



**Environmental and Social Management System (ESMS)
for
Lightsmith Climate Resilience Partners SCSp RAIF
Sub-Fund 4**

***CRAFT - Catalytic Capital for First Private Investment Fund for Adaptation Technologies
in Developing Countries***

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Introduction

Vision

The Lightsmith Group (“Lightsmith”) is a private equity firm pursuing investments that generate superior returns aligned with sustainable principles. Lightsmith implements this vision by developing and executing investment strategies focused on business opportunities that serve societal needs and/or provide societal benefits. Although Portfolio Companies’ activities should therefore provide benefits to society (which is measured through its Impact Measurement System, or IMS¹), it is also important to identify and manage any significant environmental, social, and governance (ESG) risks in its investments.

Approach

Pegasus Capital Advisors is an Accredited Entity with the Green Climate Fund (“GCF”) and has received approval from the GCF to support CRAFT - Catalytic Capital for First Private Investment Fund for Adaption Technologies in Developing Countries (“CRAFT”), through Lightsmith Climate Resilience Partners SCSp RAIF’s (“the Fund”) Sub-Fund 4. CRAFT is a private sector investment fund that will mobilize capital to scale up technologies for climate resilience and adaptation in sectors such as agricultural analytics, water harvesting and irrigation, food systems, geospatial mapping and imaging, catastrophe risk modeling, supply chain analytics. This document describes the Environmental and Social Management System (“ESMS”) for Lightsmith Climate Resilience Partners SCSp RAIF’s (“the Fund”) Sub-Fund 4. It is the set of policies and procedures to identify, manage, and reduce environmental and social (E&S) risks and impacts associated with the investments made by Sub-Fund 4. This document outlines an Environmental and Social Management System to align with GCF’s specific policy requirements which apply to Sub-Fund 4, which is funded solely by GCF, and does not apply to investments made by Sub-Funds 1-3 of the Fund. Through the ESMS, the Fund ensures that the investments made by Sub-Fund 4:

- Are environmentally and socially sustainable
- Are compatible with low carbon economic development
- Respect Human Rights in all forms, avoiding prejudice and discrimination
- Avoid adverse environmental and social impacts and, if such impacts are unavoidable, work to mitigate them

This ESMS is implemented in parallel with its IMS, referred to above, which is the firm’s set of processes for managing and tracking Portfolio Companies’ performance toward desired social and environmental objectives (See IMS; also see Appendix E: Summary of Investment Stages).

The Fund’s Managing Directors have the ultimate responsibility for ensuring the effectiveness of the ESMS policy and its implementation. The Managing Directors are supported in this by the Director of ESG and Impact, Senior Counsel, and the investment professionals.

Environment and Social Policy

The purpose of this document is to outline the Fund’s ESMS policies and procedures for identifying and managing environmental and social risks and impacts in its investments.

¹ The Impact Management System (“IMS”) describes the processes and activities that will be implemented in order to manage Portfolio Companies’ performance and to track progress toward desired social and environmental objectives. These activities include determining what indicators to measure; collecting and analyzing data on these indicators from the Portfolio Companies; and using the results in decision-making and reporting.

The ESMS policy adopts, as a standard for its environmental and social review process, the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability and IFC's Industry Sector Guidelines and any subsequent revisions to those standards.² The ESMS also aligns with the core labor standards of the International Labor Organization³ and the basic principles and concepts embedded in the UN Global Compact, the UN Sustainable Development Goals, the Equator Principles, and the UN Principles for Responsible Investment.

Where host country environmental, health, safety and social standards differ from those of the IFC Performance Standards, Industry Sector Guidelines or international Labor Rights, the Fund will apply the more stringent standard.

General Requirements

The Fund's investments must adhere to the following general requirements:

- ✓ Must comply with all host country laws, regulations and permits; including those laws that implement host country obligations under international law.
- ✓ Must assess relevant environment and social risks including, but not limited to, human resource management, environmental management, occupational health and safety management, and community impacts and relations. This could include an Environmental and Social Impact Assessment (ESIA), which will be fit-for-purpose based on the size and nature of the risks and conducted in accordance with international best practice.
- ✓ Must develop or maintain an *Environmental and Social Management System (Company ESMS)*, appropriate to the size and nature of the risks of the activities of the Portfolio Company. Key areas such as (i) Human resource management issues, including labor/worker rights, worker discrimination, workplace Gender-Based Violence, including Sexual Exploitation, Abuse and Sexual Harassment and child labor issues, worker protection and occupational health and safety standards; (ii) Environmental management issues, including where applicable and relevant, resource efficiency, pollution control and prevention, biodiversity conservation and sustainable management of living natural resources; (iii) Community impacts and relations issues, including, where applicable and relevant: impacts on, and respect of the rights of, indigenous peoples; impacts to community health and safety; and impacts on cultural heritage sites and resources.
- ✓ Must adhere to the E&S conditions and requirements, including the a Grievance Redress Mechanism and implementation of Environmental and Social Action Plans if applicable, based on the Executing Entity's assessment against the IFC Performance Standards and the Environmental and Social Management System
- ✓ The ESMS will identify individuals responsible for its implementation and the way the policy is communicated internally.
- ✓ The Company ESMS will include an *Environment and Social Policy*, which is a brief declaration of a company's commitment to sustainable development and management of E&S issues that is shared internally and often publicly disclosed.

² This policy references the 2012 version of the IFC Performance Standards. However, given that standards are periodically amended and updated, on an ongoing basis, this policy will refer to the most recent IFC policy at the time of the executed Investment Agreement.

³ The core labour standards include the freedom of association and the right to collective bargaining (Conventions 87 & 98), the elimination of all forms of forced and compulsory labour (Conventions 29 & 105), the effective abolition of child labour (Conventions 138 & 182), and the elimination of discrimination in respect of employment and occupation (Conventions 100 & 111).

- ✓ Relevant World Bank Group Environmental, Health and Safety (EHS) Guidelines, as applicable.

These requirements will be referenced in our investment agreements.

IFC Performance Standards

The IFC’s ESG policies, guidelines and tools, which were last revised in 2012, are widely adopted as market standards for companies to manage environmental and social risk.

IFC PERFORMANCE STANDARDS ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY	
Performance Standard 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS Underscores the importance of identifying E&S risks and impacts, and managing E&S performance throughout the life of a project.	Performance Standard 5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT Applies to physical or economic displacement resulting from land transactions such as expropriation or negotiated settlements.
Performance Standard 2: LABOR AND WORKING CONDITIONS Recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection of basic rights for workers.	Performance Standard 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES Promotes the protection of biodiversity and the sustainable management and use of natural resources.
Performance Standard 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION Recognizes that increased industrial activity and urbanization often generate higher levels of air, water and land pollution, and that there are efficiency opportunities.	Performance Standard 7: INDIGENOUS PEOPLES Aims to ensure that the development process fosters full respect for Indigenous Peoples.
Performance Standard 4: COMMUNITY HEALTH, SAFETY AND SECURITY Recognizes that projects can bring benefits to communities, but can also increase potential exposure to risks and impacts from incidents, structural failures, and hazardous materials.	Performance Standard 8: CULTURAL HERITAGE Aims to protect cultural heritage from adverse impacts of project activities and support its preservation.

Green Climate Fund Requirements

Through GCF CRAFT Holdings LP, a limited partnership, the Green Climate Fund (“GCF”) is the sole limited partnership in Lightsmith Climate Resilience Partners SCSP RAIF – Sub-Fund 4 (“GCF CRAFT Holdings” or “the Fund”). The environmental and social review and assessment of any potential investment from GCF CRAFT Holdings will be consistent with all GCF policies including the Revised ESP, Updated Gender Policy, Indigenous Peoples Policy, among others.

When potential risks and impacts to indigenous peoples, land acquisition, involuntary resettlement and / or cultural heritage are identified, additional disclosure including a suite of assessment and management instruments, such as resettlement action plans and policy frameworks, indigenous peoples plans and planning frameworks, gender assessments and gender action plans, and environmental and social due diligence and audit reports may be required.

Any Portfolio Investment that is categorized as “Category B” will disclose the GCF ESS disclosure report form, an Environmental and Social Impact Assessment (ESIA) and where applicable, an Environmental and Social Management Plan (ESMP), a Land Acquisition and/or Resettlement Action Plan, and an Indigenous Peoples Plan at least thirty (30) calendar days prior to the General Partner’s IC approval, in English and in local language (if not English). The Category B Disclosure Package shall be fit-for-purpose and appropriate to minority investments in small- and medium-sized enterprises, such as fit for purpose ESIA; shall not include publication or disclosure of confidential or commercially sensitive information; and shall only be required for investments in which GCF CRAFT Holdings participates. See **Appendix I: GCF Disclosure Process** for a full description of the disclosure process, procedures, and timing.

Gender

Recognizing that women are often disproportionately disadvantaged and vulnerable and less able to access resources and economic opportunities, the Fund has developed a Gender Action Plan that applies to both its internal activities and its investments and will dedicate the necessary financial,

human, and other resources, as appropriate, to comply with principles and requirements of the GCF's Updated Gender Policy. The Fund commits to incorporate gender safeguards at all stages of the investment process to protect against further exacerbation of gender disparities through its investment activities. This includes the following:

- Conduct an assessment to identify individuals and groups that may be directly and differentially or disproportionately affected by the business activity because of their disadvantaged or vulnerable status, including women.
- When there are impacts on lands and natural resources subject to traditional ownership or under customary use, the assessment should be gender inclusive and specifically consider women's role in the management and use of these resources.
- Portfolio Companies will not make employment decisions based on personal characteristics, such as gender, unrelated to inherent job requirements. The employment relationship will be based on the principle of equal opportunity and fair treatment and will not discriminate with respect to any aspects of the employment relationship, as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, and disciplinary practices. Portfolio Companies will take measures to prevent and address harassment, intimidation, and/or exploitation, especially regarding women.

Regarding its own activities, the Fund has developed a Gender Mainstreaming Policy to ensure that both men and women receive fair access to social and economic benefits; do not suffer adverse effects; and receive full respect for their dignity and human rights. Specific measures work towards equitable participation of women and men in the following aspects: i) Recruitment and Procurement; ii) Meetings and Events; iii) Project Governance; iv) Strategies and Plans; and v) Monitoring & Evaluation.

Biodiversity

The Fund recognizes that protecting and conserving biological diversity, maintaining ecosystem services⁴, and sustainably managing living natural resources are fundamental to sustainable development. When considering investments: (i) located in modified, natural, and critical habitats; (ii) that potentially impact or are dependent on ecosystem services over which the portfolio company has direct management control or significant influence; or (iii) that include the production of living natural resources, the Fund will:

- Incorporate a biodiversity offset designed and implemented to achieve measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity with the exception of natural habitats and critical natural habitats which cannot be degraded or converted with loss compensated for at another site;
- Ensure that the Portfolio Company implements mitigation and management measures that are responsive to changing conditions and are monitored throughout the investment's lifecycle.

⁴Ecosystem services are the benefits that people, including businesses, derive from ecosystems including: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.

Identification of Risks and Impacts

Screening and Categorization

As early as possible in the investment process, the Fund screens potential Portfolio Companies to identify possible adverse environmental and social impacts of its business activities. This includes screening activities against the **Exclusion List**⁵ (See Appendix B: Exclusion List) to determine eligibility for investment. Categorization helps to ensure that the extent of the review is commensurate with the risks posed by a potential investment.

E&S considerations are a critical part of the investment decision making process including whether or not to proceed with due diligence on a potential subproject. The Fund's existing investment screening process documents the E&S categorization of the subproject, applicable IFC Performance Standards, identifies key environmental and social risks to be addressed in due diligence, and outlines any external resources required as part of due diligence including the scope, budget, and timeline for consultants.

The Fund categorizes potential investments based on an assessment of the potential environmental and social risks and impacts within a project's Area of Influence and the Portfolio Company's capacity to effectively manage risks and impacts, including the ability to implement any required mitigation.⁶

- **Category A:** ("High Risk") Business activities with potential significant adverse E&S risks/impacts that are diverse, irreversible or unprecedented in the absence of mitigation measures. For example, activities involving the discharge of high levels of contaminants into the environment in the absence of adequate pollution controls, large-scale projects with the potential to impact large geographic areas or a large number of people living in nearby communities, the diminishment of priority ecosystem services, or activities in locations, industries, sectors with historical issues, demonstrated local opposition, environments of fragile security, legacy of gender or ethnic discrimination, or country context where the national Human Rights laws are below international standards. **This Fund will not invest in projects classified as Category A as assessed against the IFC Performance Standards.**
- **Category B:** ("Medium Risk") Business activities that are likely to have limited adverse environmental and / or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. For these reasons, the scope of the E&S assessment for Category B projects is narrower than that required for Category A projects.
- **Category C:** ("Low Risk") Business activities with minimal or no adverse E&S risks/impacts.

Assessment

The assessment phase should be commensurate with the level of risk of the business activities and consider whether activities can be implemented in accordance with this ESMS Policy. The assessment identifies opportunities to avoid adverse impacts; however, if it is determined that impacts are unavoidable, the assessment will identify mitigation measures to minimize, mitigate and offset

⁵ Incorporates the excluded activities included in the OPIC, IFC, and the European Development Finance Institutions harmonized Exclusion Lists

⁶ In categorizing projects, the Fund considers direct, indirect, supply-chain related, regional, trans-boundary and cumulative environment and social impacts. Risks are assessed at key stages in the project life cycle including pre-construction, construction, operations, decommissioning and closure.

adverse impacts, identifying supplemental actions that are required to meet the Performance Standards. The assessment also identifies opportunities to add value to the Portfolio Company through improved environmental and social performance.

CRAFT is focused on investing in companies that offer climate adaptation solutions across a range of sectors, including but not limited to (i) agriculture analytics; (ii) resilient food systems; (iii) water harvesting and drip irrigation; (iv) geospatial mapping and imaging; (v) catastrophic risk modelling; and, (vi) supply chain analytics. The range and complexity of the technology products and services within these subsectors have a range of disparate and varied environmental and social risks that are based on the specific intervention, the geographic location, the company's management system, among others, and not easily classified by sector. In assessing E&S risk, the Fund will examine the following issues, as applicable:

Environmental Issues - including site description, existing land use, description of manufacturing or commercial process, materials used and stored on-site, impacts of land use, aquatic or terrestrial resources, biological diversity, including rare and endangered plants and animals and their habitat, air emissions, energy efficiency, water use, liquid effluents and solid wastes, pollution controls, occupational safety and health protections, impact on the source of raw materials if derived from ecologically sensitive areas

Social Issues - including affected populations, housing, income, involuntary land acquisition⁷, employment and working conditions⁸, indigenous people⁹, cultural heritage, land use, community health, safety, and security issues¹⁰, visual impacts, noise and lighting impacts as well as cultural, ethnical, religious and Human Rights impacts. Where conditions exist for discrimination or community conflict, details should be provided, as well as management plans to mitigate impacts of the project on such conflicts. Project-related social impacts should be quantified to the extent feasible.

When appropriate, an Independent Environmental and Social Consultant may be engaged to perform an independent review. A Baseline Audit may also be required to identify past and present concerns, status of regulatory compliance, management systems and potential liabilities.

The screening, categorization and key findings of the assessment are included in the *E&S Review Summary* section of the Investment Committee Memorandum and incorporated into the broader investment decision.

Conditions of Investment

Contract Conditions

Investment agreements will contain legally binding requirements related to E&S standards, regulations, requirements, and Action Plans (when appropriate). A remediation plan and/or cure period may be required in the event of non-compliance.

⁷ Including displacement of homes, structures, crops and other non-land assets and displacement, disruptions, and restrictions of people's access to traditional livelihood sources.

⁸ Includes labor rights, worker discrimination, forced and exploitative labor and child labor

⁹ Impacts and risks to cultural heritage including impacts to sites, structures, and objects of cultural, religious, scientific, and historical significance

¹⁰ Including exposure of host communities to construction related-hazards, impacts related to influx of workers and economic migrants, potential of outbreak and spread of diseases and, increase in criminality including gender-based violence (and SEAH)

Environment and Social Action Plan

Environmental and Social Action Plans (“ESAPs”) may be required when the assessment of Portfolio Companies’ business activities indicates that there are substantial environmental and social risks that should be addressed and/or mitigated. ESAPs define desired outcomes and actions to address the issues raised in the risks and impacts identification process with measurable outcomes and timelines. Action plans will prioritize and describe specific actions and deliverables that are required by the portfolio company to mitigate potential E&S risks to an acceptable level that align with international standards and best practice. If applicable, the Action Plan should be disclosed to Project Affected People and Stakeholders.

Based on the sector and nature of the business activities, specific operational plans, and procedures such as the following may be required, as applicable:

- Occupational Health and Safety Policies and Procedures
- Emergency Preparedness and Response Plans and Procedures
- Fire Life and Safety Plans
- Waste Management Policies and Procedures
- Hazardous Materials Management Policies and Procedures
- Chemical Management Policies and Procedures
- Water Management Policies and Procedures
- Integrated Pest Management System
- Human Resources and Labor Management Policies and Procedures
- Grievance Mechanism
- Biodiversity Action Plan
- Resettlement Action Plan
- Indigenous Peoples Plan
- Chance Find Procedure
- Stakeholder Engagement Plan
- Process Framework for Restriction of Access to Natural Resources

The development of all operational plans and procedures will be informed by the IFC Performance Standard Guidance Notes and annexes, and any applicable World Bank Group Environmental, Health, and Safety Guidelines (See Annex K for additional detail). ESAPs will be legally binding and included as part of the investment agreement and could be linked as a condition of disbursement. Portfolio Companies will provide the Fund with regular reports regarding their progress and compliance with the ESAP.

Monitoring & Reporting

All portfolio companies are monitored and evaluated to ensure ongoing compliance with environmental and social requirements, including any mitigation measures, action plans and corrective actions. Information is obtained through a number of internal and external channels such as formal governance structures at the portfolio company, financial reporting from the portfolio company to the Fund, ongoing desk-based monitoring that utilizes publicly available news reports, industry insights, etc. to track changes in the operations and the local context that may affect the environment and social profile of the company.

Monitoring

Additionally, the Fund retains the ability to conduct periodic site visits on a randomized basis either directly or through a third-party consultant to observe and verify company reported information. The scope, timing and periodicity of the visits are commensurate with the significance and severity of the risks.

The Fund will require Portfolio Companies to promptly report any environmental, occupational health and safety, public health and safety, or social event, incident or accident that occurs onsite that may have a material adverse effect, attract adverse outside attention, or give rise to material potential liabilities. Information surrounding incident reporting is considered sensitive business information and will be kept confidential. Reporting should include information about the nature, impact and effects of the incident, actions taken, and plans to be taken to remedy and to prevent future events. See Appendix F: Incident Notification Template for guidance. Portfolio Companies shall keep the Fund informed of the progress of any remedial action.

Reporting

In addition to tracking impact metrics, which are addressed separately in the Impact Measurement System, the **Annual ESG and Impact Report** is one of several tools used to track portfolio company compliance with the Fund's E&S requirements included in the investment agreement. The Fund will provide information regarding each Portfolio Company's compliance with the ESMS and ESAP as well as supplemental reports required by to each partner including the GCF's Annual Performance Report, reporting metrics included in the Gender Action Plan and Fund-Level Impacts, Fund-Level Outcomes and Programme Performance Indicators.

Reports from Portfolio Companies regarding compliance will be consolidated into annual compliance reports, which will be shared with investors according to the following format:

Portfolio Company	Risk Category	E&S issues identified at assessment	Update on E&S Action Plan	Ongoing concerns to be addressed

The annual report to LPs will also include stakeholder engagement information regarding the following:

1. Number of government agencies, civil society organizations, private sector, indigenous peoples and other stakeholder groups that have been involved in the project implementation phase on an annual basis;
2. Number persons (sex disaggregated) that have been involved in the business activities (on an annual basis); and
3. Number of engagements (*e.g.*, meetings, workshops, consultations) with stakeholders (on an annual basis).

Resources and Responsibility

Lightsmith's Managing Directors have the ultimate responsibility for ensuring the effectiveness of the ESMS policy and its implementation. The Director of ESG and Impact is responsible for the day-to-day implementation of the ESMS and ensuring that the Fund's activities, including activities related to its investments, conform to this policy. The Director of ESG and Impact will provide training on this policy to all investment professionals when they join the firm and to all staff on an annual basis.

The Fund commits to establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the ESMS and to ensure sufficient human and financial resources to achieve effective environmental and social performance both within its own activities and in its investment portfolio.

Grievance Redress Mechanism

The Fund has established a Grievance Redress Mechanism (GRM) that is accessible through multiple channels, including to independent parties. Stakeholders may raise a grievance at any time about the Fund's activities, including the application of this ESMS and issues related to the business activities of the Portfolio Companies. While the Fund serves as the first point of contact in the Grievance Mechanism, stakeholders across CRAFT's portfolio including but not limited to, Portfolio Company employees, suppliers, and affected community members may also contact the Director of Compliance at Conservation International, which has established an independent Grievance Redress Mechanism for all of its partner projects, including CRAFT. Conservation International is a U.S.-based non-profit whose conservation and advocacy work focuses on science, policy, and partnership with businesses and communities and responsible for responding to project-affected stakeholders about the grievance provisions described in the Safeguard Policies and Processes section of the CI-ESMF.

The Fund will make stakeholders aware of the Grievance Redress Mechanism through their public website (<https://lightsmithgp.com/contact/>), the website of the Accredited Entity, Pegasus Capital Advisors and directly through the GCF Independent Redress Mechanism. Investment level information about accessing the GRM will be provided to portfolio company stakeholders during project start-up workshops, project-related meetings and through the ESIA stakeholder engagement for Category B projects.

By e-mail:

accountability@lightsmithgp.com

By e-mail:

GEFAccountability@conservation.org

By mail:

Director of Compliance
Conservation International
2011 Crystal Drive, Suite 500
Arlington, VA 22202, USA

Stakeholder Engagement

The Fund seeks to ensure the effective participation of key stakeholder groups, including emerging markets investors and financial actors, engineering and data companies, and others representing the views of the private sector and NGOs in emerging markets.

The Fund disseminates information and seeks input through various public and industry forums such as the Global Adaptation & Resilience Investment Working Group's ("GARI") meetings, climate workshops, and regional meetings in emerging markets. Public disclosure regarding investment activities is reported on a consolidated basis through the UN PRI framework.

The Fund extends stakeholder engagement to its portfolio companies and maintains channels for its Portfolio Company management teams, Portfolio Company employees, and people living in communities in which the Portfolio Companies operate to communicate with Portfolio Companies or directly with The Fund.

The Fund also maintains several communication channels with its Limited Partners ("LPs") such as routine site visits and participation in investor meetings. Additionally, an annual report will be provided to all LPs regarding the implementation of the ESMS and the Environmental and Social performance of the Portfolio Companies.

Continual Review of ESMS

The Fund recognizes that our ESG policies and processes are ongoing and dynamic in nature and the firm seeks continual improvement in ESG performance both in its own operations and at the Portfolio Companies. The Fund will use the information obtained through Portfolio Company reporting and

compliance monitoring to inform strategic and operational decisions and ongoing investment activities.

On an annual basis, the Managing Directors will work with the Director of ESG and Impact and the investment professionals to review the ESMS, incorporating stakeholder engagement and information received through grievance channels.

Appendix A: Illustrative List of Category A Investment Activities

Although decisions on categorization are made on a case-by-case basis, the following list is indicative of activities that are screened as Category A and therefore be ineligible for investment.

- Large-scale industrial estates or plants
- Major Greenhouse Gas emitting projects, with Direct Greenhouse Gas Emissions of more than 100,000 (short) tons (91,000 metric tonnes) of CO₂eq per year.
- Projects that manufacture, store, transport or dispose hazardous or toxic materials.
- All projects that pose potentially serious occupational or health risks
- Construction of motorways, express roads, lines for long-distance railway traffic, and airports with a basic runway length of 2,100 meters or more. Construction of new roads with four or more lanes or realignment and/or widening of an existing road so as to provide four or more lanes where such new road, or realigned and/or widened section of road, would be 10 km or more in a continuous length.
- Large-scale seaports and also inland waterways and ports for inland waterway traffic; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers).
- Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
- Construction or significant expansion of dams and reservoirs not otherwise prohibited.
- 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.
- Large-scale logging.
- Large-scale power transmission.
- Municipal wastewater treatment plants servicing more than 150,000 people.
- Municipal solid waste-processing and disposal facilities.
- Large-scale land reclamation.
- Large-scale primary agriculture/plantations involving intensification or conversion of previously undisturbed land.
- All projects with potentially major negative impacts on people or which pose serious socio-economic risk, including Physical and Economic Displacement, negative impacts on Indigenous Peoples and adverse impacts on Cultural Heritage.¹¹
- Projects involving involuntary resettlement including physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets, or access to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by project-related land acquisition or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement
- Projects, not categorically prohibited, but located in or sufficiently near sensitive locations of national or regional importance which may have apparent environmental impacts on:
 - Wetlands;
 - Areas of archeological significance;
 - Areas prone to erosion and/or desertification;
 - Areas of importance to ethnic groups/indigenous peoples;

¹¹ Consistent with Appendix H: Resettlement Policy Framework, activities will be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement; when limited involuntary resettlement cannot be avoided, informed consultations and participation of the people or communities affected by the activities will be required. Additionally, the Project will prepare a resettlement action plan or, if specific activities or locations have not yet been determined, a resettlement policy framework proportional to the extent of physical and economic displacement and the vulnerability of the people and communities.

- Primary temperate/boreal Forests;
- Coral reefs;
- Mangrove swamps;
- Nationally-designated seashore areas; and
- Managed resource protected areas, protected landscape/seascape¹²

¹² International Union for the Conservation of Nature (IUCN) categories V and VI) as defined by IUCN's Guidelines for Protected Area Management Categories. Additionally, these projects must meet IUCN's management objectives and follow the spirit of IUCN definitions.

Appendix B: Exclusion List

The Lightsmith Group does not invest in the following activities:

- Any activities classified as Category A activities according to the IFC Performance Standards.
- Activities which could be associated with the destruction or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international standards)
- Conversion or degradation¹³ of Critical Forest Areas, forest-related Critical Natural Habitats or High Conservation Value¹⁴ areas.
- Logging or purchase of logging equipment, unless an environmental and social impact assessment indicates that; (a) all timber-harvesting operations involved will be conducted in an environmentally sound manner that minimizes forest destruction; and (b) the timber harvesting operations will produce positive economic benefits and sustainable forest management systems.
- Construction of dams that significantly and irreversibly: (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.
- Resettlement of 5,000 or more persons¹⁵.
- Any impact on natural [World Heritage Sites](#) unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- Any impact on areas on the [United Nations List of National Parks and Protected Areas](#) unless it can be demonstrated through an environmental assessment that the project (a) will not result in the degradation of the protected area and (b) will produce positive environmental and social benefits.
- Extraction or infrastructure in or impacting: 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 (IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with [IUCN management objectives](#) unless it can be demonstrated through an environmental assessment (a) there is no degradation of the protected area and (b) there are positive environmental and social benefits.
- 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, such as pharmaceuticals¹⁶, pesticides/herbicides¹⁷, ozone depleting substances¹⁸, polychlorinated biphenyls¹⁹, and other toxic or hazardous substances,²⁰ wildlife or wildlife products regulated

¹³ Degradation means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

¹⁴ High Conservation Value areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance. See <https://www.hcvnetwork.org/>

¹⁵ Where possible, involuntary resettlement shall be avoided and where it is not feasible to avoid resettlement, all efforts will be made to minimize involuntary resettlement and all viable alternatives will be explored.

¹⁶ A list of pharmaceutical products subject to phase-outs or bans is available at <http://who.int>

¹⁷ A list of pesticides and herbicides subject to phase-outs or bans is available at <http://pic.int>

¹⁸ A list of the chemical compounds that react with and deplete stratospheric ozone together with target reduction and phase-out dates is available at: <http://unep.org/ozone/montreal>

¹⁹ Polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

²⁰ A list of hazardous chemicals is available at <http://www.pic.int>

under the Convention on International Trade and Endangered Species of Wild Fauna and Flora²¹ and trans-boundary trade in waste or waste products.²²

- Production or activities involving harmful or exploitative forms of forced labor²³/harmful child labor²⁴
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production, manufacturing, distribution, packaging, marketing, trading or sale of weapons , ordnance, armaments, or munitions or critical components thereof (nuclear weapons and radioactive ammunition, biological and chemical weapons of mass destruction, cluster bombs, anti-personnel mines, enriched uranium).
- Production, manufacturing, distribution, packaging, marketing, trading or sale of alcoholic beverages (excluding beer and wine) or tobacco²⁵
- Pornography and / or prostitution
- Racist, anti-democratic and / or neo-Nazi media.
- Gambling, casinos and equivalent enterprises, including the production, distribution, packaging, marketing, trade, or sale of gambling-related products.²⁶
- Production or trade in radioactive materials²⁷ or unbonded asbestos fibers.²⁸
- Destructive fishing methods or drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Investments into large-scale search, extraction, production, distribution, processing and promotion of fossil fuels (coal, oil, natural gas and peat). power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction; including any Company whose principal business is at the time of investment, or whose principal source of revenue is at the time of investment derived, directly or indirectly, from the production, distribution, or sale of nuclear energy.
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 lines²⁹
- Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.

²¹ A list of CITES species is available at <http://cites.org>

²² As defined by the Basel Convention; see <http://www.basel.int>

²³ Forced labor means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty.

²⁴ Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

²⁵ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

²⁶ This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

²⁷ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded.

²⁸ This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

²⁹ 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 coalbased 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.

- Activities that increase use of fossil fuels and/or prolong the technical or economic lifetime of heat and power production using fossil fuels, except for back-up in power generation plants, for household cooking purposes and for processes where feasible alternatives do not exist.
- Biofuel projects if they are: a) Based on feedstock grown on land with high carbon content or biodiversity value, such as rainforests, wetlands, peat lands and grasslands, in reserves or on protected lands, or on lands with a high conservation value; b) Large-scale projects focusing only on export of feedstock or biofuels. Such projects should in any case be commercially viable without concessional financing; c) Using a feedstock for production of liquid biofuels, where the overall climate and development benefits would be higher by using the same feedstock unprocessed for e.g. direct combustion in a co-generation plant
- Live animals for scientific and experimental purposes, including the breeding of these animals
- New palm oil plantations
- Any Company whose principal business is at the time of investment, or whose principal source of revenue is at the time of investment derived, directly or indirectly, from for-profit prisons
- Any Company whose principal business is at the time of investment, or whose principal source of revenue is at the time of investment derived, directly or indirectly, from the manufacturing, production, distribution, packaging, marketing, trade, or sale of genetically modified organisms (GMOs)
- Any business with a political or religious content

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

Appendix C: World Bank Environmental, Health and Safety Guidelines

Found here:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

General EHS Guidelines

Industry Sector Guidelines

Forestry

Board and Particle-based Products
Sawmilling and Wood-based Products
Forest Harvesting Operations
Pulp and Paper Mills

Agribusiness/Food Production

Mammalian Livestock Production
Poultry Production
Perennial Crop Production
Annual Crop Production
Aquaculture
Sugar Manufacturing
Vegetable Oil Processing
Dairy Processing
Fish Processing
Meat Processing
Poultry Processing
Breweries
Food and Beverage Processing

General Manufacturing

Cement and Lime Manufacturing
Ceramic Tile and Sanitary Ware Manufacturing
Glass Manufacturing
Construction Materials Extraction
Textiles Manufacturing
Tanning and Leather Finishing
Semiconductors and Electronics Manufacturing
Printing
Foundries
Integrated Steel Mills
Base Metal Smelting and Refining
Metal, Plastic, Rubber Products Manufacturing

Infrastructure

Tourism and Hospitality Development
Railways
Ports, Harbors and Terminals
Airports
Airlines
Shipping

Gas Distribution Systems
Toll Roads
Telecommunications
Crude Oil and Petroleum Product Terminals
Retail Petroleum Networks
Health Care Facilities
Waste Management Facilities
Water and Sanitation

Chemicals

Pharmaceuticals and Biotechnology Manufacturing
Coal Processing
Natural Gas Processing
Oleochemicals Manufacturing
Nitrogenous Fertilizer Manufacturing
Phosphate Fertilizer Manufacturing
Pesticides Formulation, Manufacturing and Packaging
Petroleum-based Polymer Manufacturing
Petroleum Refining
Large Volume Petroleum-based Organic Chemicals Manufacturing
Large Volume Inorganic Compounds Manufacturing and Coal Tar Distillation

Power

Wind Energy
Geothermal Power Generation
Electric Power Transmission and Distribution
Thermal Power

Appendix D: Glossary

Area of Influence – Areas potentially affected by a business activities including (i) the primary project site(s) and related facilities that the Portfolio Company develops or controls, such as power transmission corridors, pipelines, canals, tunnels, access roads, borrow and disposal areas and construction camps; (ii) associated facilities that are not funded as part of the investment (funding may be provided separately by the Portfolio Company or by third parties including the government), and whose viability and existence depend exclusively on the project and whose goods and services are essential for the successful operation of the project; (iii) areas and communities potentially affected by cumulative impacts that result from the incremental impact on areas or resources used or directly impacted by the project, and from any existing, planned or reasonably defined developments at the time the risks and impacts identification process is conducted; and (iv) areas and communities potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location. The Area of Influence does not include potential impacts that might occur without the project or independently of the project. Any identifiable supply chain expansion of materials or resource development that is inherent to a project's success should be included within a project's Area of Influence.

Baseline Audit - An assessment of environmental and social impacts of pre-existing or ongoing activities that is required for high-risk projects that involve the acquisition of pre-existing facilities or new construction on a site where prior industrial activities have occurred.

Critical Forest Areas - A type of Natural Forest that qualifies as Critical Natural Habitat. Critical Forest Areas include primary Forests and old growth Forests that may serve as critical carbon sinks.

Critical Natural Habitats - (i) 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 (ii) Sites identified on supplementary 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.

Cultural Heritage – Tangible property or sites having archaeological (prehistoric), paleontological, historical, cultural, artistic and religious value, as well as unique environmental features that embody cultural values, such as sacred groves. Cultural Heritage also includes intangible forms of culture, such as cultural knowledge, innovations and practices of communities embodying traditional lifestyles.

Economic Displacement – Loss of assets or access to assets that leads to loss of income sources or means of livelihood.

Environmental and Social Action Plan (ESAP) – A systematic program designed to prevent, mitigate and monitor anticipated environmental and social impacts of prospective and ongoing activities. The ESAP provides an implementation schedule for measures that must be carried out as part of the project showing phasing and coordination with overall implementation plans and the capital and recurrent costs estimates and sources of funds for implementing the ESAP.

Environmental and Social Impact Assessment (ESIA) – A comprehensive analytical body of work designed to evaluate environmental and social impacts of major projects having the potential to have significant, diverse and irreversible impacts on the natural environment and on humans dependent on that environment.

Environmental and Social Management System (ESMS) – Part of a project’s overall management system that includes the organizational structure, responsibilities, practices and resources necessary for implementing the project-specific management program developed through the environmental and social assessment of the project.

Forest - An area of land not less than 1.0 hectare with a tree crown cover (or equivalent stocking level) of more than 10 percent that has trees with the potential to reach a minimum height of 2 meters at maturity in situ. A Forest may consist of either closed forest formations, where trees of various stories and undergrowth cover a high proportion of the ground, or open Forest. Young natural stands and all plantations that have yet to reach a crown density of 10 percent or tree height of 2 meters are included under Forest, as are areas normally forming part of the forest area that are temporarily unstocked as a result of human intervention such as harvesting or natural causes but that are expected to revert to Forest. The definition includes Forests dedicated to forest production, protection, multiple uses, or conservation, whether formally recognized or not. The definition excludes areas where other land uses not dependent on tree cover predominate, such as agriculture, grazing or settlements. In countries with low forest cover, the definition may be expanded to include areas covered by trees that fall below the 10 percent threshold for canopy density, but are considered Forest under local conditions.

Greenhouse Gases – The following six gases or class of gases: carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

Human Rights – Those rights expressed in the International Bill of Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.

Industry Sector Guidelines – Technical reference documents issued by the International Finance Corporation with general and industry specific performance levels and measures.

International Finance Corporation (IFC) – An affiliate of the World Bank group that makes loans to and investments in, private sector projects in developing countries and emerging markets.

International Labor Organization (ILO) – The tripartite United Nations agency that brings together governments, employers and of its member states in common action to promote decent work throughout the world.

Labor Rights – Rights of Workers, as outlined in the Core Conventions of the International Labor Organization, which includes: (i) the right of association; (ii) the right to organize and collective bargaining; (iii) prohibition on forced labor and the worst forms of child labor; (iv) a minimum age for the employment of children; (v) acceptable conditions of work with respect to minimum wages, hours of work, and occupational health and safety; (vi) protection from discrimination with respect to employment and occupation on the basis of personal characteristics that are unrelated to inherent job requirements.

Meaningful Consultation – A process that (i) begins early in the project preparation stage and is carried out on an on-going basis throughout the project life cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to Project Affected People; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other Stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.

Natural Forests - Forest lands and associated waterways where the ecosystem's biological communities are formed largely by native plant and animal species and where human activity has not essentially modified the area's primary ecological functions.

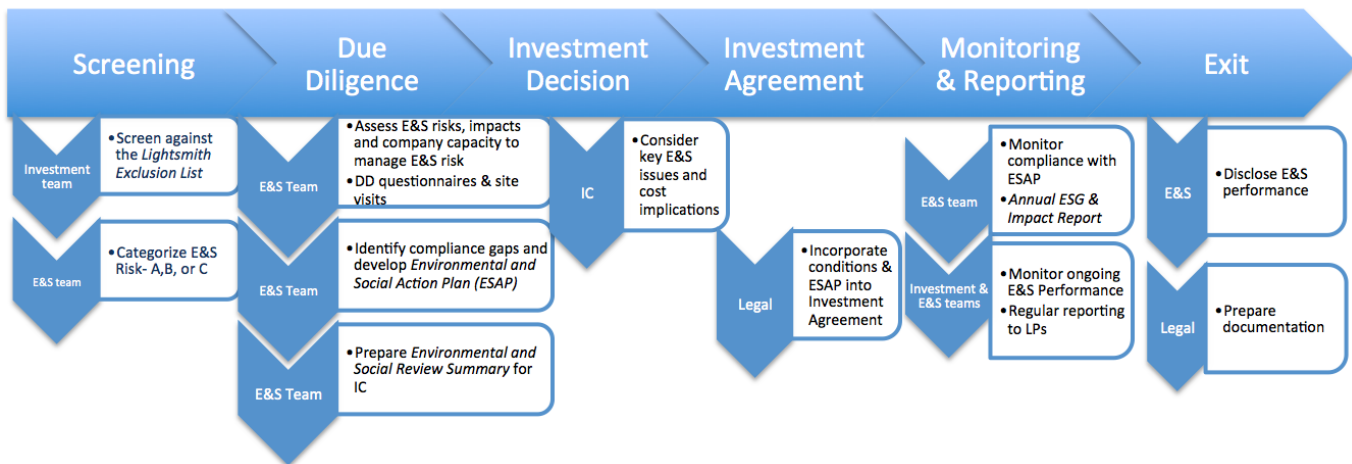
Performance Standards – Technical reference documents issued by the International Finance Corporation with environmental and social impact management performance criteria.

Project Affected People – Individuals, workers, groups or local communities, including within the supply chain, which are or could be affected by the project's Area of Influence, directly or indirectly, including as a result of cumulative impacts. Emphasis should be placed on those who are directly and adversely affected, disadvantaged or vulnerable.

Stakeholder – Stakeholders are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively. Stakeholders may include Project Affected People and their formal and informal representatives, national or local government authorities, politicians, religious leaders, civil society organizations and groups with special interests, the academic community, or other businesses.

Workers – Individuals who are employed directly by the project or under a project contract, and who perform on-site work for a substantial duration of time on a project or are material to the primary operations of a project. Workers can be temporary or permanent.

Appendix E: Summary of Investment Stages



Appendix F: Incident Notification Template

INCIDENT NOTIFICATION					
<i>-Business Confidential-</i>					
1. INCIDENT DETAILS					
Project Company		Date of incident			
		Time of Incident			
Location of incident		Type of Incident	Environmental	<input type="checkbox"/>	
			Injury	<i>Workforce</i>	<input type="checkbox"/>
				<i>Public/Local community</i>	<input type="checkbox"/>
		Social incident (e.g. violent labor unrest)	<input type="checkbox"/>		

2. WHAT HAPPENED	
<i>Brief description of incident</i>	

[illegible]

4. INJURED MEMBERS OF PUBLIC						
Name	Sex	Age	Community	Place of Residence	Cause	Injury Type (Major / Fatal)

5. ENVIRONMENTAL INCIDENT

Type (Spill / Gas Release)	Total Loss (Litres /KGs)	Cause	Damage

6. WITNESSES TO INCIDENT

Name	Sex	Place of Residence	Description of incident

7. OTHER RELEVANT INFORMATION

Have the authorities been informed?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	What has been done about the incident?
<i>Please provide further information here</i>					
Media attention?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
<i>Please provide further information here</i>					
Any effects off-site?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
<i>Please provide further information here</i>					
Photographs taken? (please include them in this report)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	
Name of person completing form					
Position					
Contact details	Phone		Email		

Appendix G: Indigenous Peoples Planning Framework

Indigenous peoples (IPs) may be particularly vulnerable to the adverse impacts associated with project development, including risk of impoverishment and loss of identity, culture, and natural resource-based livelihoods. Through the application of the IFC Performance Standards, particularly PS 7, to every potential investee company, CRAFT and the Fund seek to ensure that business activities minimize negative impacts, foster respect for human rights, dignity and culture of indigenous populations, and promote development benefits in culturally appropriate ways.

The Indigenous Peoples Planning Framework (IPPF) outlines the principles, organizational arrangements and design criteria that will be applied to applicable project components during project implementation when indigenous peoples may be present in or have a collective attachment to the project area. The applicability of IFC Performance Standard 7 on Indigenous Peoples is established during the environmental and social risks and impacts identification process. CRAFT may seek inputs from third-party experts to ascertain whether a particular group is considered as Indigenous Peoples for the purpose of this Performance Standard. An Indigenous Peoples Plan (IPP) proportionate to the potential risks and impacts, will be required if communities of Indigenous Peoples are identified within the project area of influence and based on the nature and degree of the expected direct and indirect negative economic, social, cultural, and environmental impacts on them.

Identifying Indigenous Peoples

Indigenous Peoples may be characterized by their close connection with the lands, territories and resources that provide their communities with the economic means for living and are important to them in a social, cultural and spiritual sense. The rights of Indigenous Peoples in relation to a project are collective rights related to the land, resources and/or cultural heritage affected by a project. Indigenous Peoples are very diverse, there are between 350 and 500 million Indigenous Peoples spread across approximately 90 countries³⁰. There is no universally accepted definition of Indigenous Peoples, meaning it can be difficult to create a definition of Indigenous Peoples that is applicable globally; however, in this context, “indigenous people” refers to a distinct social and cultural group possessing the following characteristics in varying degrees:

- Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories.
- Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or
- A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

The GCF Indigenous Peoples Policy 'scope of application' (Section IV) provides guidance on identifying indigenous peoples.

Indigenous Peoples Plan (IPP)

The IPP is prepared in a flexible and pragmatic manner, and its level of detail varies depending on the specific project and the nature of the effects to be addressed. In general and where appropriate, an IPP should include the following elements:

- **Baseline information** (from environmental and social risks and impacts assessment process)
Summarize relevant baseline information that clearly profiles the Affected Communities, their

³⁰ <https://www.worldbank.org/en/topic/indigenouspeoples#1>

circumstances, tenure arrangements and livelihoods, with description and quantification of the natural resources upon which the Indigenous Peoples depend.

- **Key Findings:** Analysis of Impacts, Risks & Opportunities (from environmental and social risks and impacts assessment process) Summarize key findings, analysis of impacts, risks and opportunities and recommended possible measures to mitigate adverse impacts, enhance positive impacts, conserve, and manage their natural resource base on a sustainable basis, and achieve sustainable community development.
- **Result of Consultations** (during environmental and social risks and impacts assessment process) and Future Engagement Describe the process of information disclosure, consultation, and informed participation and where relevant the FPIC process³¹ including Good Faith Negotiation and documented agreements, with the Affected Communities of Indigenous Peoples, and how issues raised have been addressed. The consultation framework for future engagement should clearly describe the process for ongoing consultations with, and participation by Indigenous Peoples (including women and men), in the process of implementing and operating the project.
- **Avoid, Minimize, and Mitigate Negative Impacts and Enhance Positive Impacts** Clearly describe the measures agreed to in the process of information disclosure, consultation, and informed participation to avoid, minimize and mitigate potential adverse effects on Indigenous Peoples, and to enhance positive impacts. Include appropriate action times that detail the measures to be taken, responsibilities and agreed schedule and for implementation (who, how, where, and when). Whenever feasible, avoidance or preventative measures should be given primacy over mitigatory or compensatory measures.
- **Community Based Natural Resource Management Component** Where applicable, focus on the means to ensure continuation of livelihood activities key to the survival of these communities and their traditional and cultural practices. Such livelihood activities may include grazing, hunting, gathering, or artisanal fishing. This component clearly sets out how the natural resources upon which the Affected Communities depend, and the geographically distinct areas and habitats in which they are located, will be conserved, managed, and utilized on a sustainable basis
- **Measures to Enhance Opportunities** Clearly describe measures to enable Indigenous Peoples to take advantage of opportunities brought about by the project, and to conserve and manage on a sustainable basis the utilization of the unique natural resource base upon which they depend. Such opportunities should be culturally appropriate.
- **Grievance Mechanism** Describe appropriate procedures to address grievances by Affected Communities of Indigenous Peoples arising from project implementation and operation. When designing the grievance procedures, the client will consider the availability of judicial recourse and customary dispute settlement mechanisms among the Indigenous Peoples. Affected Communities (both women and men) must be informed of their rights and the possibilities of administrative and legal recourse or remedies, and any legal aid available to assist them as part of the process of consultation and informed participation. The grievance mechanism should provide for fair, transparent, and timely redress of grievances without costs, and if necessary, provide for special accommodations for women, youth, and the elderly, and other vulnerable groups within the community, to make their complaints. In line with the GCF Indigenous Peoples Policy, the GCF independent Redress Mechanism and the Secretariat's indigenous peoples focal point will be available for assistance at any stage, including before a claim has been made.

³¹ Informed consultation and participation with IPs throughout the project process is a core requirement and may include Free, Prior and Informed Consent under certain circumstances as outlined in the [Guidance Note for IFC Performance Standard 7](#) and the GCF Indigenous Peoples Policy Operational Guidelines (available at: <https://www.greenclimate.fund/document/operational-guidelines-indigenous-peoples-policy>)

- **Costs, budget, timetable, organizational responsibilities** Include an appropriate summary of costs of implementation, budget and responsibility for funding, timing of expenditure and organizational responsibilities in managing and administering project funds and expenditures.
- **Monitoring, Evaluation & Reporting** Describe monitoring, evaluation and reporting mechanisms (including responsibilities, frequencies, feedback, and corrective action processes). Monitoring and evaluation mechanisms should include arrangements for ongoing information disclosure, consultation, and informed participation with the Affected Communities of Indigenous Peoples (both women and men) and for the implementation and funding of any corrective action identified in the evaluation process.

Appendix H: Resettlement Policy Framework

A resettlement policy framework is required for projects involving any means physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets, or access to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by project-related land acquisition or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement, which may result in long-term hardship and impoverishment as well as social stress.

The Resettlement Policy Framework will be implemented in accordance with IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement (2012), the GCF Revised Environmental and Social Policy (2021), incorporating best practice guidance such as the IFC [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#), [Good Practice Note: Addressing the Social Dimensions of Private Sector Projects](#) and the UNDP Resettlement Action Plan Template (2020).

In screening, the Fund will consider risks and impacts including direct and indirect, induced, long-term and cumulative impacts, potential environmental and social risks to the activities, and will consider the activities' areas of influence including associated facilities and third-party impacts. In screening activities, the environmental and social risks and impacts, as well as the nature, magnitude, and complexity of these risks, the specific characteristics of the influence area including risks of displacement, involuntary resettlement and to indigenous peoples, and legal and policy contexts will be considered.

In cases of economic displacement or restrictions of access to livelihoods because of land acquisition and resettlement, the Project will develop livelihood restoration and compensation plans or frameworks. These plans or frameworks will complement the social assessments of the activities and provide guidance on specific issues and due process related to involuntary resettlement including land acquisition, consultations with the affected people on their rights and options, compensation for assets, free, prior and informed consent in cases of indigenous lands and territories, livelihood loss and restoration, transition allowances, facilities and resettlement sites, and grievance redress.

Resettlement Action Plan

Once specific activities or locations have been determined, provisions for the development and implementation of site- specific resettlement action plans.

A Resettlement Action Plan (RAP) is a document drafted by the sponsor or other parties responsible for resettlement (such as government agencies), specifying the procedures it will follow and the actions it will take to properly resettle and compensate affected people and communities. The RAP is the sponsor's commitment to the affected people that it will meet its obligations arising from involuntary resettlement. The RAP must identify the full range of people affected by the project and justify their displacement after consideration of alternatives that would minimize or avoid displacement. The RAP outlines eligibility criteria for affected parties, establishes rates of compensation for lost assets, and describes levels of assistance for relocation and reconstruction of affected households. The RAP's planning protects the sponsor against unanticipated or exaggerated claims from individuals who have spurious eligibility for resettlement benefits. The mediation of such claims can cause significant delays in project implementation, which can result in cost overruns for the sponsor.

The RAP covers the following elements:

Introduction

- Briefly describe the project and associated facilities (if any)

- Describe project components requiring land acquisition and resettlement; give overall estimates of land acquisition and resettlement
- Provide explanation of how displacement is necessary to achieve the project objectives, how the project is in the ‘public interest’ and how displacement is proportional to project outcomes. Please also discuss alternative project designs, including the “no project” scenario and if they may have avoided or reduced the resettlement.

Minimizing Resettlement

- Describe the justification for the resettlement
- Describe efforts and measures to minimize displacement, and expected outcomes of these efforts and measures

Census and Socioeconomic Surveys/Social Baseline

- Provide results of the census, assets inventories, natural resource assessments, and socioeconomic surveys and briefly describe how these were performed, i.e., techniques used, individuals interviewed, etc.
- Identify all people and communities potentially affected by displacement activities and potential impacts to each. Conduct a vulnerability assessment and outline what determines vulnerability (i.e. which criteria need to be met to consider someone vulnerable)

Legal Framework

- Describe all relevant international, national, local, and community laws and customs that apply to displacement and resettlement activities, with particular attention to laws and customs relating to tenure rights; highlight any potential conflicts e.g. between UNDP’s SES and national or regional law.
- Describe how free, prior, informed consent was obtained for resettlement of indigenous peoples and tribal communities, if applicable
- Describe project-specific mechanisms to address conflicts
- Describe entitlement/compensation policies for each type of impact
- Describe method of valuation used for affected structures, land, trees, and other assets
- Prepare entitlement matrix, which includes budget and timeframe for payment of entitlements

Resettlement Sites and Housing

- If the project requires relocation, describe how affected people have been involved in a participatory process to identify sites, assess advantages and disadvantages of each site, and select preferred sites. Site selection to be risk-informed (e.g. ensure not subject to higher levels of risks from floods, landslides, earthquakes). Describe the options
- If housing must be replaced, describe how affected people have been involved in developing an acceptable strategy for housing replacement and how alternative housing meets adequate housing criteria (including legal security of tenure; availability of services, materials, facilities, and infrastructure; affordability; habitability; accessibility; location; cultural adequacy). Describe the specific process of involving affected populations in identifying potential housing sites, assessing advantages and disadvantages, and selecting sites
- If the project involves allocation of agricultural land or pasture/rangeland, describe how individual households that will be allocated lands have been involved in identifying potential new sites, and how they have explicitly accepted the selected sites
- Describe the feasibility studies conducted to determine the suitability of the proposed relocation sites and housing, including where relevant natural resource assessments (soils and land use capability, vegetation and livestock carrying capacity, water resource surveys) and environmental and social impact assessments of the sites. Include a description of potential access of affected people to necessary services, shelter, food, water, energy, and sanitation
- Demonstrate where relevant that the land quality and area are adequate for allocation to all the people eligible for allocation of agricultural land. Provide data on land quality and capability, productive potential, and quantity
- Give calculations relating to site requirements and availability
- Describe mechanisms for: (1) procuring, (2) developing and (3) allotting resettlement sites and housing, including the awarding of title or use rights to allotted lands. Indicate to whom titles and use rights will be allocated, including by gender

- Provide detailed description of the arrangements where relevant for site development for agriculture, including funding of development costs.
- Indicate whether temporary resettlement will be necessary and how the communities' social capital will be preserved.

Income Enhancement/Restoration

- Are compensation entitlements sufficient to enhance and restore livelihoods and income streams for each category of impact? Attach independent review of opportunities to enhance incomes/livelihoods. What additional economic rehabilitation measures are necessary?
- Briefly spell out the enhancement and restoration strategies for each category of impact and describe their institutional, financial, and technical aspects
- Describe the process of consultation with affected populations and their participation in finalizing strategies for income enhancement/restoration
- How do these strategies vary with the area of impact?
- Does income enhancement/restoration require change in livelihoods, development of alternative farmlands or some other activities that require a substantial amount of training, time for preparation, and implementation?
- How are the risks of impoverishment to be addressed?
- What are the main institutional and other risks for the smooth implementation of the resettlement programs?
- Describe the process for monitoring the effectiveness of the income restoration measures
- Describe any social or community development programs currently operating in or around the project area. If programs exist, do they meet the development priorities of their target communities? Are there opportunities to support new programs or expand existing programs to meet the development priorities of communities in the project area?

Institutional Arrangements

- Describe the institution(s) responsible for delivery of each item/activity in the entitlement policy; implementation of income restoration programs; and coordination of the activities associated with and described in the resettlement action plan
- State how coordination issues will be addressed where resettlement is spread over a number of jurisdictions or where resettlement will be implemented in stages over a long period of time
- Identify the agency that will coordinate all implementing agencies. Does it have the necessary mandate and resources?
- Describe the external (nonproject) institutions involved in the process of income restoration (land development, land allocation, credit, training) and the mechanisms to ensure adequate performance of these institutions
- Discuss institutional capacity for and commitment to resettlement
- Describe mechanisms for ensuring independent monitoring, evaluation, and financial audit of the RAP and for ensuring that corrective measures are carried out in a timely fashion

Implementation Schedule

- List the chronological steps in implementation of the RAP, including identification of agencies responsible for each activity and with a brief explanation of each activity
- Prepare a month-by-month implementation schedule of activities to be undertaken as part of resettlement implementation
- Describe the linkage between resettlement implementation and initiation of civil works for each of the project components

Participation and Consultation

- Describe the various stakeholders
- Describe the process of promoting consultation/participation of affected populations and stakeholders in resettlement preparation and planning
- Describe the process of involving affected populations and other stakeholders in implementation and monitoring. Add evidence of the various past consultation events, such as attendance lists, photos etc.

- Describe the plan for disseminating RAP information to affected populations and stakeholders, including information about compensation for lost assets, eligibility for compensation, resettlement assistance, and grievance redress

Grievance Redress

- Describe the step-by-step process for registering and addressing grievances and provide specific details regarding a cost-free process for registering complaints, response time, and communication modes
- Describe the mechanism for appeal
- Describe how the mechanism ensured unrestricted access, transparency, accountability, how it documents cases and keeps the complainants informed and the institutional setup
- Describe the provisions for approaching civil courts if other options fail

Monitoring and Evaluation

- Describe the internal/performance monitoring process. Ensure monitoring program seeks to measure whether displaced enjoy at least a standard of living and access to livelihoods equal to what they enjoyed before displacement
- Define key monitoring indicators derived from baseline survey. Provide a list of monitoring indicators that will be used for internal monitoring, including number and location of displaced/resettled persons
- Describe institutional (including financial) arrangements
- Describe frequency of reporting and content for internal monitoring
- Describe process for integrating feedback from internal monitoring into implementation
- Define methodology for external monitoring
- Define key indicators for external monitoring
- Describe frequency of reporting and content for external monitoring. Ensure monitoring program is regular and ongoing following project completion until durable solutions are reached
- Describe process for integrating feedback from external monitoring into implementation
- Describe arrangements for final external evaluation
- Describe need for updates to census, assets inventories, resource assessments, and socioeconomic surveys, if necessary, as part of RAP monitoring and evaluation

Costs and Budgets

- Provide a clear statement of financial responsibility and authority
- List the sources of funds for resettlement and describe the flow of funds
- Ensure that the budget for resettlement is sufficient and included in the overall project budget. Include provisions for non-anticipated adverse impacts.
- Identify resettlement costs, if any, to be funded by the government and the mechanisms that will be established to ensure coordination of disbursements with the RAP and the project schedule. Prepare estimated budget, by cost and by item, for all resettlement costs including planning and implementation, management and administration, monitoring and evaluation, and contingencies
- Describe the specific mechanisms to adjust cost estimates and compensation payments for inflation and currency fluctuations
- Describe the provisions to account for physical and price contingencies
- Describe the financial arrangements for external monitoring and evaluation including the process for awarding and maintenance of contracts for the entire duration of resettlement

Sample Annexes

- Copies of census and survey instruments, interview formats, and any other research tools
- Information on all public consultation including announcements and schedules of public meetings, meeting minutes, and lists of attendees
- Examples of formats to be used in monitoring and reporting on RAP implementation
- Entitlement matrix
- Evidence of prior informed consent for indigenous peoples and tribal communities

Appendix I: GCF Disclosure Process

Prior to the finalization of each Category B Disclosure Package, the Accredited Entity shall deliver such documentation for the review and comment by GCF and consider such comments in the finalization of the Category B Disclosure Packages.

A Category B Disclosure Package, will be posted, no later than thirty (30) calendar days prior to the relevant Accredited Entity meeting and will include a description of the following:

- The purpose, nature, and scale of the activities, and the intended beneficiaries;
- The duration of proposed activities;
- A summary of stakeholder consultations and the planned stakeholder engagement process; and
- The available grievance mechanism(s) to receive complaints and facilitate the resolution of such from affected and potentially affected communities, groups and individuals.
- The following annexures:
 - A. Completed ESS disclosure report form for subprojects
 - B. The Environmental and Social Impact Assessment (ESIA) for the relevant Sub-Project;
 - C. Where applicable, Environmental and Social Management Plan (ESMP), if separate from the ESIA;
 - D. Where applicable, the Land Acquisition and/or Resettlement Action Plan (LARAP) for the relevant Sub-Project;
 - E. Where applicable, the Indigenous Peoples Plan (IPP) for the relevant Sub-Project; and
 - F. Any other associated information including those relevant to indigenous peoples required to be disclosed in accordance with the Accredited Entity's public information policy and GCF's Environmental and Social Policy and Information Disclosure Policy.

The Category B Disclosure Package, comprising both the Sub-Project Disclosure Summary and applicable annexures, will be made available to the public in English and the local language (if not English). The Accredited Entity will ensure that all disclosures can be accessed through the Accredited Entity's website via a weblink and in locations convenient to affected peoples in English and the local language (if not English).

DISCLOSURE PROCESS

The following outlines the communication process to be followed by the GCF and the Accredited Entity in relation to making E&S risk disclosures for Portfolio Company Investments to be considered for final approval by the Accredited Entity.

- A. The Accredited Entity will submit the Category B Disclosure Package to GCF, at least five (5) GCF working days prior to the intended start of the relevant Disclosure Period.
- B. GCF will review the Category B Disclosure Package and, at least (2) GCF working days prior to the intended start of the relevant Disclosure Period, confirm to the Accredited Entity that the Category B Disclosure Package is in accordance with the Fund's requirements and that it agrees with the assigned E&S risk category.
- C. If GCF does not agree with the assigned risk category or the Category B Disclosure Package, it will inform the Accredited Entity within the same time set out in paragraph B above. If GCF and the Accredited Entity agree on any amendments to the Category B Disclosure Package, the process will start again from point A.
- D. At least one (1) GCF working day prior to the intended start of the Disclosure Period the Accredited Entity shall disclose on its website the Category B Disclosure Package and submit the Category B Disclosure Package to GCF, which shall include a link on the Accredited Entity's website to the Category B Disclosure Package, for subsequent distribution to the GCF Board and active observers and for publishing in the GCF website.

- E. Upon receipt of the submission under point D, the GCF shall send a Sub-Project Disclosure Form and an accompanying transmittal message to the GCF's board members ("**Board Members**") and the GCF's active observers ("**Active Observers**") and publish the Sub-Project Disclosure Form on the GCF's webpage <https://www.greenclimate.fund/safeguards/environment-social/reports> and will confirm to the Accredited Entity by email that this disclosure has been made.

The relevant Disclosure Period begins from the date that the Category B Disclosure Package has been released to the Board Members and the Active Observers. The Accredited Entity meeting will not be held until the expiration of the applicable Disclosure Period.

POST-DISCLOSURE COMMUNICATION

- A. The GCF is the formal recipient of all feedback received from the Board Members and Active Observers in relation to Sub-Project E&S disclosure. Should comments and/or questions be received by the Accredited Entity directly, the Accredited Entity will log the feedback in accordance with the Environmental and Social Management System (ESMS)
- B. Comments and/or questions from Board Members and/or Active Observers are to be submitted to the Secretariat's email account subprojectcomments@gcfund.org on or before the deadline specified by the Secretariat in the aforementioned transmittal message to the Board Members and/or Active Observers, with such deadline being eleven (11) calendar days prior to the expiration of the Disclosure Period. The GCF will forward such comments and/or questions received from its Board Members and/or Active Observers to the designated focal points of the Accredited Entity within three (3) GCF working days of receipt and in any event no later than ten (10) calendar days prior to the expiration of the Disclosure Period.
- C. Notwithstanding point B. immediately above, comments and/or questions may be submitted by the Board Members and/or Active Observers later than eleven (11) calendar days prior to the expiration of the Disclosure Period, but prior to the expiration of the Disclosure Period itself. In such case, comments and/or questions will be communicated directly to the Accredited Entity's focal point(s) by the Secretariat, noting the limitations in terms of the potential for inclusion of such comments and/or questions in relation to points D. to F. below.
- D. If applicable and relevant, comments from Board Members and/or Active Observers will be incorporated into documents to be presented at the relevant Accredited Entity meeting
- E. If relevant and applicable, the Accredited Entity will present during the Accredited Entity meeting in question the feedback received from Board Members and/or Active Observers, along with information describing how it has incorporated this feedback, as appropriate and where relevant, by including it in the Board Pack or other investment documentation.
- F. The Accredited Entity shall no later than five (5) calendar days after the expiration of the Disclosure Period, confirm to GCF that comments and/or questions raised by Board Members and/or Active Observers during the disclosure process have been addressed, along with evidence confirming that the E&S related processes have been executed in accordance with the ESMS

Appendix J: Sub-Project Disclosure Form

ESS disclosure report form for subprojects

Accredited entity	Pegasus Capital Advisors, L.P.
Programme	
FP number and programme title	FP181 CRAFT – Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries
Sector (public/private)	Private
Location (target country and, if any, specific areas)	
ESS category	Category I-2
Board decision and date	Decision B.30/03, para. (p), on 7 October 2021
Subproject	
Subproject title	
ESS category	GCF Category B
Location	
Environmental and Social Impact Assessment (ESIA) (if applicable)	
Date of disclosure on PCA's website	
Language(s) understandable to affected peoples	
Link to disclosure	
Other link(s)	
Remarks on compliance with GCF policies	In accordance with the Green Climate Fund's Information Disclosure Policy (the " Policy "), PCA plans to disclose information relating to a Category B Sub-Projects being considered for investment. This disclosure is intended to satisfy the requirement set out in paragraph 17 of the Policy to disclose an ESIA and ESMP (included as part of the ESIA), as defined below, at least 30 days in advance of the Accredited Entity's investment decision.
Environmental and Social Management Plan (ESMP) (if applicable)	
Date of disclosure on PCA's website	

Language(s) understandable to affected peoples	
Link to disclosure	
Other link(s)	
Remarks on compliance with GCF policies	
Environmental and Social Management System (ESMS) (if applicable)	
Date of disclosure on PCA's website	
Language(s) understandable to affected peoples	
Link to disclosure	
Other link(s)	
Remarks on compliance with GCF policies	
Any other relevant ESS reports and/or disclosures (if applicable), e.g. Indigenous Peoples Plan (IPP), Indigenous Peoples Planning Framework (IPPF), Resettlement Action Plan (RAP), Resettlement Policy Framework (RPF)	
Description of report/disclosure	
Date of disclosure on PCA's website	
Language(s) understandable to affected peoples	
Link to disclosure	
Other link(s)	
Remarks on compliance with GCF policies	
Disclosure in location(s) convenient to affected peoples (or, if none or not yet identified, to stakeholders)	
Date(s)	
Place(s)	
Provision on disclosure at the subproject level	<p>Clause 11.02(ii) of the Funded Activity Agreement:</p> <p>In relation to each project of a Portfolio Company that is being financed by the CRAFT Fund that is category B (pursuant to the Environmental and Social Risk Categories) (each a “Category B Sub-Project”), disclose the ESIA and ESMP and, as appropriate, inclusive of the Land Acquisition and/or Resettlement Action Plan (LARAP) and any other</p>

	<p>associated information including those relevant to indigenous peoples required to be disclosed pursuant to the Information Disclosure Policy and the Environmental and Social Policy (each, the "Category B Disclosure Package"). The Accredited Entity shall disclose the Category B Disclosure Package at least thirty (30) calendar days prior to the approval of the relevant Category B Sub-Project by CRAFT Investment Advisor, in English and in local language (if not English), on its website and in locations convenient to the affected peoples, and submit the Category B Disclosure Package to the Fund for subsequent distribution to the GCF Board and the Fund's active observers and for publishing in the GCF website.</p>
Date and place of Accredited Entity meeting	

Appendix K: Guidelines for Operational Plans

The development of all operational plans and procedures will be informed by the IFC Performance Standard Guidance Notes and annexes, and any applicable World Bank Group Environmental, Health, and Safety Guidelines.

Occupational Health and Safety Policies and Procedures

All Occupational Health and Safety Plans and Procedures will align with the World Bank Group's General EHS Guidelines for [Occupational Health and Safety, Section 2](#).

Emergency Preparedness and Response Plans and Procedures

All Emergency Preparedness and Response Plans and Procedures will align with the World Bank Group's General EHS Guidelines for Community Health and Safety, [Section 3.7 Emergency Preparedness and Response](#).

Fire Life and Safety Plans

All Fire Life and Safety Plans will align with the World Bank Group's General EHS Guidelines for Community Health and Safety, [Section 3.3 Life and Fire Safety](#) (L&FS).

Waste Management Policies and Procedures

All Waste Management Policies and Procedures will align with the World Bank Group's General EHS Guidelines for Environment, [Section 1.3 Wastewater and Ambient Water Quality](#) and section [1.6 Solid Waste Management](#)

Hazardous Materials Management Policies and Procedures

All Hazardous Materials Management Policies and Procedures will align with the World Bank Group's General EHS Guidelines for Environment, [Section 1.5 Hazardous Materials Management](#).

Chemical Management Policies and Procedures

All Chemical Management Policies and Procedures will align with the World Bank Group's General EHS Guidelines for Environment, Section [1.5 Hazardous Materials Management](#) and the World Bank Group's General EHS Guidelines for Occupational Health and Safety, [Section 2.4 Chemical Hazards](#).

Integrated Pest Management System

Integrated Pest Management Systems will refer to U.S. Environmental Protection Agency guidance. Integrated Pest Management (IPM) is an effective and environmentally sensitive approach to pest management that relies on a combination of common-sense practices. IPM programs use current, comprehensive information on the life cycles of pests and their interaction

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with the environment. This information, in combination with available pest control methods, is used to manage pest damage by the most economical means, and with the least possible hazard to people, property, and the environment.

The IPM approach can be applied to both agricultural and non-agricultural settings, such as the home, garden, and workplace. IPM takes advantage of all appropriate pest management options including, but not limited to, the judicious use of pesticides. In contrast, *organic* food production applies many of the same concepts as IPM but limits the use of pesticides to those that are produced from natural sources, as opposed to synthetic chemicals.

IPM is not a single pest control method but, rather, a series of pest management evaluations, decisions, and controls. In practicing IPM, growers who are aware of the potential for pest infestation follow a four-tiered approach. The four steps include:

- **Set Action Thresholds**
Before taking any pest control action, IPM first sets an action threshold, a point at which pest populations or environmental conditions indicate that pest control action must be taken. Sighting a single pest does not always mean control is needed. The level at which pests will become an economic threat is critical to guide future pest control decisions.
- **Monitor and Identify Pests**
Not all insects, weeds, and other living organisms require control. Many organisms are innocuous, and some are even beneficial. IPM programs work to monitor for pests and identify them accurately, so that appropriate control decisions can be made in conjunction with action thresholds. This monitoring and identification removes the possibility that pesticides will be used when they are not really needed or that the wrong kind of pesticide will be used.
- **Prevention**
As a first line of pest control, IPM programs work to manage the crop, lawn, or indoor space to prevent pests from becoming a threat. In an agricultural crop, this may mean using cultural methods, such as rotating between different crops, selecting pest-resistant varieties, and planting pest-free rootstock. These control methods can be very effective and cost-efficient and present little to no risk to people or the environment.
- **Control**
Once monitoring, identification, and action thresholds indicate that pest control is required, and preventive methods are no longer effective or available, IPM programs then evaluate the proper control method both for effectiveness and risk. Effective, less risky pest controls are chosen first, including highly targeted chemicals, such as pheromones to disrupt pest mating, or mechanical control, such as trapping or weeding. If further monitoring, identifications, and action thresholds indicate that less *risky* controls are not working, then additional pest control methods would be employed, such as targeted spraying of pesticides. Broadcast spraying of non-specific pesticides is a last resort.

Human Resources and Labor Management Policies and Procedures

Companies need to develop their HR policies taking into consideration their type of business processes. Companies should not simply copy a template for such a wide-ranging strategic document. However a good start is to use the elements of Performance Standard 2 as the outline for labor and working conditions in writing HR policies. Companies need to make sure that each policy statement is in alignment with the respective element and guiding principles of Performance Standard 2 including but not limited to:

1. Working Conditions and Management of Worker Relationship
 - a. Human Resources Policy
 - b. Working Relationship
 - c. Working Conditions & Terms of Employment
 - d. Workers' Organizations
 - e. Non-Discrimination & Equal Opportunity
 - f. Retrenchment
 - g. Grievance Mechanism
2. Protecting the Workforce
 - a. Child Labor
 - b. Forced Labor
3. Occupational Health & Safety
4. Workers Engaged by Third Parties
5. Supply Chain

HR policies can flow directly from Performance Standard 2. Companies need to clearly and simply state their policies with respect to each element of Performance Standard 2. They do not have to be long and technical like a legal document. Companies can simply paraphrase the guiding principles of Performance Standard 2 and customize the language for the company. Additional information on how to develop HR policies can be found in IFC's [Measure and Improve your Labor Standards Performance Handbook](#).

HR Procedures need to be clearly written. They need to explain step-by-step how everyone will implement the principles of Performance Standard 2 and the HR policies. They need to be clearly communicated to workers at all levels of the company, in all of the languages spoken in the company. HR procedures should not be an isolated set of activities layered on to the company's existing business procedures. They should be integrated in the day-to-day business operations. Additional information on HR procedures can be found in the IFC Handbook noted above.

Grievance Mechanism

Principles of Employee Grievance Mechanisms: There is no prescribed form for internal grievance mechanisms and such matters are rarely dealt with by national law – although there may be provisions in collective agreements which are relevant. There are, however, various principles that should underpin an effective grievance mechanism.

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- **Provision of information:** All workers should be informed about the grievance mechanism at the time they are hired, and details about how it operates should be easily available, for example, included in worker documentation or on notice boards.
- **Transparency of the process:** Workers must know to whom they can turn in the event of a grievance and the support and sources of advice that are available to them. All line and senior managers must be familiar with their organization's grievance procedure.
- **Keeping it up to date:** The process should be regularly reviewed and kept up to date, for example, by referencing any new statutory guidelines, changes in contracts or representation.
- **Confidentiality:** The process should ensure that a complaint is dealt with confidentially. While procedures may specify that complaints should first be made to the workers' line manager, there should also be the option of raising a grievance first with an alternative manager, for example, a human resource (personnel) manager.
- **Non-retribution:** Procedures should guarantee that any worker raising a complaint will not be subject to any reprisal.
- **Reasonable timescales:** Procedures should allow for time to investigate grievances fully, but should aim for swift resolutions. The longer a grievance is allowed to continue, the harder it can be for both sides to get back to normal afterwards. Time limits should be set for each stage of the process, for example, a maximum time between a grievance being raised and the setting up of a meeting to investigate it.
- **Right of appeal:** A worker should have the right to appeal to a higher level of management if he or she is not happy with the initial finding.
- **Right to be accompanied:** In any meetings or hearings, the worker should have the right to be accompanied by a colleague, friend or union representative.
- **Keeping records:** Written records should be kept at all stages. The initial complaint should be in writing if possible, along with the response, notes of any meetings and the findings and the reasons for the findings.
- **Relationship with collective agreements:** Grievance procedures may be included in collective agreements. Any additional processes should be consistent with these.
- **Relationship with regulation:** In some countries, grievance processes are set out in employment codes. Workplace processes should be compliant with these

Community Level Grievance Redress Mechanism

Community Level Grievance Mechanisms will be developed in line with the requirements of the IFC Performance standards and will accept complaints from persons, groups of persons or

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communities affected, or likely to be affected by the projects. The grievance mechanism will be survivor-centered and gender-responsive when addressing SEAH- specific complaints. The [CAO Grievance Mechanism Toolkit](#) provides practical guide for implementing grievance mechanisms in different sectors including the purpose, design and implementation.

Additional guidance found in the following best practice guidance notes:

[Addressing Grievances from Project-Affected Communities](#) and [A Guide to Designing and Implementing Grievance Mechanisms for Development Projects](#).

Biodiversity Action Plan

International Finance Corporation (IFC) Performance Standard 6 (PS6) represents international best practice for biodiversity management. The objectives of PS6 are to protect and conserve biodiversity and habitats, encourage the implementation of the mitigation hierarchy, and promote sustainable management of living natural resources.

In designing a Biodiversity Action Plan, the basic targets are clear and simple: a net gain for Critical Habitat and no net loss for Natural Habitat. In practice, defining Critical Habitat and demonstrating net gain with the appropriate level of confidence can be challenging. Key steps for aligning with PS6 comprise:

- **Critical Habitat Assessment (PS6 Paragraph 16):** assessing the biodiversity importance of an area (e.g. threatened and restricted-range species and ecosystems, protected areas) in comparison to their global distributions or population sizes
- **Mitigation Design (PS6 Paragraph 17):** described in a Biodiversity Action Plan, for impacts on Critical Habitat and Natural Habitat
- **Offset Design (PS6 Paragraphs 10 & 18):** design of compensatory offsets for significant residual adverse impacts, “after appropriate avoidance, minimization and restoration measures have been applied”.
- **Protected Area assessment (PS6 Paragraph 20):** meeting the requirements for Critical Habitat and Natural Habitat, where appropriate
- **Monitoring and Evaluation Design (PS6 Paragraphs 17-18):** a long-term program sufficient to assess the status of Critical Habitat and demonstrate biodiversity gains.

Application of PS6 is very site-specific, depending on the species, ecosystems, quality of baseline data and existing biodiversity management. Fulfilling the requirements of PS6 is a significant undertaking and alignment is best initiated at the very start of project planning and integrated with the development of an environmental impact assessment.

In situations where there are recognized to be significant biodiversity issues associated with an investment, the preparation of a Biodiversity Action Plan is a valuable process which focuses the client’s attention on the details of identifying and handling biodiversity issues in a comprehensive fashion. The Plan is usually carried out as an integral part of the project’s Social and Environmental Assessment, and integrated into the assessment documentation. The Plan will:

- Assess how proposed activities affect biodiversity and renewable natural resources
- Determine how biodiversity and renewable natural resources can be managed as

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- part of the client's activities and how adverse impacts can be mitigated
- Identify responsibilities (internally and externally) and resources for management and
- mitigation

The scope and the content of the Plan will vary, depending on the size and scale of the business and the physical location in which it is operating. The scale, depth and complexity of the Plan will therefore be defined on a case-by-case basis, but the following components should be present in all Plans.

Baseline Review and Impact Assessment: Baseline review involves the collection of relevant information. This phase should customarily be integrated into the Assessment process, as per Performance Standard 1. The review should consider:

- What biological and other natural resources will be affected by the proposed activity (including short-term, long term and cumulative impacts)
- Who has legitimate interests in and responsibilities for these resources, and who represents those interests
- Whether there are there already biodiversity (or other natural resources) management plans that cover the area of operations
- What the key environmental and social issues are for the area (and whether these will affect biodiversity plans that the client is developing)

In situations where projects are being developed in locations where little is known about the range and importance of biodiversity, but where it is likely to be significant, a rapid assessment program may be appropriate. Rapid appraisals are increasingly used as the first stage of a comprehensive biodiversity assessment. They utilize a combination of international and local expertise to undertake an initial assessment of the biological value of poorly known areas (including assessment of the value of biodiversity to local communities, Indigenous Peoples, and other resource dependent peoples).

Defining Scope of the Plan: When sufficient information on biodiversity and natural resources has been gathered and agreement has been reached on the likely impacts of client operations, as well as an understanding of wider impacts on natural resources that may become apparent, the client must decide the scope and scale of the plan, and its timescale. This will be informed by a range of factors including:

- Regulatory and compliance expectations
- Business drivers - for example the Plan might be influenced by the need to ensure
- raw material supply or services (including water and soil), address reputational risks
- or secure and maintain a local license to operate
- The need to engage and consult with other stakeholders (particularly local
- communities) who use or have interests in the biodiversity and natural resources that will be affected by client operations

Clients will need to demonstrate how they will avoid significant adverse impacts (demonstrating compliance with IFC's performance standards should ensure this). Impacts should be avoided

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where possible, reduced and mitigated where avoidance is not practical, and offset where impacts are unavoidable (offsetting might include purchase and management of other areas that have similar biodiversity). Opportunities for enhancing biodiversity (through active management of natural habitats) should also be considered, as appropriate to the specific circumstances.

Establishment of Objectives, Targets, and Responsibilities: The Plan should identify detailed objectives and targets which specify the desired outcomes. Targets should be prioritized, discussed with relevant stakeholders, realistic and time-bound. Clients may choose to use indicators to monitor progress towards targets and objectives as well as to measure performance in their achievement. Indicators can be set at site and company levels depending on needs. Site-based indicators are used for measuring impacts in and around project sites and reporting on the impact of biodiversity management efforts at specific locations or as part of specific business activities (e.g., impacts of supply chains). Company-level indicators may reflect a more process-oriented set of targets—such as the delivery of strategic policy commitments (e.g., training programs for staff, number of sites with active biodiversity action plans).

Overall, the indicators should have the following attributes:

- Focus on factors that have the greatest impacts on biodiversity (these may be direct or indirect impacts)
- Reflect the key risk management needs of the site or the company's operations
- Reflect both positive and negative impacts
- Be quantitative where possible and be practical in terms of the collection of data/monitoring

Biodiversity objectives should, to the extent possible, be aligned with and integrated into wider business objectives and targets. The “mainstreaming” of biodiversity objectives increases the likelihood of their successful implementation and ensures that biodiversity impacts which will affect business prospects and the long term viability of client operations are seen as an integral part of core business decision-making. Responsibilities for specific outcomes and reporting lines need to be defined. Where there is an existing social and environmental management system, there will be opportunities to explore how biodiversity objectives and targets can be integrated into the existing social and environmental management system since this can increase cost efficiencies and effective delivery of biodiversity objectives and targets.

Resettlement Action Plan

See Appendix H: Resettlement Policy Framework

Indigenous Peoples Plan

See Appendix G: Indigenous Peoples Planning Framework

Chance Find Procedure

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The environmental and social risks and impacts identification process should determine whether the proposed location of a project is in areas where cultural heritage is expected to be found, either during construction or operations. A chance find procedure is a project-specific procedure that outlines the actions to be taken if previously unknown cultural heritage is encountered. The client will not disturb any chance find further until an assessment by competent professionals is made and actions consistent with the requirements of IFC Performance Standard 8 are identified. The chance find procedure is a project-specific procedure that outlines what will happen if previously unknown heritage resources, particularly archaeological resources, are encountered during project construction or operation. The procedure includes record keeping and expert verification procedures, chain of custody instructions for movable finds, and clear criteria for potential temporary work stoppages that could be required for rapid disposition of issues related to the finds. It is important that this procedure outlines the roles and responsibilities and the response times required from both project staff, and any relevant heritage authority, as well as any agreed consultation procedures. This procedure should be incorporated in the Management Program and implemented through the client's Environmental and Social Management System. As with cultural heritage identified during the environmental and social impact assessment, consideration should be given, where feasible, to alternative siting or design of the project, to avoid significant damage.

Cultural Heritage Feasibility Studies:

It is good practice to identify possible heritage issues and costs even prior to the start of the Social and Environmental Assessment process through project screening or feasibility studies. This is especially true for large infrastructure or resource extraction projects such as pipelines, mines, hydroelectric dams, regional irrigation systems, highways, or any project that involves substantial grading, excavation, or large-scale changes in hydrological patterns. These studies should involve comparison of general project features against known or anticipated heritage baseline conditions in the proposed project area. Heritage experts and project planning and/or engineering staff should be included on the study work team(s). The purpose of these types of studies is to identify any 'fatal flaw' issues, such as major cost or design constraints. Findings of these types of studies typically remain confidential until the public consultation phase of the Assessment.

Cultural Heritage Aspects of Social and Environmental Assessment:

For projects with known or potential heritage issues, the Assessment often includes the following elements: 1) a detailed description of the proposed project including its alternatives; 2) heritage baseline conditions in the project's area of influence; 3) an analysis of project alternatives in relation to the baseline conditions to determine potential impacts; and 4) proposed impact mitigation measures, which may include avoidance or reduction of impacts by project design changes and/or the introduction of special construction and operational procedures, and compensatory mitigations such as data recovery and/or detailed study.

Expertise Needed for Assessment Studies -- Where heritage issues are identified, a heritage expert(s) will normally be needed on the Assessment study team. It will be most useful to recruit those with general expertise in the heritage field and experience with the environmental planning or heritage management process. While a particular type of heritage specialist (e.g. a Middle

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Bronze Age Pottery expert) may be needed to address certain finds or issues, an expert with the broad perspective (e.g., a cultural geographer) will normally be most suitable.

Permitting and Approval of Assessment Studies -- In most cases, Assessment heritage studies will need to be formally permitted by the appropriate national heritage authority. Further, because national heritage law often lacks detailed implementing regulations, required heritage protection measures may need to be formulated as a project-specific agreement that is negotiated and signed by a project representative and the heritage authority. Although the client has the prerogative to employ heritage specialists it finds most appropriate, it should be noted that both the investigations and the individuals performing such studies might require permitting by national heritage authorities.

Disclosure and Consultation -- Early and detailed public disclosure of project heritage data, including the methodology, findings and analyses of the assessment heritage team, is integral to the planning and consultation model of the assessment. Findings of the cultural heritage component of the assessment should be disclosed as part of, and in the same manner as, the assessment report, except where such disclosure would jeopardize the safety or integrity of the physical cultural resources involved. In such cases, sensitive information relating to these particular aspects may be omitted from the assessment's public documentation. The client may need to undertake discussions with a host country's heritage agency to establish an acceptable compromise between the need for public consultation on heritage issues and the traditional prerogatives of the national heritage authority.

Purpose and Scope of Assessment Studies -- It is important that the client and the national heritage authority have a mutually shared understanding of the purpose and appropriate scope of heritage assessment studies. Data collection and other assessment studies are undertaken in order to avoid, minimize, and mitigate potential project impacts to cultural heritage resources. A general 'capacity building' effort, which might be of benefit to the project and a country's heritage program, may be the building of the regulatory capacity of the heritage authority in ways that relate specifically to the client's project.

Project Design and Execution – Necessary avoidance and mitigation measures identified through the assessment process should be incorporated into the project's Management Program and executed in coordination with other required project action items. Unlike most other environmental resources, direct impact to heritage is typically localized to the area of project construction activity, making a project's area of influence more geographically limited than for other resources such as critical habitat, a natural water supply, or endangered species. Thus, it is often possible to avoid impacts to heritage by minor project design changes. Because cultural heritage is non-renewable, its protection is best accomplished by "preservation-in-place." This method is generally preferred over removal, which is an expensive and partially destructive process. As with pre-implementation phase measures, the client may need to engage heritage consultant(s) to implement the part of the Management Program related to heritage matters

Stakeholder Engagement Plan

A good Stakeholder Engagement Plan should:

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- Describe regulatory, lender, company, and/or other requirements for consultation and disclosure.
- Identify and prioritize key stakeholder groups, focusing on Affected Communities.
- Provide a strategy and timetable for sharing information and consulting with each of these groups.
- Describe resources and responsibilities for implementing stakeholder engagement activities.
- Describe how stakeholder engagement activities will be incorporated into a company's management system.

The scope and level of detail of the plan should be scaled to fit the needs of the project (or company operations).

1. **Introduction** Briefly describe the project (or the company's operations) including design elements and potential environmental and social issues. Where possible, include maps of the project site and surrounding area.
2. **Regulations and Requirements** Summarize any legal, regulatory, lender, or company requirements pertaining to stakeholder engagement applicable to the project or company operations. This may involve public consultation and disclosure requirements related to the environmental and social assessment process.
3. **Summary of any previous stakeholder engagement activities** If the company has undertaken any activities to date, including information disclosure and/or consultation, provide the following details:
 - Type of information disclosed, in what forms (e.g., oral, brochure, reports, posters, radio, etc.), and how it was disseminated.
 - The locations and dates of any meetings undertaken to date.
 - Individuals, groups, and/or organizations that have been consulted.
 - Key issues discussed and key concerns raised.
 - Company response to issues raised, including any commitments or follow-up actions.
 - Process undertaken for documenting these activities and reporting back to stakeholders.
4. **Project Stakeholders** List the key stakeholder groups who will be informed and consulted about the project (or the company's operations). These should include persons or groups who:
 - Are directly and/or indirectly affected by the project (or the company's operations).
 - Have "interests" in the project or parent company that determine them as stakeholders.
 - Have the potential to influence project outcomes or company operations (examples of potential stakeholders are Affected Communities, local organizations, NGOs, and government authorities; stakeholders can also include politicians, other companies, labor unions, academics, religious groups, national environmental and social public sector agencies, and the media).
5. **Stakeholder Engagement Program**
 - Summarize the purpose and goals of the program (either project-specific or corporate).

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- Briefly describe what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups identified in section 4 above. Methods used may vary according to target audience, for example: Newspapers, posters, radio, television, information centers and exhibitions or other visual displays, brochures, leaflets, posters, non-technical summary documents and reports
 - Briefly describe the methods that will be used to consult with each of the stakeholder groups identified in section 4. Methods used may vary according to target audience, for example: Interviews with stakeholder representatives and key informants Surveys, polls, and questionnaires, public meetings, workshops, and/or focus groups with specific groups, Participatory methods, Other traditional mechanisms for consultation and decision-making
 - Describe how the views of women and other relevant sub-groups (e.g., minorities, elderly, youth etc.) will be considered during the process.
 - Describe any other engagement activities that will be undertaken, including participatory processes, joint decision-making, and/or partnerships undertaken with local communities, NGOs, or other project stakeholders. Examples include benefit-sharing programs, stakeholders development initiatives, resettlement and development programs, and/or training and microfinance programs.
6. Timetable
- Provide a schedule outlining dates/periodicity and locations where various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will be incorporated into the company's management system (at either the project or corporate level).
7. Resources and Responsibilities
- Indicate what staff and resources will be devoted to managing and implementing the company's Stakeholder Engagement Program.
 - Who within the company will be responsible for carrying out these activities? What budget has been allocated toward these activities?
 - For projects (or multiple company operations) with significant or diverse impacts and multiple stakeholder groups, it is good practice for a company to hire a qualified Stakeholders Liaison Officer(s) to arrange and facilitate these activities at the project and/or corporate level. Integration of the stakeholders liaison function with other core business functions is also important, as is management involvement and oversight.
8. Grievance Mechanism Describe the process by which people affected by the project (or company's operations) can bring their grievances to the company for consideration and redress. Who will receive grievances, how and by whom will they be resolved, and how will the response be communicated back to the complainant?
9. Monitoring and Reporting
- Describe any plans to involve project stakeholders (including Affected Communities) or third-party monitors in the monitoring of project impacts and mitigation programs.
 - Describe how and when the results of stakeholder engagement activities will be reported back to Affected Communities as well as broader stakeholder groups.

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- Examples include environmental and social assessment reports; company newsletters; annual monitoring reports submitted to lenders; company annual report; company or corporate sustainability report.
10. Management Functions How will stakeholder engagement activities be integrated into the company's ESMS and with other core business functions?
- Who will have management oversight for the program?
 - What are the plans for hiring, training, and deploying staff to undertake stakeholder engagement work?
 - What will be the reporting lines between stakeholders liaison staff and senior management?
 - How will the company's stakeholder engagement strategy be communicated internally?
 - What management tools will be used to document, track, and manage the process (e.g., stakeholder database, commitments register, etc.)?
 - For projects or company operations involving contractors, how will the interaction between contractors and local stakeholders be managed to ensure good relations?

Process Framework for Restriction of Access to Natural Resources

A process framework is prepared projects may cause restrictions in access to natural resources in legally designated parks and protected areas. The purpose of the process framework is to establish a process by which members of potentially affected communities participate in design of project components, determination of measures necessary to achieve the objectives of PS 5, and implementation and monitoring of relevant project activities.

Specifically, the process framework describes participatory processes by which the following activities will be accomplished:

- a) Project components will be prepared and implemented. The document should briefly describe the project and components or activities that may involve new or more stringent restrictions on natural resource use. It should also describe the process by which potentially displaced persons participate in project design.
- b) Criteria for eligibility of affected persons will be determined. The document should establish that potentially affected communities will be involved in identifying any adverse impacts, assessing of the significance of impacts, and establishing of the criteria for eligibility for any mitigating or compensating measures necessary.
- c) Measures to assist affected persons in their efforts to improve their livelihoods or restore them, in real terms, to pre-displacement levels, while maintaining the sustainability of the park or protected area will be identified. The document should describe methods and procedures by which communities will identify and choose potential mitigating or compensating measures to be provided to those adversely affected, and procedures by which adversely affected community members will decide among the options available to them.
- d) Potential conflicts or grievances within or between affected communities will be resolved. The document should describe the process for resolving disputes relating to resource use restrictions that may arise between or among affected communities, and

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grievances that may arise from members of communities who are dissatisfied with the eligibility criteria, community planning measures, or actual implementation.

Additionally, the process framework should describe arrangements relating to the following:

- e) Administrative and legal procedures. The document should review agreements reached regarding the process approach with relevant administrative jurisdictions and line ministries (including clear delineation for administrative and financial responsibilities under the project).
- f) Monitoring arrangements. The document should review arrangements for participatory monitoring of project activities as they relate to (beneficial and adverse) impacts on persons within the project impact area, and for monitoring the effectiveness of measures taken to improve (or at minimum restore) incomes, livelihoods and living standards.