



ENVIRONMENTAL & SOCIAL POLICY

Facility for Energy Inclusion
Off-Grid Energy Access Fund



ENVIRONMENTAL & SOCIAL POLICY

FEI OGEF LP (“the FEI Off-Grid Energy Access Fund”, “OGEF”, the “Fund”) has developed the Environmental & Social Policy (E&S Policy) which sets out objectives, procedures and guidelines to manage risks and monitor and report the Fund’s developmental impact in line with the aims of its principal shareholders. It will be used for investee-company evaluation and reporting and Fund reporting to the Limited Partners and Lenders.

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

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

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

This Environmental & Social Policy supersedes all previous Environmental & Social Policies and Management Systems and shall be superseded by all future Environmental & Social Policies approved by the Limited Partners.

CONFIDENTIAL

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1. INTRODUCTION

Over 645 million Africans lack access to electricity. Power consumption per capita in sub-Saharan Africa is the lowest of all continents. It is currently estimated at 181 kilowatts per annum, piling significantly in comparison to 6,500 kilowatts per annum in Europe and 13,000 kilowatts per annum in the United States.

AFDB has committed to invest about US\$12 billion between 2016 and 2020; with an expectation to leverage between US\$45 billion and US\$50 billion in co-financing for energy projects in Africa during the period. These commitments have been enshrined in the AFDB's New Deal on Energy for Africa which has the following broader targets:

- Increase off-grid generation to add 75 million connections by 2025, an increase that is twenty times more than what Africa generates today.
- Increase on-grid generation to add 160 gigawatts of new capacity by 2025.
- Increase on-grid transmission and grid connections by 160 percent in order to create 130 million new connections by 2025.
- Increase access to clean cooking energy for 130 million households.

The African Development Bank has launched an umbrella initiative – the Facility for Energy Inclusion-(FEI) – in order to meet its targets of significantly increasing access to energy across Africa. Within the FEI strategy, the AfDB has set up a sub-window that focuses on off-grid energy access, namely OGEF.

The AfDB appointed Lion's Head to implement the Fund and act as the Fund's regulated "Fund Manager" controlling the Fund's Investment Committee and the Fund's General Partner. OGEF is an innovative finance strategy aiming to increase the amount of debt financing available in both local and hard currencies in the off-grid energy access sector.

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

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

2. ENVIRONMENTAL AND SOCIAL POLICY

2.1. Principles

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

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

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

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

- The Fund commits that each investment will be made in line with its E&S Policy and associated procedures.
- The Fund will ensure that each of its investees is evaluated on basis of the five operational safeguards set out in AfDB's ISS and the added safeguard of climate change, as well as on additional safeguards if found relevant and requested by other investors or partners.
- Investees are financed only when they are expected to be designed, built, operated, and maintained in a manner consistent with the E&S Policy.
- Efforts are made to ensure that all investees activities are in compliance with the E&S Policy.
- The Fund commits to a process of continuous improvement in its ESMS design and implementation.
- The Fund will encourage and reward the adoption of E&S standards, which align with the E&S Policy, by developers / investees.
- The Fund will monitor and report on E&S performance of investees in a transparent, credible and timely manner to all relevant stakeholders.

2.2. Applicable E&S Requirements

The Fund Manager will ensure that all investments are evaluated against the following Applicable Environmental and Social Requirements:

- **Exclusion List** (see Appendix A), which outlines categories of investments that will not be financeable through OGEF under any circumstances;
- **National and local environmental, health, safety, and labour laws and regulations**, including established requirements on public disclosure and engagement;

- **International standards, conventions, and agreements** on environmental, health, safety, and labour best practices to which the investee and the relevant nations are parties; and
- **The OGEF and AfDB Operational Safeguards** (see below), to ensure that investees effectively avoid, manage, and mitigate against all E&S risks of their activities in accordance with environmental and social risk management procedures.

2.3. Operational Safeguards

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

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

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

Figure 1: OGEF Operational Safeguards based on AfDB Operational Safeguards



2.4. Harmonization of the OGEF E&S Policy with Other Investors’ E&S Policies

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

Specifically, particular clauses from the other policies will be added to the exclusion list if not already included there; additional safeguards not already captured by the six core The Fund safeguards will be added to or incorporated into the current safeguards; additional procedural requirements under each investment risk category will be incorporated into the current The Fund procedures if the new requirements enhance potential risk evaluation or mitigation capacity and do not place undue burden on either the Fund Manager team or investees; additional reporting requirements will likewise be considered for addition to the E&S Policy if the requirements add value without placing undue burden on either The Fund, its investors, or its investees. Finally, the overall E&S Policy will be revised to incorporate the new additions, and will be approved by Limited Partners of the Fund.

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

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

3. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

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

3.1. E&S Risk Categorization

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

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

Risk Category	Description
1	Investee operations are likely to cause significant environmental and social risks
2	Investee operations are likely to cause less adverse environmental and social risks than Category 1 activities
3	Investee operations will likely have negligible adverse environmental and social risks
4	Investee operations involve lending to financial intermediaries

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

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

Category 1 High Risk	Category 2 Medium Risk	Category 3 Low Risk
<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • Exclusion List • Local environmental, health, safety and labour laws, and public disclosure requirements engendered therein • ILO fundamental conventions • Stakeholder engagement as appropriate • Grievance mechanism adapted to project context 		
<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • Relevant operational safeguards/international standards 	<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • Relevant operational safeguards/international standards 	<p><i>Compliance with:</i></p> <ul style="list-style-type: none"> • • • No further requirements
<p><i>Focus on:</i> conclusions of independent assessments and the results of stakeholder consultations</p>	<p><i>Focus on:</i> investee capacity and willingness to manage E&S risks and mitigate potential E&S impacts</p>	<p><i>Focus on:</i> identifying investee non-compliance, and ensuring the investee has a plan to remedy the non-compliance in a reasonable time frame</p>
<p><i>Required due diligence:</i></p> <ul style="list-style-type: none"> • Full E&S appraisal (prepared with the assistance of outside experts if necessary) commensurate with the severity of potential impacts and risks • Full external E&S due diligence (ESDD)- focusing on gaps to relevant international standards and action plan to close them (E&S Action Plan (ESAP)) 	<p><i>Required due diligence:</i></p> <ul style="list-style-type: none"> • Limited E&S appraisal • Limited external E&S due diligence (ESDD)- focusing on gaps to relevant international standards and action plan to close them (ESAP) 	<p><i>Required due diligence:</i></p> <p>Gender impacts or other analyses as needed</p>
<p><i>Required outputs:</i></p> <ul style="list-style-type: none"> • Environmental and Social Assessment (ESIA), • Environmental and Social Management Plan (ESMP), and if relevant, • ESDD, • ESAP, • (if relevant) Full Resettlement Action Plan (FRAP) 	<p><i>Required outputs:</i></p> <ul style="list-style-type: none"> • ESIA • ESMP • ESDD • ESAP • (If relevant) Abbreviated Resettlement Action Plan (ARAP) 	<p><i>Required documents</i></p> <ul style="list-style-type: none"> • ESMP or equivalent collection of HSE and similar documents depending on FM risk assessment, • Where gaps identified, explore option of TAF support

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

Examples of Category 1 investments may include mini-grid and equivalent investments that require the resettlement of over 200 people, activities in protected areas or within animal migratory corridors, biomass IPPs that result in significant deforestation or habitat degradation, and off-grid solar home systems or mini-grids that use lead-acid or inorganic lithium-ion batteries without adequate refilling, recycling, and waste management processes in place. OGEF may make some Category 1 investments, but it is not expected to be a significant part of the OGEF portfolio.

Risk Category 2: The second category represents investments in which operations are likely to cause fewer or lesser adverse environmental and social impacts than Category 1 activities. Likely impacts of the potential investment are few in number, site-specific, largely reversible, and readily minimized by applying appropriate management and mitigation measures or incorporating internationally recognized design criteria and standards. Investees in this category, as with Category 1, require an ESIA and an ESMP, limited external ESDD and ESAP as well as an Abbreviated Resettlement Action Plan (ARAP) when applicable.

Most mini-grid and equivalent investments will likely fall into this “medium risk” category.

Risk Category 3: The third category represents investments in which operations will likely have negligible adverse environmental and social risks. Potential investments in this category do not directly or indirectly affect the environment adversely and are unlikely to induce adverse social impacts. They do not require an environmental and social assessment; they only require E&S risk categorization. Many solar home system projects are likely to fall into this category.

Risk Category 4: Finally, the fourth category represents Facility investments channelled through other financial intermediaries. OGEF may lend to MFIS and other financial institutions that provide consumer credit for purchasing energy access products. If relevant, financial intermediary operations would be further classified as FI-A, FI-B, and FI-C to reflect the potential environmental and social impacts and risks of the financial intermediary’s existing or proposed portfolio of activities, equivalent to Categories 1 through 3 in terms of the investee’s risk profiles. Importantly, financial intermediary investments whose risks would be classified as either Category 1 or Category 2 are

subject to the relevant E&S requirements, as if they were Category 1 or Category 2 investees directly financed through OGEF.

3.2. OGEF E&S Risk Profile

The Fund is overall expected to maintain a low level of E&S Risk, since it predominantly targets investments in consumer-facing corporates that provide more affordable electricity access and related services. Table 3 sets out specific E&S risks to be expected for the investment categories set out in the Fund’s Investment Policy. Specific risks identified within each safeguard and for each technology type are drawn from many sources. For reference, please see AfDB’s ISS Sector Keysheet for hydroelectric power, transmission, thermal power, solar power, wind power, and biofuels production projects (Volume 3, 2015); as well as the IFC Environmental, Health, and Safety Guidelines for electric power transmission (2007) and for each energy production technology type (2015).

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

Safeguard Category	Potential Risks	
	SHS	Minigrids
Environmental and Social Assessment	<ul style="list-style-type: none"> • Potential deepening of gender inequality among widowed or divorced women households given lower access to credit and collateral 	<ul style="list-style-type: none"> • Solar and hybrid solar: May result in replacement of culturally, historically, religious, or archeologically significant areas or indigenous areas • Hydro: May result in flooding of and damage to culturally, historically, religious, or archeologically significant areas or indigenous areas; may result in loss of artisanal fishing income and food sources • Biomass: May result in further exploitation of children or others traditionally designated as biomass collectors; may result in decreased food security due to replacement of food cultivation with biofuel cultivation (either woody or herbaceous)
Involuntary Resettlement and Land Acquisition	<ul style="list-style-type: none"> • Minimal to no risk 	<ul style="list-style-type: none"> • Solar and solar hybrid: May result in the displacement of households or communities • Hydro: Minimal to no risk • Biomass: Minimal to no risk
Biodiversity and Ecosystem Services	<ul style="list-style-type: none"> • Potential destruction of land and riparian habitats near battery or appliance disposal sites • Potential disruption to nocturnal animals due to light pollution and increased industrial (small business) activity 	<ul style="list-style-type: none"> • Solar and solar hybrid: Small likelihood of bird fatalities due to high temperatures above solar panels; potential destruction of habitat that had been cleared for the solar panels, including disruption of grazing lands and food for pollinators • Hydro: Potential habitat loss for fish and other riverine and riparian species that rely on unobstructed river flow for reproduction or for food sources • Biomass: May result in the loss of native, endemic, and/or endangered plant species if they are collected and used as fuel

Safeguard Category	Potential Risks	
	SHS	Minigrids
Pollution Prevention and Control	<ul style="list-style-type: none"> • Potential soil and water pollution from refilling and disposing of SHS batteries¹, panels, wiring, and certain lights and appliance 	<ul style="list-style-type: none"> • Solar and solar hybrid: Potential soil erosion after land clearing; Potential contamination of groundwater and drinking water from spills of herbicides, dielectric fluids, dust suppressants • Hydro: Potential water pollution from right-of-way activities and from sediment build-up as a result of small dams or other structures altering flow • Biomass: Potential construction site and general (operational) waste generation; soil erosion from site preparation or right-of-way activities; potential water contamination from effluent
Labour Conditions, Health and Safety	<ul style="list-style-type: none"> • Potential health impacts due to refilling and disposing of SHS batteries, where used • Some potential risk from unsafe installation conditions • High potential for counterfeit products and loss of consumer trust 	<ul style="list-style-type: none"> • All: Potential safety hazards from heavy equipment use during construction and from exposure to electrical hazards • Solar and solar hybrid: Potential for burns, explosions, and other safety hazards associated with petroleum fuels for solar hybrid projects • Biomass: May result in heavy air pollution and subsequent health impacts from biomass combustion
Climate Change	<ul style="list-style-type: none"> • Minimal to no negative impacts, other than minimal impacts from transportation and construction emissions 	<ul style="list-style-type: none"> • Solar and solar hybrid: May result in greater climate vulnerability of affected communities if land used was previously used for food cultivation, and no alternative employment or income source results from increased access to electricity; may result in net negative climate impacts if solar hybrid projects rely more on the petroleum fuel for generation than on solar components • Hydro: Minimal to no negative impacts, other than minimal transportation and construction carbon emissions • Biomass: May result in net negative climate impacts (i.e. greater emissions) if using native trees for fuel and the previous fuel source was cleaner-burning or released fewer emissions

¹ See Appendix L for more information

4. ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

4.1. Impact Objectives

The Fund seeks to have a positive E&S impact. It starts with the premise that debt finance both in local and hard currency helps to increase the efficiency and affordability of African businesses supporting electricity access at the consumer level. OGEF's approach is financing, predominantly secured by receivables and inventory, to companies supporting distribution, financing and operation of off-grid energy solutions. This approach translates into four broad impact objectives:

- (i) **Increased and sustainable financing** for Africa's emerging off-grid energy-access finance providers who provide payment solutions and access to Solar Home Systems through leasing or PAYG model;
- (ii) **Increased renewable energy access** for MSMEs and households without access to stable on-grid power supply;
- (iii) **Additional economic, social and environmental benefits** resulting from increased energy access;
- (iv) **Improved financing environment** for borrowers and improving the financial capacity of local banks to engage with the energy access sector.

Increased and Sustainable Financing

The off-grid energy access sector is growing rapidly. The prevailing business model requires high levels of working capital to fund inventory and customer receivables. The total amounts of funding required across Africa are estimated to be anywhere between USD 1 – 6 billion over the next five years. Most funding is currently provided as equity/quasi-equity by off-shore investors, most of whom can be classified as development finance institutions and impact investors.

The amounts required by the industry over the next few years far outstrip the funding expected from the foreign investors mentioned above. For the industry to achieve its growth and impact potential, funding strategies must be institutionalized – i.e. increasingly use consumer finance technology – and carried out in local currency in order to attract local commercial banks and ultimately local institutional investors. The Fund focuses on both introducing new structured finance techniques and to co-invest with local banks.

Increased Renewable Energy Access

Large parts of Africa remain without access to reliable grid-power resulting in energy poverty of many rural low-income households and, more broadly, in significant costs and lost business opportunities to African economies. Off-grid home solar systems as well as small scale off-grid commercial systems have the potential of delivering reliable renewable electricity to retail customers and MSMEs, and are therefore fundamental in driving economic development across Africa.

Off-grid energy's success in Africa is driven by declining prices for solar panels, improved battery capacity and new payment technologies. The emerging energy-access sector has the potential of leapfrogging conventional models of domestic power delivery with far reaching benefits to the

environment as well as country-wide electricity distribution costs (fewer high cost connections to be spread across utility customers).

Investments by the Fund will directly increase energy-access by providing capital required to fund inventory and receivables.

Additional Environmental, Economic, and Social Benefits

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

The key secondary benefits are also increasingly a priority for the companies in the sector in order to demonstrate their additionality to customer. OGEF will seek to monitor and, where possible, quantify, relate to the environmental, economic and social benefits relating to using the products sold.

Improved Financing Environment

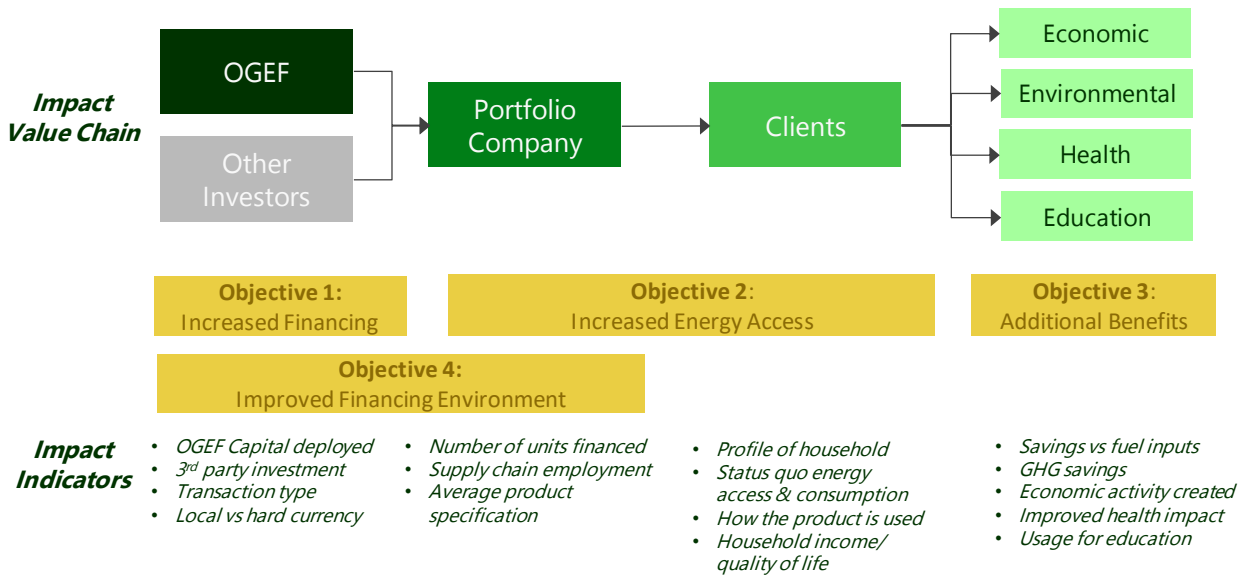
An important aspect of growing the off-grid energy access sector is the introduction of more sophisticated financing techniques that are better suited to the nature of credit exposure incurred. Many off-grid companies are fast growing and expansionary which necessitates on-going corporate funding to meet growing operating expenditures. At the same time, growing working capital is largely comprised of inventory and customer receivables which can be ringfenced and securitized or used as collateral where securitization legislation is not established.

4.2. Impact Framework

A framework is derived to provide the analytical basis for assessing whether and how the Fund is meeting the objectives, each measured by several indicators (defined in more detail in Appendix G). The framework is based on an analysis of the fund strategy and best practice impact assessment as used for comparable investment funds and principals in the energy access sector.

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

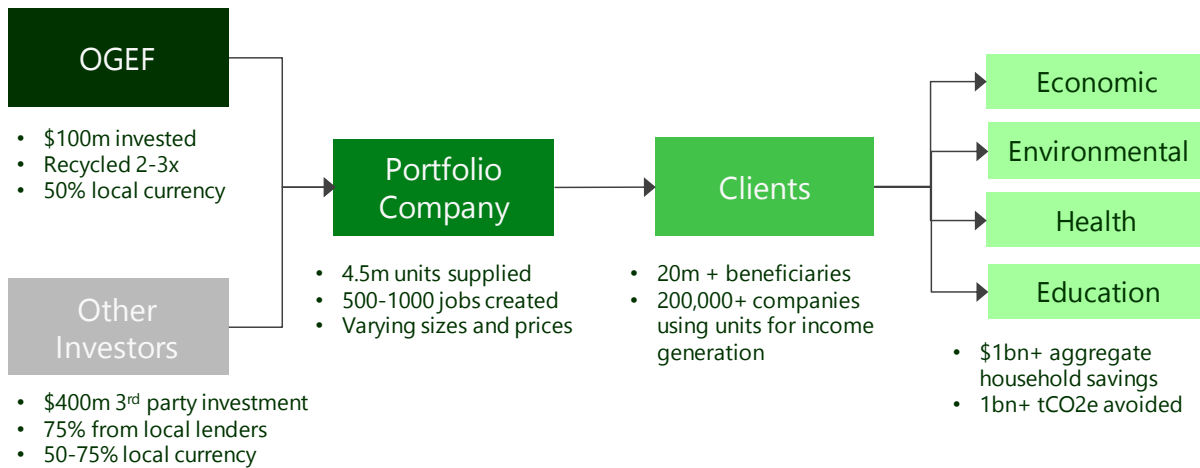
Figure 2: Impact framework across the financing value chain



4.3. Impact Scenarios

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

Figure 3: Example Impact Scenario Outputs



5. IMPLEMENTATION

5.1. Oversight

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



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

- OGEF has a confirmed E&S Officer;
- The E&S Policy and systems are kept up to date;
- OGEF has set up an External Communication Mechanism in line with the requirements of AFDB ISS.
- The investment team will receive adequate E&S risk management training

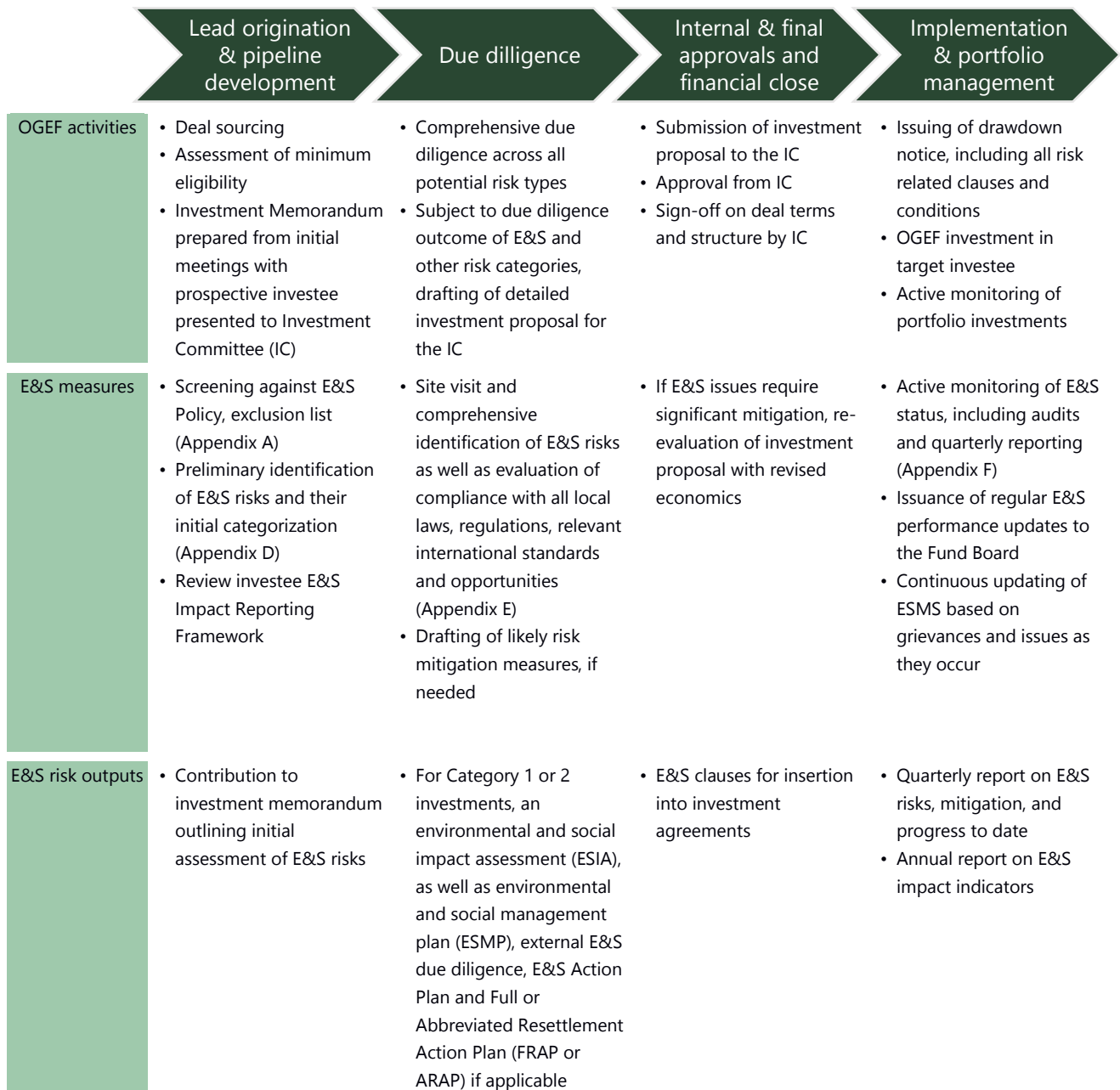
While the main focus of the Fund is supporting off-grid solar household and mini-grid operations, the Fund recognizes that generation assets underpinning certain mini-grids reviewed by the Fund using different technologies (hydroelectricity, biomass, wind) may entail higher environmental & social risks. The FM commits to always applying best practices as set-out by the AFDB ISS and IFC PS and seek third party expert advice as required to ensure these projects are appropriately assessed for environmental and social risk.

External consultants may be engaged at specific points in the investment process (i.e. for category 1 and 2 investments; category 3 investments as needed) to provide objective, expert perspectives on E&S risk evaluation and performance. For sample terms of reference and required qualification of external consultants, please see Appendix J.

5.2. Procedures Across the Investment Cycle

The Fund Manager will follow a streamlined and thorough process to originate, screen, approve, and implement deals with investees. The process, outlined in Figure 4, consists of five main steps.

Figure 4: Illustrative procedures across OGEF investment activities and E&S risk measures



6. MONITORING AND REPORTING

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

6.1. Monitoring

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

In the case of severe E&S incidents and breaches of conduct (such as those listed in Appendix I), the investee must inform OGEF within twenty-four hours of occurrence.

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

6.2. Reporting

The Fund Manager commits to a reporting schedule that is set out in the Investment Policy and includes regular reporting on E&S performance to Fund investors and other stakeholders. Semi-annual and annual E&S reporting formats will be based on the requirements of the investors in OGEF, but a sample template is available. Semi-annual reports will profile the E&S performance of each individual investment, and annual report will explain performance across all investments in aggregate.

7. EXTERNAL RELATIONS: GRIEVANCE AND REDRESS MECHANISMS

7.1. Fund Manager

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

Table 4: Summary of Fund Manager’s GRM

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

7.2. Investee

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

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

8. ESMS REVIEW AND CONTINUOUS IMPROVEMENT

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

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

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

Appendix A. Investment Exclusion List

At all times, the Fund Manager shall ensure that the Fund does not provide funding or other support to any institution that provides loans, funding or other support to entities that engage in any of the following activities:

General

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international bans or phase-out, including:
 - i) pharmaceuticals, pesticides/herbicides, Polychlorinated Biphenyls (PCB's) and other toxic substances under the Rotterdam Convention, Stockholm Convention and WHO "Pharmaceuticals: Restrictions in Use and Availability"),
 - ii) ozone depleting substances (under the Montreal Protocol),
 - iii) protected wildlife or wildlife products (under CITES / Washington Convention)
 - iv) prohibited transboundary trade in waste, excepting non-hazardous waste destined for recycling, but in all cases excluding trade of waste prohibited under the Basel Convention.
- Production or activities involving harmful or exploitative forms of forced labour²/harmful child labour³;
- All projects that pose potentially serious occupational or health risks;
- All projects with potentially major impacts on people or which pose serious socio-economic risk;
- Projects that require resettlement of 5000 or more persons;

Products and Processes

- Production or trade in: weapons and munitions or critical components thereof⁴;
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products as well as ozone depleting substances;
- Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines.⁵

² Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³ Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

⁴ This does not apply to project sponsors who do not produce controversial weapons and are not substantially involved in these activities. Controversial weapons specifically includes nuclear weapons and radioactive ammunition, biological and chemical weapons of mass destruction, cluster bombs, anti - personnel mines, and enriched uranium. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

⁵ Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coal based power in the relevant grid. In developing countries, heating stations and cogeneration facilities (CHP)

- Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes;
- Extraction, production or trade in unbonded or bonded asbestos fibers;
- Cement manufacturing with an annual production rate of greater than one million dry weight tons;
- Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day;
- Industrial plants for the (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tons per day;
- Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows;
- Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.
- Non-conventional prospection, exploration and extraction of natural gas;
- Peat extraction;
- Quarries, mining, or processing of metal ores or coal;
- Production or trade in alcoholic beverages (excluding beer and wine)⁶;
- Production or trade in tobacco⁷;
- Production, trade or storage of radioactive materials⁸;
- Gambling, casinos and equivalent enterprises⁹;
- Pornography and/or prostitution;
- Racist or anti-democratic media;
- Large-scale tourism and retail development;
- Large-scale industrial plants;
- Large-scale industrial estates;
- Housing developments that contain more than 2,500 residential units;

Resources

- Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Production or trade in wood or other forestry products other than from companies/sites that are not either:

essentially fired with coal can be co-financed in individual cases based on a rigid assessment, if there is a particularly high sustainability contribution, major environmental hazards are reduced, and if there demonstrably is no more climate-friendly alternative.

⁶ Ibidem.

⁷ Ibidem.

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

⁹ Ibidem.

- compliant with recognised international certification systems (RSPO or FSC) or equivalent regulations to ensure sustainable cultivation conditions; or
- in the process of achieving compliance
- Commercial logging operations for use in primary tropical moist forest;
- Investments in projects responsible for the direct emissions of more than 100,000 tons CO₂eq per year of green-house gases;

Land Use

- Projects located in or sufficiently near and impacting vulnerable and/or protected locations unless it can be demonstrated through an environmental assessment that the project:
 - (i) will not result in the degradation, destruction or significant impairment of the protected area and
 - (ii) will produce positive environmental and social benefits.
- Vulnerable and/or protected locations include:
 - Managed resource protected areas, and protected landscape/seascape (International Union for Conservation of Nature (IUCN) categories V and VI) as defined by IUCN's Guidelines for Protected Area Management Categories;
 - World Heritage Sites (Areas of significant ecological value that have been internationally recognized as necessary for strict protection by members of the World Heritage Convention) unless it can be demonstrated through an environmental assessment that the project
 - ✓ Protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks)
 - ✓ Natural Monuments and Habitat/ Species Management Areas, as defined by the International Union for the Conservation of Nature.
 - ✓ Projects in or impacting areas on the United Nations List of National Parks and Protected Areas
- Project in or sufficiently near sensitive locations of national or regional importance that will have perceptible environmental impacts on:
 - Wetlands;
 - Areas of archaeological significance;
 - Areas prone to erosion and/or desertification;
 - Areas of importance to ethnic groups/indigenous peoples;
 - Primary temperate/boreal forests;
 - Coral reefs;
 - Mangrove swamps;
 - Nationally-designated seashore areas;
- Projects that involve conversion or degradation of Critical Forest Areas¹⁰ or related Critical Natural Habitats¹¹;

¹⁰ "Critical Forest Areas" means a type of natural forest that qualifies as Critical Natural Habitat;

¹¹ "Critical Natural Habitats" means (1) existing internationally recognized protected areas, areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital to the viability of protected areas (as determined by the environmental assessment procedure); and (2) sites identified on supplementary

- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples;
- Projects involving the construction of large dams that significantly and irreversibly¹²:
 - (A) disrupt natural ecosystems upstream or downstream of the dam, or
 - (B) alter natural hydrology, or
 - (C) inundate large land areas, or
 - (D) impact biodiversity, or
 - (E) displace large numbers of inhabitants (5,000 persons or more) or
 - (F) impact local inhabitants' ability to earn a livelihood;
- Large-scale land reclamation;
- Large-scale primary agriculture/silviculture involving intensification or conversion of previously undisturbed land;

Infrastructure

- Thermal power stations and other combustion installations essentially fired with coal, as well as associated sub lines¹³;
- Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction
- Construction of motorways, express roads and lines for long-distance railway traffic 10 km or more in a continuous length; airports or airport expansions with a basic runway length of 2,100 meters or more;
- Sea ports and also inland waterways and ports for inland-waterway traffic that permit the passage of vessels of over 1,350 tons; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) that can take vessels of over 1,350 tons;
- Construction or significant expansion of dams and reservoirs not otherwise prohibited;
- Large-scale power transmission;
- Municipal wastewater treatment plants servicing more than 150,000 people;
- Municipal solid waste-processing and disposal facilities.

lists by authoritative sources (such sites may include areas recognized by traditional local communities (e.g., sacred groves), areas with known high suitability for biodiversity conservation and sites that are critical for vulnerable, migratory or endangered species; listings are based on systematic evaluations of such factors as species richness, the degree of endemism, rarity, and vulnerability of component species, representativeness and the integrity of ecosystem processes).
¹² Large dam and hydropower projects use the recommendations of the World Commission on Dams (WCD) as orientation. Dams with a height of at least 15 meters measured from the foundation or dams with a height between 5 and 15 meters with a reservoir volume of more than 3 million cubic meters.

¹³ Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coal based power in the relevant grid. In developing countries, heating stations and cogeneration facilities (CHP) essentially fired with coal can be co-financed in individual cases based on a rigid assessment, if there is a particularly high sustainability contribution, major environmental hazards are reduced, and if there demonstrably is no more climate-friendly alternative.

Appendix B. E&S Operational Safeguards

Safeguard 1: Environmental and social assessment (ESA)

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

Safeguard 2: Land acquisition and resettlement

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

Safeguard 3: Biodiversity and ecosystem services

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

Safeguard 4: Pollution prevention and control

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

Safeguard 5: Labor Conditions, health, and safety

The fifth safeguard aims to ensure that investees operate safely and with mutually beneficial labour conditions, and ultimately improve rather than harm human health. In particular, it addresses considerations about child labour and forced labour; fair wages; the ability for workers to organize; food security, HIV-AIDS, air pollution-related illnesses, and other health issues; and safety for both investee staff and contractors (in transportation, construction, operation, and maintenance) as well as for consumer users.

Safeguard 6: Climate change

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

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

The factors incorporated into this risk assessment and management derive in part from the AFDB's 2015 follow up ISS guidelines for projects, which can be found here¹⁴. The risk areas for these projects are predominantly applicable to larger units (minigrids, IPPs etc) as they focus on land use, resettlement, construction of project sites.

¹⁴ <https://esa.afdb.org/sites/default/files/IESIA%20Guidance%20Materials%20Vol%203.pdf>

Appendix C. Additional Safeguards: IFC Performance Standards

The International Finance Corporation (IFC) is the private sector arm of the World Bank Group (WBG) and the largest global development institution focused on private sector development in developing countries. The IFC's approach to and standards on environmental and social sustainability, particularly the IFC Performance Standards (PS)¹⁵, have become a benchmark for private sector investing in emerging markets, with many DFIs and investors formally adopting or incorporating the IFC's standards and guidelines in their own E&S policies and procedures. The Equator Principles are based on the policy frameworks established by the IFC.

The IFC has published a set of Guidance Notes¹⁶ corresponding to the PS with explanations on the requirements of the PS and good sustainability practices to improve project performance. Furthermore, the WBG publish Environmental, Health and Safety (EHS) Guidelines as technical reference documents for implementation of the PS, with examples of Good International Industry Practice (GIIP) for environmental, occupational health and safety and community health and safety management and performance. In addition to General EHS Guidelines¹⁷, which includes guidelines specific to construction and decommissioning of projects, various Industry Sector EHS Guidelines have been published. Relevant guidelines include those for Electric Power Transmission and Distribution¹⁸, Geothermal Power Generation¹⁹ and Wind Energy²⁰.

Overview of the IFC Performance Standards

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

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

The objectives of PS1 are to:

- Identify and evaluate environmental and social risks and impacts;
- Adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimise and, where residual impacts remain, compensate / offset for risks and impacts to workers, Affected Communities and the environment;
- Promote improved environmental and social performance through the effective use of management systems;
- Ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately; and

¹⁵ [IFC Performance Standards on Environmental and Social Sustainability, 2012](#)

¹⁶ [Guidance Notes to Performance Standards on Environmental and Social Sustainability, 2012](#)

¹⁷ [EHS General Guidelines, 2007](#)

¹⁸ [EHS Guidelines for Electric Power Transmission and Distribution, 2007](#)

¹⁹ [EHS Guidelines for Geothermal Power Generation, 2007](#)

²⁰ [EHS Guidelines for Wind Energy, 2015](#)

- Promote and provide means for adequate engagement with Affected Communities on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.

PS 2: Labour and Working Conditions

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

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

The primary objectives of this PS are to:

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

PS 3: Resource Efficiency and Pollution Prevention

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

The objectives of PS3 are to:

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

PS 4: Community Health, Safety and Security

PS 4 recognises that, in addition to benefits such as employment, services and opportunities for economic development, development activities, equipment, and infrastructure can also increase the

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

The objectives of PS4 are to:

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

PS 5: Land Acquisition and Involuntary Resettlement

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

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

The requirements of PS5 aims to:

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

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

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

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

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

PS 7: Indigenous Peoples

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

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

The objectives of this Performance Standards are to:

- Ensure respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.
- Anticipate and avoid adverse impacts on communities of Indigenous Peoples, or when avoidance is not possible, to minimise and/or compensate for such impacts.
- Promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.
- Establish and maintain an ongoing relationship based on Informed consultation and participation with Indigenous Peoples.
- Ensure Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples in specific circumstances.
- Respect and preserve the culture, knowledge, and practices of Indigenous Peoples.

PS 8: Cultural Heritage

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

The objectives of this Performance Standard are to:

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

IFC E&S Risk Categorisation

The IFC's system of E&S categorization²¹ as part of its due diligence process was designed to harmonise the methodologies adopted by several multilateral financial institutions. The IFC's framework, while using a different numbering system, is largely aligned with that of the AFDB as adopted by OGEF (see Table 5).

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

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

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

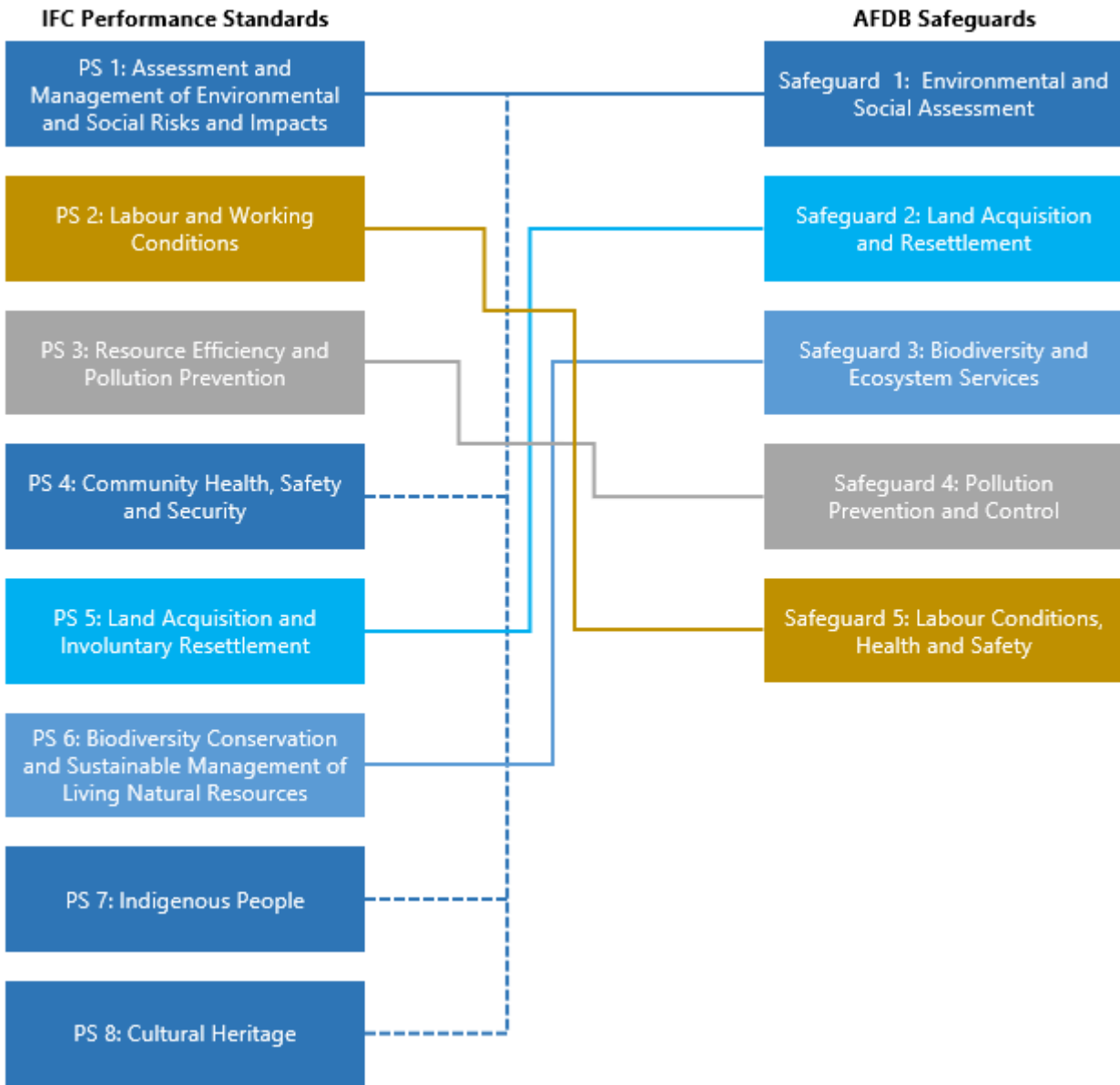
Comparison IFC PS with AFDB Safeguards

The IFC PS are largely aligned with the AFDB Safeguards in that both sets of standards cover similar themes, as illustrated in Figure 5. The IFC PS include standalone standards to address issues

²¹ [IFC Interpretation Note on Environmental and Social Categorisation](#)

pertaining to community health, safety and security, Indigenous People and cultural heritage, whereas these issues are incorporated into the AFDB’s overarching Safeguard 1.

Figure 5: Comparative map of IFC PS with AFDB Safeguards.



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

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

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

IFC PS 2: Labour and Working Conditions

AFDB standard	Comparison notes	Additional IFC requirements	OGEF Approach
<p>Safeguard 5: Labour Conditions, Health and Safety</p>	<p>Both sets of standards are aligned with the International Labour Organisation (ILO) Core Labour Standards (fundamental conventions)²² and discusses the same requirements/ standards for:</p> <ul style="list-style-type: none"> ▪ Working conditions and managing worker relationships, including requirements for human resources policies and procedures; ▪ Protecting the workforce from inequality, social exclusion, child labour and forced labour; ▪ Occupational health and safety; and ▪ Third-party and primary supply chain workers. 	<p>N/a</p>	<p>N/a</p>

²² [ILO Fundamental Conventions](#)

IFC PS 3: Resource Efficiency and Pollution Prevention

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

IFC PS 4: Community Health, Safety and Security

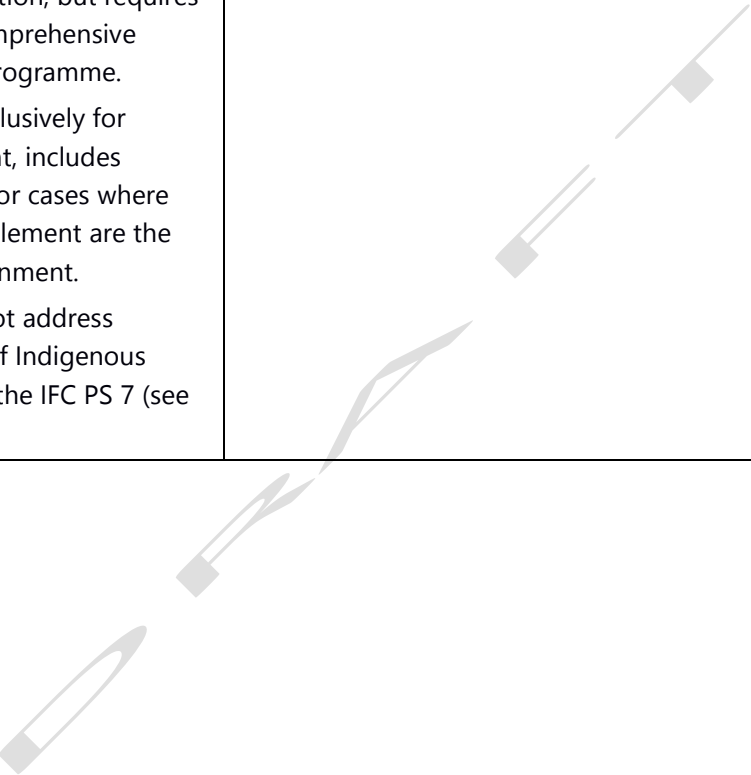
AFDB standard	Comparison notes	Additional IFC requirements	OGEF Approach
<p>Safeguard 1: Environmental and Social Assessment</p>	<p>AFDB does not have a standalone standard on community health, safety and security, but Safeguard 1 requires the assessment and management of direct and indirect impacts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

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

IFC PS 5: Land Acquisition and Involuntary Resettlement

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

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

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

IFC PS 7: Indigenous People

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

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

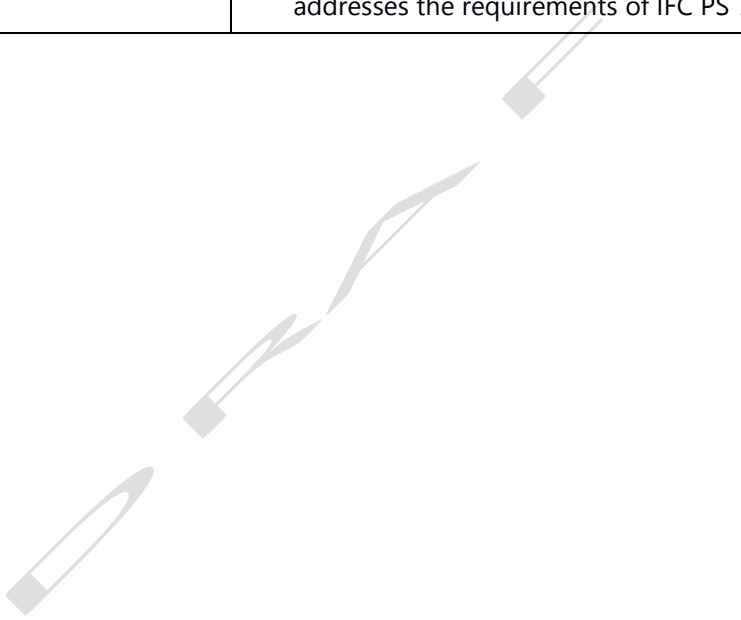
Individual projects are required to exercise judgement in determining whether a group or communities should be considered indigenous for the purposes of PS 7 on a case by case basis.

The AFDB recognises the problem with applying the above definition in the African context, where most inhabitants are indigenous to the continent and where many societies existed before colonisation, with unique characteristics such as those described above. In Africa, there is a sense that the term Indigenous People is imported from other continents with very different contexts, there is no agreement and significant confusion around the concept and in some places the term is politically divisive and fraught with contention²³. As a result, the AFDB does not maintain a standalone safeguard for or place undue emphasis on Indigenous People as a separate group in its policies, but treats Indigenous People as a special case of vulnerable groups (which also include minorities, women, marginalised social groups, some categories of children, the handicapped etc.). The AFDB ISS, specifically Safeguard 1, includes specific requirements with regard to the assessment and management of potential impacts on vulnerable groups.

²³ For example, following the Rwandan genocide in 1994, Rwanda has abolished all references to ethnic groups and referring to all inhabitants as people of Rwandan origin. The government does not recognise nor allow any groups to identify as specific ethnic groups, as it is considered an issue of national security.

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

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

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

Appendix D. E&S Assessment Checklist

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

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

Environmental & Social Management System (ESMS) Assessment Checklist				
General information				
Name of investee:				
Type of investment: <input type="checkbox"/> Solar home systems <input type="checkbox"/> Mini-grid <input type="checkbox"/> IPP <input type="checkbox"/> Other				
Lending amount and financial purpose:				
Proposed location of activities:				
Brief description of proposed activities, including proposed type of energy generation technology:				
ESMS policy and management commitment				
Y	N	NA	Description	Comment
			All categories:	
			Investee organization (or financial intermediary) has a policy with regard to Environmental and Social (E&S) risk management that was approved by Senior Management	
			Investee organization already complies with international and national agreements, such as on child and forced labour, pollution, and fair wages	
			Investee organization (or financial intermediary) has a documented process to assess E&S impacts and risks of its operations	
			If classified as Category 1 or 2, the potential investee has created or is willing to create an Environmental & Social Management Plan (ESMP)	
			If classified as Category 1 or 2, the potential investee has created or is willing to create a mitigation action plan as part of its ESMP outlining all actions it will take to proactively mitigate against risk	
			If classified as Category 3, the potential investee commits to proactively mitigating all potential E&S risk, and understands that it may be classified as 'Category 2' if it is unable to mitigate risks	
			If applicable, the potential investee has created or is in the process of creating a Resettlement Action Plan (RAP) if applicable	
			The potential investee expresses willingness to cooperate and identify opportunity for positive E&S impacts beyond those already planned for or identified	
			Category 4:	
			Organization is a financial intermediary	
Risk evaluation across operational safeguards				

Safeguard 1: Environmental and social assessment (Covering IFC PS 1, 4, 7, 8)			
		All categories:	
		Investee involves civil society groups, academics, and potentially impacted communities in decision-making	
		Investee has already established a credible, independent grievance and redress mechanism (GRM)	
		Project site is:	
		Rural	
		Urban	
		Industrial	
		Forested	
		Adjacent to or within a water body	
		Adjacent to or within a protected area	
		Adjacent to or within a culturally sensitive or indigenous area	
		Category 2:	
		Proposed investee activities require beneficiaries to have access to capital that is not typically available to women-led or minority households in the area, and thereby activities may further marginalize women and minorities in the community	
		Proposed investee activities may indirectly pose physical, psychological, or economic harm to one or more individuals or communities	
		Proposed investee activities may damage a community's or group's historical, cultural, religious, or archaeological heritage	
		Proposed investee activities may take place on, or flood and damage, land previously used as farmland or for other productive use, and may therefore have negative economic impacts on affected communities; investees plan to actively compensate for lost income and offer at least as equally attractive alternative income generation opportunities	
		Category 1:	
		Proposed investee activities entail construction of power generation plants producing more than 30 MW	
		Proposed investee activities directly pose physical, psychological, or economic harm to women, minorities, or other marginalized communities	
		Proposed investee activities involve damage ²⁴ or destruction of a community's or group's historical, cultural, religious, or archaeological heritage	
		Proposed investee activities may result in the exploitation of children or others who are traditionally tasked as biomass collectors (such as for biomass plants using woody biomass for fuel)	

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

		Proposed investee activities are to take place on, or to flood and damage, land previously used as farmland or for other productive use, and may therefore have negative economic impacts on affected communities; investees do not plan to actively compensate for lost income	
		Proposed investee activities are likely to reduce women's participation in decision-making processes	
		Proposed investee activities are likely to intensify discriminatory practices against women or other minorities or vulnerable populations	
Safeguard 2: Involuntary resettlement and land acquisition (Covering IFC PS 5)			
Category 3:			
		If land is to be acquired, the land parcel is currently not used for productive use (to grow crops or for aquaculture, or for livestock ranching and herding, or for active commercial or industrial activity)	
		Proposed investee activities will not require the resettlement of any individuals	
Category 2:			
		Proposed investee activities will require the acquisition of rights to land not currently leased or owned by the organization	
		Proposed investee activities will require the resettlement of between one to 200 persons, provided resettlement is voluntary and does not involve any vulnerable groups	
		Proposed investee activities will require the transplantation of businesses or other productive ventures	
		Proposed investees have experience with compensation agreements for displacement of individuals or communities	
Category 1:			
		If land is to be acquired, the land parcel is currently used for productive use (to grow crops or for aquaculture, or for livestock ranching and herding)	
		If land is to be acquired, the land parcel is currently lived on, leased by, or used by indigenous peoples, ethnic or religious minorities, by those in the lowest income quintile, or by other vulnerable populations, such as the elderly or widows	
		Proposed investee activities will require the resettlement of at least 200 people	
		Proposed investee activities will require the resettlement of minorities or vulnerable populations as defined in IFC PS7.	
		Proposed investee activities will flood at least 1000 ha of land currently used by local populations (such as in the case of hydropower IPPs)	
		Potential investees do not have experience with compensation agreements for displacement of individuals or communities, or have a poor reputation with previous arrangements with communities	
Safeguard 3: Biodiversity and ecosystem services (Covering IFC PS 6)			
Category 2:			

		Proposed investee activities are to be sited within 20 km of a protected area or wildlife corridor, including bird and bat migration routes or rookeries (nesting areas)	
		In the case of hydropower, Proposed investee activities are to be sited within a waterway that is known habitat for endangered aquatic or riparian species that are not likely to be able to move upstream after construction of the hydropower infrastructure	
		In the case of hydropower, Proposed investee activities are likely to take place during reproduction or spawning season, or are likely to affect underwater habitat used for reproduction or spawning, such as eelgrass	
		Proposed investee activities are likely to adversely affect bees, birds, bats, and other pollinators through poisoning, loss of food sources or nesting areas, introduction of disease, or other reasons	
		Proposed investee activities are likely to adversely affect non-managed forests, including secondary-growth forests, through deforestation, fire, or other means	
		Proposed investee activities are likely to require planting and harvesting managed forests with exotic tree species on land that was previously "degraded," "dryland," or previously used for occasional food production	
		Category 1:	
		Proposed investee activities will occupy a land area of 2000 ha or more	
		Proposed investee activities will require the construction of roads or other means of right-of-way that are 50 km or longer, in highly populated, cultivated, or forested regions	
		Proposed investee activities will require the construction of 110 kV or greater-voltage above-ground transmission lines	
		Proposed investee activities are to be sited within a protected area or wildlife corridor, including bird and bat migration routes or rookeries (nesting areas)	
		Proposed investee activities are likely to affect populations of endangered species	
		Proposed investee activities are likely to adversely affect riparian and near-riparian habitats through compromised water quality, increased sediment loading, or habitat loss	
		Proposed investee activities are located in fish or amphibian spawning areas and are likely to prevent movement of these species upstream or downstream, thereby threatening species survival	
		Proposed investee activities are likely to require planting and harvesting managed forests with exotic tree species on land that was previously forested with native species, in wetlands, or on lands used for food production for at least one growing season per year	
Safeguard 4: Pollution prevention and control (Covering IFS PS 3)			
		Category 2:	

		Proposed investee activities are likely to result in increased soil or water pollution, such as if they require clearing of forested or planted areas on slopes or sandy soils, and therefore result in erosion	
		Proposed investee activities use resources, including energy, less efficiently than competitors in similar geographies	
		Proposed investee activities include the use of lead acid or lithium ion batteries, but investees have a system in place for the collection, refilling, replacement, and safe recycling of these batteries ²⁵	
		Proposed investee activities may result in the release of dust, smoke, odors, noise, fumes, vibrations, or traffic congestion above national legislated standards, or in their absence, current WHO Guidelines for Air Quality and Community Noise, and IFC EHS Guidelines on Community Health and Safety	
		Proposed investee activities require the use of pesticides, herbicides, or fungicides	
		In the case of biomass, smokestacks will be filled with pollutant capture devices that prevent 95% or more of air pollutants from entering outdoors, and these will be cleaned and maintained regularly	
		In the case of hydropower, Proposed investee activities are likely to increase water turbidity and sedimentation, and thereby decrease water quality	
		Category 1:	
		Proposed investee activities are likely to release toxic chemicals into the environment, including known carcinogens or teratogens	
		Proposed investee activities do not mitigate against the release of hazardous substances into the environment	
		Proposed investee activities include the use of lead acid or lithium ion batteries, and investees do not have a system in place for the collection, refilling (for lead acid), replacement, and safe recycling of these batteries ²⁶	
		Proposed investee activities may result in the release of dust, smoke, odors, noise, fumes, vibrations, or traffic congestion above national legislated standards, or in their absence, current WHO Guidelines for Air Quality and Community Noise, and IFC EHS Guidelines on Community Health and Safety for a period of over 3 months	
		Proposed investee activities require the use of pesticides, herbicides, fungicides, solvents, or asbestos	
		In the case of biomass, smokestacks will not be filled with pollutant capture devices that prevent 95% or more of air pollutants from entering outdoors	
Safeguard 5: Labour conditions, health, and safety (Covering IFC PS 2)			
		All Categories:	
		Potential investee commits to comply with all international and national labour and workers' rights agreements and regulations	

²⁵ See Appendix L for more information

²⁶ Ibidem

		Investee will not directly or indirectly employ children (under the age of 18) or forced labour	
		Investee will not discriminate against employees on the basis of gender, age, ethnicity, religion, sexual orientation, or HIV status	
		Category 2:	
		Investee organization has been investigated for previous safety, labour, or health violations	
		Investee employees report wages paid are below average for the area and insufficient to pay for basic necessities	
		Past or future investee activities resulted in or are likely to result in worse physical or mental health outcomes for at least one individual	
		Proposed investee activities increase women’s workloads	
		Proposed investee activities may increase HIV/AIDS and other health risks	
		Category 1:	
		Investee organization has been investigated for previous safety, labour, or health violations, and current conditions during site visits do not demonstrate improvement in conditions to comply with health, safety, or labour codes	
		Investee employees report wages paid are below average for the area and insufficient to pay for basic necessities	
		Workers report working in unsafe conditions, including a lack of appropriate gear	
		Past or future investee activities resulted in or are likely to result in worse physical or mental health outcomes for at least one member of vulnerable communities, including among those earning less than the equivalent of less than \$1 per day, women, children, the elderly, or the disabled	
		Proposed investee activities will likely result in irreversible damage to health, including from exposure to toxins, unsafe drinking water, or air pollution (where PM 2.5 concentrations doubly exceed nationally allowed levels for at least 10 days per year, or are above nationally-allowed on average annually)	
Safeguard 6: Climate change ²⁷			
		All Categories:	
		Proposed investee activities are likely to result in the replacement of previously-used thermal energy sources with renewable energy sources	
		Proposed investee activities are likely to offset 100,000 MT CO2-equivalent or more per year	
		Category 2:	
		Proposed investee activities during construction, transportation, operations, or completion of activities may result in the emissions of greenhouse gases exceeding 100 MT CO2-equivalent	
		Proposed investee activities include construction of a biomass plant rather than solar, wind, or other renewable source	
		Category 1:	

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

		Proposed investee activities during construction, transportation, operations, or completion of activities may result in the emissions of greenhouse gases exceeding 1,000 MT CO2-equivalent	
		Proposed investee activities are likely to increase greenhouse gas emissions compared to not undertaking the operations	
		Proposed investee activities include use of thermal generation	
		Proposed investee activities are likely to increase communities' vulnerability to climate change, including siting on currently productive land	
		Activities include construction of a biomass plant rather than solar, wind, or other renewable source, and there is no plan for continued access to feedstock that is not native vegetation	
E&S monitoring and external reporting			
		Potential investee has sufficient capacity for periodic reports as well as annual reporting on E&S performance to the Fund	
		Potential investee agrees to conduct baseline, midterm, and final evaluations, including greenhouse gas emissions calculations	
Final risk categorization			
Tally			
Category 1: _____ statements			
Category 2: _____ statements			
Category 3: _____ statements			
Category 4: _____ statements			
Risk categorization			
<input type="checkbox"/> Category 1 (if 1+ Category 1 statements or 3+ Category 2 statements) <input type="checkbox"/> Category 2 (if 1+ Category 2 statements) <input type="checkbox"/> Category 3 (if no Category 2 statements) <input type="checkbox"/> Category 4 (if through a financial intermediary)			

Appendix E. E&S Due Diligence Reporting Template

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

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

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

Safeguard 1: Environmental and social assessment

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

Reasoning:

Necessary mitigation measures:

Safeguard 2: Involuntary resettlement and land acquisition

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

Reasoning:

Necessary mitigation measures:

Safeguard 3: Biodiversity and ecosystem services

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

Reasoning:

Necessary mitigation measures:

Safeguard 4: Pollution prevention and control

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

Reasoning:

Necessary mitigation measures:

Safeguard 5: Labour conditions, health, and safety

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

Reasoning:

Necessary mitigation measures:

Safeguard 6: Climate change

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

Reasoning:

Necessary mitigation measures:

Mitigation potential

- Potential investee has full human capacity and other resources necessary to mitigate against all Category 1 and Category 2 risks
Detail:

- Potential investee plans to invest in all of the mitigation measures identified
Detail:

Risk evaluation of broader investee portfolio

Risks

- During the two years prior to the due diligence period, the potential investee engaged in activities on the Fund ESMS exclusion list
Detail:

- During the two years prior to the due diligence period, the potential investee experienced incidents of severe E&S incidents or policy breaches, including forced resettlement
Detail:

Opportunities

- Beneficiaries of and community members affected by the potential investees' previous activities maintain positive opinions of the investee organization and their activities
Detail:

- If severe incidents have occurred, the potential investee has since modified their own E&S policy and procedures to prevent against future such incidents
Detail:

- If proposed activities are classified as Category 1 or 2, the potential investee has experience with previously, successfully mitigating against the risk of such activities
Detail:

Appendix F. E&S Portfolio Monitoring Report Template

This reporting template represents the types of information to be gathered for E&S monitoring on a quarterly basis for each investment. This template can be modified and added to by the Fund Manager.

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

Environmental & Social Management System (ESMS) Portfolio Monitoring Template
General information
<p><i>Name of investee:</i></p> <p><i>Type of investment and lending amount:</i></p> <p><i>Percent disbursed so far:</i></p>
<p><i>Brief description of the status of financed activities, including location, type of energy generation technology, and stage of construction or installation:</i></p>
E&S Risk
<p><i>ESMS risk categorization:</i></p> <p><i>Reasoning for categorization (previously identified potential ESMS risks, i.e. reduced household income from loss of livelihoods, pollution, death of wild animals, etc.):</i></p> <p><i>Status of mitigation actions:</i></p>
<p><i>Ongoing or newly reported ESMS risks and issues since the last reporting period:</i></p> <p><i>Recommended corrective actions and implementation schedule, for ongoing and new risks or issues:</i></p>
E&S Impact
<p><i>Number of beneficiary households with a new or newly renewable source of energy:</i></p> <p><i>Number of beneficiary households with increased income as a result of greater access to energy:</i></p> <p><i>Number of beneficiary households whose annual incomes have increased by 20% or more:</i></p> <p><i>Number of kWh of zero-emissions generated since activity start:</i></p> <p><i>Number of kWh of zero-emissions generated since last reporting period:</i></p> <p><i>Opportunities for further positive E&S impact:</i></p> <p><i>Etc.</i></p>

Appendix G. E&S Impact Indicators

The Fund uses different indicators to measure its performance on the four Fund impact objectives. The indicators are derived from best practice impact assessment as used for comparable investment funds and principals in the energy access sector.

Table 9: Summary of OGEF E&S Impact Indicators

Metric	Purpose	Indicator
Impact Objective 0: Fund Manager Profile²⁸		
Job Creation	The fund manager is a growing and proactive employer in the sustainable finance market and is an equal opportunities employer	<ul style="list-style-type: none"> ▪ Total employment by the Fund Manager ▪ Total female employees
Fiscal Benefit	The fund actively supports increased public-sector revenues and tax transparency in order to normalise and monitor gov't revenues.	<ul style="list-style-type: none"> ▪ Total withholding and equivalent taxes paid on all underlying investments ▪ Total taxes and fees payable by the LP and GP in Mauritius²⁹ ▪ These data are reported as standard in the fund's audited Annual Report and also as a standalone total figure
Impact Objective 1: Increased Sustainable Financing		
3 rd party capital raised by the sector through OGEF loans	OGEF will seek to co-invest with local and foreign banks and institutional investors and play a catalytic role in attracting capital to the sector.	<ul style="list-style-type: none"> ▪ 3rd party investment in USD equivalent raised ▪ On-shore vs off-shore investors
Local currency financing	The sector receives customer payments predominantly in local currency. Most financing of energy-access companies to date has been in USD creating a currency mismatch which can lead to stress in periods of rapid local currency depreciation. The Fund seeks to promote local currency fund raising.	<ul style="list-style-type: none"> ▪ Currency break down of funds raised, local vs hard currency ▪ Nature/ type of local currency investors
Local sourcing	The sector is heavily reliant on imported materials, equipment and services to deliver products. A shift to local sourcing should improve the sector's resilience, sustainability and local market impact.	<ul style="list-style-type: none"> ▪ Value of purchases of goods and services from domestic suppliers (including raw materials, security, cleaning, and marketing & research)
Impact Objective 2: Increased Renewable Energy Access		

²⁸ This section (Impact Objective 0) on the Fund and Fund Manager is prepared to align with AFDB's Development Outcome Reporting framework and does not directly correlate to the underlying strategy of the fund

²⁹ As a Partnership entity, the Fund will not be a taxable entity in Mauritius, and has also waived all tax benefits for which it is eligible under GOM treaties)

Company Growth	<p>OGEF will promote increased capacity for off-grid energy companies – both in terms of engagement with their target markets and broader growth in operations and products</p>	<ul style="list-style-type: none"> ▪ Number of units financed ▪ Average product specifications ▪ Total employment by the borrower <ul style="list-style-type: none"> ○ Total female employees ○ Total female senior mgmt ○ Total female board members
Energy access	<p>The Fund aims to make investments that enable MSMEs and low-income households to access clean energy on a sustainable basis.</p>	<ul style="list-style-type: none"> ▪ Number of MSMEs and households with permanent access to renewable energy through off-grid connection ▪ Profile of households or end users (location, income, gender, occupation) ▪ Product use – frequency and quantum
Generating capacity	<p>The Fund aims to make investments that increase the availability of renewable energy through new off-grid generating capacity.</p>	<ul style="list-style-type: none"> ▪ Additional generating capacity in kW attributable to the investment ▪ Estimated additional output in kWh attributable to the investment
Impact Objective 3: Additional Environmental, Economic and Social Benefits		
Environmental benefits	<p>The Fund aims to promote sustainable development and global greenhouse gas emission (GHG) reductions through renewable energy investments.</p>	<ul style="list-style-type: none"> ▪ GHG savings can be estimated as a function of renewable power output relative to the equivalent carbon produced through diesel or kerosene generation
Economic benefits	<p>Energy access products have clear economic incentives for end users, in terms of savings on fuel expenditure and in many cases, additional income generation. OGEF’s investments will help expand the scope of these benefits for the target markets, with emphasis on BOP/low income households</p>	<ul style="list-style-type: none"> ▪ Average product fuel / equivalent cost savings ▪ Economic activity created through productive use appliances and products (employment / revenue)
Social benefits	<p>Less direct impacts on consumer’s quality of life include health benefits associated with switching from kerosene, or improved education performance due to having more time to study in the evenings.</p>	<ul style="list-style-type: none"> ▪ Estimated health impact (QALYs) ▪ Estimated education impact (hours additional use) ▪ Other indicators as appropriate
Impact Objective 4: Improved Financing Environment		
Type of financing	<p>The Fund seeks to promote new financing technologies that are more tailored towards large pools of consumer receivables.</p>	<ul style="list-style-type: none"> ▪ Mezzanine investment vs debt investment ▪ Working capital vs structured finance ▪ Secured vs securitized loan

Financing environment	Secured or securitized financing requires an enabling environment (e.g. Asset Backed Securities Regime, enforcement of collateral etc). The Fund seeks to have a positive impact on the policy environment.	<ul style="list-style-type: none"> Supporting legislation Implementation hurdles <p><i>Note: while the Fund is not mandated to actively change or influence policy it will support policy makers to improve the development of a sustainable energy access sector where appropriate.</i></p>
Local bank participation in structured financings	The key to sector growth is participation by local banks. The Fund targets mobilizing local bank funding equivalent to 30-50% of local currency Fund lending.	<ul style="list-style-type: none"> Amount local bank funding Number of local banks participating in structured financings Follow on investment in sector by local bank(s)
Fiscal Benefit	The fund actively supports increased public-sector revenues and tax transparency in order to normalise and monitor gov't revenues	<ul style="list-style-type: none"> Net financial flows to government(s) (including taxes, dividends and any other payments, net of any subsidies and investment costs)

Market Assumptions

Indicators specific to each investment can be integrated with wider assumptions about products and consumers in order to create a broad set of feedback on the potential impact that OGEF will have across the continent.

The following impact assumptions may be used by the fund and periodically updated, amended, and expanded over the fund life or tailored to a specific geography, investee or product:

Table 10: Summary Impact Assumptions

Input	Benchmark	Unit
Units not used	3%	Ratio
Units upgraded	10%	Ratio
Size of typical household	5	people
Business use of products	10%	Ratio
Replacement ratio	2x	Ratio
Average usage of status quo product	4	Hours per day
Average light of status quo product	20	Lumens
Average annual operating cost of SQ	79.10	USD equivalent
Annual GHG emission of SQ source	370	tCO ₂ e
Embodied GHG of solar product	7.64	tCO ₂ e
<i>(sources: GOGLA, SE4All, IRIS)</i>		

Appendix H. Example of E&S Clauses for Investment Agreements

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

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

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

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

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

"The Investee shall use all reasonable efforts to ensure the social and environmental performance of the activities are in compliance with the OGEF Environmental and Social Policy."

"The Investee shall provide OGEF with quarterly updates on its environmental and social performance, including about compensation implementation when applicable, and respond within a reasonable time period to requests for further information."

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

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

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

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

Appendix I. Major Incidents Requiring Immediate Reporting

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

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

Appendix J. Sample ToRs for E&S Due Diligence Consultants

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

Introduction

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

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

Consultant Qualifications

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

Scope of Work

The Consultant will conduct the E&S appraisal of a prospective investee, as well as the ongoing supervision of E&S performance of all investee activities consistent with OGEF's E&S policy and procedures.

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

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

investee's activities, including the related performance gaps and corresponding correction actions that will be necessary in order for OGEF to invest.

For **supervision** of OGEF's investment portfolio, the three tasks include:

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

Schedule

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

Appendix K. Client Protection Principles

APPROPRIATE PRODUCT DESIGN AND DELIVERY

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

PREVENTION OF OVER-INDEBTEDNESS

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

TRANSPARENCY

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

RESPONSIBLE PRICING

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

FAIR AND RESPECTFUL TREATMENT OF CLIENTS

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

PRIVACY OF CLIENT DATA

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

MECHANISMS FOR COMPLAINT RESOLUTION

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

Appendix L. Waste Management and Recycling Principles

One of the major challenges facing the off-grid energy access sector as it moves beyond the useful life of first-generation products is the safe and environmentally sustainable treatment of e-waste derived from investees' products and infrastructure.

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

- 1) The Fund Manager commits to participate in industry activities to harmonise and enhance waste management policies in the sector, principally through pro-active membership in the GOGLA e-waste working group, and make every effort to be aware of international best practice from a wider range of stakeholder/sector-linked initiatives and apply and promote these across its portfolio;
- 2) OGEF investee companies must ensure compliance with national and where applicable international regulations governing the treatment of e-waste and other materials in their supply chain and logistics, retail and generation/distribution infrastructure
- 3) OGEF Investee companies must have a comprehensive waste management plan within their broader environmental and social risk management documentation³⁰. The waste management plan should generally prefer local service provider or solutions, noting that environmental and health and safety related performance needs to be assessed carefully in this regard. In case no local service provider or solution can be identified for this task, exports to specialized plants might also be organized via an international service provider. The waste management plan should, where applicable, incorporate the following major underlying elements of the energy access product range:
 - Batteries will be collected for either second-life application or sound recycling and disposal in accordance with international environmental and social standards and best-practice;
 - Electrical equipment (transformers, PCBs) will either be reused on other developments/projects or recycled;
 - PV panels will be removed from the fixed aluminum frames and tracker systems and then transported to approved recycling facilities, as per National Waste Regulation; and international best practice
 - Fixed aluminum frame and tracker system structures will be removed, reused or recycled;
 - Cable runs (where applicable) will be removed and recycled;

³⁰ Where companies do not have a waste management plan, the fund may proceed if a TAF CIP has been prepared to support a company to prepare a waste management plan.

- For buildings, all reusable material will be removed, the structures demolished, and the rubble transported to a municipal waste site.