

## Project Description

CRAFT has invested in SOURCE Global, PBC (“SOURCE” or the “Company”), a Company that produces hydropanels. Through Sub-Fund 4, \$5 million may be invested to support the development of a pipeline to deploy over 1,500 panels to benefit individuals living in water-scarce regions of Mexico, Brazil, and South Africa.

SOURCE Global was founded in 2014, headquartered in Scottsdale, Arizona, United States, and with sales in 52 countries, has developed an off-grid, self-contained water system (“hydropanel”) capable of producing 3 to 5 liters of pure, drinkable H<sub>2</sub>O per day from ambient air, entirely powered by solar energy (both heat and solar PV electricity). The pure H<sub>2</sub>O is mineralized with calcium and magnesium to optimize taste and has been tested against a number of international standards and guidelines with zero detectable contaminants. The hydropanels can be either roof- or ground-mounted and contain a 30-liter reservoir for water storage.

The Company’s product is a low-cost and renewable, low-carbon method of producing water locally, without reliance on fuel supplies, electric grids, water treatment and distribution infrastructure, or groundwater or surface water resources. Hydropanels provide improved quality and increased volume of water for community installations, businesses, and individual residential homes. Customers include bottled water brands, hotels and resorts, major grocery chains, remote communities and communities in arid locations, aid and disaster relief organizations, and homeowners. The Company earns revenues through three main channels: (1) hydropanel sales through distribution partners, (2) hydropanel sales directly to end customers, and (3) sale of water from large-scale projects through long-term Water Purchase Agreements (“WPAs”).

The Company has sold and installed over 4,000 hydropanels in 52 countries, including both developed and developing countries (e.g., US, Australia, UAE, India, South Africa, Mexico, and the Philippines). SOURCE Global has ongoing operations to support sales through over 80 existing global partners involved in the origination, distribution, installation, and servicing of its hydropanels. Partners, including contractors and subcontractors, are required to adhere to corporate E&S standards.

The specific number, scale, and funding amounts of each installation is currently in the pipeline development phase. However, the Target Markets under the GCF-supported Sub-Fund 4 include areas experiencing chronic or acute Water Stress<sup>1</sup> in Mexico, Brazil, and South Africa. SOURCE Global is already operating in Brazil, Mexico, and South Africa with teams that understand applicable national and local regulations.

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<sup>1</sup> Water stress references the World Resource Institute *Aqueduct Index* which measures total annual water withdrawals (municipal, industrial, and agricultural) expressed as a percentage of the total annual available blue water. Higher values indicate more competition among users. Areas of High Stress defined as between 40-80% and areas of Extreme Stress defined as >80%.

As a result of CRAFT's investment in SOURCE, the entire corporation is legally required to operate according to the IFC Performance Standards, EIB E&S Standards, the applicable World Bank Group Environmental, Health and Safety (EHS) Guideline, and with applicable Environmental and Social host country laws, regulations and permits; including those laws that implement host country obligations under international law.

CRAFT has been monitoring for compliance with no known incidents of environmental or social non-compliance. An annual review process with senior management evaluates the effectiveness of the Environmental and Social Management System, including compliance with any related legal and/or contractual obligations and regulatory requirements. This process incorporates information received through the internal reporting of the Environmental and Social Questionnaire (See Annex A), reporting of any adverse material environmental and social incidents, information received through the various grievance redress mechanism as well as through the stakeholder engagement process.

Through the production of clean, renewable drinking water, the deployment of capital through Sub-Fund 4 is expected to at least 3,000 individuals based on assumption that each panel at a residential or community project provides sufficient drinking water for 2 individuals and each panel at other types of projects provides supplementary drinking water for 3.3 individuals. Beneficiaries will be tracked by various types of users over time, by country/location, and disaggregated by gender where possible. In locations where the current source of water is of poor quality and difficult to obtain, the investment could generate positive impacts for women and girls through time saved from avoided water collecting. It could also lead to better individual health outcomes through improved quality of water.

Uses of proceeds from the Investment include the following: (a) identify and develop projects partnering with Governments, utilities, NGOs and communities to deliver SOURCE Hydropanel technology in the target markets, (b) fund the capex of building the projects; (c) funding the ongoing operations of the projects and support teams; and (d) assessing project impact and developing follow-on opportunities in the target markets based on project outcomes.

Phases (a) and (b) above of the Project will involve the development of approximately 1,500 hydropanel installations in Mexico, Brazil and South Africa over a 2–3-year period. The expected useful life of each hydropanel is 15 years and depending on project particulars we expect phases (c) and (d) above to extend for 10 to 15 years. The current pipeline<sup>2</sup> includes a focus on Northern Mexico and on 10,000 schools without water in Mexico as well as water stressed areas in parts of the Eastern and Northern Capes in South Africa and in water-scare areas of Brazil.

SOURCE Global Meets the Eligibility Criteria outlined in Schedule 11 of the FAA through the following:

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<sup>2</sup> This is an indicative pipeline intended to illustrate sample projects and subject to change based on contract negotiation and due diligence.

- The Company will enter legally binding commitments to deploy in or transfer into Host Countries (Mexico, South Africa, and Brazil) Eligible Climate Resilience Solutions or Services with a Monetary Value of at least 100% of the amount invested by Sub-Fund 4 in SOURCE Global.
- The Company will generate adaptation impacts – providing water to individuals in areas of high or extreme water stress
- Voting Board Seat requirement waived by GCF July 19, 2022
- SOURCE Global produces a hydropanel which is an off-grid solution that can be deployed in areas experiencing either chronic or acute water stress to produce pure H<sub>2</sub>O from the atmosphere for drinking purposes.
- SOURCE Global is at the growth stage with \$8.8M revenue projected for 2022.
- SOURCE Global has an ESMS in place and is committed to manage ESG risk. Additionally, SOURCE Global provides annual impact reporting on key performance indicators to the CRAFT Fund.

### **Scope of Review**

Lightsmith's environmental and social (E&S) appraisal included review of technical and environmental, health and safety (EHS) related documents presented by the Company, as well as a draft annual impact report, B Corporation application, EHS policies, and the Employee Handbook. Due to restrictions on travel related to Covid-19, the team participated in a series of conference calls as well as a video tour of the assembly plant on June 26, 2020. The team conducted interviews with Manufacturing, Engineering, Legal, Supply Chain, Chief of Staff, Global Field and Service, CFO, Chief Revenue Officer, and Brand President. The appraisal focused on reviewing corporate policies and procedures vis-à-vis the IFC Performance Standards and applicable World Bank Group (WBG) EHS Guidelines, as well as E&S implementation and performance in the manufacturing facility and project sites. As part of its agreement with KfW, Lightsmith consulted with KfW's Environmental and Social Specialist on July 21, 2020 to discuss the E&S risk assessment and action plan.

### **Environmental & Social Project Categorization and Applicable Standard**

CRAFT's ESMS categorizes E&S risk at a Sub-Project level according to the IFC Performance Standards, a widely recognized and accepted framework designed for private sector investments. This risk-based categorization approach distinguishes those projects with an undefined scope as in the case of corporate loans or equity, recognizing the practical constraints to disclosure associated with projects that have an undefined or limited scope at the time of approval.

Given the nature of the environmental and social risks associated with the manufacturing, distribution and installation of the product, the Investment is screened as a Category B. There is significant flexibility in panel placement based on customer preference, and potential negative environmental and social risk and impacts are therefore limited, site-specific, and can be addressed through implementation of an appropriate Environmental and Social Management System ("ESMS").

Key issues and impacts identified during appraisal include E&S management system development and effectiveness of ongoing implementation; labor and working conditions including occupational health and safety; community health and safety with regards to water quality; the need for effective engagement of stakeholders and for a system to redress any potential stakeholder grievances.

While all Performance Standards are applicable to this investment, Lightsmith's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following IFC Performance Standards:

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

PS 2 - Labor and Working Conditions

PS 3 - Resource Efficiency and Pollution Prevention

PS 4 - Community Health, Safety and Security

Issues related to PS5: Land Acquisition and Involuntary Resettlement, PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources, PS7: Indigenous Peoples and PS8: Cultural Heritage are not relevant given the control over the siting of water systems on either residential rooftops or ground mounted locations. Future locations will be screened to avoid any significant issues associated with any of the Performance Standards

### **Environmental & Social Assessment and Applicable Performance Standards**

#### ***Environment and Social Management System (PS1)***

As part of the GCF investment, CRAFT was required to establish an environmental and social management system that applies to all investments under GCF supported Sub-Fund 4 (the "ESMS"), including a gender action plan and indigenous people's plan. The GCF Sub-Fund 4 ESMS was accepted by GCF in March 2022 forms the basis for CRAFT's due diligence, E&S requirements, and monitoring of SOURCE Global. (See 2022 Environmental and Social Action Plan below).

SOURCE Global has an integrated series of management systems in place to identify and manage environmental and social risks systematically and continually. In its Environmental and Social Policy, SOURCE describes how these management systems are implemented throughout several departments including Engineering, Supply Chain, Manufacturing and People and with overall responsibility from the General Counsel and EVP.

SOURCE Global and its stakeholders, including CRAFT, will have an annual review process with senior management of the company to evaluate the effectiveness of the Environmental and Social Management System which will incorporate information received through the internal reporting of the Environmental and Social Questionnaire, reporting of any adverse material environmental and social incidents, information received through the various grievance redress mechanism as well as through the stakeholder engagement process.

Through its Vision & Mission Statement, *Perfecting Water for Every Person Every Place*, SOURCE Global makes a commitment to achieving sound environmental and social objectives and principles with its partners, customers, and team. Each installation is developed in accordance with the *Site Selection Procedures* and a *Contractor Management Policy*. The Site Selection Procedures describe the methodology to objectively screen and then assess sites considering various technical and non-technical factors to guide choices over site selection for SOURCE Hydropanel Arrays in Community Projects and the Contractor Management Policy describes the process of overseeing and engaging with contractors and subcontractors to ensure that labor and safety obligations are efficiently and effectively met whilst delivering on objectives of the contract to minimize any associated risks.

In March of 2020, SOURCE Global obtained a B Corporation certification which is a third-party verification that certain standards related to governance, workers, community, and environment are incorporated into company policies, procedures, and practices. Senior management has a demonstrated commitment to uphold rigorous E&S practices and policies.

### ***Grievance Mechanism***

SOURCE Global has a number of grievance channels for both employees and community stakeholders such as customers, users of water and people living in and around the water system.

Complaints can be submitted by phone or email to the Global Business Development team which is responsible for follow-up through the customer service process. Typical complaints relate to the system productivity, issues dispensing water, weather related concerns or other technical issues. Many comments and questions received through the mechanism relate to individual curiosity about how the system operates. SOURCE Global is often already aware and proactively engaging issues before receiving complaints due to sensors embedded in the hydropanel that transmit information to SOURCE Global in real-time. SOURCE Global has formal procedures in place for follow-up and with a log for record keeping.

Employee grievances are handled through the People Department and complaints can be submitted by phone, electronically or in-person at the headquarters office. In practice, employees may go to a supervisor, the head of the People Department or Chief of Staff prior to submitting a formal complaint. Currently, contractors and installers can submit complaints or issues through an online platform operated by the field team for training, communication, resources. To date, most grievances submitted by contractors have been operational and process related. Additionally, SOURCE Global conducts quarterly surveys of its staff on an anonymous basis.

SOURCE Global has a formal complaint procedure to investigate workplace complaints related to harassment, discrimination, retaliation by a co-worker, supervisor, agent, client, vendor or customer of SOURCE Global. The grievance mechanism is communicated to employees at the time of hire through the Employee Guide. After receiving a claim, management conducts a

thorough and object review maintaining confidentiality to the extent possible. Determinations are made and communicated to the employee as soon as practical. The Company will also consider if additional actions should be taken to deter future incidents. Protections are provided against any form of discipline, reprisal, intimidation, or retaliation for good faith reports or complaints of incidents of discrimination of any kind, pursuing any discrimination claim, or cooperating in related investigations.

Community grievances can be received in each jurisdiction in which the hydropanels are installed. SOURCE registers its contact information to local authorities should any contact / grievance need to be conveyed. SOURCE also keeps its own employees involved in project execution and are available to receive grievances on site. Finally, SOURCE contractors can take grievances and share them to SOURCE for review / resolution.

Stakeholders can also access the Lightsmith (CRAFT) Grievance Redress Mechanism through their public website (<https://lightsmithgp.com/contact/>) and at the physical address of the Director of Compliance at Conservation International (below), the website of the Accredited Entity, Pegasus Capital Advisors and directly through the GCF Independent Redress Mechanism (<https://irm.greenclimate.fund/about>).

By e-mail:  
[accountability@lightsmithgp.com](mailto:accountability@lightsmithgp.com)

By e-mail:  
[GEFAccountability@conservation.org](mailto:GEFAccountability@conservation.org)

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

### ***Stakeholder Engagement***

While an assessment of environmental and social risks inherent in the sector and activity can be assessed based on the expected geographic footprint, specific stakeholder engagement cannot occur until exact siting is known. However, SOURCE Global has created a process that applies at each installation site with mechanisms to identify and engage key stakeholders which can include customers, local tribes, councils, municipalities, business owners, through a formal process. Each project includes collaboration with local partners such as local government permitting offices, regional/national regulatory agencies, local government officials, community organizing groups, and local community members and customers to understand localized elements and SOURCE Global then builds projects to reflect that. Through a staged review process led by the business and product development teams which becomes progressively more sophisticated as the project progresses and is eventually presented to the entire executive team.

SOURCE Global projects plans include consultation with all identified stakeholders, enumeration of all required regulatory compliance activities, and holding forums for information sharing/question answering with local stakeholders. Location and scope of each engagement varies project-to-project, but our project development team takes engagement into account for each and every project plan. SOURCE Global sites on unused land and typically works with local customers / communities to identify the land where the project will be

built. In almost all projects, the land is provided by the local customer/community for the Company to install.

SOURCE Global documents its community consultation at each stage of the review which is also a critical aspect of the business process. This process prompts discussion around land use, community engagement and the water resource. The flexibility in site locations and the local benefits that the product provides minimize potential negative impacts. Screening questions will be added to the commissioning checklist to ensure no negative impacts on biodiversity, indigenous people, cultural heritage or land resettlement.

Prior to any installation, community members receive individual hand-outs describing how the hydropanel system works and how to reach SOURCE Global with questions, comments or concerns. Signs are also posted in public spaces such as the water pool house. The hydropanel product itself, the user guide and website all contain contact information. For community scale WPA projects, once water makes it to dispenser, SOURCE Global states that it no longer plays a role, and issues such as the allocation of water, are the responsibility of the community and implementing partner.

SOURCE Global can be reached at [+1-855-796-9283](tel:+1-855-796-9283) or [contact@source.co](mailto:contact@source.co) to receive any concerns or issues. Additionally, the Network Operations Team can be reached at +1-855-796-9283 to connect to relevant local contracts responsible for the installation and maintenance of the system.

Project Level information will be physically disclosed at:

SOURCE Global Water Technology Mexico  
Av. Paseo de la Reforma  
404 Piso 13  
Col Juarez  
06600 Cuauhtemoc D.F.

SOURCE Global South Africa  
Central Office Park No. 4 257 Jean Ave Centurion  
Gauteng 0157

SOURCE Global  
Rua Henrique Schaumann, 2  
70 - Pinheiros. CEP: 05413-909.  
São Paulo, State of São

## ***Labor and Working Conditions (PS2)***

### *Workforce*

SOURCE Global is headquartered in Arizona with 111 employees in the U.S., Mexico, Australia, and Singapore. Departments include Engineering, Research & Development, Manufacturing, Supply Chain, Field Operations, Manufacturing, Legal, Global Field and Service, Finance, Sales, and Branding. Currently, SOURCE Global operates one final point of assembly for all hydropanels in Tempe, AZ. In response to manufacturing constraints caused by the Covid pandemic, SOURCE Global recently furloughed 20 employees involved in product assembly and plans to bring all employees back once production resumes.

Rather than build out a team of direct employees in every country, SOURCE Global utilizes a network of installers and service providers who receive training on the product and internal company procedures. This localized model allows SOURCE Global to respond to service requests quickly and efficiently. Currently, there are between 80 to 90 contract partners in over 40 countries and SOURCE Global expects this figure to grow over the next 5 years.

Given the skill level required for the assembly and installation of panels, the countries of operation and the implementation of SOURCE Global's corporate policies, there is little to no risk of forced or child labor.

### *Human Resource Policies*

SOURCE Global's "People Department" is responsible for the implementation of employment related policies and procedures which are outlined in the Employee Guide. The Employee Guide is available to all employees through the intranet and describes SOURCE Global's unique corporate culture and practices regarding talent selection and acquisition, innovative employee onboarding, talent management, employee rewards and continual improvement of internal communications as well as information regarding their rights under national labor and employment law. The Company maintains accurate personnel records at all times.

SOURCE Global utilizes "at-will" employment contracts that allow for termination for any or no reason, with or without cause or notice at any time by the employee or by the Company. Contracts outline working conditions and terms of employment, including entitlement to wages and any benefits. All potential offers of employment are contingent upon verification of education, references, social security, financial accountability (if applicable to the job) and other requisite background checks, including criminal conviction history. No person may start work or continue working at SOURCE Global unless these background and reference checks have been completed with favorable results.

Employees are not currently unionized. The Company policy complies with Section 7 of the U.S. National Labor Relations Act which guarantees employees "the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining."



SOURCE Global has an Equal Employment Opportunity in policy granting equal employment opportunities to all employees and employment applicants without regard to unlawful considerations of race, color, religion or creed, gender/sex, including pregnancy, national origin or ancestry, ethnicity, citizenship status, genetic information, military or veteran status, age, and physical or mental disability, or any other classification protected by applicable local, state, or federal laws. This policy applies to all aspects of employment, including, but not limited to, hiring, job assignment, compensation, promotion, benefits, training, discipline, and termination. The Company is committed to diversity in all forms and has a program with the local university Engineering and Materials Science Department to access more female candidates and public job postings which encourage female candidates to apply.

SOURCE Global commits to complying with all applicable provisions of the Americans with Disabilities Act as amended (“ADAAA”) and its corresponding state and local laws. Its policy provides protection from discrimination against any qualified employee or applicant because of that individual’s disability or perceived disability and reasonable accommodation is available for qualified individuals with disabilities. SOURCE Global expects all employees to act in accordance with its equal employment opportunity policy, and to take all steps necessary to maintain a workplace free from unlawful discrimination, harassment, and retaliation.

The Company maintains a zero-tolerance policy prohibiting sexual harassment and harassment against applicants and employees based on any legally recognized basis, including, but not limited to: veteran status, uniformed servicemember status, race, color, religion, sex, age, pregnancy, national origin or ancestry, physical or mental disability, genetic information or any other consideration protected by federal, state or local law. Harassment on the basis of any legally protected classification is prohibited, including harassment based on veteran status, uniformed servicemember status, race, color, religion, sex, age, pregnancy, national origin or ancestry, physical or mental disability, genetic information or any other consideration protected by federal, state or local law.

The Company complies with all applicable state and local laws, including the Fair Labor Standards Act. Employees working outside of the state of Arizona receive supplemental jurisdiction-specific information regarding applicable policies.

#### *Conditions of Work*

The work week is generally from Monday through Friday, with normal operating hours from 8:00AM to 5:00PM with one hour for lunch. Manufacturing and warehouse employees are subject to the scheduling of their individual shift which is communicated directly to them. The Company has put in place flexible work schedules with core hours.

SOURCE Global offers a competitive package of employee benefit programs to all regular full-time employees who work a minimum of 30 hours per week, to include Medical, Dental, and Vision insurance coverage. It also offers voluntary life-insurance and a 401(k) plan. The Company provides fully paid Basic Term Life & AD&D Insurance, Short-Term Disability, Long-

Term Disability. Time off both paid and unpaid with 15 days of paid public holidays, maternity and paternity leave is provided to employees.

#### *Contractors*

SOURCE Global operates a network of installers under a variety of employment arrangements. Installers sign individual contracts with a range of compensation structures from hourly rates, to fixed panel installation prices, to longer term agreements based on market competitiveness and the sophistication of the partner. Installation periods are relatively short and can often be installed in one day for a few panels or several weeks for sites with several hundred arrays. Larger WPA projects will likely have a SOURCE Global staff member onsite for oversight during the installation. All Partners receive online training on how the hydropanel system works, about SOURCE GLOBAL, and how complaints and issues are addressed and resolved.

#### *Supply Chain*

SOURCE Global's key material inputs are electrical components, sheet metal parts, plastic parts, off-the-shelf building materials, and packaging, and it sources primarily from three regions: China, the U.S., and Mexico.

When engaging new suppliers, SOURCE Global conducts a comprehensive risk assessment of the cost and quality of material or finished delivery/logistics, finances, including currency, and relational, environmental, technology/IP, and manufacturing risks. Suppliers are vetted through a multi-stage approach starting with an RFI (request for information), performing on-site assessments or audits, ensuring comprehensive RFP/RFQ (request for proposal/request for quotations) submission information and obtaining 3rd party certifications. Because low labor cost is a factor in the competitiveness of some items supplied, SOURCE Global will inquire about and address child labor and forced labor in its supply chain.

Selected suppliers are required to comply with local law and SOURCE Global's quality assurance agreement. Additionally, current suppliers are monitored on an active supplier scorecard for cost, quality, delivery, and service/technical support. The Company also makes periodic visits to key suppliers to ensure compliance in person. SOURCE Global values suppliers that take responsibility for social and environmental impact and selects suppliers holding ISO14001 and B Corp status when possible.

#### *Occupational Safety and Health*

Occupational safety and health is integrated into the overall management planning process, and the Company has a formal safety reporting system for employees to submit their safety concerns. Additionally, safety and health concerns are communicated through regular safety and health trainings, with routine safety and health inspections conducted on a quarterly basis.

SOURCE Global provides a clean, hazard-free, healthy, safe environment in which to work, and complies with all relevant federal, state and local occupational health and safety laws, including the federal Occupational Safety and Health Act. Employees are required to comply with the safety rules of the Company and to take an active part in maintaining a hazard-free

environment including observing all posted safety rules, adhering to all safety instructions provided by supervisors, and using safety equipment where required. Workspaces should be kept neat, clean and orderly. Employees are required to report any accidents or injuries – including any breaches of safety – and to promptly report any unsafe equipment, working condition, process or procedure to a supervisor.

SOURCE Global has the following written safety and health policies which are accessible for all on-site personnel to minimize on-the-job employee accidents and injuries: Forklift Operation, Safety Orientation, Health and Safety Program, Hazard Communication Program, Lock out Tag Out Program, Fall Protection program, Chemical Bulk Unloading, Spill Containment, Small Spill Cleanup, Bloodborne Pathogen Exposure Control, and Respiratory Protection Program.

***Resource Efficiency and Pollution Prevention PS3***

SOURCE Global's assembly process generates very little waste and where possible SOURCE Global works to optimize supplier orders to eliminate excess material. SOURCE Global's most significant resource use relates to water consumed in the manufacturing process which was approximately 4,300,000 liters of water last year. As a result, SOURCE Global's process has been automated resulting in a 30% reduction in water use. SOURCE Global has a company-wide recycling program that covers paper, cardboard, plastic, glass, metal and composting.

SOURCE Global does not generate pollutants and manages "dust creating" activities, which are limited to one enclosed room, with a custom air filtration system. Employees are required to wear full masks and a ventilator. SOURCE Global does not produce any direct emissions from its facilities (Scope 1 Emissions). Because the nature of the Company's operations involves limited use of grid electricity and fuel during assembly and installation, estimated greenhouse gas emissions are regarded as negligible (Scope 2 emissions).

Due to the nature of their manufacturing process SOURCE Global does not generate hazardous waste in a volume that requires it to apply for an EPA ID. The process requires the use of four proprietary chemicals which are non-hazardous and stored in double contained bulk tanks in a newly constructed H-4 occupancy room. Once in place, bulk chemical movement in process will be automated. All waste treatment is neutralized and monitored by the local regulator because it is dumped back into the city. The city of Tempe measures effluent and monitors pH, flow rates, and redundant systems at a minimal cost to the Company.

SOURCE Global's product, the SOURCE hydropanel provides a hyper-localized, clean, reliable water that can eliminate the need for plastic bottles. Each hydropanel produces 5 liters/day which eliminates the need of 3,650 plastic bottles per year resulting in 1618.05 kg of CO<sub>2</sub> avoided per panel. Last year, SOURCE Global estimated that its products resulted in 470,365 liters of water saved; 9.4 metric tons of waste saved from landfill or incineration; 77.9 metric tons of CO<sub>2</sub> off-set. Unlike other water provision projects, the extraction of water from the atmosphere has no impact on the broader ecosystem or environment.

### ***Community Health and Safety PS4***

#### *Water Quality*

The primary risks and impacts related to the health and safety of the affected communities relates ensuring the safety and quality of the water derived from the system. SOURCE Global has formal quality control mechanisms that monitor water quality through multiple channels to ensure that water quality meets or exceeds applicable national acceptability standards, or in their absence, the current edition of the WHO Guidelines for Drinking Water Quality.

Every installation takes physical water tests at multiple points. Samples may be provided by the customer or taken through third parties. Panels contain ultraviolet radiation and a mineralization process to ensure purification. Every panel and system is connected to SOURCE Global via intelligent sensors that use a cellular network to report quality and usage data to SOURCE Global's data center in real time. There is an active, automatic notification of the system to confirm that it is operating at a safe level. Additionally, some countries have annual or quarterly follow-on testing.

#### *Security*

SOURCE Global does not retain direct or contracted workers to provide security to safeguard its personnel and property, nor does it engage government security personnel. Some sites may have physical barriers like fences and cameras but no guards unless they were already there for another purpose at the site.

#### *Covid-19 Response*

The Company previously had in place a remote work program for offers full-time, non-exempt employees in certain positions. For those jobs not suitable for remote work, the Company operates small teams with ample physical space and assembles in batches to streamline the flow. The installation occurs in an 80,000 ft sq building in Arizona with ample space to create a socially distant work environment. For manufacturing employees, the Company is having small groups of employees come into the facility in shifts. Cleaning protocols have been implemented at all facilities with increased signage to encourage sanitation, mask-wearing, and social distancing practices. For employees that have been exposed, the Company will have them promptly tested within 24 hours (with results taking up to 3 days).

The Company reports on key climate adaptation metrics including the number of households, businesses and organizations benefiting from Improved Access to Water, Water Cost Savings, GHG Emissions Avoided and hydropanel installations in areas experiencing water stress.

### **2020 Environmental & Social Action Plan – SOURCE Global**

Given the wide geographic footprint and range of site locations, a screening procedure was developed to safeguard site locations against any negative impacts related to land resettlement, biodiversity, indigenous people and cultural heritage. Additionally, procedures were enhanced to ensure appropriate oversight of contractors involved in sales, distribution,

installation and service of hydropanels. As part of CRAFT's investment in 2020, SOURCE Global was required to implement the following ESAP which applies to its operations globally including in Mexico, Brazil and South Africa.

Description	Timeline	Responsible Department
<p><b>Contractor Management</b> Developed and communicated during induction and periodically, a procedure to ensure that contractors either have documented functioning grievance mechanism or have access to the company's grievance mechanism.</p> <p>Enhanced procedures to ensure that occupational health and safety policies are extended to installer and distributor contractors as applicable</p>	Complete	VP, Global Field and Service VP, Global Field and Service
<p><b>Supply Chain</b> Developed a Supplier Code of Conduct to address risks related to the use of child labor or forced labor in the primary supply chain</p>	Complete	VP, Supply Chain
<p><b>Site Screening Procedures</b> Developed a screening procedure to ensure that all site locations safeguard against adverse impacts related to the livelihoods or cultural identity of the Indigenous Peoples, involuntary resettlement, biodiversity, and cultural heritage sites.</p>	Complete	VP, Global Field and Service

Under the ESAP developed in coordination with Lightsmith, the Company has successfully: 1) extended its grievance mechanism to contractors; 2) enhanced occupational health and safety procedures for installer and distributor contractors through the development of its Contractor Management Policy ; 3) incorporated prohibition of child and forced labor procedures into supply chain practices; and 4) included adverse impacts related to Indigenous Peoples, involuntary resettlement, biodiversity, and cultural heritage into Site Selection Procedures.

**2022 Environmental & Social Action Plan- CRAFT Fund**

Description	Timeline	Responsible Department
<b>Revised ESMS</b> CRAFT has established an environmental and social management system that applies to all investments under GCF supported Sub-Fund 4 (the “ESMS”) including a gender action plan, indigenous people’s plan, a revised Exclusion List, acceptable to GCF. It is disclosed <a href="#">here</a> and reviewed on a regular basis incorporating feedback from stakeholders, the grievance mechanism and ongoing assessment of environmental and social risk management.	Complete	CRAFT, Director of Sustainability, and Impact
<b>Ongoing Monitoring of ESMS</b> CRAFT monitors SOURCE Global to ensure ongoing compliance with environmental and social requirements such as occupational and community health & safety and labor issues.	Ongoing	CRAFT, Director of Sustainability, and Impact

**2022-2023 Environmental & Social Action Plan- SOURCE Global PBC**

Description	Timeline	Responsible Department
<b>Consolidation of ESMS</b> SOURCE Global PBC has created and made public a unified document that describes the various elements of its environmental and social management system. The ESMS is comprised of an Employee Manual, Supplier Terms and Conditions, Site Survey and Field Installation Manual, and a Customer Service Process and Inquiry Procedures. It is disclosed <a href="#">here</a> and reviewed on a regular basis incorporating feedback from stakeholders, the grievance mechanism and ongoing assessment of environmental and social risk management.	Complete	CRAFT, Director of Sustainability, and Impact

<p><b>Emergency Preparedness and Response Procedures</b></p> <p>The Company shall develop procedures to describe its response to material adverse environmental or social incidents including what measures and/or procedures will be followed and by whom. The procedures should be consistent with the IFC Performance Standards and the World Bank Group's Environmental, Health, and Safety Guidelines (Section 3.7 Emergency Preparedness and Response).</p>	July 30, 2023	CRAFT, Director of Sustainability, and Impact; SOURCE Global General Counsel
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CRAFT monitors SOURCE Global to ensure ongoing compliance with environmental and social requirements such as occupational and community health & safety and labor issues. Mitigation measures were outlined at the time of investment and an action plan was completed to address these areas. Information is obtained through several 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.

As of December 31, 2021, no environmental, occupational health and safety, public health and safety, or social events, incidents or accidents with material adverse effects were reported during the reporting period. In 2021, the company obtained the NSF certification, a third-party protocol for Health and Sanitation Requirements for Atmospheric Water Generators (P343). As a result of internal corporate commitments towards diversity and equality, the company has seen the proportion of female managers (VP and higher) increase to 25% and recently added a second female member to its Board.

# SOURCE Global, PBC- Environment and Social Due Diligence

## Annex A: Annual Environmental and Social Questionnaire

### ENVIRONMENTAL AND SOCIAL COMPLIANCE

<b>E&amp;S Category</b>	
<b>Key Issues Identified at Assessment</b>	
<b>Environmental and Social Action Plan</b>	
<b>Ongoing Issues</b>	
<b>Compliance</b>	
<b>POLICIES AND PROCESS</b>	<b>RESPONSE</b>
Has your company developed and implemented an ESMS?	
Please state any difficulties and/or constraints related to the implementation of the environmental and social procedures.	
Does your company have a formal Human Resource policy?	
Please summarize the nature of complaints received through the grievance mechanism	
Please describe any accidents/ litigation/ complaints/regulatory notices and fines non- compliance with local regulations related to environmental, social, or labor issues.	
Please give details of any material environmental and social issues during the reporting period in particular	
Please describe the status of any third party certifications maintained by the Company (B Corp, ISO9001, ISO2200, HACCP, PS, etc.)	
Please describe any actions or considerations taken related to gender	
<b>CAPACITY</b>	<b>RESPONSE</b>
Please provide the name and contact information of the person(s) who has the overall responsibility for the implementation of ESMS.	
<b>COMPLIANCE</b>	<b>RESPONSE</b>
Does the Company respect Child Labour laws and regulations in all jurisdictions (minimum age for admission to employment, suitability of the job for a person below the age of 18)?	
Does the Company respect occupational safety and health regulations (developing and applying a preventive safety and health culture in the workplace)?	
Were any customers engaged in illegal land seizures, or negative impacts on biodiversity, indigenous people or cultural heritage?	