESIA will be applied at the early planning stages of Investee Projects screening in order to assess the environmental and social acceptability and what conditions, if any, should be applied to control potential risks and impacts so that the community and the relevant authorities can form a view on the Project. The assessment will have a balanced and integrated views of risks and impacts that will cover both environmental and social issues.

Full ESIA will be required for Category A and, when applicable, B, typically those involving new, 'greenfield' development or significant expansion or modification of existing facility before the proposed development may be authorised.

#### 4.3.1 Resettlement

GEEREF NeXt will adopt and oblige its Fund Managers to adopt principles for resettlement set out under ESS6. Any project activities that may involve involuntary resettlement will comply with the principles set forth in this Standard to avoid or, at least minimize, project-induced resettlement.

A **Resettlement Action Plan (RAP)** will be required for all investments with involuntary resettlement impacts. Its level of detail and comprehensiveness is commensurate with the significance of potential involuntary resettlement impacts and risks. Annex XII includes a sample outline of Resettlement Action Plan for Fund Managers to guide their preparations of Sub-Projects. Fund Managers will not be able to commence works on the Investee Projects before the Fund Manager has addressed the involuntary resettlement in a manner consistent with principles and standards presented in the EIB's Social and Environmental Handbook and satisfactory to GEEREF NeXt.

It is expected that Fund Managers GEEREF will invest into will have projects in their portfolio that are either in preparation stage or unknown. As such, it will be impossible to predict whether any resettlement would be needed. Therefore, Fund Managers will be required to provide Resettlement Policy Framework as a pre-emptive measure for any potential resettlement that may be needed during the implementation of Project. In line with the provisions of Standard 6 of EIB, the RPF will need to include provisions requiring the Fund Manager to ensure that displaced persons are:

- i. Informed about their options and rights pertaining to resettlement
- ii. Effectively consulted on, offered choices among, and provided with technically and economically feasible resettlement alternatives, which take into account the suggestions made by the affected community as much as possible
- iii. Provided prompt and effective compensation at full replacement cost for losses of assets attributable directly to the project
- iv. Provided assistance (such as moving allowance) during relocation
- v. Provided with residential housing, or housing sites, or, as required, agricultural or business sites for which a combination of productive potential, locational advantages, and

- other factors is at least equivalent to the advantages of the old site (in exceptional cases when it is not possible, adequate compensation must be provided)
- vi. Offered compensation for loss of income for a transition period as a form of support after resettlement, based on a reasonable estimate of the time likely to be needed to restore their livelihood and standards of living. Compensation for loss of income is initially advised for the first three (3) months; only on singular repetition of this period is foreseen, not exceeding a total of six (6) months whereby loss of income may be compensated for
  - vii. Offered assistance for livelihood restoration or improvement through provision of training, credit, job placement, and/or other types of assistance, and
  - viii. Offered an appropriate grievance mechanism that will allow prompt response to specific concerns related to compensation and resettlement by affected people and host communities.

#### **4.3.2 Indigenous Peoples**

GEEREF NeXt will adopt and oblige its Fund Managers to adopt principles set out in EIB ESS, Standard 7, Rights and Interests of Vulnerable Groups. Any project activities that may involve such groups, including indigenous groups, will comply with the principles set forth in this Standard to avoid or minimize, or otherwise mitigate and remedy, potential harmful effects of associated with Investee Projects to vulnerable individuals and groups whilst seeking that these populations duly benefit from such operations.

An **Indigenous Peoples Plan (IPP)** is required for all investments with impacts on Indigenous Peoples. Its level of detail and comprehensiveness is commensurate with the significance of potential impacts on Indigenous Peoples. Annex XIII includes a sample outline of Indigenous Peoples Plan. Where there exists limited information on the IPs affected by the Investee Project, an Indigenous Peoples Planning Framework (IPPF) may provide guidance, key principles and processes, and other considerations related to the addressing issues of IPs.

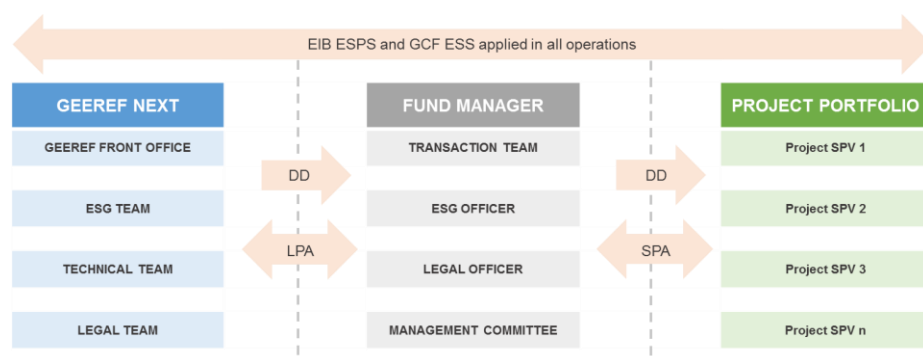
## 5 Environmental & Social Risk Management Processes

### 5.1 Overview

GEEREF NeXt has established a set of guidelines and processes for managing environmental and social risk associated with the Investee Projects. This section provides further details on how these guidelines and processes function to ensure that environmental and social risks on the Investee Projects are managed in accordance with EIB and GCF/IFC Standards and National Laws. These are enforced on two levels: 1. at the level of GEEREF NeXt for selection of Fund Managers and direct investments in Investee Projects, and 2. at the level of the Fund Manager and their investments in the Investee Projects. As such there are three procedures governing the implementation of environmental and social safeguards as outlined below.

1. The procedure for screening, approval and investment into Fund Managers to ensure they are committed and able to comply with applicable standards and national laws in their preparation, approval and investment into Investee Projects.
2. The procedure for the preparation, approval and investment into Investee Projects by Fund Managers to enable identification of potential environmental and social impacts that may arise from project activities and implementation of the proposed measures.
3. The procedure for preparation, approval and investment into Investee Projects by GEEREF NeXt directly or through co-investment alongside Fund Managers.

Table 10. Relationship between GEEREF NeXt, Fund Manager and Investee Projects



The above procedure is ensured through a signature of a principal investment agreement (the Limited Partnership Agreement). This agreement includes fully binding components of the contractual investment relationship between GEEREF NeXt and each Fund Manager. As a result of the contractual obligations agreed with Fund Managers:

- i. Any proposed deviation from the fund managers from these guidelines must be brought to the investors, including GEEREF NeXt, for their explicit approval; and
- ii. A non-authorized deviation from the guidelines by the fund manager would constitute a breach and a material fault, which, as a consequence would result in the removal of the fund manager.<sup>11</sup>

### 5.2 Roles and Responsibilities

#### Role of the Fund Manager

The Fund Manager is responsible for achieving compliance with relevant legal standards and policies and managing the environmental and social impacts and risks associated with the Investee Projects in its portfolio to this end. The Fund Manager is responsible for providing the information required by GEEREF NeXt to carry out its due diligence on its Fund and for structuring its Investee Projects to meet GEEREF NeXt's E&S standards and requirements. The Fund Manager is also responsible for disclosing Investee Project-related environmental and social information, as well as carrying out any stakeholder engagement and consultation activities carried out by third parties (e.g. host government agencies) to meet the standards expected by GEEREF NeXt. The Fund Manager may be required to carry out supplemental studies to the satisfaction of GEEREF NeXt.

<sup>11</sup> Subject to majority vote of the Fund Investors.

Following the signing of the investment contract, it is the responsibility of the Fund Manager to comply with the contractually agreed E&S standards and requirements to the satisfaction of GEEREF NeXt, and to monitor the project's performance against these requirements as part of the Fund Manager's ESMS. The Fund Manager will be required to provide periodic environmental and social reports to GEEREF NeXt.

#### **Role of GEEREF NeXt: Funds Investments and Co-investment)**

GEEREF NeXt's role is to support sound Fund structures that have been designed and structured so as to meet EIB E&S standards and requirements as well as international best practice. This includes:

- Assessing the Fund Manager against the relevant legal framework;
- Assessing the operation against EIB E&S principles and standards;
- Advising and, where required, assisting the Fund Manager in developing measures to manage the E&S impacts and risks of the operation consistent with EIB's standards;
- Assessing the capacity of the Fund manager to implement all the E&S requirements;
- Identifying opportunities to enhance E&S outcomes; and
- Monitoring the Fund Manager's performance in accordance with the EIB's E&S standards throughout the duration of the investment

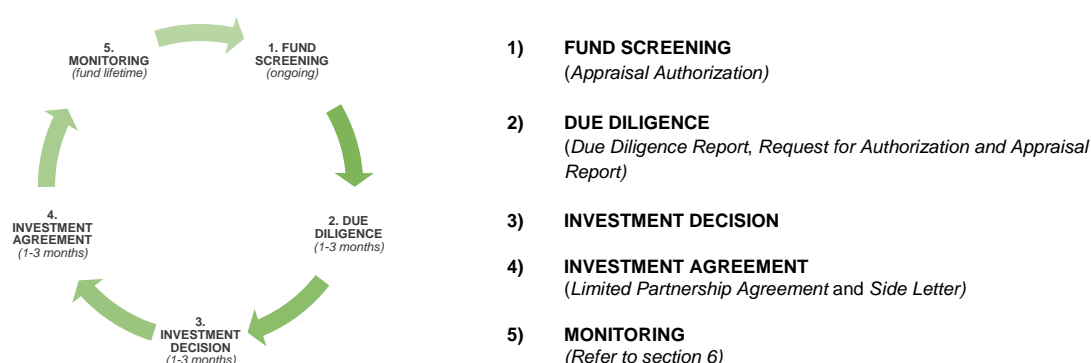
#### **Role of GEEREF NeXt: Direct Investments**

In case of direct investments by GEEREF NeXt into Investee Projects, GEEREF NeXt is responsible for achieving compliance with relevant legal standards and policies and managing the environmental and social impacts and risks associated with the Investee Projects in its portfolio to this end. GEEREF NeXt is responsible for structuring its Investee Projects to meet EIB's and GCF's E&S standards and requirements. GEEREF NeXt is also responsible for disclosing Investee Project-related environmental and social information, as well as carrying out any stakeholder engagement and consultation activities carried out by third parties (e.g. host government agencies) to meet the standards expected by EIB as well as GCF. GEEREF NeXt may be required to carry out supplemental studies to the satisfaction of the EIB and GCF.

### **5.3 Guidelines and Processes at GEEREF NeXt level – Funds Selection**

GEEREF NeXt adopts a five-phase approach to initial fund screening, assessment and investment decision-making and monitoring. These five phases, together with the key documents prepared by GEEREF NeXt, are outlined below. Through these GEEREF ensures that the Fund Managers GEEREF NeXt invests in have the institutional capacity and processes to implement Investee Projects that are compliant with both EIB and GCF/IFC policies. See Annex VI for parameters based on which the institutional capacity of Fund Managers is assessed.

Table 11. Five phases and key documents prepared



A summary of the E&S related content of these documents is included in Appendix III of this ESMS.

#### FUND SCREENING

<b>Actions related to Environmental and Social Matters</b>
<ul style="list-style-type: none"> <li>• Check against exclusion list</li> <li>• Identify 'red flags' at the fund level as well as in the fund's pipeline of projects</li> <li>• Review fund's E&amp;S documentation, its E&amp;S policies and ESMS if already available against GEEREF Next requirements</li> <li>• Assess commitment to E&amp;S principles</li> <li>• Benchmark against GEEREF NeXt's 4 impact pillars</li> <li>• Review the fund's capacity to deliver on its ESMS</li> <li>• Draft the <i>Appraisal Authorization</i> request</li> </ul>
<b>Documents to be submitted by Fund Manager</b>
<ul style="list-style-type: none"> <li>• Fund ESMS (draft) to the satisfaction of GEEREF NeXt</li> <li>• Fund investment proposal</li> </ul>
<b>Outputs prepared by GEEREF NeXt Front Office and technical teams</b>
<ul style="list-style-type: none"> <li>• <i>Appraisal Authorization</i>: submitted to the Investment Committee by GEEREF Front Office, requesting non-objection to proceed to Due Diligence phase</li> </ul>
<b>Role of the document as relates to Environmental and Social Matters</b>
<ul style="list-style-type: none"> <li>• <i>Appraisal Authorization</i> includes assessment of fund manager's commitment and ability to manage E&amp;S risks</li> <li>• <i>Appraisal Authorization</i> identifies 'red flags' to be checked in detail during Due Diligence phase</li> </ul>

#### DUE DILIGENCE

<b>Actions related to Environmental and Social Matters</b>
<ol style="list-style-type: none"> <li>1. <i>Desk Review</i>: <ul style="list-style-type: none"> <li>• Detailed review of funds' E&amp;S documentation</li> <li>• Benchmarking against 4 Impact pillars</li> <li>• Detailed review of the pipeline projects and flagging of any potential E&amp;S issues</li> <li>• Verification of E&amp;S capacity of the Fund (personnel, budget, experience)</li> <li>• KYC checks on the fund manager</li> </ul> </li> <li>2. <i>Site Visit</i>: <ul style="list-style-type: none"> <li>• Site visits conducted by the Front Office team and technical experts (energy and social, environmental expert) to assess: <ul style="list-style-type: none"> <li>○ Fund's track record in management of E&amp;S matters</li> <li>○ adequacy and implementation status of Fund's E&amp;S management systems including grievance mechanism</li> <li>○ ability to comply with local applicable laws, regulations and standards as well as EIB ESS</li> <li>○ ability to carry out KYC checks in case beneficiaries of the projects will be companies</li> <li>○ identify gaps/improvement areas identified and resources needed to address them and how to square them with the funds' business plan</li> </ul> </li> <li>• Prepare <i>Due Diligence Report</i> and <i>Request for Authorization</i> for the IC summarizing DD findings (GFO)</li> <li>• Prepare <i>Appraisal Report</i> (EIB Project Directorate's technical experts – energy, energy efficiency, environmental and social experts)</li> </ul> </li> </ol>
<b>Documents to be submitted by Fund Manager</b>
<ul style="list-style-type: none"> <li>• ESMS</li> <li>• Exclusion list</li> <li>• Templates (and/or samples) for Environmental and Social Risk Assessments</li> </ul>



<ul style="list-style-type: none"> <li>• Process for a fund level grievance mechanism</li> <li>• E&amp;S Action Plans and, when feasible, Gender Action Plan</li> </ul>
<b>Outputs prepared by Front Office team and technical teams</b>
<ul style="list-style-type: none"> <li>• <i>Due Diligence Report</i> and <i>Request for Approval</i> submitted to the Investment Committee by the Front Office team, requesting approval to invest in the fund.</li> <li>• <i>Due Diligence Report</i> and <i>Request for Approval</i> are prepared by the GFO with input from the PJ Report, which is prepared by technical experts from EIB's Project Directorate.</li> </ul>
<b>Role of the document as relates to Environmental and Social Matters</b>
<ul style="list-style-type: none"> <li>• <i>Due Diligence Report</i> includes: <ul style="list-style-type: none"> <li>◦ Assessment of E&amp;S risks and opportunities as well as assessment of funds' capabilities</li> </ul> </li> <li>• <i>Request for Authorization</i> for the Investment Committee includes: <ul style="list-style-type: none"> <li>◦ Assessment of the potential of the fund in adding value on the E&amp;S-front on the project-level as well as its potential to transfer best practices on E&amp;S to the local energy sector</li> <li>◦ Assessment of Fund's current E&amp;S capabilities, identification of gaps and risks, and mitigation measures the fund will be obliged to put in place.</li> <li>◦ Outline of measures the Front Office team plans to put in place to ensure the fund manager implements and complies with EIB standards</li> <li>◦ Grading of the fund against GEEREF Policy Grading/4 Impact Pillar</li> </ul> </li> <li>• <i>Appraisal Report</i> (prepared by EIB's Project Directorate) includes: <ul style="list-style-type: none"> <li>◦ Assessment of fund's ability to implement the proposed strategy</li> <li>◦ Assessment of fund's E&amp;S management systems on fund- as well as project- level</li> <li>◦ Detailed description of E&amp;S risks and opportunities, gaps and corrective actions</li> <li>◦ Recommendations for action plans</li> </ul> </li> </ul>

#### INVESTMENT DECISION

<ul style="list-style-type: none"> <li>• Review of the materials submitted by GFO to the Investment Committee</li> <li>• Investment decision of the Investment Committee</li> </ul>
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#### INVESTMENT AGREEMENT

<b>Actions related to Environmental and Social Matters</b>
<ul style="list-style-type: none"> <li>• Negotiation of contractual agreement between GEEREF NeXt and Fund Manager</li> </ul>
<b>Documents to be submitted by Fund Manager</b>
<ul style="list-style-type: none"> <li>• ESMS</li> <li>• Exclusion list</li> <li>• Templates (and/or samples) for Environmental and Social Risk Screening and Assessments</li> <li>• Process for a fund level grievance mechanism</li> <li>• E&amp;S Action Plans</li> </ul>
<b>Outputs prepared by the Front Office team and technical teams</b>
<ul style="list-style-type: none"> <li>• <i>Limited Partnership Agreement</i> (agreement among all the investors in the Fund)</li> <li>• <i>Side Letter</i> (agreement between the Fund and GEEREF NeXt)</li> </ul>
<b>Role of the document as relates to Environmental and Social Matters</b>
<ul style="list-style-type: none"> <li>• <i>Limited Partnership Agreement</i> includes clauses obliging the Fund Manager to: <ul style="list-style-type: none"> <li>◦ Assess the environmental and social impact of all new investments as part of the investment appraisal process</li> <li>◦ Establish governance mechanisms for E&amp;S</li> </ul> </li> <li>• <i>Limited Partnership Agreement</i> includes provisions to ensure the Front Office team has sufficient influence and oversight over fund's activities</li> <li>• <i>Side Letter</i> includes: <ul style="list-style-type: none"> <li>◦ Provisions to ensure that the projects are in compliance with national legislation and GEEREF's guidelines, which is aligned with EIB policy and with European environmental directives.</li> </ul> </li> </ul>

## 5.4 Guidelines and Processes for Portfolio Fund Managers and Investee Projects

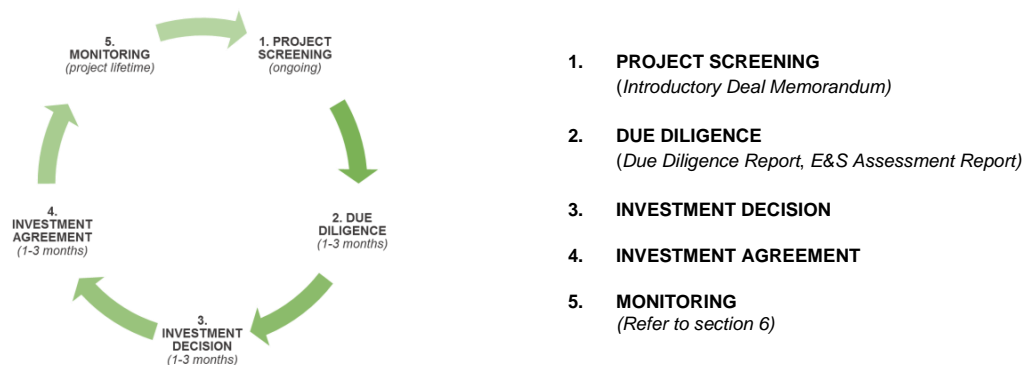
Each Fund Manager will establish, implement and maintain a proprietary ESMS which should be in place and approved prior to the first capital call on GEEREF NeXt's funds. This ESMS will constitute an integral part of the investment decision-making process of the Fund. The ESMS must comply with all of the reporting requirements during the investment cycle as outlined below.

The Fund Manager will appoint a dedicated internal E&S Officer who will ensure adequate resources have been committed to allow for the effective implementation of the ESMS. This professional will be

technically qualified to conduct E&S screening and due diligence and to oversee any work carried out by qualified external consultants.

Each Fund Manager will design their own proprietary process, usually making use of existing guidelines as set out in resources such as the Toolkits provided by CDC<sup>12</sup>, FMO<sup>13</sup> and IFC.<sup>14</sup> Essentially each process will track the five-phase approach adopted by GEEREF NeXt to initial fund screening, assessment, investment decision-making and monitoring. The environmental and social elements in the investment cycle are as outlined below.

Table 12. Five phases and key documents prepared



## PROJECT SCREENING

### Initial deal identification

- Screen the proposed investment for potential environmental & social issues at an early stage:
  - Check the project against: **Exclusion List/Prohibited Activities List, International Labour Organization (ILO) Core Labour Standards, Environmental and Social Safeguards (IFC Performance Standards and EIB ESS), National Laws**
  - Assign an **Environmental Category** (A, B or C):
    - Category C:** activities which typically have little or no environmental impact.
    - Category B:** activities for which the environmental & social impacts can be readily predicted, prevented and/or mitigated. Typically, this does not need a detailed expert appraisal.
    - Category A:** activities which have the potential to cause significant environmental & social impact and will probably require detailed environmental & social appraisal by independent experts.

In order to assign the appropriate categorisation, the results of the screening process and the points outlined in the Checklist in Annex IX must be considered.

### Introductory Deal Memorandum

- Under the heading "Environmental & Social Issues", provide a short statement addressing the following points:
  - Conformance with the Exclusion List
  - Environmental Category (A, B or C) and potential/known environmental & social status/issues
  - Proposed environmental & social due diligence (see steps 3 and 4)

## DUE DILIGENCE

### Internal due diligence

- Internal environmental & social due diligence actions depend on the level of risk and case-specific circumstances. Typically:
  - Category C: Ensure that the Investee Project has all relevant EHS permits and is in compliance with the applicable National Environmental and Social Laws and regulations and (if applicable) the Performance Standards.
  - Category B: (1) Ensure (by means of document inspection and/or discussions with the relevant authorities) that the Investee Project has all relevant EHS permits and is in compliance with applicable National Environmental and Social Laws and regulations. (2) If applicable, check that the company's activities are consistent with GEEREF NeXt's Standards. (3) Investigate and resolve any specific issues of concern. Certain (relatively straightforward) actions may need to be set as (pre-) conditions of investment. If there are issues outside the Fund Manager's competence, an independent expert may be required to provide a second opinion or undertake a limited review.
  - Category A: Determine the scope of work for an Environmental & Social Audit (brownfield projects) or Environmental & Social Impact Assessment (greenfield projects) and discuss logistical arrangements.

<sup>12</sup> <http://www.cdcgroup.com/How-we-do-it/Responsible-Investing/Toolkit-for-fund-managers/>

<sup>13</sup> <https://www.fmo.nl/esg-tools>

<sup>14</sup> [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/learning+and+adapting/knowledge+products/publications/esms\\_implementation\\_handbook-construction](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/learning+and+adapting/knowledge+products/publications/esms_implementation_handbook-construction)

<b>External due diligence</b>
<p>4. Typical requirements for external third-party E&amp;S due diligence are as follows:</p> <ul style="list-style-type: none"> <li>• Category C: Not normally required.</li> <li>• Category B: If necessary, an independent expert or consultant may be needed to provide a second opinion, undertake a limited review of specific issues. For Category B, safeguards instruments required will be a limited focus ESIA (applied to specific relevant issues) and an environmental and social management plan (ESMP) detailing the measures that will be undertaken as part of the project to address risks and impacts. Terms of Reference should be determined on a case-specific basis. A letter report is normally sufficient.</li> <li>• Category A: Environmental &amp; social Audit or SEIA by independent consultants and review by GEEREF NeXt.</li> </ul>

## INVESTMENT DECISION

### Term Sheet / Negotiation

5. The Term Sheet should include standard general conditions regarding compliance with applicable National Environmental and Social Laws and regulations. If internal and/or external environmental & social due diligence has identified any specific issues of concern, appropriate corrective action must be put in place. In some cases, this may require preparation of, and agreement to, a detailed Environmental & Social Action Plan and a project-level grievance mechanism, typically based on the recommendations of the ESIA. Reference to such measures should be included in the Term Sheet. If the costs of the necessary environmental & social action are significant, they will require careful consideration within the context of the company's business and financing plans.

### Investment Proposal

6. A brief summary of the relevant E&S issues should be included in the Investment Proposal for consideration by the Investment Committee. This section should briefly describe:
- ESMS for investments directly into a company/developer.
  - The environmental category assigned to the investment (see Step 1);
  - Environmental & social due diligence approach and findings;
  - agreed solution to any issues arising;
  - any issues which remain unresolved and require consideration by the Investment Committee/Advisory Board.

## INVESTMENT AGREEMENT

### Investment Agreement

7. In line with the Term Sheet, the Investment Agreement (or equivalent instrument) should include appropriate environmental & social clauses. This may include:
- A general environmental warranty/covenant that the company is currently in compliance with the applicable National Environmental and Social Laws and regulations and (if applicable) any EIB ESS, and will remain in compliance for so long as the Fund is a shareholder;
  - For investments classified as Category A or B, the Agreement should also contain an undertaking by the Investee Project to provide the Fund with an annual report on its EHS and social status. The format of this report should be decided on a case-by-case basis: in straightforward cases, it may be sufficient to obtain a short letter representing that the company remains in compliance and has not experienced any material incidents. In more complex situations (such as Category A projects and/or where the Fund's investment is conditional on an Environmental & Social Action Plan), a detailed report may be required.
  - A general requirement to have a project-level grievance mechanism commensurate to the risks and impacts of the project.
  - Any specific conditions decided on a case-by-case basis. In particular, if the Fund's investment is conditional upon the implementation of an Environmental & Social Action Plan, this undertaking should be clearly set out in the Investment Agreement and the Plan itself should be included in the Agreement as an annex.

*Please note that, upon request, we can provide concrete examples of E&S materials (e.g. ESMS, ESIA, etc.) of Fund Managers currently backed by GEEREF.*

## 5.5 Guidelines and Processes for GEEREF NeXt Direct Project Investments and Co-Investments

GEEREF NeXt's direct investments will be guided by the environmental and social procedures outlined below. For co-investments alongside its Fund Managers directly into Investee Projects, GEEREF NeXt will rely on Fund Manager's investment process. f

### PROJECT SCREENING

#### Initial deal identification

8. Screen the proposed investment for potential environmental & social issues at an early stage:
- Check the project against: **Exclusion List/Prohibited Activities List, International Labour Organization (ILO) Core Labour Standards, Environmental and Social Safeguards (IFC Performance Standards and EIB ESS), National Laws**
  - Assign an **Environmental Category** (A, B or C):
    - **Category C:** activities which typically have little or no environmental impact.
    - **Category B:** activities for which the environmental & social impacts can be readily predicted, prevented and/or mitigated. Typically, this does not need a detailed expert appraisal.
    - **Category A:** activities which have the potential to cause significant environmental & social impact and will probably require detailed environmental & social appraisal by independent experts.
- In order to assign the appropriate categorisation, the results of the screening process and the points outlined in the Checklist in Annex IX must be considered.

#### Introductory Deal Memorandum

9. Under the heading “Environmental & Social Issues”, provide a short statement addressing the following points:
- Conformance with the Exclusion List
  - Environmental Category (A, B or C) and potential/known environmental & social status/issues
  - Proposed environmental & social due diligence (see steps 3 and 4)

### DUE DILIGENCE

#### Internal due diligence

10. Internal environmental & social due diligence actions depend on the level of risk and case-specific circumstances. Typically:
- Category C: Ensure that the Investee Project has all relevant EHS permits and is in compliance with the applicable National Environmental and Social Laws and regulations and (if applicable) the Performance Standards.
  - Category B: (1) Ensure (by means of document inspection and/or discussions with the relevant authorities) that the Investee Project has all relevant EHS permits and is in compliance with applicable National Environmental and Social Laws and regulations. (2) If applicable, check that the company's activities are consistent with GEEREF NeXt's Standards. (3) Investigate and resolve any specific issues of concern. Certain (relatively straightforward) actions may need to be set as (pre-) conditions of investment. If there are issues outside the Fund Manager's competence, an independent expert may be required to provide a second opinion or undertake a limited review.
  - Category A: Determine the scope of work for an Environmental & Social Audit (brownfield projects) or Environmental & Social Impact Assessment (greenfield projects) and discuss logistical arrangements.

#### External due diligence

11. Typical requirements for external E&S due diligence are as follows:
- Category C: Not normally required.
  - Category B: If necessary, an independent expert or consultant may be needed to provide a second opinion or undertake a limited review of specific issues. For Category B, safeguards instruments required will be a limited focus ESIA (applied to specific relevant issues) and an environmental and social management plan (ESMP) detailing the measures that will be undertaken as part of the project to address risks and impacts. Terms of Reference should be determined on a case-specific basis. A letter report is normally sufficient.
  - Category A: Environmental & social Audit or ESIA by independent consultants.

### INVESTMENT DECISION

#### Term Sheet / Negotiation

12. The Term Sheet should include standard general conditions regarding compliance with applicable National Environmental and Social Laws and regulations. If internal and/or external environmental & social due diligence has identified any specific issues of concern, appropriate corrective action must be put in place. In some cases, this may require preparation of, and agreement to, a detailed Environmental & Social Action Plan, typically based on the recommendations of the SEIA. Reference to such measures should be included in the Term Sheet. If the costs of the necessary environmental & social action are significant, they will require careful consideration within the context of the company's business and financing plans.

#### Investment Proposal

13. A brief summary of the relevant E&S issues should be included in the Investment Proposal for consideration by the Investment Committee. This section should briefly describe:
- the Environmental Category assigned to the investment (see Step 1);
  - Environmental & social due diligence approach and findings;
  - agreed solution to any issues arising;
  - any issues which remain unresolved and require consideration by the Investment Committee/Advisory Board.

### INVESTMENT AGREEMENT

#### Investment Agreement

14. In line with the Term Sheet, the Investment Agreement (or equivalent instrument) should include appropriate environmental & social clauses. This may include:
- A general environmental warranty/covenant that the company is currently in compliance with the applicable National Environmental and Social Laws and regulations and (if applicable) any EIB ESS, and will remain in compliance for so long as the Fund is a shareholder;
  - For investments classified as Category A or B, the Agreement should also contain an undertaking by the Investee Project to provide the Fund with an annual report on its EHS and social status. The format of this report should be decided on a case-by-case basis: in straightforward cases, it may be sufficient to obtain a short letter representing that the company remains in compliance and has not experienced any material incidents. In more complex situations (such as Category A projects and/or where the Fund's investment is conditional on an Environmental & Social Action Plan), a detailed report may be required.
  - Any specific conditions decided on a case-by-case basis. In particular, if the Fund's investment is conditional upon the implementation of an Environmental & Social Action Plan, this undertaking should be clearly set out in the Investment Agreement and the Plan itself should be included in the Agreement as an annex.

## 6 Monitoring and supervision

### 6.1 Overview

GEEREF NeXt is committed to the highest possible standards of monitoring and supervision and enforces these at the Fund Manager level through the principal investor agreements, namely the LPA and Side Letter.

The Front Office team works closely with all of the Fund Managers through a monitoring regime that includes formal reporting on a quarterly and annual basis, from which it produces its own reports, and regular visits to the fund managers' offices and portfolio companies and projects *in situ*. The Front Office team reviews all of its Fund Managers' E&S reports, which are produced at both portfolio and Investee Project levels, and periodically checks the ESMS is appropriately implemented. During Investee Project implementation Fund Managers will have overall supervision responsibility for assuring that Investee Projects comply with the standards.

EIB technical experts can also carry out ad hoc on site monitoring visits to ensure the compliance at the project level with the IFC Performance Standards and EIB ESS. GEEREF NeXt is also committed to appropriate communication to stakeholders and other external parties while protecting confidentiality at Fund and Investee Project level. To that end, this ESMS will be published on GEEREF website ([www.geeref.com](http://www.geeref.com)). Furthermore, GEEREF NeXt releases each year the public version of the Impact Report, which reports on how GEEREF NeXt performs against its Impact Targets, on its website. This comprises the bulk of the original report but with Fund-specific details redacted.<sup>15</sup>

### 6.2 Grievance and Redress Mechanisms

#### Fund Manager Grievance and Redress Mechanism

Fund Managers are required to prepare a Stakeholder Engagement Plan for its Investee Projects including grievance mechanism. This Plan should include:

- Stakeholder analysis and engagement process, including all formal consultations (dates, at which stake of the project, stakeholders consulted, type of consultation) carried out under the plan so far as well as summarise the main issues raised to date through the engagement and consultation activities
- Explanation how project information was disseminated, and how stakeholder views, in particular those of project-affected individuals and communities have influenced the design and the formulation and implementation of the ESMP, the level of project support or opposition among the affected communities and what on-going community engagement and communication strategies are in place.
- Grievance mechanism

Grievance mechanism, a system designed to receive, evaluate and address grievances from affected communities, will be introduced at the outset of the project design and line during the life of the project. It will be fully in line with the requirements set out in the EIB's Environmental and Social Handbook ESS10.

<sup>15</sup> The full version of the report, including confidential fund-specific information, is only available to GEEREF's investors.

A grievance mechanism, process, or procedure at the project level constitutes a critical means for the early identification and remedy of undesirable or unforeseen impacts and other concerns arising out of the execution of the project. Its establishment promotes the affected persons' access to remedy and may facilitate resolution of such concerns and grievances linked to the promoter's environmental and social performance. The Fund Manager will ensure that a grievance mechanism is introduced at project level, irrespective of other complementary linkages or access to existing public grievance channels in the country concerned.

It should be designed as a mechanism that is:

- legitimate and trusted;
- scaled to the risks and potential adverse impacts of the project;
- publicised and accessible, appropriately tailored to all potentially-affected persons and communities and other interested parties, irrespective of their literacy and administrative capacity;
- free of cost for the stakeholders;
- includes the anonymity option, where feasible, and guarantee confidential handling of requests, if so requested by the complainant;
- fair, transparent and inclusive;
- guided by engagement and dialogue;
- predictable in terms of process;
- timely;
- not impeding access to grievance and resolution on grounds of one's financial ability to seek judicial remedy; and,
- a source of continuous learning for the promoter and the lending operation at large.

The specific design of grievance mechanisms is project-specific but broadly follows these steps: i) publication of the mechanism, ii) collection of grievances, iii) review and investigation of grievances, iv) development of resolution matrix, v) response and, finally, vi) ongoing monitoring of the situation.

The grievances most commonly anticipated in the type of Projects GEERF NeXt will carry out and the issues that require close involvement with the local community during the project lifecycle, concern land acquisition and the impact the project may have on the environment, including water resources and biodiversity.

### **GEERF NeXt Grievance and Redress Mechanism**

GEERF NeXt expects the EIB complaints mechanism will be the de facto grievance mechanism for GEERF NeXt. The principles and procedure for grievances are set out in The EIB Complaints Mechanism – Principles, Terms of Reference and Rules of Procedure.<sup>16</sup> The operational guidelines and procedure are included in the Complaints Mechanism Operating Procedures.<sup>17</sup> A summary of the EIB Complaints Mechanism is included in Annex VII.

#### **6.2.1 E&S reporting**

With respect to E&S reporting, two parallel work streams take place annually. First, each one of the Funds in GEERF NeXt's portfolio produces an annual E&S / Impact report, in an exercise led by their E&S Officer with contributions from their underlying Investee Projects. These reports are designed by the individual fund managers and report on the key information that they wish to share with their investors and other stakeholders. GEERF NeXt gathers and assesses this information in order to produce its quarterly and annual financial report and its annual Impact Report.

#### **Actions related to ESMS**

<sup>16</sup> The EIB Complaints Mechanism – Principles, Terms of Reference and Rules of Procedure can be found here: <http://www.eib.org/infocentre/publications/all/complaints-mechanism-policy.htm>

<sup>17</sup> Complaints Mechanism Operating Procedures can be found here: [http://www.eib.org/attachments/strategies/complaints\\_mechanism\\_operating\\_procedures\\_en.pdf](http://www.eib.org/attachments/strategies/complaints_mechanism_operating_procedures_en.pdf)



<ul style="list-style-type: none"> <li>Assist the Fund Manager to ensure ongoing compliance with national legislation, GEEREF NeXt's Guidelines, which are aligned with EIB policy and with European environmental directives</li> <li>Gather data on Fund's performance on E&amp;S matters and 4 Impact Pillars</li> <li>Meet Fund Managers to discuss E&amp;S matters</li> <li>Review E&amp;S performance reports provided by funds</li> </ul>
<b>Documents to be submitted by Fund Manager</b>
<ul style="list-style-type: none"> <li>Annual Fund Impact and E&amp;S Performance Report</li> <li>Annual GEEREF fund impact data collection tool</li> <li>Quarterly Fund financial report</li> <li>Annual Fund financial report</li> <li>Written notification of any serious E&amp;S incidents within 3 business days</li> </ul>
<b>Outputs prepared by GEEREF NeXt Front Office and technical teams</b>
<ul style="list-style-type: none"> <li><i>GEEREF Impact Report</i></li> </ul>
<b>Role of the Document(s) as relates to ESMS</b>
<ul style="list-style-type: none"> <li>Reviews performance of each Fund Manager and overall portfolio with respect to 4 impact pillars and the Impact Metrics designed for each.</li> <li>Captures non-quantitative impacts through case studies and thematic review.</li> <li>Aims to present consistent data for multi-year analysis.</li> <li>Ongoing commitment to best practice and continuous improvement at GEEREF- and Fund-level.</li> </ul>

### 6.3 Fund Manager and Investee Project level

GEEREF NeXt's Fund Managers implement appropriate and extensive monitoring and reporting regimes. Best practice consists of thorough, ongoing engagement with Investee Projects and formal monitoring and documentation. Fund Managers follow a standard reporting cycle and include key E&S metrics in their reports as requested by GEEREF NeXt.

#### 6.3.1 Investment monitoring

E&S matters are not only considered during the due diligence and investment decision phases, but also over the life of the investment. It is essential to maintain an appropriate level of oversight for as long as the Fund is a shareholder and to periodically reconfirm that the Investee Project continues to meet E&S requirements and expectations. Active monitoring of investments is key to reducing risks and realizing opportunities to add value through continuous improvements.

In addition, it may be necessary to monitor the progress and implementation of Environmental & Social Action Plans. E&S issues should be given due consideration during routine investment supervision activities (particularly site visits) and appropriate notes should be kept on file. Annual E&S reports should be obtained from each Investee Company and follow-up action taken as appropriate.

Table 13. Fund investment monitoring checklist

<b>Investment monitoring principles</b> <ul style="list-style-type: none"> <li>Support monitoring and compliance through membership of Investee Project Company's Board of Directors.</li> <li>Conduct monitoring through regular site visits and formal documentation.</li> <li>Check Investee Project's ongoing compliance with all relevant laws, standards and regulations relating to E&amp;S matters and with the standards stipulated in E&amp;S Policy.</li> <li>Encourage Investee Project managers to work towards continuous improvements.</li> <li>Ensure that any new risks, issues or opportunities for improvement that may emerge are dealt with in an appropriate manner.</li> <li>Monitor the implementation of the grievance mechanism and the management of stakeholder/employees concerns and or grievances.</li> <li>Monitor and record serious incidents involving the Investee Project that result in loss of life, serious injury, material effect on the environment, or material breach of law, and promote appropriate corrective actions.</li> <li>Record and report key performance indicators to the Investment Committee and Limited Partner Advisory Committee.</li> <li>Review the Investee Project's strategy in the light of changes, e.g. in regulation, markets and technology, over the investment duration.</li> </ul>
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### Serious Incident Reporting

Serious incidents are defined as incidents that result in injury, material effect on the environment or breach of law. Any serious incidents must be immediately reported to the Fund's Investment Committee and Limited Partner Advisory Committee and this requirement is stipulated in the investment agreement with the Project Company. A Serious Incident Report Template is included in Appendix XI.

Given the time it may take to prepare a full serious incident report, Investee Projects are requested to provide an immediate email to the Fund's Investment Committee and Advisory Committee as an initial notification while the complete report is being prepared (for example, to avoid a situation where constituents learn about the incident from third parties prior to the Fund providing its notification).

### Investment disposal

E&S issues should be given early consideration prior to the Fund's exit from each investment as new investors are increasingly interested in EHS performance and E&S risk status.

Although the above procedures reduce the risk of unexpected problems, it may be desirable to obtain additional assurance about an Investee Project's readiness to withstand close scrutiny by a potential new investor. In certain cases, a pre-divestment E&S audit may be useful to determine whether there are any potential issues requiring attention prior to disposal. Positive audit findings can also be used to provide new investors with objective information to support a favourable asset valuation.

### 6.3.2 Investment reporting

Regular reporting to and discussion with the Investment Committee regarding the Fund's project portfolio should include updates on key E&S issues and on any new issues arising or opportunities to achieve positive impacts.

### Formal Reporting

Fund Managers will submit an annual E&S monitoring report to GEEREF NeXt. The Annual Environmental and Social Monitoring Framework that will serve as a substantive model for the development of GEEREF NeXt's Report is in Annex V.

### E&S Metrics

GEEREF NeXt will collect the below metrics from the Fund Managers and, in case of direct investments, directly from the Investee Projects. These indicators provide parameters whose use provides quantitative and qualitative information on the impacts and environmental and social benefits of the project. To assess the effectiveness of project activities, the below environmental and social indicators are proposed.

Table 14. Environmental and Social Metrics

METRIC	FREQUENCY	UNIT	PROVIDER
<b>Environmental and Social Impact</b>			
<b>Energy</b>			
Capacity Installed	Annual	MW	Fund Managers
Energy Generated	Annual	MWh	Fund Managers
Energy Savings	Annual	MWh	Fund Managers
<b>Environment</b>			
CO2 reduced	Annual	Tonnes	Fund Managers
Pollution reduced	Annual	Tonnes	Fund Managers
<b>Sustainable Development</b>			
Number of Male Employees	Annual	Number of people	Fund Managers
Number of Female Employees	Annual	Number of people	Fund Managers
Number of training/awareness	Annual	Number of trainings	Fund Managers



sessions			
Taxes paid	Annual	USD	Fund Managers
Number of beneficiary households	Annual	Number of households	Fund Managers
<b>Environmental and Social Compliance</b>			
Funds with ESMS implemented	Annual	Number of funds	GEEREF NeXt
Projects with ESMP implemented	Annual	Number of projects	Fund Managers
Funds with dedicated ESG Personnel	Annual	Number of funds	GEEREF NeXt
Number of grievances	Annual	Number of grievances	Fund Managers
Number of serious incidents and fatalities	Annual	Number of incidents	Fund Managers

## 7 Institutional capacity

### 7.1 GEEREF NeXt Roles & Responsibilities

GEEREF NeXt's roles and responsibilities are coordinated and led by the GEEREF Front Office team. The Front Office team brings in the appropriate internal resources from E&S, technical and legal services within EIB Group as required throughout the investment approval and monitoring processes.

Table 14. GEEREF NeXt roles & responsibilities

<b>GEEREF FRONT OFFICE</b>	<b>E&amp;S TEAM</b>	<b>LEGAL TEAM</b>	<b>TECHNICAL TEAM</b>
<i>Dialogue with prospective investee funds on E&amp;S issues</i>	<i>Development/updating of procedures and documents</i>	<i>Ensuring that all appropriate E&amp;S clauses are incorporated in all relevant legal agreements for each fund commitment</i>	<i>Technical advice on implementation of EIB ESS and other appropriate standards</i>
<i>Evaluation of E&amp;S risks of fund commitments and preparation of investment papers</i>	<i>Evaluating E&amp;S risks at funds and project level</i>	<i>Ensuring that all appropriate E&amp;S clauses are incorporated in all relevant legal agreements for each underlying project investment</i>	<i>Technical advice on risks and mitigants at funds and project level</i>
<i>Ensure funds are fully aware of E&amp;S requirements and implement these sufficiently at project investment level</i>	<i>On an investment level, assist in assessing E&amp;S risks, developing appropriate mitigation measures and ensure Investment and project team input adequate E&amp;S information in the investment papers</i>	<i>Assist with evaluating national and international E&amp;S law requirements</i>	<i>Technical input into annual risk rating</i>
<i>Ensure all fund drawdowns for new projects continue to comply with E&amp;S requirements</i>	<i>Responsible for E&amp;S reporting, particularly GEEREF NeXt Impact Report</i>		
<i>Continue to monitor E&amp;S progress</i>	<i>Manage relationships with funds' E&amp;S Officers</i>		

## 7.2 Fund Manager Roles & Responsibilities

Fund Managers appoint an E&S Manager who is responsible on a day-to-day basis for all E&S activities and ensures implementation of the ESMS across all aspects of the Fund and its investments, from initial screening through to investment approval, monitoring and exit. The E&S Manager reports to a Fund Partner who is responsible for E&S at Board level.

The whole Fund team is fully trained to understand the ESMS and their individual and collective responsibilities for implementation and compliance. Each member of the team has their own copy of the ESMS and must familiarise themselves fully with it. All new staff are provided with an induction for the ESMS and updates and refresher trainings are given throughout the Fund life.

For members of the Investment Committee, Investment Directors / Managers and Project Directors / Managers specific relevant E&S training is provided. Relevant members of staff of the Project Companies are also provided E&S training.

Table 15. Fund Manager roles & responsibilities

INVESTMENT AND PROJECT TEAM	E&S MANAGER	LEGAL COUNSEL	MANAGEMENT/ INVESTMENT COMMITTEE
<i>Dialogue with prospective clients on E&amp;S issues</i>	<i>Development/updating of procedures and documents</i>	<i>Assist ESM with ensuring that E&amp;S clauses are incorporated in legal agreements of each investment.</i>	<i>Commitment to policies and objectives</i>
<i>Evaluation of E&amp;S risks of investments and preparing investment papers</i>	<i>Evaluating E&amp;S risks at portfolio and investment level</i>	<i>Assist with evaluating national and international E&amp;S law requirements</i>	<i>Evaluation of E&amp;S risks of investments and portfolio and deciding if E&amp;S risk are acceptable</i>
<i>Ensure project companies are aware of E&amp;S Requirements</i>	<i>On an investment level, assist in assessing E&amp;S risks, developing appropriate mitigation measures and ensure Investment and project team input adequate E&amp;S information in the investment papers</i>	<i>Internal and external communication</i>	<i>Ensure project companies are aware of E&amp;S Requirements</i>
<i>Assist E&amp;S manager to monitor E&amp;S progress</i>	<i>Instructing third party Due Diligence</i>		
	<i>Liaise with external project consultants, community liaison officers and others</i>		
	<i>Monitor E&amp;S progress and ensure adequate reporting on an investment level</i>		
	<i>Ensure that E&amp;S clauses are incorporated in legal agreements of each investment.</i>		
	<i>Responsible for reporting on E&amp;S on a Fund level</i>		

## 8 Gender strategy

### 8.1 Introduction

As part of the EIB Group, GEEREF NeXt will adopt EIB Group's Gender Strategy. EIB Group's Gender Strategy is currently under development and scheduled to be adopted by the end of the year 2016. The EIB Group Gender Strategy will be consistent with international agreements and will largely reflect the principles set out in the European Commission's Strategic Engagement for Gender Equality 2016-2019<sup>18</sup>, the EU Gender Action Plan 2016-20 and in the Sustainable Development Goals<sup>19</sup> as well as in the Lima Work Programme on Gender<sup>20</sup>.

### 8.2 European Commission's Strategic Engagement for Gender Equality 2016-2019

Promoting gender equality is a core activity for the EU: equality between women and men is a fundamental EU value, an EU objective and a driver for economic growth. The Commission's 2010-2015 strategy for equality between women and men prioritised five key areas for action:

- 1) equal economic independence for women and men;
- 2) equal pay for work of equal value;
- 3) equality in decision-making;
- 4) dignity, integrity and ending gender-based violence; and
- 5) promoting gender equality beyond the EU

According to the European Commission, progress has been achieved in recent years, as witnessed for example, by the highest employment rate ever recorded for women (64 percent in 2014) and their increasing participation in economic decision-making. However, this upward trend is offset by persistent inequality in other areas, e.g. in terms of pay and earnings. The European Commission judges that all five key areas identified in 2010 remain valid today and reaffirms its commitment to them in its 2016 strategy.

### 8.3 EU Gender Action Plan 2016-2020

Specifically targeting EU's development cooperation, international development and external actions, the EU Gender Action Plan 2016-20 was adopted by the Council of Ministers in October 2015, carrying three (3) thematic priority areas:

- Ensuring girls' & women's physical & psychological integrity
- Promoting the economic & social rights / empowerment of girls & women
- Strengthening girls' & women's voice & participation

In addition, it entails one crosscutting institutional priority:

- Shifting the Commission services' & the EEAS' institutional culture to more effectively deliver on EU commitments.

The first three priority areas will apply as per third country context and sectoral priorities determined in each case. The fourth one is mandatory for all third countries and including Member States, promoting a real step change in terms of results focus, accountability, transparency and driving long term institutional change in terms of mandatory gender analysis, quality assurance, mandatory gender indicators and, performance tracking at all levels, including senior management).

The Action Plan is applicable to all Members States, carrying annual reporting requirements for them.

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<sup>18</sup> [http://ec.europa.eu/justice/gender-equality/files/documents/151203\\_strategic\\_engagement\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/documents/151203_strategic_engagement_en.pdf)

<sup>19</sup> <https://sustainabledevelopment.un.org>

<sup>20</sup> <http://genderandenvironment.org/keyword/lima-work-programme-on-gender/>

## **8.4 GEEREF NeXt Gender Assessment and Action Plan**

GEEREF NeXt will be the first fund within the EIB Group to develop and implement its own Gender Assessment and Action Plan and as such will be a pioneer for the Group<sup>21</sup>. GEEREF NeXt will explore the climate-energy-gender nexus in the 2015 Impact Report to be published in Q3 2016 and will address this through a bespoke Gender Strategy, which will be complemented by the Gender Action Plan.

### **8.4.1 Gender Assessment**

GEEREF NeXt's Gender Assessment will build on EIB's Gender Assessment for its regions of operations, additionally relying on complimentary intelligence provided by EIGE (EU28), EEAS/DG DEVCO (non-EU) and own targeted assessments (outsourced to consultants), as deemed relevant and necessary. The Gender Assessment will hence examine the specific context and background of gender relations in the countries of intervention with information gathered throughout the project cycle, from design to monitoring and evaluation. The European Commission has already embarked on carrying out said country assessments carried out, as part of the commitments set out in the EU GAP 2016-2020 .

### **8.4.2 Gender Action Plan**

GEEREF NeXt will continue to promote gender equality and female empowerment at the fund manager level and at the project level.

At the Fund Manager level, GEEREF NeXt will encourage gender diversity in staffing the team and at decision-making levels.

At the Investee Project level, GEEREF NeXt will require all of its Fund Managers to consider gender dimensions across the full project cycle (development, construction and operation) and take actions both at the level of "doing no harm" as well as promoting direct positive benefits for women. Such actions will be premised upon:

- Being cognisant of and striving to address gender inequalities, whether real or potential, in the project.
- Ensuring women and men enjoy equal access to project resources, assets, benefits, opportunities, services, capacity building.
- Ensuring equal voice between women and men in the decision-making processes of the project.
- Collecting and analysing sex-disaggregated data and qualitative information to track the real gender impacts of the project on an annual basis.

As part as its current annual reporting on impact, GEEREF NeXt will develop specific metrics to track and report on that will be related to gender impact of its investments. Indicators will be tracked across the full project cycle (project design/development, construction and operations) and will include data on:

- Local job creation (already embedded into GEEREF's impact reporting), including promotion of women entrepreneurship
- Local public participation and decision making
- Training received

Proposed outline for the Gender Action Plan is included in Annex.

It is to be noted that whilst GEEREF NeXt's ultimate impact is to provide clean energy access to beneficiary households in developing countries through the grid, gender-disaggregated impact data

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<sup>21</sup> Examples of gender equality promotion in the context of GEEREF specific Investee Projects are included in Appendix V, provided by DI Frontier.

remains challenging (beyond the rough assumption that at least 50% of the beneficiary households concerned will be women). Whilst best efforts will be made in generating impact in this regard and tracking related evidence, it remains to be seen how these will be accommodated within the scope of GEEREF NeXt's portfolio.

EIB and GEEREF NeXt will seek to strengthen the Gender Assessment and Action Plan by engaging the services of a dedicated gender specialist.

## **9 Conclusion**

The EIB Group has adopted established best practice for E&S by integrating Standards set by EIB, IFC and GCF and implementing these in the context of a fund-of-funds. This entails the application of the ESMS at two levels, at the GEEREF NeXt fund-of-funds level, and at the level of the underlying Fund Managers and Investee Projects.

In preparing this ESMS for GEEREF NeXt, the EIB Group has leveraged off its experience managing the predecessor fund GEEREF I over the last eight years. Through GEEREF, the EIB Group has successfully devised, implemented and refined procedures for managing environmental and social issues across its portfolio of Funds and Investee Projects and has employed its experience in developing this ESMS.

The ESMS set out in this document is a working draft and the EIB Group welcomes feedback on any aspect of its contents.

## **Appendices**

- I. Eligibility criteria for Investee Projects
- II. Excluded Activities List

### **GEEREF NeXt**

- III. Integration of Environmental and Social Considerations at GEEREF NeXt's level
- IV. Gender Assessment and Action Plan (working proposal)
- V. Annual Environmental and Social Monitoring Report
- VI. Parameters for Assessment and Social Capabilities of Fund Managers
- VII. Summary of EIB Complaints Mechanism

### **Fund Manager**

- VIII. Integration of Environmental and Social Considerations in Investment Process for Investments in Investee Projects at the Fund Manager's Level
- IX. Environmental and Social Screening Checklist
- X. Fund example: Promoting Gender equality on Investee Projects (Frontier)
- XI. Serious Incident Report Template
- XII. Outline of Resettlement Action Plan for Investments
- XIII. Outline of Indigenous Peoples Plan for Investments

## APPENDIX I: ELIGIBILITY CRITERIA FOR INVESTEE PROJECTS

GEEREF NeXt will support Fund Managers investing in Investee Projects which fulfil certain Eligibility Criteria. Following discussion and negotiation with GCF, these criteria will be finalised and formally adopted through the principal legal agreements.

<b>Markets</b>	DAC List countries only
<b>Technology</b>	Renewable energy (biomass, geothermal, small hydro, solar, wind) Energy efficiency (cogeneration, insulation, lighting, waste heat recovery)
<b>Project capacity</b>	Average 10 megawatts to 100 megawatts
<b>Deal size</b>	Average USD 10 million to USD 50 million equity
<b>Investment stage</b>	Greenfield (operating assets by exception)

## APPENDIX II: EXCLUDED ACTIVITIES LIST

1. Production or activities involving forced labour<sup>22</sup> or child labour<sup>23</sup>.
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
3. Production or trade in weapons and ammunition.
4. Production or trade in tobacco<sup>24</sup>.
5. Pornography and/or prostitution; Gambling, casinos and equivalent enterprises and related equipment.
6. Trade in wildlife or wildlife products regulated under CITES<sup>25</sup>.
7. Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
8. Destruction<sup>26</sup> of critical habitat<sup>27</sup>.
9. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations.
10. Production or use of or trade in hazardous materials such as radioactive materials<sup>28</sup> and unbounded asbestos fibres and products containing PCBs<sup>29</sup>.
11. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances<sup>30</sup> and other hazardous substances subject to international phase-outs or bans.
12. Racist and/or anti-democratic media.
13. Live animals for scientific and experimental purposes, including the breeding of these animals.
14. Military/police equipment or infrastructure.
15. Commercial concessions over and logging on tropical natural forest; Conversion of natural forest to a plantation.
16. Purchase of logging equipment for use in tropical natural forests or High Nature Value Forest in all regions; and activities that lead to clear cutting and/or degradation of tropical natural forests or High Nature Value Forest.
17. New palm oil plantations

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<sup>22</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>23</sup> Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Convention (Minimum Age Convention C138, Art 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

<sup>24</sup> This applies when these activities are a substantial part of a project sponsor's primary operations.

<sup>25</sup> CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

<sup>26</sup> Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote 6) is lost.

<sup>27</sup> Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities.

<sup>28</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded.

<sup>29</sup> PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

<sup>30</sup> Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in « holes in the ozone layer ». The Montreal Protocol lists ODs and their target reduction and phase-out dates.



## APPENDIX III: INTEGRATION OF ENVIRONMENTAL AND SOCIAL CONSIDERATIONS AT GEEREF NEXT'S LEVEL

STAGE	DOCUMENT NAME AND ELEMENTS RELEVANT TO ESMS
Fund Screening	<p><b>Appraisal Authorization (AA), prepared by GFO and presented to Investment Committee</b></p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Assessment of commitment to ESG and ability to manage Environmental and Social risks</li> <li>• Check the Beneficiary Projects in the pipeline are not included on the Exclusion Risk</li> </ul> <p><u>Under the below listed headings, language in the AA covers:</u></p> <p>Fund Sponsor:</p> <ul style="list-style-type: none"> <li>• Key background information on Fund Sponsor, including its ESG strategy and fit with GEEREF NeXt's Mission</li> </ul> <p>Track record:</p> <ul style="list-style-type: none"> <li>• Assessment of track record as it pertains to management of Environmental and Social Matters</li> </ul> <p>Rationale for GEEREF NeXt Investment:</p> <ul style="list-style-type: none"> <li>• Assessment of Regional Fund's commitment to ESG, centrality of ESG considerations in investment strategy</li> </ul> <p>Risks and Issues to be Checked during DD:</p> <ul style="list-style-type: none"> <li>• List of 'red flags' to be checked in detail during DD (if any)</li> <li>• Aspects of the quality of environmental and social risk management to be checked</li> </ul> <p>GEEREF's Value Added:</p> <ul style="list-style-type: none"> <li>• States that GEEREF NeXt will work with the Fund Manager to ensure compliance with environmental and social standards.</li> </ul>
Due Diligence	<p><b>DD Report (DDR), prepared by GFO with input from technical experts and presented to Investment Committee</b></p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Assessment of environmental and social risks and opportunities as well as assessment of Fund Manager's capabilities as found during the due diligence (on-site and desk)</li> </ul> <p><u>Under the below listed headings, language in the DDR covers:</u></p> <p>Assessment of Fund Strategy and Fit with GEEREF NeXt:</p> <ul style="list-style-type: none"> <li>• Grading of the project against GEEREF Policy/Impact Targets – Energy, Environment, Development (A-C, with A grade for the perfect fit).</li> </ul> <p>Risks Related to Investment Strategy:</p> <ul style="list-style-type: none"> <li>• Assessment of the anticipated environmental and social impact of the investments targeted by the Fund</li> <li>• Assessment of the procedures in place to prevent adverse environmental and social impact of investments</li> </ul> <p>Environmental and Social Policy:</p> <ul style="list-style-type: none"> <li>• Assessment of the anticipated environmental and social impact of the investments targeted by the Fund, both positive and negative</li> <li>• Assessment of the ESMS in place and Fund Manager's capacity to implement it</li> <li>• Note that projects with significant negative impact on areas with high biodiversity value, critical habitats, nature conservation areas, bird of fish migration routes shall not be eligible</li> <li>• Note that 'The legal documentation to be concluded between the Fund and</li> </ul>

	<p>GEEREF NeXt will further include a reasonable endeavours obligation on the Fund to ensure that the projects are in compliance with national legislation and GEEREF NeXt guidelines, which is aligned with EIB policy.'</p> <p><b>Request for Approval (RA), prepared by GFO with input from technical experts and presented to Investment Committee</b></p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Summary of the assessment of environmental and social risks and opportunities as well as assessment of Fund Manager's capabilities</li> </ul> <p><u>Under the below listed headings, language in the RA covers:</u></p> <p>GEEREF Policy Grading:</p> <ul style="list-style-type: none"> <li>• Grading of the project against GEEREF Policy/Impact Targets – Energy, Environment, Development (A-C, with A grade for the perfect fit).</li> <li>• Summary findings of the DD as it relates to environmental and social risks and opportunities and agreed solution to any pending issues.</li> </ul>
<p><b>Investment Agreement/ Legal documentation</b></p>	<p><b>Limited Partnership Agreement (LPA), jointly prepared by legal counsels of major investors in the Fund and the Fund Manager</b></p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Appropriate environmental and social clauses to ensure appropriate management of social and environmental risks</li> </ul> <p><u>Provisions requiring the Fund Manager to:</u></p> <ul style="list-style-type: none"> <li>• Maintain compliance with the applicable National Environmental and Social Laws and regulations and IFC Performance Standards and EIB ESS on the Fund-level as well as the Beneficiary-project level</li> <li>• Establish Environmental and Social Management Policy that complies with GEEREF NeXt's Standards and Policies and integrate environmental and social risk into investment cycle.</li> <li>• Appoint and maintain an Environmental and Social Manager</li> <li>• Establish a Fund-level grievance mechanism</li> <li>• Any specific conditions decided on a case-by-case basis. In particular, if GEEREF NeXt's investment is conditional upon the implementation of an Environmental &amp; Social Action Plan, this undertaking should be clearly set out in the LPA and the Plan itself should be included in the Agreement as an annex.</li> </ul> <p><b>Side Letter, prepared by GEEREF NeXt's legal counsel and attached to the LPA</b></p> <p>Outlines:</p> <ul style="list-style-type: none"> <li>• Additional GEEREF-NeXt-specific requirements</li> </ul> <p><u>GEEREF NeXt-specific conditions requiring the Fund Manager to:</u></p> <ul style="list-style-type: none"> <li>• Carry out environmental and social due diligence on all prospective investments including, where relevant, satisfactory and meaningful public consultation</li> <li>• Adhere to the EIB Statement of Environmental and Social Principles and Standards (2013)</li> <li>• Assess each project against EIB's ESS</li> </ul>
<p><b>Monitoring</b></p>	<p><b>Review of the E&amp;S reports provided by the fund managers</b></p> <p>Includes:</p> <ul style="list-style-type: none"> <li>• Q&amp;A with the fund managers to understand the data provided</li> <li>• Aggregation of some of data for the provision of GEEREF NeXt's impact report</li> </ul> <p><b>Ad hoc E&amp;S monitoring missions</b></p> <ul style="list-style-type: none"> <li>• EIB's E&amp;S experts carry out on site visits</li> <li>• Review of the E&amp;S process at the fund manager's level</li> </ul>

## APPENDIX IV: GENDER ASSESSMENT AND ACTION PLAN

GEEREF NeXt's modus operandi will be demand-driven. Therefore, the final selection of countries where GEEREF NeXt will operate is currently unknown. GEEREF NeXt Fund Managers will implement their projects in the OECD DAC list of countries. GEEREF NeXt will rely on EIB's Gender Assessment covering these regions and look for any supplementary information in needed.

As GEEREF NeXt's underlying projects will be grid-connected, identifying and monitoring the gender-disaggregated impact may prove challenging. However, GEEREF NeXt in conjunction with its Fund Managers will make all efforts to identify the positive impact of its Projects on women and taking into account the specifics of the market that the Projects will be implemented in.

### 4. Gender Assessment

GEEREF NeXt will further elaborate on EIB's work and analyse the nexus of gender, climate change and renewable energy. Energy and climate change are closely interconnected. Increased CO2 emissions from energy production and consumption are a major cause of climate change. Manifestations of climate change affect energy availability, supply and affordability. Women and men play different roles in energy production, distribution and utilisation in households, communities and enterprises, and are therefore differently impacted by climate change mitigation measures. Incorporating gender perspectives into energy projects, policy and planning addressing climate change mitigation or adaptation not only contributes to more gender equality, but is also critical to ensure the effectiveness and sustainability of energy and climate change programmes and policies, as well as all development activities that involve energy use.

GEEREF NeXt's assessment is expected to cover the below elements.

- Energy, Climate Change, Gender Link
  - International experience & best practices on nexus between renewable energy and gender (focus on on-grid projects) – literature review
- Analysis of the status of gender relations in GEEREF regions
  - Gender roles and dominant stereotypes in target regions
  - Women's participation on political and public life
  - Economic opportunities of women and men in renewable energy and energy efficiency
    - Employment patterns / promotion of women entrepreneurship
    - Working environment in the sector
    - Training needs
    - Representation in decision making through committees, board, or management
  - Energy-gender nexus analysis
    - Energy Access, use, and needs for improvement and new technology
    - Affordability
    - Capacity to capture improved energy services
    - Possible impact of proposed intervention (opportunities and limitations)

## 5. Action Plan

Activities	Indicators	Timeline	Responsibilities
<b>Impact: Improved Situation for Women in the Targeted Region</b>			
<b>Outcome 1: Project design integrates findings from gender impact assessments<sup>31</sup></b>			
<b>Output 1.1: % of projects having conducted gender analysis/impact assessment during project preparation</b>			
Percentage of projects having conducted gender analysis/impact assessment during project preparation	% of projects	Yearly basis (benchmarked to baseline)	Entity implementing the Investee Project: GEEREF NeXt/Fund Managers
<b>Output 2.2: % of projects having produced a project-based dedicated gender action plan</b>			
Percentage of projects having produced a project-based dedicated gender action plan	% of projects	Yearly basis (benchmarked to baseline)	GEEREF NeXt/Fund Managers
<b>Outcome 2: Project implementation and monitoring ensures gender equality (Output 3 – 6)</b>			
<b>Outcome 3: Improved Access to Energy for Women in the Targeted Region</b>			
<b>Output 3: Electricity generated</b>			
Women benefiting from improved electricity access	Number/% of women (assumption: 50% of households)	Yearly basis (benchmarked to baseline)	GEEREF NeXt /Fund Managers
<b>Outcome 4: Improved economic Conditions of Women</b>			
<b>Output 4.1: Employment of women</b>			
Women employed in project implementation	Number/% of women employed on projects	Yearly basis (benchmarked to baseline)	GEEREF NeXt/Fund Managers
<b>Output 4.2: Promotion of women entrepreneurship</b>			
Inclusion of women entrepreneurship in project implementation	Number/% of female entrepreneurship along the continuum of the fund's project	Yearly basis (benchmarked to baseline)	GEEREF NeXt/Fund Managers
<b>Outcome 5: Improved social/political Conditions of Women</b>			
<b>Output 5: Women's participation in decision-making process improved</b>			
Women included in consultations between the project and local communities	Number/% of women participating Percentage of women participating out of the total participants	Yearly basis (benchmarked to baseline)	GEEREF NeXt/Fund Managers
<b>Outcome 6: Women Empowerment/Breaking gender stereotypes</b>			
<b>Output 6: Female trained</b>			
Trainings given to encourage female participation in the sector	Person hours of training	Yearly basis (benchmarked to baseline)	GEEREF NeXt/Fund Managers

<sup>31</sup> As expressed through a dedicated project-based gender action plan



## APPENDIX V: ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT

<b>Prepared for</b> <b>CDB/DEG/EIB/IFC</b>	<b>Annual Environmental and Social Monitoring Report</b>	<b>Project Name:</b>  <b>Project No.:</b>  <b>Project Country:</b>  <b>Reporting Period:</b>	<b>CDB</b>	<b>DEG</b>	<b>EIB</b>	<b>IFC</b>

<b>FI contact information:</b> Who is responsible within the Fund for environmental or social matters?					
		<u>Name</u>	Phone	email	E&S related training. What? When? Provided by whom?
Responsible within Management:	.....	.....	.....	.....	.....
Environmental & Social Compliance Coordinator:	.....	.....	.....	.....	.....

<b>Investments</b>		
<b>New investments</b>		
Does the Fund hold investments in areas as specified in <b>Annex 1</b> ?		Yes    No
➡ If yes, please mark in <b>Annex 1</b> and specify number and kind of the projects .....		
Does the Fund hold investments in areas as specified in <b>Annex 2</b> ?		Yes    No
➡ If yes, please mark in <b>Annex 2</b> and specify number and kind of the projects .....		
<b>Portfolio Overview</b>		
Has any project been financed through the Fund associated with the following issues?		
Non-compliance with national environmental, health & safety or labour laws and regulations	Fatalities or serious injury	
Non-compliance with IFC Performance Standards and WBG EHS Guidelines	Strikes (with or without violence) or other labour disputes	
Non-compliance with covenants or other legal agreements	Legal Action	
Non-compliance with an agreed Environmental and / or Social Action plan	Fines, penalties or increased permit charges	
Complaints from regulatory agencies, interest groups, or local communities	Negative attention on the part of the media or non-governmental organisations	
Has any investee company implemented new technologies, processes or procedures which have improved the environmental, health & safety or labour-related performance (for example reduction of emissions, social policies)?		
Have there been any positive reports by media or non-governmental organisations about projects of investee companies?		
➡ If yes to questions 2.4 and/or 2.5, please specify number and kind of the projects .....		
Please fill in the Data Sheet for each New Investment approved during the reporting period as attached in <b>Annex 3</b> .....		
Please complete the Information Sheet of Investee Companies as attached in <b>Annex 4</b> .....		
<b>EnVironment and Social MANAGEMENT</b>		
<b>Environment and Social Policy and Management</b>		
Are the Fund's financing/investment decisions guided by an Environmental and Social Policy		Yes    No

	(may include code of conduct, Human Resource Management, Health & safety) signed up by the top management?					
	➡ If yes, please provide a copy.					
	Does the Fund have formal procedures for Environmental and Social Assessment and Monitoring?.				Yes	No
	➡ If yes, please provide a copy.					
	What are the criteria for the Environmental and Social Management?					
	IFC Performance Standards and WBG EHS Guidelines		applicable national environmental, health & safety and labour laws and regulations			
	ILO and UN Conventions		other: please specify .....			
4	Do you contractually bind your investee companies to comply with the applicable national environmental, health & safety and labour laws and regulations?				Yes	No
5	Do you contractually bind your investee companies with to comply with the applicable national environmental, health & safety and labour laws and regulations and in addition with the IFC Performance Standards and WBG EHS Guidelines?				Yes	No
	<b>Assessment</b>					
7	Please mark whether the following procedures are part of your assessment procedure.					
	Document procedure for environmental & social procedure			Use of consultants/specialists assistance		
	Use of checklist or questionnaire			Categorization of project risks and appropriate procedures		
	Informal assessment (for example verbal questioning of investee)			We do not appraise environmental and social issues		
	Other .....					
8	Have you commissioned – or requested your investee companies to commission:					
	Environmental and/or Social Impact Assessments			Environmental and/or Social Audits		
	➡ If yes, please specify number and kind of the projects .....					
9	Have you negotiated and agreed upon Environmental and/or Social Action plans with your investee companies?				Yes	No
	➡ If yes, please specify number and kind of the projects .....					
0	Have you rejected any potential investments for environmental and/or social reasons in the reporting period?				Yes	No
	➡ If yes, please specify number and kind of the projects .....					
	<b>Monitoring</b>					
	If any Environmental and/or Social Action Plan were agreed, do you assess any progress made?				Yes	No
	➡ If yes, please specify how and how often .....					
3	How often do you conduct supervision visits to your investee companies: ?					
	With high risks projects	quarterly	biannually	Annually	other, please specify .....	
	With medium risks projects	quarterly	biannually	Annually	other, please specify .....	
3	Do your investee companies report on their environmental and social performance on a regular basis?				Yes	No
	➡ If yes, please specify number and kind of the projects, form of reporting .....					
	<b>Capacity</b>					
	Is your staff trained or will your staff be trained in environmental and social management, screening techniques?				Yes	No
	➡ If yes, please describe .....					
4.	What was the budget allocation for staff training during the reporting period?					
2						

	Do you discuss environmental and social issues during supervision meetings?	always	sometimes	never
<b>AUTHORISATION</b>				
	Completed by:			
	Name and Title - Please print clearly	Date (mm/dd/yy)	Signature	
	Approved by:			
	Senior Management Representative Name and Title - Please print clearly	Date (mm/dd/yy)	Signature	

Please complete the following information about all **NEW Investment**

Prepared by: .....

<b>COMPANY NAME:</b>	.....
Project location:	.....
Company business <sup>32</sup> :	.....
Investment type and amount:	.....
Environmental and social Category (A, B, C):	.....
Are the investee company investment decisions guided by an Environmental and Social Policy (may include code of conduct, Human Resource Management, Health & safety) signed up by the top management?	.....
Does the investee company have formal procedures for Environmental and Social Assessment and Monitoring?	.....
What environmental and social due diligence has been undertaken, and by whom? Were any environmental studies commissioned during due diligence (e.g. audits/EIAs etc.)? If so, please briefly describe.	.....
What were the main environmental <sup>33</sup> and social issues associated with this project and how they were dealt with (i.e. outcome of due diligence)? Are there any material non-compliances with the E&S requirements detected.	.....
Is the investee company in compliance with all applicable environmental, social, health and safety laws and regulations?	.....
Which measures has the Fund taken to ensure that the investee company continues to meet the applicable environmental, social, health and safety laws and regulations?	.....
Has the investee company been subject to any fines, penalties for non-compliance with	.....

<sup>32</sup> Brief description, e.g., distributor of food and beverages, brokerage house, international transport company, etc.

<sup>33</sup> Remember, the term 'environmental' includes environment, health, safety, human, social and cultural issues.



environmental, health and safety regulations?	
Which IFC Performance Standards were triggered?	.....
Was an E&S Corrective Action Plan developed for this investment? If yes, was it included in the legal agreement with the investee company?	.....
Has any public consultation or disclosure of environmental/social information occurred during this period?	.....
Is the investment for an environmentally and/or socially beneficial project (for example, a manufacturer that produces solar panels, or an agribusiness that produces organic produce), or does the investment add value to the project with respect to environmental and social risks and opportunities? If so, please briefly describe.	.....

Please complete the following information about all **PREVIOUS/ONGOING INVESTMENTS (Investee Companies)**. Use as many rows as required.

Company	Location	Business Activity	Investment type and amount	E&S Category	Environmental issues at approval	Current environmental status/any changes since last report
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

## APPENDIX VI: PARAMETERS FOR ASSESSMENT OF ENVIRONMENTAL AND SOCIAL CAPACITY OF THE FUND MANAGER<sup>34</sup>

The environmental and social capacity of the promoter should be considered *for example* in terms of the following parameters:

- Does the promoter have a sound approach to environmental and social issues? What is the level of understanding and competence to identify and address environmental and social impacts?
- Does the promoter have a clear policy commitment on environmental protection, efficient use and management of natural resources, management of social issues and respect for human rights, as well as sustainable development? Is the policy commitment agreed by its board? What are the objectives and targets?
- Does the promoter have in place due diligence steps to implement the policy commitments? That is, provision for: assessment of project's environmental and social impacts, integrating and acting upon findings, monitoring and reporting? Does the promoter ensure access to effective grievance resolution and remedy for project-related adverse impacts, for example, through a project-level grievance mechanism that meets the UN Guiding Principles on Business and Human Rights effectiveness criteria?<sup>35</sup>
- Does the promoter adhere to internationally recognised standards and frameworks, e.g. EMAS,<sup>36</sup> ISO 14001<sup>37</sup>/AA1000<sup>38</sup>/Extractive Industry Transparency International (EITI)<sup>39</sup>/World Commission on Dams<sup>40</sup>/Global Compact<sup>41</sup>/Equator Principles<sup>42</sup>/UNEP FI<sup>43</sup>/UN Guiding Principles on Business and Human Rights and international human rights standards?
- What resources (expertise, capacity, and systems) are available to implement the promoter's environmental and social policies and procedures?
- Have lines of responsibility and accountability been clearly established?
- Are the environmental and social due diligence provisions of the promoter sufficient (i.e. proportionate to the severity of impacts and significance of risks) for the type of operations financed by the EIB?
- Does the promoter have a good track record on environmental and social issues? Does the Promoter report on its environmental and social performance? Does an independent third party validate the report?
- Does the EIB have previous experience with the promoter? Are there any relevant environmental and social compliance issues concerning the promoter (past or present)?

<sup>34</sup> This section is an excerpt from section B.2.7 of the EIB's Environmental and Social Handbook.

<sup>35</sup> UN Guiding Principles on Business and Human Rights effectiveness criteria

<sup>36</sup> EMAS: [http://ec.europa.eu/environment/emas/index\\_en.htm](http://ec.europa.eu/environment/emas/index_en.htm).

<sup>37</sup> ISO 14001: [http://www.iso.org/iso/catalogue\\_detail?csnumber=31807](http://www.iso.org/iso/catalogue_detail?csnumber=31807)

<sup>38</sup> AA1000: <http://www.accountability21.net/default.aspx?id=228>

<sup>39</sup> EITI: <http://www.eiti.org/>

<sup>40</sup> World Commission on Dams: <http://www.dams.org>.

<sup>41</sup> Link to Global Compact: <http://www.unglobalcompact.org/>.

<sup>42</sup> Link to Equator Principles: <http://www.equator-principles.com/>.

<sup>43</sup> Link to UNEP FI: <http://www.unepfi.org/>.

## APPENDIX VII: SUMMARY OF EIB COMPLAINTS MECHANISM

In addition to regular information requests, individuals, organisations or corporations affected by EIB activities can complain. Complaints can be made about actions or decisions that stakeholders feel the EIB Group has carried out incorrectly, unfairly or unlawfully. These may concern, among other issues, the social and environmental impacts of a project. Any member of the public has access to a two-tier procedure. First, an internal one, managed by the Complaints Mechanism Division (EIB-CM), which is operationally independent from the EIB's other departments. This Division will seek a solution and may advise the EIB on corrective action. Should the EIB-CM fail to find a satisfactory response, the complaint can be referred to the European Ombudsman, a fully independent EU body.

The EIB new Complaints Mechanism- Principles, Terms of Reference and Rules of Procedure (<http://www.eib.org/infocentre/publications/all/complaints-mechanism-policy.htm>) was approved by EIB Board of Directors on 2 February 2010 and supersedes the Complaints Mechanism Policy of June 2008. The document was updated in 2012 to reflect some changes in the references.

According to the EIB's policy, a complaint can be lodged via a written communication addressed to the Secretary General of the EIB, via email to the dedicated email address [complaints@eib.org](mailto:complaints@eib.org), by completing the online complaint form available at the following address: <http://www.eib.org/complaints/form>, via fax or delivered directly to the EIB Complaints Mechanism Division, any EIB local representation office or any EIB staff. Complainants can write in one of the official languages of the European Union and have the right to receive a reply in the same language. For complaints, which are not lodged in one of the official languages, the complainant shall be informed of this provision and requested to provide a copy of the complaint in one of the official languages of the EU. For complaints relating to lending operations outside of the EU, the EIB-CM will endeavour to process complaints and documents in the official national language of the country of the project. Complaints must be lodged within one year from the date on which the facts upon which the allegation is grounded could be reasonably known by the complainant.

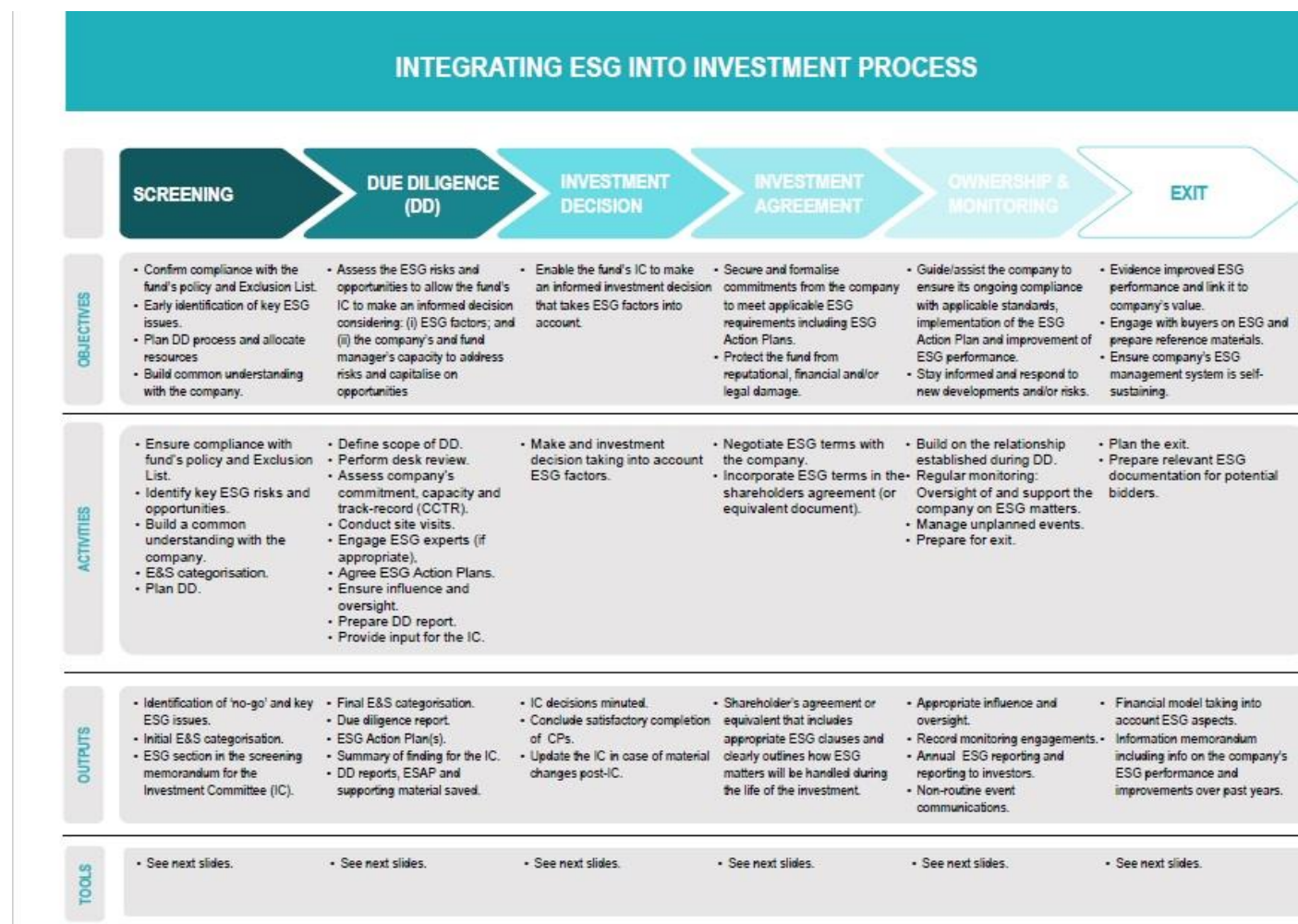
After receipt of a complaint, the EIB CM ensures that an acknowledgment of receipt is sent to the complainant within ten working days. The acknowledgement informs the complainant of the date by which the EIB's official reply to the complaint can be expected and may include the communication of the admissibility or of the inadmissibility of the complaint. In the latter case there will be no further communications from the EIB. In case of partial or total inadmissibility of the complaint, the EIB Complaints Mechanism Division will endeavour to provide, if possible, the complainant with an advice on which measures could be taken and/or to which institution/body her/his concerns may be addressed. No acknowledgement of receipt shall be sent in cases where complaints are abusive because of their excessive number or because of their repetitive or pointless character. If during the inquiry of a complaint, it appears that some allegations concern fraud and/or corruption, the relevant part of the complaint will be handed over to the EIB's Fraud Investigations Division within the EIB Inspectorate General. When the EIB-CM has to declare a complaint inadmissible or has to consider terminate it, due to legal proceedings in progress or concluded concerning the facts which have been put forward, the outcome of any enquiries it has carried out up to that point shall be filed definitively. Once a complaint has been declared admissible, the EIB Complaints Mechanism Division will launch a full inquiry and compliance review into the issue(s) raised by the complainant; it will review the pertinent documentation and records; ensure coordination of the different EIB Group services involved and whenever judged necessary will hold meetings with the appropriate internal and external stakeholders in order to gather all the required information. The Conclusions Report is submitted to the Management Committee for information or decision. The Management Committee takes the decision on whether or not to apply the recommendations and corrective actions if any. The EIB-CM sends the final Conclusions report to the complainant(s) and informs about the Management Committee's decision if any.

In case the complainant is not satisfied with the response, s/he may, has the right to submit a confirmatory complaint within 15 working days from the receipt of the EIB's reply. The EIB-CM will endeavour to prepare a response while following the same procedure as for the initial complaint to this confirmatory complaint. In case the complainant deems that the agreed corrective actions are not implemented correctly or within the imposed timeframe, s/he may, within six months from the due date for the correct implementation of the action at stake, write to the EIB's Secretary General and the EIB-

CM will review the case with the concerned services of the EIB with a view to identify a calendar of actions.

In order to safeguard the interest of the complainants, complaints lodged under the EIB's internal complaints mechanism are normally dealt with confidentially unless otherwise requested by the complainant. For each admissible complaint whereby the complainant waived his or her right to confidentiality a conclusions report will be published together with relevant correspondence by the EIB on its Website. An Annual Report on the EIB Complaints Mechanism is published on the EIB website taking into account the confidentiality rights of the complainants <http://www.eib.org/about/accountability/complaints/index.htm>. Access to information concerning any document related to the complaint is subject to the provisions of the EIB's Transparency Policy ([http://www.eib.org/attachments/strategies/eib\\_group\\_transparency\\_policy\\_en.pdf](http://www.eib.org/attachments/strategies/eib_group_transparency_policy_en.pdf)).

## APPENDIX VIII: INTEGRATION OF ENVIRONMENTAL AND SOCIAL CONSIDERATIONS IN INVESTMENT PROCESS OR INVESTMENTS IN INVESTEE PROJECTS AT THE FUND MANAGER'S LEVEL <sup>44</sup>



<sup>44</sup> CDC ESG Toolkit for Fund Managers. For more details see: <http://toolkit.cdcgroup.com/esg-in-the-investment-cycle/>

## APPENDIX IX: ENVIRONMENTAL AND SOCIAL SCREENING CHECKLIST

ENVIRONMENTAL AND SOCIAL SCREENING CHECKLIST				
Question	Yes	Significant effect	No	Info Not Available
<b>1. Environment</b>				
Will the Project produce solid waste or involve use, storage, transport, handling or production of substances which could be harmful to human health or the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will the Project lead to risks of contamination of land or water from releases of pollutants onto the ground or into surface waters, groundwater, coastal waters or the sea due to routine or non-routine circumstances?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will the Project release pollutants or any hazardous, toxic or noxious substances to air due to routine or non-routine circumstances?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there any other factors such as consequential development which could lead to environmental effects or the potential for cumulative impacts with other existing or planned activities in the locality or transboundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to affect any areas that are protected under international, national or local legislation for their ecological value or which are important or sensitive for reasons of their ecology?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to result in the conversion or degradation of natural habitat, tropical moist forest or critical habitat or impact on a vulnerable, endangered or critically endangered species?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to adversely impact irreplaceable cultural property (e.g. archaeological, historical or religious sites) with unique natural value or intangible cultural heritage (e.g. social practices, rituals, festive events)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to result in significant absolute or positive relative greenhouse gas emissions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to directly or indirectly increase E&S vulnerability to climate change of people and environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2. Social</b>				
Will the Project cause any involuntary physical relocation or loss of livelihoods?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will the Project affect the rights of indigenous people or other vulnerable groups (e.g. ethnic minority groups, Roma, poor households, pastoralist tribes, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to impact gender equality and women's empowerment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there any risks regarding the Health, Safety and Security of workers (workers accommodation, hazard risk, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there any risks regarding Health, Safety and Security of public (e.g. high hazards, traffic safety, influx management, HIV/AIDS, risk of accidents)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there likely risk of non-compliance with the ILO's Core Labour Standards (no child/forced labour; equal treatment; and collective bargaining)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Project likely to affect or be affected by armed or violent conflict if located in a (post-) conflict (-prone) environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. Stakeholder Engagement</b>				
Is there adequate public consultation, information dissemination?	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

## **APPENDIX X: FUND EXAMPLE – PROMOTING GENDER EQUALITY ON INVESTEE PROJECTS (FRONTIER)**

Recognising that women are key contributors, albeit rarely acknowledged, to the rural economy in Africa, Frontier IM is committed to ensuring women are treated equitably through all its project processes. This has been demonstrated through our approach to the implementation of compensation and resettlement action plans for Siti I and II Hydropower Projects, and for Lubilia Kawembe Hydropower Project, where disclosure was done in the presence of spouses, and agreements for the acquisition of land were signed by both man and wife.

### **Financial inclusion**

Financial training was carried out prior to compensation payments, and our team communicated to all the fully affected households that both men and women were invited to attend the training. As a result, at the training sessions, there was full representation from all the households ie either husbands and/or wives attended from each household.

Generally, in East Africa finances are managed by the men in a household. As women lack collateral, they find it difficult to open bank accounts. Thus when payments for compensation were being disbursed, Frontier ensured that female heads of households were able to open and operate bank accounts into which their compensation payments were being made.

### **Access to water**

In Lubilia, access to water was one of the key challenges noted during the preparation of the socio-economic profile of the ESIA. Women are responsible for fetching water, and within the Lubilia-Kawembe project area, they spend on average 45 minutes a day fetching water (some spend up to an hour) for which they have to climb up and go down a number of hills to reach the river.

As part of Frontier's efforts to support the Lubilia-Kawembe community, it made an agreement with the National Water & Sewerage Corporation Uganda in Bwera to draw water for a community water supply that will serve 300-400 households in Kihondo 1 Kihondo 2 and Busyangwa villages. The water will be piped to the village centres so that at the very most, women will have to walk 10 minutes to access the water point.

### **Community Development Action Plan**

Frontier's Community Development Action Plan for projects Siti I & II has focussed on women and young people. There was only one midwife stationed at the Chesower Health Centre 3 who covered a 30 km radius. In response to requests made by women in the immediate project area, to date 35 midwives are undergoing a one-year training course (6 months' theory and 6 months practical training). Similarly, women were keen to generate income from tailoring, and a 5-month tailoring course has been included in the CDAP. As for young people, the participants in the boda boda mechanics training course which started in April 2016 are mostly young men between the age of 18 and 30 years.



## APPENDIX XI: SERIOUS INCIDENT REPORT TEMPLATE

	Fund A
	Report on ESG issue / incident in portfolio company
Date of report	
Fund manager	
Fund	
Fund manager contact person	
Name of portfolio company involved	
Date of investment	
Amount invested	
Total portfolio	
Description of issue	<ul style="list-style-type: none"> <li>• <i>Type of incident: environmental issue, fatality, alleged fraud or other</i></li> <li>• <i>Name of person/s involved / injured / deceased, if applicable</i></li> <li>• <i>Narrative and contextual information</i></li> <li>• <i>Whether incident was work or non-work related</i></li> <li>• <i>Causes of incident</i></li> <li>• <i>Status of investigation</i></li> <li>• <i>Listing of parties involved in investigation (witnesses and staff, unions, police, other authorities and other parties)</i></li> <li>• <i>Fund manager's view of incident: degree of severity, possible uncertainties or disputed facts to be investigated</i></li> </ul>
Follow-up by fund manager	<ul style="list-style-type: none"> <li>• <i>Status of investigation</i></li> <li>• <i>Reports received (and outstanding, if any)</i></li> <li>• <i>Immediate actions taken by the fund manager and other parties</i></li> <li>• <i>Further actions to prevent re-occurrence of incident</i></li> <li>• <i>Monitoring / reporting arrangements to follow up on efficacy of actions taken</i></li> <li>• <i>Results to date of actions taken</i></li> </ul>
Next steps	<ul style="list-style-type: none"> <li>• <i>Whether to close the case, or proceed with investigations, how to do so, and the rationale for it</i></li> </ul>
Conclusion	

## APPENDIX XII: OUTLINE OF RESETTLEMENT ACTION PLAN FOR INVESTMENTS

A resettlement plan is required for all investments with involuntary resettlement impacts. Its level of detail and comprehensiveness is commensurate with the significance of potential involuntary resettlement impacts and risks. The substantive aspects of the outline will guide the preparation of the resettlement plans, although not necessarily in the order shown.

### I. Executive Summary

This section provides a concise statement of investment scope, key survey findings, entitlements and recommended actions.

### II. Investment Description

This section provides a general description of the investment, discusses investment components that result in land acquisition, involuntary resettlement, or both, and identifies the investment area. It also describes the alternatives considered to avoid or minimize resettlement. It includes a table with quantified data and provides a rationale for the final decision.

### III. Scope of Land Acquisition and Resettlement

This section:

- (i) discusses the investment's potential impacts, and includes maps of the areas or zone of impact of investment components or activities;
- (ii) describes the scope of land acquisition (provide maps) and explains why it is necessary for the main investment;
- (iii) summarizes the key effects in terms of assets acquired and displaced persons; and
- (iv) provides details of any common property resources that will be acquired.

### IV. Socioeconomic Information and Profile

This section outlines the results of the social impact assessment, the census survey, and other studies, with information and/or data disaggregated by gender, vulnerability, and other social groupings, including:

- (i) definition, identification, and enumeration of the people and communities to be affected;
- (ii) description of the likely impacts of land and asset acquisition on the people and communities affected taking social, cultural, and economic parameters into account;
- (iii) discussion of the investment's impacts on the poor, indigenous and/or ethnic minorities, and other vulnerable groups; and
- (iv) identification of gender and resettlement impacts, and the socioeconomic situation, impacts, needs, and priorities of women.

### V. Information Disclosure, Consultation, and Participation

This section:

- (i) identifies investment stakeholders, especially primary stakeholders;
- (ii) describes the consultation and participation mechanisms to be used during the different stages of the investment cycle;
- (iii) describes the activities undertaken to disseminate investment and resettlement information during investment design and preparation for engaging stakeholders;
- (iv) summarizes the results of consultations with affected persons (including host communities), and discusses how concerns raised and recommendations made were addressed in the resettlement plan;
- (v) confirms disclosure of the draft resettlement plan to affected persons and includes arrangements to disclose any subsequent plans; and
- (vi) describes the planned information disclosure measures (including the type of information to be disseminated and the method of dissemination) and the process for consultation with affected persons during investment implementation.

### VI. Grievance Redress Mechanisms

This section describes mechanisms to receive and facilitate the resolution of affected persons' concerns and grievances. It explains how the procedures are accessible to affected persons and gender sensitive.

## **VII. Legal Framework**

This section:

- (i) describes national and local laws and regulations that apply to the investment and identifies gaps between local laws and these policy requirements; and discusses how any gaps will be addressed.
- (ii) describes the legal and policy commitments from the executing agency for all types of displaced persons;
- (iii) outlines the principles and methodologies used for determining valuations and compensation rates at replacement cost for assets, incomes, and livelihoods; and sets out the compensation and assistance eligibility criteria and how and when compensation and assistance will be provided.
- (iv) describes the land acquisition process and prepares a schedule for meeting key procedural requirements.

## **VIII. Entitlements, Assistance and Benefits**

This section:

- (i) defines displaced persons' entitlements and eligibility, and describes all resettlement assistance measures (includes an entitlement matrix);
- (ii) specifies all assistance to vulnerable groups, including women, and other special groups; and.
- (iii) outlines opportunities for affected persons to derive appropriate development benefits from the investment.

## **IX. Relocation of Housing and Settlements**

This section:

- (i) describes options for relocating housing and other structures, including replacement housing, replacement cash compensation, and/or self-selection (ensure that gender concerns and support to vulnerable groups are identified);
- (ii) describes alternative relocation sites considered; community consultations conducted; and justification for selected sites, including details about location, environmental assessment of sites, and development needs;
- (iii) provides timetables for site preparation and transfer;
- (iv) describes the legal arrangements to regularize tenure and transfer titles to resettled persons;
- (v) outlines measures to assist displaced persons with their transfer and establishment at new sites;
- (vi) describes plans to provide civic infrastructure; and
- (vii) explains how integration with host populations will be carried out.

## **X. Income Restoration and Rehabilitation**

This section:

- (i) identifies livelihood risks and prepares disaggregated tables based on demographic data and livelihood sources;
- (ii) describes income restoration programs, including multiple options for restoring all types of livelihoods (examples include benefit sharing, revenue sharing arrangements, joint stock for equity contributions such as land, discuss sustainability and safety nets);
- (iii) outlines measures to provide social safety net through social insurance and/or special funds within the investment;
- (iv) describes special measures to support vulnerable groups;
- (v) explains gender considerations; and
- (vi) describes training programs.

## **XI. Resettlement Budget and Financing Plan**

This section:

- (i) provides an itemized budget for all resettlement activities, including for the resettlement unit, staff training, monitoring and evaluation, and preparation of resettlement plans during loan implementation;
- (ii) describes the flow of funds (the annual resettlement budget should show the budget-scheduled expenditure for key items);
- (iii) includes a justification for all assumptions made in calculating compensation rates and other cost estimates (taking into account both physical and cost contingencies), plus replacement costs; and
- (iv) includes information about the source of funding for the resettlement plan budget.

## **XII. Institutional Arrangements**

This section:

- (i) describes institutional arrangement responsibilities and mechanisms for carrying out the measures of the resettlement plan;
- (ii) includes institutional capacity building program, including technical assistance, if required;
- (iii) describes role of NGOs, if involved, and organizations of affected persons in resettlement planning and management; and
- (iv) describes how women's groups will be involved in resettlement planning and management.

## **XIII. Implementation Schedule**

This section includes a detailed, time bound implementation schedule for all key resettlement and rehabilitation activities. The implementation schedule should cover all aspects of resettlement activities synchronized with the investment schedule of civil works construction, and provide land acquisition process and timeline.

## **XIV. Monitoring and Reporting**

This section describes the mechanisms and benchmarks appropriate to the investment for monitoring and evaluating the implementation of the resettlement plan. It specifies arrangements for participation of affected persons in the monitoring process. This section will also describe reporting procedures.

## APPENDIX XIII: OUTLINE OF INDIGENOUS PEOPLES PLAN FOR INVESTMENTS

An Indigenous Peoples plan (IPP) is required for all investments with impacts on Indigenous Peoples. Its level of detail and comprehensiveness is commensurate with the significance of potential impacts on Indigenous Peoples. The substantive aspects of this outline will guide the preparation of IPPs, although not necessarily in the order shown.

### A. Executive Summary of the Indigenous Peoples Plan

This section concisely describes the critical facts, significant findings, and recommended actions.

### B. Description of the Investment

This section provides a general description of the investment; discusses investment components and activities that may bring impacts on Indigenous Peoples; and identifies the investment area.

### C. Social Impact Assessment

This section:

- (i) reviews the legal and institutional framework applicable to Indigenous Peoples in context of the investment;
- (ii) provides baseline information on the demographic, social, cultural, and political characteristics of the affected Indigenous Peoples communities; the land and territories that they have traditionally owned or customarily used or occupied; and the natural resources on which they depend;
- (iii) identifies key investment stakeholders and elaborates a culturally appropriate and gender-sensitive process for meaningful consultation with Indigenous Peoples at each stage of investment preparation and implementation, taking the review and baseline information into account;
- (iv) assesses, based on meaningful consultation with the affected Indigenous Peoples communities, the potential adverse and positive effects of the investment. Critical to the determination of potential adverse impacts is a gender-sensitive analysis of the relative vulnerability of, and risks to, the affected Indigenous Peoples communities given their particular circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to those available to other social groups in the communities, regions, or national societies in which they live;
- (v) includes a gender-sensitive assessment of the affected Indigenous Peoples' perceptions about the investment and its impact on their social, economic, and cultural status; and
- (vi) identifies and recommends, based on meaningful consultation with the affected Indigenous Peoples communities, the measures necessary to avoid adverse effects or, if such measures are not possible, identifies measures to minimize, mitigate, and/or compensate for such effects and to ensure that the Indigenous Peoples receive culturally appropriate benefits under the investment.

### D. Information Disclosure, Consultation and Participation

This section:

- (i) describes the information disclosure, consultation and participation process with the affected Indigenous Peoples communities that was carried out during investment preparation;
- (ii) summarizes their comments on the results of the social impact assessment and identifies concerns raised during consultation and how these have been addressed in investment design;
- (iii) in the case of investment activities requiring broad community support, documents the process and outcome of consultations with affected Indigenous Peoples communities and any agreement resulting from such consultations for the investment activities and safeguard measures addressing the impacts of such activities;
- (iv) describes consultation and participation mechanisms to be used during implementation to ensure Indigenous Peoples participation during implementation; and
- (v) confirms disclosure of the draft and final IPP to the affected Indigenous Peoples communities.

#### **E. Beneficial Measures**

This section specifies the measures to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate, and gender responsive.

#### **F. Mitigative Measures**

This section specifies the measures to avoid adverse impacts on Indigenous Peoples; and where the avoidance is impossible, specifies the measures to minimize, mitigate, and compensate for identified unavoidable adverse impacts for each affected Indigenous Peoples group.

#### **G. Capacity Building**

This section provides measures to strengthen the social, legal, and technical capabilities of (a) government institutions to address Indigenous Peoples issues in the investment area; and (b) Indigenous Peoples organizations in the investment area to enable them to represent the affected Indigenous Peoples more effectively.

#### **H. Grievance Redress Mechanism**

This section describes the procedures to redress grievances by affected Indigenous Peoples communities. It also explains how the procedures are accessible to Indigenous Peoples and culturally appropriate and gender sensitive.

#### **I. Monitoring, Reporting and Evaluation**

This section describes the mechanisms and benchmarks appropriate to the investment for monitoring, and evaluating the implementation of the IPP. It also specifies arrangements for participation of affected Indigenous Peoples in the preparation and validation of monitoring, and evaluation reports.

#### **J. Institutional Arrangement**

This section describes institutional arrangement responsibilities and mechanisms for carrying out the various measures of the IPP. It also describes the process of including relevant local organizations and NGOs in carrying out the measures of the IPP.

#### **K. Budget and Financing**

This section provides an itemized budget for all activities described in the IPP.