CHANGING THE WAY THE WORLD TACKLES POVERTY

Hardest-to-Reach

Environmental and Social Management System

June 2023

Contents

1. Glossary

AE: "AE" means Accredited Entities. AEs are designated by GCF to submit proposals and implement Programs using GCF funding. Accredited Entities carry out a range of activities that usually include the development of funding proposals and the management and monitoring of Programs.

Acumen: Acumen Fund, Inc. is a note for profit corporation formed under the laws of the State of New York and public charity under 501 c 3 of the Internal Revenue Code with, among other activities, 20 years' experience investing in small and medium-sized enterprises (SMEs) that serve low-income communities in developing countries across the globe.

ACP: "ACP" means Acumen Capital Partners LLC. ACP is a subsidiary of Acumen that manages funds investing in social enterprises that can deliver social and financial returns to transform the lives of low-income people everywhere.

APR: "APR" means Annual Performance Reviews. APRs are mandated by the Green Climate Fund (GCF) for GCF-funded Programs. APRs include reporting on the activities of the GCF-Funded Program and KPIs.

Borrower: "Borrower" refers to borrowers who receive debt from either the Market Support Facility or the Market Expansion Facility.

Code of Ethics: "Code of Ethics" refers to the policy Acumen developed for Acumen and its affiliated group of entities' staff as a mandate for how they work ethically and report concerns.

Due Diligence: "Due Diligence" refers to the environmental and social audit conducted on all potential investees (new or existing facilities. Due diligence includes questionnaires, site visits, interviews, reviewing company policies and procedures, and potentially other activities. See Section 6 and Annex 2, 3, 4, and 5 for more details.

ESGAP: "ESGAP" means the Environmental, Social, and Governance Action Plan. ESGAPs are tools used to mitigate environmental and social risks of Investees found in the due diligence stage. See Annex 6 for details.

ESG: "ESG" means environmental, social, and governance.

ESIA: "ESIA" means the Environmental and Social Impact Assessment. The ESIA is a process for identifying the environmental and social risks and impacts of the GCF-Funded Program. It may also refer to the investment-level ESIA required for some Category B investments as defined in Annex 13.

ESMS: "ESMS" means the Environmental and Social Management System. The ESMS is a dynamic and continuous process initiated and supported by management, and involves engagement between the client, its workers, local communities directly affected by the Program (the Affected Communities) and, where appropriate, other stakeholders.

E&S: "E&S" means Environmental and Social. E&S connects to policy, management, risks, impacts, mitigants, and reporting.

Environmental and social risk: "Environmental and social risk" is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence; is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence;

ESS: "Environmental and social safeguards (ESS)" refers to a set of standards that specifies the desired outcomes and the specific requirements to achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts. For the purposes of this policy, "ESS standards" refers to the environmental and social safeguards standards, which are currently the interim ESS standards adopted by GCF until GCF develops its own standards. When used in the long form, "environmental and social safeguards standards", it refers to the accredited entities' own standards;

EE: "EE" means Executing Entity. EE is the entity that implements GCF-funded Programs.

FPIC: "FPIC" means Free, prior and informed consent. FPIC is aimed to establish bottom-up participation and consultation of an indigenous population prior to the beginning of development on ancestral land or using resources in an indigenous population's territory.

GAP: "GAP" means Gender action plans. For GCF-funded Programs, GAPs contain metrics for collection and action plans to achieve the goals of this policy and GCF-funded Program requirements.

Gender Sensitivity Policy for GCF-Funded Programs: Refers to Acumen's Gender Policy for GCF-funded Programs.

GCF: "GCF" means the Green Climate Fund. GCF is a fund established within the framework of the UNFCCC as an operating entity of the Financial Mechanism to assist developing countries in adaptation and mitigation practices to counter climate change.

GOGLA: "GOGLA" means the Global Off-Grid Lighting Association. GOGLA is the global association for the off-grid solar energy industry, and Acumen, and KawiSafi are members.

Grievance Mechanism: The Grievance Mechanism is the Executing Entities' policy for managing grievances.

GRM: "GRM" means the "Grievance Redress Mechanism." GRM is Acumen's grievance policy for GCF-funded Programs. See Annex 12 for the Program-level APR. See Annex 12a for the investment-level guidance.

IFC: "IFC" means the International Finance Corporation. IFC is an international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in less developed countries. The IFC is a member of the World Bank Group.

IFC PS: "IFC PS" means the IFC's Environmental and Social Performance Standards. The IFC PS define responsibilities for managing their environmental and social risks.

Investee: is a social enterprise who receives investment capital from the H2R Program for which Acumen is an Accredited Entity and which uses GCF funding. Investees are new or existing facilities. The new facilities are joint ventures that are formed with existing facilities to create a new sub-company.

Investor: Investor refers to other investors in Hardest-To-Reach.

Involuntary resettlement: "Involuntary resettlement" 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 Program-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;

KPI: "KPI" means key performance indicators. Acumen uses KPIs to track impact, gender, climate, and E&S indicators that are most important to a GCF-Funded Program.

Land acquisition: "Land acquisition" refers to all methods of obtaining land for Program purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way;

Market Support Facility: "MSF" refers to the $50 million facility that is expected to support companies with the flexibility to set up operations through grants, equity and debt, and the technical assistance to enter and navigate unfamiliar territory of high risk countries.

Market Expansion Facility: "MEF" refers to the blended finance-backed $200 million debt fund that aims to provide impact-linked concessionary loans to scale up companies' operations and settle in H2R countries.

Mitigation hierarchy: "Mitigation hierarchy" as described in the ESS standards that set prioritized steps for limiting adverse impacts through avoidance, minimization, restoration and compensation as well as opportunities for culturally appropriate and sustainable development benefits;

NDAs: "NDAs" mean National Designated Authorities. NDAs are government institutions that serve as the interface between each country and the Program. They provide broad strategic oversight of the GCF's activities in the country and communicate the country's priorities for financing low-emission and climate-resilient development.

SEAH: "SEAH" means Sexual Exploitation, Sexual Abuse and Sexual Harassment.

Stakeholders: "Stakeholders" refers to individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including from neighboring governments, neighboring programs, and nongovernmental organizations.

TAC: "TAC" means Technical Assistance Committees. TACs are committees that provide oversight on the implementation of technical assistance facilities (TAF). TACs convene to review the activities and disbursements of the TAFs to ensure their alignment and compliance with investor expectations.

TAF: "TAF" means technical assistance facilities. TAFs are grant funded pools of capital funded by GCF and others intended for support of initiatives, in this case, gender initiatives, of Investees and the ecosystems in which they operate.

2. Hardest-to-Reach Environmental, Social, and Governance Policy

2.1. Context

2.1.1. Hardest-to-Reach (H2R) is an energy access initiative dedicated to reaching over 54 million people who are at risk of being left behind by business-as-usual market approaches to electrification. This team aims to generate first-time energy access for these communities. These are challenging markets with electrification rates at or below 45% where investors have not been willing to enter to serve low-income segments.

2.1.2. Hardest-to-Reach will use a diversified approach to inject capital and accompaniment to match the needs of off-grid energy companies at each stage of development and capacity. To build an off-grid solar market in these Hardest-to-Reach markets, "start-up to scale-up" or "whole-of-life cycle" financing is needed to support entrepreneurs to set up in these markets and then scale up their operations, and thereby achieve their impact. Therefore, H2R is structuring two independent financing mechanisms, tailored to the different stages of operators' evolution and the different risk appetites of investors.

2.1.3. H2R will reach new markets and first-time energy-users with two facilities: the Market Support Facility (MSF) and the Market Expansion Facility (MEF). The Market Support Facility will support the development of local players and regional companies' expansion into these new challenging markets. The MSF will support companies with the flexibility to set up operations through grants, equity and debt, and the technical assistance to enter and navigate unfamiliar territory. Additionally, this facility will improve the capacity of local distributors to become reliable partners to suppliers expanding in the region. The Market Expansion Facility will provide impact-linked concessionary loans and accounts receivable financing to scale up companies' operations in Hardest-To-Reach markets.

2.1.4. H2R is committed to being a responsible and sustainable steward of our philanthropic and investment capital as the Program builds off-grid energy markets and brings customers first-time energy access. To that end, Hardest-to-Reach seeks to enhance positive impacts and mitigate environmental and social risks with an Environmental, Social, and Governance (ESG) Policy.

2.1.5. This ESG Policy outlines the scope, principles, commitments, approach, risk assessment, institutional and implementation capabilities and responsibilities, and disclosures of the Program. All program level activity, investment activity, technical assistance, procurements and contracts, and Investee (new or existing facilities) activity are required to adhere to the ESG Policy and Environmental and Social Management System (ESMS).

2.2. Scope

2.2.1. The Hardest-To-Reach ESG Policy applies to both the Market Support Facility, the Market Expansion Facility, and Technical Assistance activities. The policy covers Acumen, the H2R management team, MSF advisor with local lending expertise, the MSF advisor with local equity expertise, consultants, evaluation specialists, contractors, MSF Investees or grant recipients, and MEF Investees (new or existing facilities).

2.2.2. The ESG Policy applies to all program activities including program development, pilot projects, MSF activity, MEF activity, initial research, due diligence (auditing), investment, loan, and grant closing, monitoring, reporting and exit.

2.3. Environmental and Social Risk Categorization and Principles

2.3.1. Hardest-To-Reach uses a holistic and integrated ESG strategy to ensure environmental, social, and governance risks are identified, managed, and mitigated. This entails H2R using globally accepted benchmarks, innovative ESG tools, and stakeholder engagement as pillars of H2R Program design and implementation.

2.3.2. The Program uses globally accepted benchmarks including the Green Climate Fund (GCF) Environmental and Social Safeguards (ESS), the International Finance Corporation Performance Standards (IFC PS),[1] the GIIN Operating Principles,[2] and the UN-supported Principles for Responsible Investment (PRI).[3] The fund also aligns with the UN Sustainable Development Goals (SDGs)[4] with a particular focus on:

2.3.2.1. **SDG 7:** Ensure access to affordable, reliable, sustainable and modern energy for all
2.3.2.2. **SDG 1:** No Poverty
2.3.2.3. **SDG 5:** Achieve gender equality and empower all women and girls
2.3.2.4. **SDG 8:** Decent work and economic growth
2.3.2.5. **SDG 13:** Climate Action

2.3.3. H2R follows the GCF Revised Environmental and Social Policy environmental and social risk categorization. Acumen, the accredited entity for Hardest-To-Reach, is accredited to make Category B or lower risk investments.[5] H2R also uses the similar IFC Environmental and Social Categorization. **Hardest-to-Reach is a Category I-2** program because the program's investment portfolio is expected to comprise business activities that have potential limited adverse environmental or social risks or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.[6]

2.3.4. H2R will screen and diligence (audit) all investments and activity to ensure that risks are identified and appropriately categorized, that they are Category B or lower, and that they are minimized. H2R will not engage in investments or activities that fit Category A business activities. The risk categorizations are as follows:

2.3.4.1. **Category A.** Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;

2.3.4.2. **Category B.** Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures;

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[1] IFC, Performance Standards, 2012, https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards
[2] GIIN, Impact Principles, 2023, https://www.impactprinciples.org/
[3] UNPRI, 2023, https://www.unpri.org/
[4] UN SDGs, 2023, https://sdgs.un.org/goals
[5] Green Climate Fund, 2021, https://www.greenclimate.fund/sites/default/files/document/revised-environmental-and-social-policy.pdf
[6] IFC, Performance Standards, 2012, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

2.3.4.3. **Category C.** Activities with minimal or no adverse environmental and/or social risks and/or impacts.

2.3.4.4. **Category FI:** Business activities involving investments in financial institutions (FIs) or through delivery mechanisms involving financial intermediation. This category is further divided into:

2.3.4.5. **FI–1:** when an FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

2.3.4.6. **FI–2:** when an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.

2.3.4.7. **FI–3:** when an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

2.3.5. Investees (new or existing facilities) will be ESS Category B or lower and engaged in energy access – primarily solar home systems (<1kw), to lesser extent biodigesters, clean cooking or micro-grids. These various applicants will be assessed according to the following E&S factors: impact on key biodiversity areas; human rights; labor; health & safety; potentially irreversible impacts; land use; extent of environmental/social issue. The context of inherent sector risks, scale, continued operations and locations will also be considered.

<table>
<tr><th colspan="2">General Characteristics of new or existing Investees (facilities) as determined on a case-by-case basis</th></tr>
<tr><th>Category B</th><th>Category C</th></tr>
<tr><td>• OGS investment
• Must be larger investment: $5M+
• Due diligence (audit) finding any of the following outcomes:
  o Funds used for land acquisition outside of commercial zones
  o Significant track record of OHS incidents
  o Pattern of gender or SEAH incidents
  o Pattern of harmful environmental and social impacts</td><td>• OGS investment
• Investment smaller than $5M
• Due diligence (audit) finds the following:
  o Funds used for working capital, accounts receivable, operational expenditures
  o Minimal environmental and social impacts
  o May not have sufficient policies and procedures</td></tr>
</table>

2.3.6. H2R will also not invest or participate in any activity outlined in the IFC Exclusion List. The H2R Exclusion List is listed in Annex 1. All activities and investments will be screened to ensure that they do not participate in any excluded activities.

2.3.7. H2R commits to mitigation hierarchy as a guiding principle, and seeks to avoid, and, when not possible, to minimize adverse consequences and improve positive impacts on the environment and affected stakeholders using abatement measures. H2R will act on a mitigation hierarchy approach by integrating ESG throughout the investment lifecycle, stakeholder engagement, and a strong, accessible, and transparent grievance mechanism.

2.3.8. H2R seeks to reduce the emissions of greenhouse gases (GHG) through building renewable energy markets and electrifying first-time energy users with clean energy. The Program promotes efficiently using natural resources, adopting environmental and social safeguards, and reducing GHG.

2.3.9. H2R also aims to empower first-time energy users and other beneficiaries with solar home systems and access to renewable energy thereby providing climate resilient and adaptative tools to climate vulnerable populations.

2.3.10. H2R aligns our program design and investment activities with international and national climate goals including the Paris Agreement and the Nationally Determined Contributions (NDCs). Acumen's objectives through Hardest-to-Reach are directly aligned to National climate priorities, including National Adaptation Plans, and National Climate Change Action Plans.

2.3.11. H2R commits to non-discrimination, equal opportunity and fair treatment for employees, contractors, consultants, and investors on the Program and Investee (new or existing facilities) level. We intend for H2R program activities and investments to comply with the International Labor Organization Fundamental Conventions[7]. H2R also seeks to minimize potential Sexual Exploitation, Abuse, and Harassment (SEAH) with strong protections for Program staff, Investee staff, and Program stakeholders.

2.3.12. H2R intends to ensure that all activities and investments respect human rights and abide by international human rights laws. The Program pays special attention to forced labor as solar and polysilicon manufacturing has faced scrutiny for forced labor practices. We seek to ensure that no H2R activity engages in forced labor.

2.3.13. H2R seeks to invest and lend to Investees (new or existing facilities) that offer safe, hospitable, and dignified work for employees, contractors, and other relevant parties. Employee engagement is an important part of the H2R understanding of ESG risks and stakeholder engagement.

2.3.14. Consumer and beneficiary protection are a key pillar of Hardest-To-Reach. H2R Investees (facilities) are expected to align their practices with the GOGLA Consumer Protection Principles.

2.3.15. H2R intends to support the development of renewable energy markets across Africa and first-time energy access for millions of people. It is critical for our program to engage stakeholders fairly and transparently across the lifecycle of Hardest-To-Reach including in program design, implementation, exits, closing, monitoring, the grievance redress mechanism, and disclosure. Special attention is paid to marginalized communities including women and indigenous people.

[7]ILO, (2022), https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm

2.4. Commitments

2.4.1. Hardest-To-Reach will only finance activities and Investees (new or existing facilities) that comply with the Hardest-To-Reach ESG Policy.

2.4.2. H2R will not invest in any Investee (facilities) or participate in any activity that is on the Exclusion List.

2.4.3. H2R, H2R management team, Investees (new or existing facilities), contractors, consultants, and other relevant stakeholders must comply with all pertinent local, national, and international laws, conventions, agreements, and other relevant rules ratified by H2R countries.

2.4.4. H2R will engage in ESG due diligence (E&S audit) for any potential investee (new or existing facility). Due diligence/audit will include questions based on the IFC PS, GCF ESS, and other relevant benchmarks and ESG metrics.

2.4.5. H2R Investees (facilities) are expected to have or develop Environmental and Social Management Systems and demonstrate organizational capacity to identify and mitigate risks, monitor ESG risks and activity, commit to stakeholder engagement, and enact a grievance mechanism within their engagement with the Program. H2R will seek to ensure that each portfolio company (new or existing facilities) will adhere to the H2R ESG Policy and ESMS.

2.4.6. If deficiencies are identified in due diligence, Investees (facilities) are required, as documented in the investment side letter, to enact a time bound ESG Action Plan (ESGAP; Annex 6). The H2R management team, the advisor with local lending expertise, and the MSF advisor with local equity expertise will monitor ESGAP to verify sufficient activity and completion of the ESGAP.

2.4.7. If an Investee (new or existing facility) receives MSF funding and subsequently applies for MEF funding, the Investee (new or existing facility) must have completed the MSF ESGAP (Annex 6) to receive MEF funding.

2.4.8. H2R will engage all stakeholders throughout the Program lifecycle. Stakeholders, including Nationally Designated Authorities, relevant donors, and investors will get annual ESG and impact updates from Hardest-To-Reach. Stakeholders will help H2R understand the local context, identify community-level environmental and social risks, and participate in H2R evaluation and iteration. H2R commits to an open dialogue with Program-affected communities.

2.4.9. Hardest-to-Reach will have a transparent, accountable, and actionable Grievance Redress Mechanism (GRM) aligned with international best practices including the Ruggie Principles.

2.4.10. H2R will adhere to the following policies:

2.4.10.1. Green Climate Fund Revised Environmental and Social Policy

2.4.10.2. Green Climate Fund Gender Policy and Action Plan (2018) [8]
2.4.10.3. Green Climate Fund Indigenous Peoples Policy[9]
2.4.10.4. Acumen Ethics and Anti-Corruption Policy
2.4.10.5. Acumen Gender Sensitivity Policy for GCF-Funded Projects[10]
2.4.10.6. Acumen Environmental and Social Policy for GCF-Funded Projects[11]

2.5. Approach

2.5.1. H2R will be a leader in ESG risk management, achieving positive social and environmental impacts for beneficiaries. The Program seeks to "do no harm" both to minimize risks to investors, donors and H2R beneficiaries and stakeholders. The Program team understands the responsibility is to Program investors, beneficiaries, and a broad range of stakeholders who experience environmental and social risks differently.

2.5.2. By engaging in a holistic understanding of ESG risk management, the H2R team assesses the financial and impact materiality of investments and Program activity to ensure our responsibility to all relevant parties. H2R adopts a double materiality focus to environmental and social management. Double materiality means that the program focuses on risks that are both financial, environmentally and socially material. Regarding financial materiality, the team assesses environmental and social risks that could impact the program's financial performance. By assessing impact materiality, the team identifies and mitigates ESG risks that can adversely affect the communities and planet the program seeks to positively impact.

2.5.3. The ESG Policy is supported by the ESMS, which defines the investing process for H2R. We will identify, avoid, minimize, and mitigate potentially harmful ESG risks and impacts of the investments. H2R will seek to ensure that the risk management is appropriate to the size, scale, and nature of the investment, and the management team will work with stakeholders to improve ESG performance of the Program and Investees over time.

2.6. Risk Assessment

[8] GCF's gender-responsive approach is captured in the GCF Gender Policy and Action Plan, which was adopted by the Fund's governing body in 2015. Through the Gender Policy and Action Plan, GCF commits to:

1. Gender equality and equity;
2. Inclusiveness in all activities;
3. Accountability for gender and climate change results and impacts;
4. Country ownership—through alignment with national policies and priorities, and broad stakeholder engagement, including women's organizations;
5. Gender-sensitive competencies throughout GCF's institutional framework—skills, knowledge and behaviors acquired from training and experience that enable GCF Secretariat staff members to apply a gender-lens throughout their work; and
6. Equitable resource allocation—so that women and men benefit equitably from GCF's adaptation and mitigation activities.

[9] The GCF Indigenous Peoples Policy recognizes that indigenous peoples often have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation and development. The Policy allows GCF to anticipate and avoid any adverse impacts its activities may have on indigenous peoples' rights, interests and well-being, and when avoidance is not possible to minimize, mitigate and/or compensate appropriately and equitably for such impacts, in a consistent way and to improve outcomes over time.

[10] http://acumencapitalpartners.com/wp-content/uploads/2021/12/Acumen-Gender-Sensitivity-Policy-for-GCF-Funded-Projects.pdf
[11] http://acumencapitalpartners.com/wp-content/uploads/2021/12/Acumen-Environmental-and-Social-Policy-for-GCF-Funded-Projects.pdf

2.6.1. Hardest-To-Reach seeks to invest in activity that will not have potential significant adverse environmental and/or social risks and impacts that are diverse, irreversible, or unprecedented. H2R seeks to identify ESG risks with screening and due diligence (audit) and to mitigate identified risks using international good practices.

2.6.2. Consideration will be given to ESG risks throughout the investment cycle, from initial engagement with the company to final exit.

2.6.2.1. At each stage of the investment cycle, the overall level of risk will be categorized as A, B, C by the H2R management team based on
2.6.2.2. Availability of information about the company and its activities;
2.6.2.3. Location, sensitivity, and scale of the company's activities;
2.6.2.4. Significance and likelihood of any risks identified in terms of the context or operations of the company;
2.6.2.5. The commitment and capacity of the company management to manage the risks; and
2.6.2.6. The nature of H2R investment and influence over the company.

2.7. Institutional and Implementation Capabilities and Responsibilities

2.7.1. The H2R management team, the MSF advisor with local lending expertise, the MSF advisor with local equity expertise will have the organizational capacity to enact the ESG Policy and ESMS. The H2R management teams will ensure at least one person per MSF and MEF and adequate staff resources are available to oversee ESG due diligence, monitor ESGAP activity, and report on Program-level ESG activity to relevant donors, investors, and stakeholders.

2.7.2. Hardest-To-Reach also seeks to ensure that the Grievance Redress Mechanism is overseen by an independent actor within H2R to ensure that conflict of interest or bias does not impact any grievance investigation.

2.7.3. H2R will continue to build the Program capacity for ESG activity by training staff, monitoring ESG trends, and engaging companies, stakeholders, and Program beneficiaries.

2.8. Disclosure

2.8.1. This ESG Policy may be amended or updated, subject to approval of the Investment Committee. In addition, this Policy will be subject to review by the Investment Committee at least every 5 years.

2.8.2. H2R will make this Policy public and disclose any relevant related documents or information.

3. Operational Guidelines

3.1. Hardest-To-Reach is committed to investing the right kind of capital in the right kind of way to tackle the right kind of problems. A cornerstone of investing the right kind of way for H2R is the Program's holistic ESG approach. The commitments and principles in the ESG policy outline the activities and values that will drive our Environmental and Social Management System (ESMS). Stakeholders including investors and beneficiaries also guide the strategy and implementation of the ESMS. Shared below is a brief overview of each of the sections of the ESMS.

ESMS Section	Summary
Section 1: Glossary	Defines terms used in the ESMS
Section 2: Hardest-to-Reach ESG Policy	The policy goes over the requirements of the Hardest-to-Reach program's: ● Risk category ● Commitments ● Principles ● Responsibilities.
Section 3: Hardest-to-Reach Operational Guidelines	This section summarizes the 24 components of the Hardest-to-Reach ESMS.
Section 4: Hardest-to-Reach Environmental and Social Impact Assessment (ESIA)	The ESIA summarizes the following topics: ● Off-grid energy and electrification in H2R markets ● Environmental and social risks in off grid energy ● Country-specific environmental and social risks for H2R markets ● H2R program-specific environmental risks and mitigants using the IFC Performance Standards ● H2R program specific mitigants
Section 5: Allocation of Resources, Organizational Capacity, and Responsibilities	Section 5 explains the allocation of resources, organizational capacity, and program team and stakeholder responsibilities. This section covers: ● H2R environmental and social budget ● H2R organization chart ● Market Support Facility team responsibilities ● Market Expansion Facility team responsibilities ● Market Support Facility advisor responsibilities ● Acumen responsibilities ● TA administrator responsibilities ● Training and resources for H2R team and Investees (new or existing facilities) ● Investee (new or existing facilities) capacity
Section 6: Environmental, Social, and Governance Investing Strategy	Section 6 summarizes the investing strategy and process for each of the investments (subprojects) for H2R. It includes the following: ● ESG considerations prior to investment including: ○ Screening (Exclusion List, Annex 1) ○ ESG Due Diligence, Environmental and Social Audit (Annex 2) ○ Term Sheets ○ ESG checklist and report (audit checklist and findings) ○ ESG Action Plan

	• ESG considerations post-investment
	  ○ Resources
	  ○ Reporting
	  ○ Follow On Investments
	• ESG considerations during divestment

Section 7: Environmental, Social, and Governance Safeguard Standards	Section 7 details the environmental and social safeguards required for investment in an Investee (new or existing facility. The section includes: • General Integrity and Good Governance requirements for Investees (new or existing facilities) • ESMS/ESMP/ESG Policy for companies (Performance Standard 1 Safeguard) • Environmental and Social Safeguards for Investees (new or existing facilities) - IFC Performance Standards 2-8
Section 8: Monitoring and Reporting	This section details the following monitoring and reporting requirements: • Investee (new or existing facilities) reporting to H2R • ESG incident reporting (further details in Annex 7) • H2R reporting to investors and stakeholders
Section 9: Disclosure of Information	Section 9 summarizes the disclosure requirements mandated by Hardest-to-Reach
Annex 1: Exclusion List	This details the list of activities that Hardest-to-Reach will not invest in and will screen against for any potential investment (new or existing facility).
Annex 2: ESG Due Diligence Questionnaire (Environmental and Social audit)	This questionnaire aligns with the IFC guidance on audits for existing projects. It acts as the primary due diligence and environmental and social auditing tool for potential Investees (new or existing facilities).
Annex 3: ESG Due Diligence Supplementary Module	This Annex provides supplemental diligence/audit questions for OGS manufacturers.
Annex 4: ESG Checklist (Environmental and Social audit checklist)	This Annex provides a checklist to ensure the diligence/audit materials are complete, including screening, diligence responses, and company (new or existing facilities) policies and procedures.
Annex 5: ESG Report (Environmental and Social audit findings)	This Annex is the template of the report/audit findings shared with either the MSF or MEF investment committee and details the H2R team's findings and analysis of potential Investees (new or existing facilities)
Annex 6: ESG Action Plan (ESGAP) Template	This Annex provides a template of the Hardest-to-Reach Environmental, Social, and Governance Action Plans for Investees (new or existing facilities). Companies will be bound to complete and report on ESGAP by the term sheet.
Annex 7: ESG Incident Report Template	The ESG incident report template is intended for the H2R team to use when there is an environmental or social incident as defined in Section 8: monitoring and reporting.
Annex 8: ESG Monitoring Report Template	The ESG monitoring report template is the annual report template sent to Investees (new or existing facilities) to fill out to ensure compliance with the H2R ESMS and the Investee ESGAP.
Annex 9: Land Acquisition and Resettlement Policy	The Land Acquisition and Resettlement Policy provides the structure for H2R's response to land acquisition that results in involuntary resettlement and/or economic and/or physical displacement. It also provides guidance on Land Acquisition and Resettlement Plans for Investees (facilities).
Annex 10: Guidance on Indigenous Peoples	The Guidance on Indigenous Peoples provides H2R and Investees (new or existing facilities) with context and procedures for engaging with Indigenous communities.

Annex 11: Stakeholder Engagement Plan	This Annex shares the H2R commitments to stakeholders including reporting and communication tools. It also defines the stakeholder engagement necessary for Investees (new or existing facilities).
Annex 12: Grievance Redress Mechanism	This Annex is the Program-level grievance redress mechanism. It is aligned with the Ruggie Principles and GCF's Independent Redress Mechanism. The GRM includes communication methods, process, and other important information.
Annex 12a: Guidance on Investee Grievance Mechanism	The guidance on Investee grievance mechanism Annex details the expectations for Investees (new or existing facilities).
Anne 13: Guidance on Environmental and Social Impact Assessment	This Annex provides guidance on Environmental and Social Impact Assessments for Category B investments. This section defines the difference between Category B and C investments and defines the components of an ESIA for Category B investment.
Annex 14: Chance Find Procedures	This Annex provides guidance for companies when chance find procedures are needed due to excavation using H2R funding.

3.2. The ESMS applies to three functions: Hardest-To-Reach Program Level, Investees (new or existing facilities), and contractors/consultants.

3.2.1. Investees (new or existing facilities): Investees (new or existing facilities) will be mandated to follow the ESG requirements of both the Market Support Facility and the Market Expansion Facility. Companies must complete all ESG requirements from the Market Support Facility to qualify for the Market Expansion Facility funding. Each Investee (facility) must have an ESMS to assess, address, and monitor ESG risks and impacts of the company operations.

3.2.2. Hardest-To-Reach Program Level: The Hardest-To-Reach Market Support Facility and Market Expansion Facility teams will develop and implement the Program ESMS to identify and mitigate fund level ESG risks, identify, diligence (E&S audit), mitigate, manage, report, and disclose ESG risks and incidents across Investees, and to set standards and operating requirements of consultants and contractors.

3.2.3. Contractors and consultants: third-party consultants and contractors must abide by the principles, commitments, and guidelines of the ESMS.

3.3. The Hardest-To-Reach Operational Guideline (Section 3) is a roadmap for implementing and operationalizing the ESMS. The Operational Guidelines are based on the GCF Revised Environmental and Social Policy, the GCF Environmental and Social Safeguards, the IFC Policy and Performance Standards on Social and Environmental Sustainability 2012, and its guidance notes.

3.4. Section 4 provides an assessment of the environmental, social, and governance risks and impacts presented across the H2R Program. The section looks at risks for last-mile distributors, vertically integrated SHS businesses, SHS manufacturers, and co-financing firms. Additionally, the risk and impact assessment take a pan-African lens on ESG risks and provides several country level risk assessments. The section also includes a detailed risk table that looks at risks across the IFC PS.

3.5. Section 5 details the ESG organizational capacity of the Hardest-To-Reach Program. It describes the division of responsibilities between the H2R Acumen team. It also details the different management components for the Market Support Facility and the Market Expansion Facility. We also specify what ESG capacity expectations are made for Investees (new or existing facilities) in the MSF and the MEF.

3.6. Section 6 describes the Hardest-To-Reach ESG management at the Program level. The section details the different ESG program activities for the Market Support Facility and the Market Expansion Facility. We share the different diligence/audit processes for the MSF and the MEF, and how they are connected to each other. We explain the investment lifecycle from assessment, diligence (environmental and social audit), planning, terms, implementation, monitoring, and reporting.

3.7. Section 7 details the ESG standards, requirements, governance rules, and criteria for the H2R Program. The ESMS details the good principles, practices, and governance required including KYC, AML and CFT expectations. The section also shares how the IFC PS, GCF ESS, and other standards, metrics, and KPIs apply to H2R and the Investees (facilities). Additionally, the section summarizes ESMS expectations for the Investees (facilities).

3.8. Section 8 details the Program monitoring and reporting expectations to donors and investors, and the monitoring and reporting expectations of the Investees (new or existing facilities). It will also detail some of the ESG incident, Grievance Mechanism, and Stakeholder Engagement expectations of the Program, and Investees (new or existing facilities). More details can be found in the Annexes.

3.9. Section 9 explains the H2R disclosure requirements, and expectations for transparency for H2R and H2R Investees (new or existing facilities).

4. Environmental and Social Impact Assessment (ESIA)

4.1. Executive Summary

4.1.1. Hardest-To-Reach aspires to unlock first-time energy access to beneficiaries across sub-Saharan African countries with electrification rates of 45% or below and high poverty rates (above 50%).

4.1.2. The H2R team engaged in a comprehensive environmental and social impact assessment. We viewed risk with several different lenses: fund-level, Pan-African risks, country-specific risks, business model risks, and the IFC Performance Standards and GCF Environmental and Social Safeguards.

4.1.3. The Program team utilized several tools to develop the environmental and social impact assessment. The team used the IFC Performance Standards and the GCF Environmental and Social Safeguards as the framework to investigate Program-level environmental and social risks.

4.1.4. The H2R Program team also utilized extensive desktop research to understand specific risks for the Program, Investees (new or existing facilities), the country context, and relevant mitigants. Desktop research provided insights into challenges with e-waste, consumer protection, and other topics. The Hardest-to-Reach team deepened our knowledge of the OGS landscape, market trends, and the environmental and social impacts of off grid solar.

4.1.5. Hardest-to-Reach also comprehensively engaged with stakeholders to get their input into Program design, market research, Program management and implementation, climate, gender, and poverty strategies, assessing the viability of the initiative, and interest in continued engagement. Hardest-to-Reach engaged with potential investors and donors, pipeline companies, potential partners, industry leaders and experts, industry associations, government entities, regulators, expert consultants, and beneficiaries in designing and developing the Program. The team has held one on one meetings, group discussions, town halls, webinars, and surveys. Hardest-to-Reach intends to continue this engagement with stakeholders through Program development and implementation.

4.1.6. Due to our extensive engagement with stakeholders, prior investing experience in off-grid solar, knowledge of the industry, market, and off-grid solar companies, and our extensive and thorough risk and mitigation assessment, we consider Hardest-to-Reach to be an Environmental and Social risk category I-2 program.

4.1.7. In this section, H2R will review trends in off-grid solar, risks to off-grid solar, country-specific risks and mitigants, and project-specific risks and mitigants.

4.2. Electrification, Off Grid Solar, and Climate Context and Impact

4.2.1. 789M people worldwide do not have access to (affordable, clean) energy, more than three quarters of whom are low-income people in Sub-Saharan Africa. Approximately 215M could pay but live in areas deemed too remote or too risky to be served by traditional grid extensions and business as usual approaches in these markets. Hardest-to-Reach will target

16 Sub-Saharan African countries with electrification rates of 45% or below and high poverty rates (above 50%). The Program intends to unlock energy access for millions of people in the Hardest-to-Reach markets by investing in OGS companies who have the capacity but need the incentives to expand and scale within H2R markets.

4.2.2. Forecasting models for achieving universal energy access Program that traditional grid extension and market-based solutions could reach 524 million people currently without access, which account for approximately 66% of the 789 million unelectrified globally. Most of these customers are in favorable markets or near urban areas where access is less of a barrier. A further 50 million households do not earn enough income to purchase any market-based energy solution; they are considered "ultra-poor" and will only achieve access with end-user subsidies from aid or government intervention. That leaves roughly 215 million people (27%) who could afford energy access but live in countries deemed too risky or too remote for market-rate returnable investments. They will be left behind in a business-as-usual investment environment. Given sector growth trends, 624 million people are Programed to be connected to Tier 1 and above electricity access by 2030 via OGS solutions – this is 516 million fewer than the SDG7 scenario.[12]

4.2.3. The investment deficit is at the root of both the energy access gap and the lack of adaptive capacity faced by countries in Sub-Saharan Africa. It has been adversely affected by the pandemic, with foreign private investment into Africa falling some 16% in 2020.[13] Significant financial commitments are required to close this gap and governments are unable to carry the fiscal burden alone. One estimate suggests that $35 billion a year is required to reach SDG 7 by 2030. At the same time, the NDCs of 40 African countries cumulatively show a need for an estimated $331 billion in investment for adaptation through 2030, with only 20% of this figure coming from public budgets.[14] However, barriers exist, including political instability, macroeconomic uncertainty (because of inflation and exchange rates), policy and regulatory issues, institutional weaknesses, and lack of transparency. All these make for a less favorable investment climate. Underinvested geographies need capital that is willing to bear the risk of proving and scaling off-grid business models in untested conditions, and bring with it practices that drive the growth of responsible companies. Acumen's approach to Hardest-to-Reach markets, with its focus on market development and incentivizing investment where it is needed most, addresses the urgent financing needs of the identified countries.

4.2.4. The off-grid solar market is currently valued at $2.8 billion annually.[15] The OGS market provides energy services to 493 million people. OGS has been identified as the least-cost solution to electrify 464 million more people, including a portion of the 733 million people currently without access as of 2020, and accounting for population growth between now and 2030.

4.2.5. The OGS market has also been impactful towards carbon emissions reduction. To date, the sector has contributed to avoiding 190 million metric tonnes of CO_2e emissions (SDG13) and saved fuel costs of $26 billion by switching from dirty fuels to OGS products (SDG1).[16]

[12]World Bank, 2022, https://documents1.worldbank.org/curated/en/099355110142233755/pdf/P17515005a7f550f1090130cf1b9f2b671e.pdf
[13] World Bank Live, 2021, https://live.worldbank.org/driving-foreign-direct-investment-to-africa
[14]GCA, 2021, https://gca.org/wp-content/uploads/2021/10/GCA_STA21_Sect1_Finance.pdf
[15]World Bank, 2022 https://documents1.worldbank.org/curated/en/099235110062231022/pdf/P175150063801e0860928f00e7131b132de.pdf
[16]Ibid, pg. 19

4.2.6. Despite Africa only accounting for 3.8% of global greenhouse gas emissions, the continent will be disproportionately impacted by climate hazards created by climate change. Countries in Hardest-to-Reach markets will be experiencing temperature increase, heat waves, cyclones, tropical storms, droughts, floods, and sea level rise. Countries and people alike will need increased electrification to withstand the new challenges presented by climate change. Grid systems cannot expand quickly enough or reach broadly enough to electrify the most vulnerable populations. Moreover, grid systems throughout Hardest-to-Reach markets are too fragile to withstand increasing customer demand and vulnerabilities created by climate change. Durable, reliable, repairable, mobile, and resilient solar home system solutions will be both important to creating climate adaptation capacity for customers experiencing first time electrification and not strain the capacity of weak grid systems.

4.2.7. Hardest-To-Reach is designed to create strong impacts for the markets and beneficiaries the Program serves. The team seeks to make several adaptation and mitigation impacts.

4.2.7.1. Increase energy access through investment in decentralized renewable energy for residential use (Mitigation and Adaptation)

4.2.7.2. Increase adaptation capacity of beneficiaries with off grid solar products

4.2.7.3. Increase business productivity of micro enterprises with SHS operating in Hardest-to-Reach markets

4.2.7.4. Increased capacity of last mile distributors

4.2.7.5. Crowding large scale vertically

4.2.7.6. Increased green jobs in Hardest-to-Reach markets

4.2.7.7. Increased company commitment to gender equity with employees and customers

4.3. Program Off Grid Solar Risks

4.3.1. While there are many strong environmental benefits to Hardest-To-Reach, the Program team recognizes both environmental and climate risks for the Program. One of Hardest-To-Reach's primary environmental concerns is solar e-waste. Off-grid businesses will be selling millions of products to first time buyers in the H2R markets. These markets have weak and nascent waste management sectors. Moreover, many African countries have weak regulatory requirements for e-waste. Last mile distributors may have weak or immature e-waste policies, procedures, and procurement. Moreover, the e-waste markets in Hardest-to-Reach countries are in a nascent stage with few players and little coverage.

4.3.2. There are two primary social risks for Hardest-To-Reach. First, pay-as-you-go (PAYGo), products sold on credit), create risks for customers who can face issues such as over-indebtedness, poor credit, and defunct products if they fall behind on their payments. PAYGo also allows many customers who could not afford to pay for a solar home system up front the opportunity to access electricity with smaller recurring payments. Consumers and companies alike were deeply impacted by the Covid-19 pandemic as lockdowns, supply chain issues, and the slowing of the global economy changed their economic outlook. Consumers became less likely to continue paying during the pandemic because of loss of income, increased costs of essential goods, and a myriad of other reasons. PAYGo solar companies across the industry are recalibrating credit risk as accounts receivable ballooned with missed customer payments. Our Program will have strong scrutiny of company PAYGo and credit risk management practices.

4.3.3. Additionally, the H2R team has concerns around consumer privacy and protections for PAYGo and other solar home system customers. While many companies are now GOGLA consumer protection signatories, customers still face the risk of customer data being compromised, improperly stored, stolen, or sold to malicious third parties. Infringing on customer data protections may open off-grid solar customers to stolen identity, fraud, and other issues surrounding identity theft.

4.3.4. Second, the Program team is concerned about forced labor in the solar supply chain. Human rights investigators have found evidence of forced labor in solar manufacturers. Advocacy groups warn that marginalized people may be facing mass detention. Moreover, marginalized people face dangerous working conditions that may be exacerbated by ongoing global trends. Inflation is driving up the costs of raw goods and increasing solar panel production costs. Oil prices have continued to be volatile due to ongoing political crises that continue to drive demand for renewable energy across the globe. Advocacy groups and human rights officials expect these global factors to create downward pressure on manufacturers to increase forced labor practices under worsening conditions.

4.3.5. The Program team expects that Hardest-to-Reach will invest in companies with varying degrees of ESG readiness. Larger and more established off grid solar companies are expected to demonstrate maturity across several ESG issues. Several larger pipeline companies have indicated that they have strong ESMSs, consumer protection policies, and other environmental and social mitigants in place. Acumen experience has demonstrated that early-stage SHS companies, especially last mile distributors, may not have robust ESG policies and procedures nor would they have strong organizational capacity to mitigate ESG risks. These companies have a small footprint, so their risks are marginal to the Program success and impact on beneficiaries.

4.4. Country Risks

4.4.1. Democratic Republic of the Congo:

4.4.1.1. The DRC's rich natural resources include the world's second-largest rainforest, more than 80 million hectares of arable land, and rivers with enough hydropower potential to power half of sub-Saharan Africa. Additionally, the DRC stands as the world's largest producer of cobalt, Africa's biggest producer of copper, and contains deposits of gold, diamonds, coltan, tin, uranium, and oil. Given the country's incredible biodiversity, the risk of environmental degradation remains high. This risk is particularly prominent within the mineral extraction sector given the high incidence of artisanal mining. Sustainalytics estimates that between 15-30% of the DRC's cobalt supply is extracted from artisanal and small-scale mines.[17] That said, environmental degradation is not the only ESG issue associated with small-scale mineral extraction. Child labor remains a systemic issue in the region. In 2014, UNICEF estimated that ~40k children worked in cobalt mines in the DRC.[18] While this remains a systemic issue across the region, child labor reports have declined in recent years due to several international initiatives spearheaded by UNICEF.

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[17] Sustainalytics, "*Cobalt ESG Risks Threaten Electric Vehicle Supply Chain*," July, 15, 2022: https://www.sustainalytics.com/esg-research/resource/investors-esg-blog/cobal-esg-risks-threaten-electric-vehicle-supply-chain.
[18] Ibid.

4.4.1.2. Conflict Analysis: Today, Human Rights Watch estimates that there are +120 armed groups active in the eastern Democratic Republic of Congo.[19] Recent clashes between the Tutsi-led M23 militia and the Congolese military (FARDC) have threatened to mushroom into a larger, regional conflict. Reported cooperation between the Democratic Forces for the Liberation of Rwanda (FLDR) – a Hutu militia reportedly formed by genocidaires who fled Rwanda in 1994, and the FARDC have raised tensions with the Rwandan government. In December 2022, the UN published a report accusing the Rwandan military Defense Force (RDF) of supporting M23 operations in the DRC.[20] To help curb further escalation, the East African Community announced in February 2023 that Uganda, Burundi, South Sudan, and Kenya will deploy troops to North Kivu province to stabilize the region.[21]

4.4.1.3. To adequately mitigate against conflict risks, businesses operating in the region should prepare for the disruptions to supply routes. As such, businesses are encouraged to increase available inventory, prioritizing decentralized distribution of inventory amongst regional depots, given potential road closures and fuel shortages. While this will have implications for cash flow, it will diminish the impact of potential road closures on sales and delivery to customers. Furthermore, companies should review all marketing materials, removing any inherent ethnocentricities, ensuring the company and product remain neutral as it relates to heightened Hutu – Tutsi ethnic tensions.

4.4.2. Uganda:

4.4.2.1. Uganda has strong E-Waste legislation, and any business operating in the clean energy or solar power space**,** must be prudent of the 4R's (outlined by the National Environmental Management Authority, NEMA): reduction of e-waste; reusing of electrical equipment; recycling of electrical equipment; and repairs for electrical equipment. Beyond the environmental concerns associated with the disposal of E-Waste, labor laws are an issue throughout the country. The Uganda Bureau of Statistics (UBOS) claims that 45% of children from households living below the poverty line are forced out of school to work and supplement their parents' income. As a result of school closures, child labor rates for children between the ages of 5 and 17 increased from 14 percent prior to the pandemic to 22 percent since the start of the pandemic, to a total of +2.7 million children. [22] Human Rights Watch also reports high incidence of workplace harassment and unequal compensation for female employees. [23]

4.4.2.2. Conflict Analysis: Given the porous tri-border between Uganda, Rwanda, and the DRC, the risk of conflict within Uganda is inextricably tied to the regional stability and

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[19] Human Rights Watch, "*Overview of the Political Crisis in DR Congo and the Human Rights, Security, and Humanitarian Consequences,"* April 9, 2018: https://www.hrw.org/news/2018/04/09/overview-political-crisis-dr-congo-and-human-rights-security-and-humanitarian

[20] Overseas Security Advisory Council, Bureau of Diplomatic Security, U.S. Department of State, "*Armed Group's Advances in Eastern DRC Threaten Critical Supply Routes*," March 3, 2023: https://www.osac.gov/Content/Report/69b278e-0c27-4c04-a483-20d166b6c424

[21] Ibid.

[22] Business and Human Rights Resource Center, "*Uganda: More than 2 million children engaged in exploitative labor practices including in agribusiness & retail sectors, says columnist*," March 16, 2019: https://www.business-humanrights.org/en/latest-news/uganda-more-than-2-million-children-engaged-in-exploitative-labour-practices-including-in-agribusinesses-retail-sectors-says-columnist.

[23] Human Rights Watch, "*Uganda Lagging on Protecting Women Workers*," June 25, 2021: https://www.hrw.org/news/2021/06/25/uganda-lagging-protecting-women-workers.

competing foreign interests in Africa's Great Lakes region. Rwanda and Uganda continue to vie for economic superiority in the region, attempting to capitalize on the resource rich province of North Kivu, DRC. Consequently, tensions between Kampala and Kigali have escalated as President Yoweri Museveni and President Paul Kagame launch development projects within the DRC's borders, balancing economic priorities against the region's stability.[24]

4.4.2.3. Kampala has become an increasingly popular target for Al Shabaab and the Allied Democratic Forces (ADF) – an Islamist rebel group backed by ISIS and based in the DRC – because of the country's willingness to partner with East African neighbors to combat regional terrorism. The most recent ADF attack on Kampala in November 2021, saw the DRC allow for cross-border operations by Ugandan forces. Lastly, the lack of clarity surrounding President Museveni's succession plans could lead to violence given the volatile nature of his son, General Muhoozi Kainerugaba.

4.4.2.4. Businesses operating in the country are encouraged to continuously monitor the security situation, given existing regional tensions. Companies should also review all marketing materials, removing any inherent ethnocentricities, ensuring the company and product remain neutral as it relates to heightened Hutu – Tutsi ethnic tensions.

4.4.3. Zambia:

4.4.3.1. Like those facing the DRC, the majority of Zambia's ESG concerns revolve around the mining industry. In 2011, Human Rights Watch published a report detailing workers' abuses within Chinese-owned copper mines. Copper mining is essential to the Zambian economy, contributing nearly 75% of the country's exports (translating to roughly two-thirds of the government's revenue).[25] The report cites persistent poor health and safety conditions, extremely long hours, and anti-union activities – all of which violated existing Zambian law. These labor issues extend into the informal mining sector as well. The U.S. Department of Labor claims that illegal mining syndicates, called *jerabo gangs*, in the Copperbelt provinces employ children for mining activities, including forcing children to load trucks with stolen copper ore.[26]

4.4.3.2. Conflict Analysis: During the final years of the previous administration's term, Zambia had defaulted on its debts, inflation was skyrocketing, and the currency was plummeting.[27] As a result of the declining economic situation and despite wide-spread reports of extrajudicial killings and restrictions on free speech, Hakainde Hichilema defeated the incumbent president in August 2021. Since assuming office, inflation has dropped to single digits (down from 24.6% just before the election) and the kwacha has rebounded from the world's worst performing currency to one of its best. The new administration secured a bailout from the International Monetary Fund; eradicated the death penalty; and hired +40k teachers and healthcare workers.[28] Furthermore, in January 2023, the U.S. Department of State announced a Memorandum of

[24] International Crisis Group, *Crisis Group Africa Briefing No. 181*, "Easing the Turmoil in the Eastern DR Congo and Great Lakes," May 25, 2022.

[25] Human Rights Watch, "Zambia: Workers Detail Abuse in Chinese-Owned Mines," November 3, 2011: https://www.hrw.org/2011/11/03/zambia-workers-detail-abuse-chinese-owned-mines.

[26] U.S. Department of Labor, "*2021 Findings on the Worst Forms of Child Labor: Zambia.*"

[27] Council on Foreign Relations, *"Zambian Opposition Stalwart Hichilema Secures Big Win in Presidential Elections,"* August 17, 2021: https://www.cfr.org/blog/zambian-opposition-stalwart-hichilema-secures-big-win-presidential-elections

[28] New York Times, "*Zambia and its New President Are Still on Their Honeymoon,*" September 28, 2022: https://www.nytimes.com/2022/09/28/world/africa/zambia-hakainde-hichilema.html

Understanding with Zambia and the DRC to jointly develop a supply chain for electric vehicle batteries.[29]

4.4.3.3. Despite the strides to strengthen the country's economy, Hakainde has also been accused of abuses of power after arresting opposition members and government critics and stifling the freedom of the press. Among those recently arrested for defaming the new president are a driver (jailed for 1 year for calling Hichilema the "anti-Christ") and a TikTok user (who received two years of hard labor for insulting the president).[30]

4.4.3.4. Given the new administration's dichotomy between economic development and suppression of his opposition, there are fears that the current Hichilema administration could become the region's newest dictatorship. Businesses operating in the region should continuously monitor the political climate and remain vigilant towards legislation that may limit individual freedoms and the business operating environment.

4.4.4. Sierra Leone:

4.4.4.1. Sierra Leone has abundant natural resources and has put in place an environmental policy, legislative and institutional framework for environment and natural resources management in the country. The framework is supported by the Environmental Protection Act and the National Commission on Environment and Forestry (NACEF). However, there is a need to harmonize legislation and create a conducive regulatory and policy framework to keep pace with international developments. Water management, land degradation, vulnerability to natural hazards, bioenergy, and the coast and marine environments are the major environmental issues facing Sierra Leone. Water management is a critical issue, with an acute water shortage in most regions, conflicts of interest between different uses, and serious decline in water quality. Land degradation is a serious problem, caused by logging, firewood collection, mining, floods, and droughts. The country is vulnerable to several natural hazards, including droughts, floods, erosion, and tropical storms. Bioenergy is the main source of fuel for the country's population, and deforestation and desertification threaten the long-term prospects for its sustained supply. Signs of environmental degradation and decline in natural biodiversity are becoming obvious in several parts of Sierra Leone's coast and marine environments due to poverty, rapid population growth, and increasing land-based activities and sources of pollution.

4.4.4.2. Conflict Analysis: Julius Maada Bio (of the Sierra Leone's People's Party) was elected in April 2018 after narrowly defeating the incumbent party's candidate, Samura Kamara. Bio, who ran on a promise to revamp the economy and provide free education to young people, has emphasized investments in advanced technologies to spur Sierra Leone's development.[31] Despite the 2019 passage of the National Energy Strategic Plan and the 2023 passage of the Gender Equality and Women's Empowerment Act, advances in the country's social legislation have been overshadowed by violent clashes between protestors and police. Police fired live rounds into crowds and the national government briefly shut down the internet in

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[29] U.S. State Department, Media Note, "The United States Releases Signed Memorandum of Understanding with the Democratic Republic of Congo and Zambia to Strengthen Electric Vehicle Battery Value Chain," January 18, 2023: http://www.state.gov/the-united-states-releases-signed-memorandum-of-understanding-with-the-democratic-republic-of-congo-and-zambia-to-strengthen-electric-vehicle-battery-value-chain/

[30] Ibid.

[31] *Council on Foreign Relations,* "Behind Sierra Leone's Ambitious, Tech-Driven Development Pan," Valavanis, Adam, October 23, 2019: http://www.cfr.org/blog/behind-sierra-leones-ambitious-tech-driven-development-plan

response to August 2022 protests demanding the President's resignation for his inability to confront rising food and fuel prices.[32]

4.4.4.3. Sierra Leone still bears the scars of its decade-long civil war in which more than 50,000 people were killed.[33] Rural and remote locations, central to the Hardest to Reach Theory of Change and projected social impact, are the same remote locations that played host to the bloody altercations and randomized atrocities perpetrated by the civil war's combatants: The Revolutionary United Front (RUF); the Sierra Leone Army; and the Civil Defense Forces (Kajmajors) which sprang up as a protective response to each of the others.[34] As a result, businesses operating in the area must prudently monitor both ongoing tensions and the political response, especially as the country prepares for the 2023 presidential elections.

4.4.5. Togo:

4.4.5.1. Conflict Analysis: While Togo hosts elections regularly and with established political parties, the country is not a democracy. The Eyadéma family has controlled the presidency and through that, the government, since 1963. Current President, Faure Gnassingbé is son of the former leader, and has won elections in 2005, 2010, 2015, and most recently in 2020.[35] Togo is made up of numerous different ethnic groups, however the three principal groups include Adja-Ewe/Mina (~42%), Kabye/Tem (~26%), and Para-Gourma/Akan (~17%).[36] Despite representing only a quarter of the population, the Kabye ethnic group makes up most of the security forces and maintains outsized influence on Togo society given that the Eyadéma family is of Kabye descent.[37]

4.4.5.2. In response to rising inflation and insecurity within the country's Savannah region, the government approved emergency spending in 2022 to provide higher subsidies for fertilizers and fuel, tax exemptions, wage and pension increases in the public sector, and new investment spending for security purposes.[38] While the increasing domestic debt remains a source of vulnerability, the rising incidents of terrorist activity and extra-military violence along the country's northern border with Burkina Faso necessitated a response.[39]

4.4.5.3. The country's limited infrastructure poses distinct challenges for businesses operating in the country. There is only one highway (connecting Lomé to the northern city of Ouagadougou), making logistics vulnerable to protests frequent in the leadup to political elections. Lomé is the only deepwater port in West Africa and is similarly vulnerable to disruption. The Gulf of Guinea has observed an escalation in observed piracy in recent years, targeting both personal and commercial vessels.[40]

32 New York Times, "Protests Turn Deadly in Sierra Leone Over Rising Cost of Living," Peltier, Elian and Jamie Yaya Barry, August 15, 2022: http://www.nytimes.com/2022/08/12/world/africa/sierra-leopne-protests.html

33 *On Call International*, "Country Report: Sierra Leone," May 2022.

34 Political Economy Research Institute (PERI), University of Massachusetts Amherst, *Modern Conflict*, "Conflict Profile: Sierra Leone (1991-2001).

35 *On Call International,* "Country Report: Togo," February 2023.

36 Ibid.

37 Ibid.

38 *World Bank*, "Country Overview: Togo," March 31, 2023.

39 *On Call International.*

40 Ibid.

4.4.5.4. Businesses operating in the area must prudently monitor both ongoing tensions and the political response, given the limited infrastructure and the subsequent fragility of the localized supply chains. Similarly, businesses must build in large importation lead times given the increasing risk of piracy within the Gulf of Guinea, directly impacting the port of Lomé. Businesses are also encouraged to seek out insurance on all imported goods to mitigate potential loss of inventory. Lastly, all marketing materials should be reviewed to remove any inherent ethnocentricities, ensuring the company and product remain neutral as it relates to the diverse ethnic breakdown of the country.

4.5. Environmental and Social Risks using the IFC Performance Standards

4.5.1. IFC Performance Standard 1: Risks across Environmental and Social Management	
Indicator	**Risk and Mitigant Description**
Emergency Preparedness	Risk: Last mile distributors may have weak or insufficient emergency preparedness policies and procedures due to their early stage or resourcing constraints. They may not have proper emergency equipment, placards, alarms, drills, and trainings. Weak and insufficient emergency preparedness may result in company or customer injury or death in the event of an emergency. Additionally, companies ill-equipped to respond to emergencies could face business continuity issues.
	Risk: Vertically integrated businesses may not have emergency preparedness policies or procedures covering the new markets they are entering. Moreover, they may not be aware of potential environmental or social emergencies that could impact their operations. This may mean that their operations in H2R markets do not have proper emergency equipment, placards, alarms, drills, and training. Weak and insufficient emergency preparedness may result in company or customer injury or death in the event of an emergency.
	Risk: Manufacturers with factories could injure, harm, or cause death of employees without appropriate emergency preparedness procedures.
	Mitigant: Companies will be asked about emergency preparedness in due diligence/audit. When appropriate, for larger transactions, the team will conduct site visits for potential Investees. Site visit ESG procedures include observing emergency and safety materials. H2R will require companies with insufficient emergency preparedness policies and procedures, to improve policies and procedures as part of the ESG Action Plan.
E&S capacity commensurate with sector risk	Risk: Last mile distributors may have limited environmental and social capacity within their operations. This is particularly true of smaller loan recipients. Some companies may not have any person on their team with E&S risk management in their job descriptions.
	Risk: Vertically integrated SHS companies expanding into new territories may not have staff in those territories that will be actively managing environmental and social risks.
	Mitigant: Companies will be due diligenced/audited for ESG capacity. Companies with insufficient capacity will be trained in E&S risk identification, mitigation, and capacity as part of technical assistance.

Identification of E&S risks and impacts	Risk: Last mile distributors may not have the expertise or experience to identify environmental and social risks within their operations. Without knowledge of E&S risks, companies are less capable of mitigating these risks, and are more likely to have ESG incidents.
	Risk: Vertically integrated SHS businesses may not be aware of the environmental and social risks in the markets they are expanding their operations into. This could lead them to not properly identify or mitigate impactful environmental and social risks.
	Mitigant: Companies will be due diligenced/audited for ESG risks and impacts. Companies with insufficient capacity will be trained in E&S risk identification, mitigation, and capacity as part of technical assistance.
Affected Community knowledge of impacts and opportunities	Risk: Last mile distributors may not appropriately engage with communities that they serve. Communities may not know what resources a company can provide because companies do not engage them. Stakeholders may not know consumer protection opportunities, digital privacy rights, e-waste collection opportunities, or other important components of community engagement. This discrepancy could increase the likelihood of E&S risks.
	Mitigants: Companies will be due diligenced on stakeholder engagement. Those with insufficient practices may be required to improve them as part of the ESG Action Plan. Companies will be trained on stakeholder engagement as part of technical assistance.
Affected Community feedback and recourse	Risk: Last mile distributors may not have a proper grievance redress mechanism in place leaving the community without voice. This can exacerbate negative impacts of the Program because the last mile distributor may not be aware of negative practices in its operations. Additionally, this could harm company operations because disenfranchised or negatively impacted beneficiaries could be more likely to sue or damage the reputation of the company.
	Risk: Vertically integrated businesses may have functioning grievance redress mechanisms but have not shared that information with the new markets and customers they are reaching in H2R. Without GRM information, customers and communities may be more likely to go to government officials or sue when unsatisfied with the company.
	Mitigant: Companies will receive due diligence (E&S audit) on grievance mechanisms. Those that have weak, insufficient, non-existent grievance mechanisms will be expected to improve or develop GRMs over the course of the loan or investment. There will be technical assistance to train and support companies in GRMs.
SEAH Risks	Risk: Companies may not be aware of the SEAH risks for their staff and customers. They may not have a strong understanding of gender-based violence in their local or newly local context. Some GRMs may not have SEAH provisions in GRM.
	Mitigants: Companies will be due diligenced (audited) on SEAH capacity, awareness, policies, and procedures. We want to see internal buy-in from companies. For companies with deficiencies, we will provide third party gender expertise to help them build capacity. GRMs should have SEAH components as a part of any improvements.

4.5.2. IFC Performance Standard 2: Labor and Working Conditions Risks	
Indicator	**Risk and Mitigant Description**
Protection of contract workers	Risk: Contract workers for last mile distributors may have informal agreements with business. They may not be protected by company worker policies. Additionally, their contracts may create harmful incentives that create credit risks for the company. These informal contracts could leave contract workers without pay or protections leaving them more vulnerable to physical harm or poverty.
	Risk: Vertically integrated businesses may have limited understanding of local context for labor laws, regulations, and customs when entering new markets. Contract workers may have insufficient protections because of this knowledge gap.
	Mitigant: Companies will be due diligence/audit on worker protections, contracts, and legal obligations. Companies with insufficient or unclear contracts will be asked to make improvements via the ESG action plans.
Worker health and safety	Risk: Last mile distributors may have insufficient occupational health and safety (OHS) policies, procedures, training, or Personal Protective Equipment (PPE). This could result in physical harm, injury, or fatalities of workers. There is a particular concern about driver safety for sales agents who are traveling to distribute SHSs. Improper PPE could result in the transfer of airborne illnesses like Covid-19.
	Risk: Vertically integrated businesses entering new markets may have insufficient PPE for new employees in the new markets. This could result in physical harm, injury, or fatalities of workers. Improper PPE could result in the transfer of airborne illnesses like Covid-19.
	Risk: Manufacturers will likely have strong OHS policies, procedures, and protections. Even with strong OHS protections, working in SHS factories may result in physical harm, injury, or fatalities. Improper PPE could result in the transfer of airborne illnesses like Covid-19.
	Mitigants. Companies will be diligenced for OHS policies, procedures, incidents, and proper PPE. Companies with material OHS risks will be expected to make improvements via the ESG action plan and technical assistance.
Gender equality	Risk: SHS companies may have informal commitment to gender equality. Companies may not have gender action plans. Informal gender equality commitment may result in missing opportunities, policies, procedures, and accountability towards gender equality.
	Mitigant: Companies will be diligenced on gender practices. Insufficient gender practices will be captured and monitored in the company-level Gender Action Plan (GAP). H2R seeks to provide companies with gender weaknesses technical assistance to support their growth.
Non-discrimination & equal opportunity	Risk: SHS companies may not have proper policies and procedures demonstrating commitment to non-discrimination and equal opportunities. This could result in workers from marginalized communities feeling unsafe in the workspace. There may be insufficient protection for women or other marginalized communities. This may result in turnover and/or issues with worker morale.
	Mitigant: Companies will have due diligence (E&S audit) on their non-discrimination and equal opportunity policies and procedures. If the risks are material, then these will be included in the GAP.

Compliance with national labor and employment law	Risk: Vertically integrated businesses may need to learn local labor laws of new H2R markets. Companies out of compliance with national labor and employment laws may face legal actions involving working conditions (associations, collective agreements, labor laws, discrimination, equal remuneration, lack of equal opportunity, harassment). This could stop or harm company operations, which would impact the H2R mission and reputation.
	Mitigant: Companies will be due diligence (E&S audit) on compliance with local labor laws. If deficiencies are found, H2R will either not invest or create conditions precedent that the companies are expected to meet to disburse funds. The companies will be monitored for legal compliance annually. Companies may receive technical assistance on labor issues.
Workers' organization	Risk: SHS companies' practices may restrict, obstruct, or not expressly permit workers' rights to join workers' organizations and mechanisms to express their grievances on working conditions and terms of employment. Early-stage last mile distributors are more likely to have informal labor and human resources practices and are less likely to have explicit protections for workers' organization.
	Mitigants: When feasible, and if workers are calling for organization, H2R may share resources for companies on how to enable organizing. This will not be a condition for investment or part of the ESG Action Plan.
Formal provisions to avoid sexual harassment at work (SEAH)	Risk: Early stage SHS companies, especially last mile distributors, may not have formal arrangements to avoid sexual harassment at work, including a sexual harassment policy with, at a minimum, a mechanism to file complaints anonymously and confidentially and trained HR staff to review sexual harassment cases. Gaps in sexual harassment protections may cause significant challenges for workers who experience sexual harassment regarding reporting, safety, and resolution. The company also faces significant reputational and legal risks without formal sexual harassment provisions. This could impact the investors' reputations, including H2R.
	Mitigants: Companies will be due diligenced/audited on SEAH policies, procedures, and incidents. They are also expected to report on SEAH on an annual basis. Companies with SEAH risks will have improvement expectations that should be captured in the GAP.
Worker feedback and recourse	Risk: Early stage SHS companies, especially last mile distributors, may not have formal whistleblower, complaints, or grievance policies for workers. Informal complaints mechanisms may not protect workers with proper grievances. Companies are more susceptible to litigation and bad press without internal grievance mechanisms. This could also harm the reputation of H2R.
	Mitigant: Companies will be asked to provide whistleblower and complaints policy in due diligence/audit. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.
Forced and child labor in the primary supply chain	Risk: SHS companies may purchase SHSs from suppliers operating in certain regions that face credible accusations of forced labor. This will be an issue for H2R as investors require no forced labor in the supply chain. Forced labor issues could result in embargoes or bans on certain relationships, tariffs, or other trade issues. Forced labor reputational risks could disrupt the global solar supply chain resulting in higher cost products or delayed trade.
	Mitigant: Forced labor is in the exclusion list (Annex 1). Any companies with forced labor in their supply chain cannot receive H2R funds.
Safe worker accommodation	Manufacturers may have issues involving accommodation (camps, dorms, etc.) such as health and safety (e.g., fire, water, sanitation, overcrowding).

	This will be harmful to the H2R reputation and supply chain of last mile distributors.
	Mitigants: Companies will receive due diligence/audit on safe worker accommodation. There is expected to be limited exposure to this risk so there is no additional support around this issue.

4.5.3. IFC Performance Standard 3: Resource Efficiency and Pollution Prevention

Indicator	Risk and Mitigant Description
Impacts to water used by others	Risk: H2R expects to have minimal water usage in the Program. The main risk is water usage in the production of solar home systems. Excessive water usage can create water stress. However, the scale of this operation will likely mean negligible water stress. E-waste may also harm water resources.
	Mitigant: H2R will diligence/audit companies for e-waste and water usage. Companies with inefficient operations may undergo further diligence. Companies are expected to have or develop e-waste policies by the end of their activity with H2R.
Pollution prevention and risks	Risk: Mining for raw minerals used to create solar home systems generates pollution. Additionally, transporting supplies from manufacturers to local distribution networks to customers. This could be detrimental to the mitigation goals of the fund.
	Mitigant: Companies are expected to efficiently use natural materials. H2R will do desktop research on companies to uncover any public material on mining or excessive resourcing. The Program will not invest in any mining activities.
GHG emissions	Risk: Companies will have limited capacity to measure their emissions. Some will need additional support in calculating emissions reductions because of selling solar home systems.
	Mitigant: Companies will have the opportunity to learn about GHG emissions and operational reduction strategies via ESG webinars.
Resource efficiency	Risk: Last mile distributors may sell low efficiency or highly irreparable SHSs to save on costs. Low efficiency products or highly irreparable products can contribute to e-waste, poor customer retention, low repayment rates for PAYGo solar, and increased SHS production, which increases emissions and reduces mitigation opportunities.
	Mitigant: H2R will do desktop research on the company to learn of any resource efficiency newsworthy issues. H2R will also ask companies about resource efficiency in DD. Resource efficiency could be included in ESGAPs. Companies will have opportunities to learn about resource efficiency in the ESG webinars.

4.5.4. IFC Performance Standard 4: Community Health, Safety, and Security

Indicator	Risk and Mitigant Description
Security force impacts to communities	Risk: In politically volatile and risky H2R regions, some companies may hire security to protect SHS inventory. Security forces could create agitation, mistrust, or result in armed confrontation. Armed confrontation could result in community or staff injury or death. This would create major repercussions for the H2R Investee (new or existing facilities) and would be harmful to the H2R mission.

	Mitigant: Companies must ensure that the security force is compliant with local laws and regulations. If armed companies must prove that security personnel are trained in de-escalation and proper use and storage of weapons.
Contribution to health impacts upon a community	Risk: H2R Investees (facilities) will have minimal negative impacts on community health. SHS transportation could cause traffic fatalities.
	Mitigant: Companies with frequent injurious or deadly driving accidents will be asked to develop and implement road safety policies and trainings.
Worker impacts on a community	Risk: Workers for H2R Investees (facilities) could negatively impact a community with violence, harassment, stalking, or other negatively impactful behavior while they are working. Unprofessional worker behavior, actions, or violence can be detrimental to company operations and result in criminal inquiry, legal liability, and poor publicity. If activity harms company operations, it could affect their ability to repay H2R loans. Additionally, if worker behavior activity is tied to H2R, it could impact the fund reputation.
	Risk: Sales agents and customer/community-facing staff could attempt to exploit customers or sell to customers who cannot afford OGS products. Sales agents could have the wrong sales incentives.
	Mitigant; H2R will diligence/audit companies on consumer protection, code of conduct, and sales contracts. Consumer protection gaps will be addressed in the consumer protection plan, community engagement deficiencies will be addressed in the ESGAP, and companies will have ESG and consumer protection support as a component of technical assistance.
Gender-based abuse, exploitation, or harassment (SEAH)	H2R Investees (new or existing facilities) may have staff that commits sexual harassment, abuse, or exploitation in the communities they serve. This would cause significant harm to the community members the Program seeks to serve. It would also open the company up to legal scrutiny and potential lawsuits. It would be impactful to the gender equity work the team seeks to do. Moreover, the incident would tarnish the reputation of the H2R Program if it was connected to the fund.
	Mitigant: H2R will do extensive DD on gender aspects of Investees (facilities). Companies with risks or deficiencies will be expected to address them in GAP. Companies will receive support on GAP development and completion from third party gender experts.
Fires or structural damage that have harmed the public	Manufacturers are at risk of fire hazards in their factories. Fire damage could spread and harm communities. This would negatively impact company operations and community trust. Additionally, it could make supply chains more expensive or slow trade down.
	Mitigant: When applicable, site visits will look for fire hazards and adequate mitigants. Material insufficiencies are expected to be addressed post-investment in the ESGAP.
Consumer credit risk	Some H2R Investees (facilities) may sell their SHS products using PAYGo financing. Essentially, they will allow consumers to buy their products on credit. If companies do not appropriately assess credit risk and capacity to pay. If companies do not properly assess consumer capacity to pay, they may cause consumers to miss payments, increase their debt, lower their credit score, and have their products remotely shut off. Companies who do not appropriately manage their credit risk can face ballooning accounts receivable and limited cash on hand. This could negatively impact companies' ability to repay their H2R loans.
	Mitigant: Companies will undergo thorough consumer protection and credit risk management due diligence/audit. Companies will be expected to share their credit risk strategy. Experts may support larger investments

	with consumer protection due diligence/audit. Companies may have consumer protection plans to address areas of improvement. Companies will also have access to experts to improve credit risk management.
Consumer data privacy risk	Risk: H2R Investees (facilities) will collect sensitive personal data of consumers for payment and credit risk assessment purposes. Data could be used for fraud, identity theft, sales to data purchasers, or other purposes. Investees (facilities) could have weak data management controls and could have their materials hacked or obtained by malicious actors. This could harm the reputation of H2R if improper data activity is tied to the Program.
	Mitigant: Companies will be asked about consumer data privacy, and if the answer is insufficient then they will be expected to improve their data privacy policy and procedure over time.

4.5.5. IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement

Indicator	**Risk and Mitigant Description**
Policy and process for social impact assessment and land acquisition	Risk: Last mile distributors and vertically integrated businesses moving operations into Hardest-to-Reach markets may not have land resettlement policies and procedures. This could open companies improperly managing a lawsuit or conflict over land acquisition. H2R companies are not likely to acquire much land because of the nature of their operations so this is a minimal risk.
	Mitigant: Businesses moving companies into the market or purchasing land may have to utilize the land resettlement and displacement framework. Companies will be diligenced/audited on land acquisition if any H2R funds would go to land purchasing.
People/communities affected by land acquisition	Risk: Investees (new or existing facilities) could potentially harm people or communities when acquiring land for their operations. Investees (facilities) will require minimal land needs, so it is not a high-risk issue.
	Mitigant: Investees (facilities) will be diligenced/audited on land acquisition when necessary. Companies will be required to have a land resettlement plan. Companies may need to compensate people for the negative impact of land resettlement. See Annex 9 for further details.
Impacts involving economic displacement	Some people could face job loss due to SHS products replacing kerosene or other forms of energy. However, it is more likely that the H2R Program will be responsible for job creation.
	Mitigant: If project or investment displaces communities then the company will have to come up with a displacement plan based off Annex 9.

4.5.6. IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Indicator	**Risk and Mitigant Description**
Impact on ecosystem services	Risk: Manufacturers could harm the environment with the production of solar home systems. Some manufacturers may rely on coal or fossil fuels as energy sources for their manufacturing. The production of solar home systems could release toxic or harmful pollutants that could have some impact on local ecosystems. We expect the investment in on-lending

	manufacturing to have minimal environmental impacts and the impact to be within the scope of the Program.
	Risk: Distributing SHS could result in e-waste at the end of the product's life cycle. Improper disposal of batteries or other solar materials may have negative impacts on the environment.
	Mitigant: Companies will engage with due diligence/audit on biodiversity, environmental impact, and e-waste. Companies with deficiencies are expected to make improvements in the ESGAP. H2R will have little influence on manufacturing energy but companies will have a small footprint. Companies will have access to e-waste training, support, and consulting.
Impacts to legally protected/ Internationally recognized areas	Risk: Manufacturers could impact protected or internationally recognized areas if they operate near those areas. Their pollution could damage the protected habitat or wildlife.
	Risk: SHS beneficiaries may dispose of e-waste in legally protected or internally recognized areas, which may damage protected or legally recognized areas, the habitat, or wildlife. This is especially important in the Democratic Republic of the Congo, home to the Congo rainforest. The Congo rainforest is one of the most important habitats in the world.
	Mitigant: The H2R team also pays special attention to where operations are located and expects to have specific cautions and expectations for companies operating in vulnerable locations. E-waste collection will be monitored for companies operating near critical ecosystems. Companies will not be allowed to purchase land using H2R funds on critical habitats. Companies operating in these areas and capable of having a measurable impact on these species or habitats may require an ESIA (Annex 13).
Impacts to International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered species and habitats	Risk: SHS e-waste could be harmful to the International Union for the Conservation of Nature Vulnerable, Endangered, and Critically Endangered species and habitats. Lithium from batteries and other toxic components could have a small but harmful impact on IUCN endangered species and habitats. Companies may not have sufficient e-waste or environmental policies. They may not have e-waste contracts to appropriately handle e-waste.
	Risk: Companies with weak or immature environmental policies could be unaware of their proximity to IUCN Vulnerable, Endangered, and Critically Endangered species and habitats. They may not know the extent of their impact on these species or habitats.
	Mitigant: The H2R team also pays special attention to where operations are located and expects to have specific cautions and expectations for companies operating in vulnerable locations. E-waste collection will be monitored for companies operating near critical ecosystems. Companies will not be allowed to purchase land using H2R funds on critical habitats. Companies operating in these areas and capable of having a measurable impact on these species or habitats may require an ESIA (Annex 13).
Impacts on natural habitats	Risk: SHS e-waste could have minimal harmful impacts on natural habitats. H2R Investees could have weak or minimal e-waste policies, contracts, or procedures. Companies with weak policies and procedures could exacerbate potential harms to natural habitats.
	Mitigant: The H2R team also pays special attention to where operations are located and expects to have specific cautions and expectations for

	companies operating in vulnerable locations. E-waste collection will be monitored for companies operating near critical ecosystems.
Protection of habitats and biodiversity management	Risk: SHS e-waste could be harmful to efforts to protect habitats and biodiversity management. Used or broken batteries can spill toxic acid in conservation areas.
	Risk: Manufacturing companies could be harmful to efforts to protect habitats and biodiversity. Inefficient manufacturing could be harmful to habitats and biodiversity by releasing pollutants and harmful greenhouse gasses.
	Risk: Last mile distributors may have limited environmental policies protecting habitats and biodiversity management. A last mile distributor or a vertically integrated business operating in a new territory may not know the environmental impact of operating in these geographies. Some businesses may be unaware of the local habitats or biodiversity. They could be unaware of the harmful impacts their operations could have on habitats and biodiversity. Without environmental policies, companies with larger footprints may not have procedures in place to identify or mitigate some of these damages.
	Mitigant: Companies are expected to have sufficient environmental and e-waste policies. Companies found to have insufficient, and material environmental impacts will be expected to make improvements post-investment. The H2R team also pays special attention to where operations are located and expects to have specific cautions and expectations for companies operating in vulnerable locations. E-waste collection will be monitored for companies operating near critical ecosystems.

4.5.7. IFC Performance Standard 7: Indigenous Peoples

Indicator	**Risk and Mitigant Description**
Impacts on Indigenous Peoples	Risk: H2R could lend to Investees (new or existing facilities) operating in indigenous territory or with indigenous populations. They may not have free, informed, or prior consent of indigenous populations to work in their territory. Selling SHS products could go against local norms and expectations leading to harming the indigenous community and lessening the impact.
	Risk: H2R Investees (facilities) may not have indigenous peoples' policies and may not have procedures for interacting with indigenous communities. Investees not having policies and procedures tied to best practices could result in harming indigenous populations and hurting the Program impact.
	Mitigant: H2R has an Indigenous People's Policy that informs our work with indigenous people. We also have a stakeholder engagement plan that incorporates indigenous voice and consent. We due diligence/audit companies on their engagement and policies around indigenous peoples. If companies engage with indigenous populations, we expect them to have proper policies and procedures. We also have consultants who can support this engagement.
Proactive engagement with Indigenous Peoples	Risk: Companies can have positive impacts on indigenous populations if they proactively engage with these communities and seek free, informed, and prior consent. However, companies can receive backlash for not properly consulting indigenous populations about operating within their communities.

	Mitigant: Companies who engage with indigenous communities are expected to have free, informed, and prior consent of the indigenous community with evidence of that engagement.

4.5.8. IFC Performance Standard 8: Cultural Heritage	
Indicator	**Risk and Mitigant Description**
Impact upon critical cultural heritage	Risk: H2R could lend to Investees (new or existing facilities) who utilize cultural or historical imagery in their marketing materials without consent from relevant communities and stakeholders. This could result in the Program funding companies improperly benefiting from cultural materials. This could harm community trust, stakeholder engagement, and Program impact. Company level chance find procedures could be missing which would be relevant for companies with a larger footprint.
	Mitigant: Companies may be asked about marketing materials and chance find procedures if they are expanding their footprint. We expect there to be minimal risks given the type of program.

4.6. Mitigants

4.6.1. The Hardest-to-Reach ESIA informed the development of the mitigation strategy in the ESMS. The mitigation strategy contains several components: ESG organizational capacity and resources, an extensive ESG investing process, portfolio-level and company-level ESG standards and requirements, thorough monitoring and reporting, and stakeholder engagement.

4.6.2. In the H2R Environmental and Social Policy, the Program team committed to not investing in E&S risk category A companies and to not engage or invest in any operation in the Exclusion List as found in Annex 1. Avoiding these investments and activities will protect the Program from engaging in any dangerous or largely harmful activities.

4.6.3. H2R has developed internal capacity to identify, mitigate, and report on environmental and social impacts and risks. During the Program development stage, the team created an ESIA to identify risks and mitigants for the Program. The team created an ESMS to build team and Program capacity to mitigate environmental and social risks. With a strong understanding of Program and Investee (new or existing facilities) level risks, the team expects to minimize environmental and social risks across the Program and maximize E&S co-benefits.

4.6.4. As shared in Section 5, Hardest-to-Reach built organizational capacity for the Program and assigned ESG responsibilities, oversight, and capacity building across the Program. The Program commits to Program staff and managers having environmental and social responsibilities and roles. The Program also developed a guideline for Investee (facility) ESG organizational capacity and commitment. The Program also created opportunities for Investees (facilities) to build internal ESG capacity via technical assistance from ESG experts. The Program commitment to organizational capacity, capacity building and training, clearly defined E&S roles and responsibilities, and Investee (facility) guidance minimizes chances of the team missing or not being capable of mitigating risks. The team expects to be prepared and well equipped to handle the risks identified in the ESIA.

4.6.5. As shared in Section 6, Hardest-to-Reach created an ESG investing process that incorporates a strong diligence/audit cycle with a variety of tools, ESG term sheet requirements, post-investment ESG activities, technical assistance, and ESG monitoring and reporting. Having a clearly planned strategy with extensive investigation into company operations should give the team the ability to identify any ESG weaknesses or opportunities for growth. Moreover, the process ensures that the team generates broad awareness of these risks across both the managers and the investment committee and requires that Investees (new or existing facilities) manage these risks via the term sheet. Finally, ESG activities and technical assistance are tools to ensure the Investees (facilities) and the management team can mitigate risks after disbursement.

4.6.6. As shared in section 7, the Management team developed strong standards, KPIs, and requirements for the Program and Investees (facilities) aligned with industry best practices, investor expectations, and community voice. Hardest-to-Reach established strong standards on consumer protection, e-waste, labor and working conditions, the protection of biodiversity and the other larger risks for the Program. The Program standards will safeguard the Program and the Investees (facilities) from actualizing the more significant risks.

4.6.7. H2R requires meaningful and significant reporting both at the Program and Investee (facility) level. The Program team will monitor ESG trends across the portfolio, developing ESG risks, incidents, and successful mitigation strategies. Monitoring and reporting will help the H2R team adjust the ESMS and ESG strategies to fit the evolving needs and challenges across the Program.

4.6.8. As shared in Annex 11, the H2R team engages a diverse array of stakeholders to learn from government entities, companies, experts, and affected communities about the environmental and social impacts and risks of the Program. Their voice and depth of contextual understanding makes the team significantly more aware of risks and mitigants

4.6.9. Finally, the Grievance Redress Mechanism (Annex 12) is a tool for the Program to be held accountable to the affected communities. The GRM is aligned with the Ruggie Principles and will be an important tool for community voice.

4.6.10. The H2R Program will continue to seek strong environmental and social mitigants and to ensure that communities impact the ESG strategy across the lifespan of the Program.

5. Allocation of Resources, Organizational Capacity, and Responsibilities

5.1. Executive Summary

5.1.1. Hardest-to-Reach seeks to have executive roles overseeing the Market Support Facility and the Market Expansion Facility. Within these roles, the executive will be responsible for overseeing the implementation of the ESMS.

5.1.2. The Hardest-to-Reach team will be made up of facility-specific roles, two investment committees, consulting groups, and Acumen. Each group will have separate ESG responsibilities that are detailed in this section.

5.1.3. The Hardest-to-Reach facility teams are responsible for investor and donor investment and reporting requirements, and to beneficiaries who can benefit and experience environmental and social impacts from Program activities.

5.1.4. We seek to allocate sufficient resources for our ESG work. This includes a budget as follows:

MSF

Role	Time Alloca	Activity	indicative Salary p.a	Subtotal
Impact/ESG Lead	33%	Collecting Impact & ESG DD info + Reporting	120000	39600
Invest Princ.	5%	Assessment, CP, CS, ESG Action Plans	270000	13500
Invest Assoc	5%	Assessment, CP, CS, ESG Action Plans	100000	5000
TAF Manager	25%	ESG TA Mgmt	60000	15000
ESG TAF Component	N/A	ESG TA	N/A	3038336

MEF

Role	Time Alloca	Activity	indicative Salary p.a	Subtotal
Impact/ESG Lead	33%	Collecting Impact & ESG DD info + Reporting	120000	39600
Invest Princ.	5%	Assessment, CP, CS, ESG Action Plans	270000	13500
Invest Assoc	5%	Assessment, CP, CS, ESG Action Plans	100000	5000

5.1.5. In this section, H2R will share our responsibilities, working practices, training, and conflict of interest engagement.

5.2. Responsibility Charts

Market Support Facility ESG Responsibility Chart				
MSF Investment Type	**Last Mile Distributor Loans**	**Equity Investment**	**Joint Venture investments**	**Impact Indexed Loans**
Screening	Advisor with local lending expertise	Equity advisor	MSF relationship managers	
Diligence Collecting	Advisor with local lending expertise	Equity advisor	MSF relationship managers	

Diligence Analysis	Advisor with local lending expertise and MSF Impact and ESG Manager	Equity advisor MSF Impact and ESG Manager	MSF Impact and ESG Manager
Investment Decision	Market Support Facility Investment Committee		
Term Sheet, Side Letter and ESG Action Plan	Advisor with local lending expertise MSF Impact and ESG Manager LMD Company Legal	Equity advisor MSF Impact and ESG Manager Equity Investee Legal	MSF relationship manager MSF Impact and ESG Manager Legal
Post-Investment Support and Technical Assistance	Advisor with local lending expertise MSF Impact and ESG Manager Service providers	Equity advisor MSF Impact and ESG Manager Equity Investee Service providers	MSF relationship manager MSF Impact and ESG Manager Service providers
Monitoring	Advisor with local lending expertise	Equity advisor	Relationship Manager
Reporting	MSF Impact and ESG Manager	MSF Impact and ESG Manager	MSF Impact and ESG Manager Relationship Manager

Market Expansion Facility ESG Responsibility Chart		
MEF Investment Type	**Impact Indexed Loans**	**Accounts Receivable Financing**
Screening	MEF Relationship Manager	
Diligence Collecting	MEF Relationship Manager	
Diligence Analysis	MEF Impact and ESG Manager	
Investment Decision	MEF Investment Committee	
Term Sheet, Loan Agreement Side Letter, and ESG Action Plan	MEF Relationship Manager MEF Impact and ESG Manager Legal	
Post-Investment Support and Technical Assistance	MEF Relationship Manager MEF Impact and ESG Manager Service Providers	
Monitoring	MEF Relationship Manager	
Reporting	MEF Impact and ESG Manager	

5.3. Market Support Facility team responsibilities

5.3.1. The Market Support Facility team is responsible for acquiring ESG diligence (E&S audit), performing site visits, developing term sheets, and monitoring ESG action plans from the Hardest-to-Reach Investees (new or existing facilities). The MSF team may work with MSF advisor with local lending expertise, the MSF advisor with local equity expertise, and the MSF Impact and ESG officer to ensure the ESMS is being properly implemented. The Market Support Facility intends to have an MSF impact and ESG manager that will be responsible for ensuring the MSF ESG activities are fully executed in the investing and post-investment process.

5.3.2. In preliminary diligence, the MSF team will be responsible for ensuring that MSF pipeline companies do not engage in any of the Program Excluded Activities as described in Annex 1. The relationship manager will screen applicants using the Excluded Activities screening questionnaire. They will notify the MSF impact and ESG officer that the company is qualified to enter preliminary due diligence/audit. They will also be responsible for ensuring that the MSF advisors utilize the ESMS guidance including the Exclusion List in developing the pipeline and supporting due diligence.

5.3.3. The MSF team is responsible for sharing and ensuring completeness of the ESG due diligence questionnaire (Annex 2) for MSF loans and equity investments. They will also be responsible for ensuring companies complete the gender assessment, and the consumer protection questionnaire. Once questionnaires are complete and all materials are finalized, they are responsible for sharing the materials, information, and insights with the Impact and ESG officer.

5.3.4. If the MSF team conducts a site visit, they will complete the ESG site visit checklist. They will interview the team and walk around the company site to learn about their ESG risks and mitigants, observe emergency and security operations, and investigate occupational health and safety issues. The team will write their site visit notes and share them with the MSF Impact and ESG officer.

5.3.5. After ensuring a complete ESG diligence/audit, the MSF team works with the MSF Impact and ESG officer to complete the ESG due diligence report/audit findings (Annex 5). This will inform the ESG section of the investment memo. The MSF team may seek guidance or support from the MSF advisors on ensuring the completeness of equity-like, recoverable grant, convertible note, or small loan ESG due diligence/audit. The Investment Committee should expect to receive the Investment Memos, the ESG DD questionnaire, and the ESG due diligence report/audit findings.

5.3.6. The MSF team will ensure ESG Action Plans (Annex 6) are legally binding in the side letter with the MSF Investee (new or existing facilities). The MSF team is responsible for ensuring relevant conditions precedent are agreed to for any ESG risks need mitigating prior to the disbursement of the loan. The team will be responsible for working with the MSF Impact and ESG officer to develop an appropriate and feasible ESG action plan for MSF Investees (facilities).

5.3.7. The MSF team will be responsible for working with the TA administrator, consultants, and other parties to ensure that MSF Investees (facilities) are receiving proper TA in accordance with the ESG action plan and any other diagnostics.

5.3.8. The MSF team will be responsible for monitoring post-investment ESG activity, ESG Action Plan (Annex 6) progress, and any other relevant ESG incidents or opportunities across the MSF portfolio. The MSF team will monitor and report with the Impact and ESG officer.

5.3.9. The MSF team shall engage MSF stakeholders through the duration of the H2R Program. The MSF team will listen, learn from, and report to stakeholders on an annual basis. They will also be responsible for implementing the various policies and procedures that are part of the H2R ESMS: the grievance redress mechanism, the Indigenous Peoples Policy, and the Guidance on Land Resettlement.

5.4. Market Expansion Facility team responsibilities

5.4.1. The Market Expansion Facility team is responsible for acquiring ESG diligence, performing site visits, developing term sheets, and monitoring ESG action plans for MEF Investees (facilities). The MEF team seeks to ensure the ESMS is being properly implemented. The MEF will have an MEF Impact and ESG manager who will ensure Investees (facilities) follow the ESMS.

5.4.2. In preliminary diligence/audit, the MEF team will be responsible for ensuring that pipeline companies do not engage in any of the Program Excluded Activities as described in Annex 1. The MEF relationship manager will screen potential MEF Investees (facilities) using the Excluded Activities screening questionnaire. The MEF relationship manager will notify the Impact and ESG officer that the company is qualified to enter preliminary due diligence/auditing.

5.4.3. The MEF team is responsible for sharing and ensuring completeness of the ESG due diligence questionnaire (E&S audit) for MEF loans. They will also be responsible for ensuring companies complete gender and consumer protection questionnaires. Once questionnaires are complete and all materials are finalized, they are responsible for sharing the materials, information, and insights with the MEF Impact and ESG officer.

5.4.4. If the MEF team conducts a site visit, they will complete the ESG site visit checklist. They will interview the team and walk around the company site to learn about their ESG risks and mitigants, observe emergency and security operations, and investigate occupational health and safety issues. The team will write their site visit notes and share them with the MEF Impact and ESG officer.

5.4.5. After ensuring a complete ESG diligence/audit, the MEF relationship manager will work with the Impact and ESG officer to complete the ESG due diligence report (Annex 5). This will inform the ESG section of the investment memo. The Investment Committee should expect to receive the Investment Memos, the ESG DD questionnaire, and the ESG due diligence report.

5.4.6. The MEF team will ensure ESG Action Plans (Annex 6) are legally binding in the term sheet with the MEF Investees (new or existing facilities). The MEF team is responsible for ensuring relevant conditions precedent are agreed to for any ESG risks need mitigating prior to the disbursement of the loan. The team will be responsible for working with the Impact and ESG officer to develop an appropriate and feasible ESG action plan for MEF Investees (facilities).

5.4.7. The MEF team will be responsible for working with the TA administrator, consultants, and other parties to ensure that MSF Investees (facilities) are receiving proper TA in accordance with the ESG action plan and any other diagnostics.

5.4.8. The MEF team will be responsible for monitoring post-investment ESG activity, ESG action plan (Annex 6) progress, and any other relevant ESG incidents or opportunities across the MEF portfolio. The MEF team will monitor and Impact and ESG report MEF Investees (facilities).

5.4.9. The MEF team shall engage MEF stakeholders (Annex 11) through the duration of the H2R Program. The MEF team will listen, learn from, and report to stakeholders on an annual basis. They will also be responsible for implementing the various policies and procedures that are part of the H2R ESMS: the grievance redress mechanism (Annex 12), the Indigenous Peoples Policy, and the Guidance on Land Resettlement.

5.5. Market Support Facility Lending Advisor responsibilities

5.5.1. The H2R MSF team may seek the guidance and support of advisors with local debt expertise when sourcing and doing due diligence/audit on small loans to last mile distributors. When supporting small MSF loans to last mile distributors, the advisors with local debt expertise may guide implementing the ESG strategy for these select loans. The advising team will lead a lighter touch ESG strategy that is appropriate for the size and scale of their loans. It is important to note that the team will not own the loan and are not making decisions on approval of the loan or the final beneficiaries.

5.5.2. The advising team with local lending expertise is responsible for screening potential loans for Excluded Activity.

5.5.3. On select loans, the advisor with local lending expertise may be responsible for sharing the light touch ESG diligence questionnaire (Annex 2) with the potential Investees (facilities). They are expected to interpret all ESG diligence including the policies and procedures they received and rating the company on ESG risk category. They are also responsible for writing a short ESG diligence report (Annex 5) for the MSF investment committee.

5.5.4. On the loans they support, the lending advisors will work with the MSF Impact and ESG officer to ensure the ESG action plan is a legally binding part of the term sheet or side letter. advisor, Acumen, and MSF impact and ESG officer will work together to develop an appropriate action plan based on the ESG diligence and the sequencing of loans and follow-on loans.

5.5.5. When utilized, the MSF advisor with local debt expertise is responsible for monitoring and reporting ESG incidents, ESG activity, and ESGAP progress over the course of the loans and MSF program timeline. The MSF advisor with local lending expertise is expected to report ESG activities to the Impact and ESG officer so that this information can be reported to investors, donors, and other relevant stakeholders.

5.6. Market Support Facility Equity Advisors responsibilities

5.6.1. The equity advisors will be responsible for supporting the ESG strategy for the MSF equity-like investments. The equity team will implement the MSF ESG strategy that is appropriate for the size and scale of their investments as guided by the MSF team.

5.6.2. The equity advisor is responsible for screening potential equity investments for Excluded Activity.

5.6.3. The equity advisor is responsible for sharing the ESG diligence questionnaire (Annex 2) with the potential Investees (facilities). If they go on a site visit, the equity advisors are expected to interview relevant company staff. They are required to interpret all ESG diligence/audit materials including the policies and procedures they received and rating the company on ESG risk category. They are also responsible for writing an ESG diligence report (Annex 5) on MSF equity investments to be shared with the MSF IC.

5.6.4. The equity advisors will work with the MSF Impact and ESG officer to ensure the ESG action plan is a legally binding part of the term sheet. The equity team, Acumen, and the Impact and ESG officer will work together to develop an appropriate action plan based on the ESG diligence/audit and the sequencing of equity investments and follow-ons.

5.6.5. The equity advisor is responsible for monitoring and reporting ESG incidents, ESG activity, and ESGAP progress over the course of the investment and MSF Program timeline. The equity team is expected to report ESG activities to the MSF Impact and ESG officer so that this information can be reported to investors, donors, and other relevant stakeholders.

5.7. Acumen responsibilities

5.7.1. Acumen as the Accredited Entity for the Hardest-to-Reach Program will be responsible for ensuring the H2R management team is implementing and monitoring the ESMS.

5.7.2. Acumen's ESG team will support the Program with implementing the ESMS, supporting the Investees (facilities), and assisting with Technical Assistance. The Acumen ESG team will also support the Management Team capacity building.

5.7.3. Acumen will assist with stakeholder engagement including supporting the Nationally Designated Authority relationship, ensuring effective communication between the H2R management team and constituencies, and sharing H2R reporting with Acumen's ecosystem.

5.7.4. Acumen will assist with monitoring, reporting, and evaluation. Acumen will support the writing and reporting of the Annual Performance Reviews for GCF. Acumen will lead the development and execution of the interim and final independent evaluations. Acumen will also support the development and execution of longitudinal insights studies.

5.7.5. Acumen has its own Grievance Redress Mechanism that will operate independently of the H2R team. Acumen will investigate any grievances they receive as the AE of this Program.

5.8. TA administrator and consultants' responsibilities

5.8.1. The technical assistance administrator is responsible for disbursing the technical assistance funds to the proper consultants, NGOs, grant recipients, and Investees under the supervision of the MSF team.

5.8.2. The technical assistance administrator is also responsible for screening TA fund recipients for engagement in the Excluded Activity list.

5.8.3. The technical assistance administrator shall monitor the technical assistance and report on technical assistance activity for investors, donors, and other relevant stakeholders.

5.9. Training and Resources

5.9.1. The Hardest-to-Reach team will receive annual ESG training to ensure their knowledge and understanding of the H2R ESMS and to build their capacity to identify and mitigate environmental and social risks.

5.9.2. The H2R team will be periodically trained on specific environmental and social risks like consumer protection and e-waste by industry experts to build deeper expertise in higher risk activities for the Program.

5.9.3. Training, consulting, and resources are also provided by third party experts to H2R companies on an ongoing basis. Webinar topics include e-waste, OHS, ESMS, community safety, and other relevant ESG topics. There will also be a resource center with tools and templates to help companies improve their ESG practices. The companies may also have a helpline that they can utilize for support with ESGAPs and policy and procedure development. Finally, companies will also have access to consultants that can provide one on one support.

5.10. Investee Capacity

5.10.1. Hardest-to-Reach Investees (new or existing facilities) are expected to comply with the guidance of the H2R ESMS. Hardest-to-Reach Investees (facilities) will be required to meet certain criteria to receive Program funding and technical assistance.

5.10.2. To go through the diligence/audit cycle, Hardest-to-Reach companies are expected to provide evidence that they do not engage in any of the Hardest-to-Reach Excluded activities. If companies are determined to have not engaged in Excluded Activities and subsequently receive H2R funding, they are legally required to not engage in any Excluded Activities.

5.10.3. Companies are expected to fully, honestly, and transparently engage in the ESG due diligence cycle. They will be expected to certify the veracity of their due diligence/audit materials. Companies are required to submit ESG due diligence/audit questionnaires, supplementary ESG questionnaires, evidence of company policies and procedures, and a site visit if required by the H2R team.

5.10.4. If deficiencies are found in due diligence/audit, companies are contractually required to enact an ESG action plan. The ESG action plan will be developed by the H2R team and Acumen.

5.10.5. By the end of the H2R Program, companies are expected to meet certain obligations:

5.10.5.1. ESMS
5.10.5.2. E&S Policy
5.10.5.3. Grievance Mechanism
5.10.5.4. Indigenous Peoples Policy (if applicable)
5.10.5.5. Gender Action Plan
5.10.5.6. Consumer Protection Plan or Policy
5.10.5.7. E-waste Policy and contract
5.10.5.8. Stakeholder Engagement Plan

5.10.6. Companies are expected to report on environmental and social activities across the tenure of their loan or equity investment. Companies shall report on ESG Action Plans at ESGAP milestones and an annual basis. Companies shall report on environmental and social measures on an annual basis.

5.10.7. H2R companies are expected to report grievances and ESG incidents to the H2R team within 5 days of knowledge of the incident. ESG incidents are described in further detail in section 6.

6. Environmental, Social, and Governance Investing Strategy

6.1. Executive Summary

6.1.1. Hardest-to-Reach incorporates environmental and social risk and impact throughout the investing process. The H2R management team will incorporate environmental and social factors in screening, due diligence (environmental and social audit), term sheets, post-investment supports, monitoring, and reporting. The Hardest-to-Reach Program has two facilities: the Market Support Facility and the Market Expansion Facility.

6.1.2. The Market Support Facility will invest in joint ventures, debt via manufacturers, debt to last mile distributors, and direct distribution equity. The MSF will invest in vertically integrated Solar Home System companies, Solar Home System manufacturers, and Solar Home System last mile distributors.

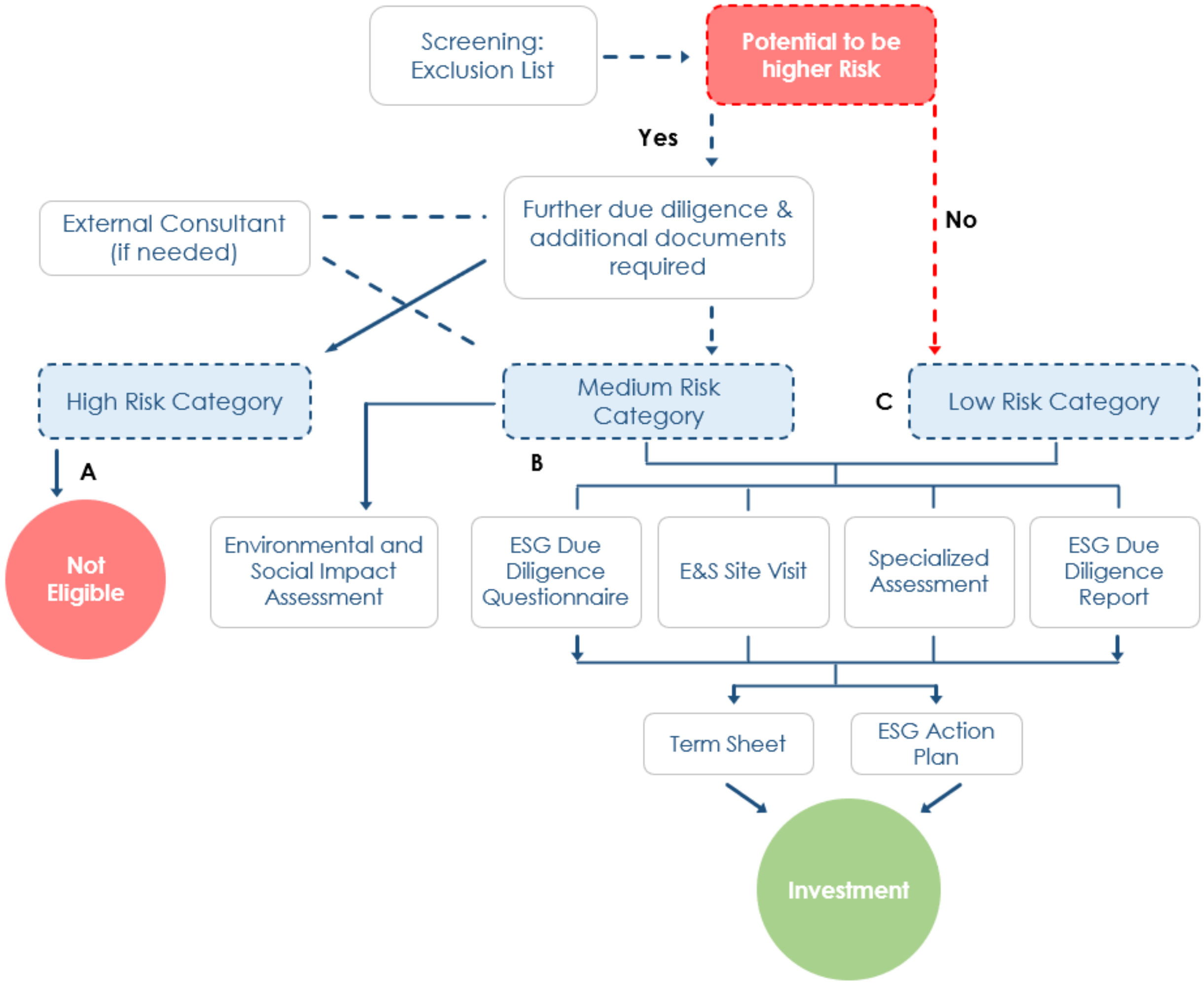
6.1.3. The Market Expansion Facility will invest using impact indexed loans for two business types. The MEF will invest in vertically integrated businesses, last mile distributors, and receivables financing.

6.1.4. Both facilities and each investment approach will follow similar ESG processes. Small last mile distributors will have a smaller scale version of the ESG process to appropriately size the process for early-stage companies with a limited footprint. Manufacturers and vertically integrated businesses will also be asked to fill out supplementary questionnaires.

Market Support Facility Investment Types and ESG Process				
	Joint Ventures	**On-lending via OGS Manufacturer**	**Recoverable grant, convertible notes investments**	**Lending to LMDs**
Company Profile	Vertically Integrated OGS businesses seeking to enter H2R Markets	OGS manufacturing companies and OGS distributors	Local Last Mile Distributors	Early-Stage Local Last Mile Distributor
Investment instrument	Equity	Debt	Convertible notes and recoverable grants	Debt
Average Ticket Size	$5 million USD	$700,000 USD	$2 million USD	$200,000 USD
Implementation Support	MSF team	MSF team	MSF team, When feasible, Advisors with local equity expertise	MSF team When feasible, Advisors with local lending expertise
Screening	Annex 1: Exclusion List			
ESG diligence (Environmental and Social Audit)	Annex 2: ESG Questionnaire Annex 3: Manufacturing Module Site Visits Annex 4: H2R ESG Checklist	Annex 2: ESG Questionnaire Annex 3: Manufacturing Module Site Visits Annex 4: H2R ESG Checklist	Annex 2: ESG Questionnaire Site Visit Interviews Annex 4: H2R ESG Checklist	Annex 2: Small LMD loan ESG questionnaire
Investment Decision	Annex 5: H2R Due Diligence Report/Audit Findings Term Sheet			

Post Investment	Annex 6: ESG Action Plan; Consumer Protection. ESG, and Gender Technical Assistance; Annex 7: ESG Incident Report Template
Monitoring and Reporting	Annex 8: H2R ESG Monitoring Report

Market Expansion Facility Investment Types and ESG Process			
	Impact Indexed loans to Vertically Integrated OGS companies	**Impact Indexed loans to OGS Last Mile Distributors**	**Accounts Receivable Financing**
Company Profile	Vertically Integrated OGS businesses seeking to expand H2R Markets	OGS Last Mile Distributors expanding	Potential fund of funds doing AR for OGS manufacturers
Investment instrument	Debt	Debt	Debt
Average Ticket Size	$10 million USD	$3 million USD	$20 million USD
Implementation Support	MEF Team		
Screening	Annex 1: H2R Exclusion List		
ESG diligence (Environmental and Social Audit)	Annex 2: ESG Questionnaire Annex 3: Manufacturing Module Site Visits Annex 4: H2R ESG Checklist	Annex 2: ESG Questionnaire Module Site Visits Annex 4: H2R ESG Checklist	Annex 2: ESG Questionnaire Annex 4: H2R ESG Checklist
Investment Decision	Annex 5: H2R Due Diligence Report/Audit Findings Term Sheet		
Post-Investment	Annex 6: ESG Action Plan; Consumer Protection. ESG, and Gender Technical Assistance; Annex 7: ESG Incident Report Template		
Monitoring and Reporting	Annex 8: H2R ESG Monitoring Report		



6.2. ESG considerations during the investment process

6.2.1. Screening

6.2.1.1. All pipeline companies considered for investment must confirm that they do not engage in, produce, or trade any Hardest-to-Reach Excluded Activity as defined in Annex 1. Companies will be asked to confirm their compliance with the Exclusion List to move on to due diligence/auditing. Companies with activities in the Exclusion List will not be able to move onto due diligence.

6.2.1.2. The MSF team, MEF team, the MSF advisor with local debt expertise, the MSF advisor with local equity expertise, or the Impact and ESG officer will conduct a precursory ESG assessment of the pipeline company. This entails background research into public information about the company. H2R will search public information on environmental, social, business integrity, or legal controversy associated with the potential Investee. This could include a cursory search of the internet, reviewing news articles, or speaking with other investors with insights into the company. H2R will also review any initial materials shared by the company like a pitch deck, policies, or reports for any ESG factors.

6.2.1.3. Relationship managers and the Impact and ESG officer are expected to start filling in the ESG checklist to support the initial diligence process.

6.2.1.4. If the company business model would not be considered IFC Category A environmental and social risk nor does the company engage in any Excluded Activity, it may move into the diligence/audit stage. If there is evidence from public or private company information that the investment may be considered Category B, the team may decide to start an ESIA (Annex 13). The team will make an initial assessment of the investment ESS risk category.

6.2.2. Due Diligence (environmental and social audit)

6.2.2.1. Hardest-to-Reach commits itself to an open, objective, and thorough ESG due diligence (audit) process for potential Investees (new or existing facilities) prior to investment aligned with best practices, investor expectations, and stakeholder needs. The due diligence process will enable the H2R team to identify and measure an Investee's environmental and social risks, their capacity to mitigate the risks, and commitment to monitoring and reporting on ESG commitments.

6.2.2.2.

ESG Due Diligence (environmental and social audit) for category C and above
ESG Due Diligence (Environmental and Social Audit) Questionnaire (Annex 2)
Manufacturing Module (Annex 3, when applicable)
Company Policies and Procedures
Site Visit (when applicable)
ESG Checklist, Environmental and Social Audit Checklist (Annex 4)
ESG Report, Environmental and Social Audit Findings (Annex 5)
ESG Action Plan (Annex 6)

6.2.2.3. The due diligence/audit process relies on several tools to ensure a comprehensive investigation of an Investee's (new or existing facilities) ESG factors. Hardest-to-Reach will use ESG due diligence questionnaires, supplementary questionnaires, company policies and procedures, site visits, interviews, a climate risk assessment and resilience tool, consumer protection questionnaire, and, in some circumstances, employee engagement survey for the ESG due diligence/audit. The Impact and ESG officer will review all the ESG materials provided to assess the Investee's (facility) ESG risks. The Impact and ESG officer will evaluate the materials and decide on the ESG performance of the company and potential ESG risks associated with the investment.

If H2R finds major issues or deal breaking matters in the initial assessment, then further ESG DD may be undertaken if H2R needs additional ESG experts in specialized areas.

6.2.2.4. The ESG due diligence (E&S audit) company questionnaire asks companies to describe their activities relating to the environmental and social risks H2R has identified across the Program. Questions are related to company level ESMS, ESG capacity, community health, safety, and security, stakeholder engagement (including Indigenous engagement and grievance mechanism), labor and working conditions, occupational health and safety, resource efficiency, pollution, and e-waste. Companies will be evaluated based on the evidence they provide, the sophistication of their answers, the proactive environmental and social measures a company may take, and the risks or gaps identified in the questionnaire. The light touch ESG diligence (audit) questionnaire is abridged to ask the most pertinent questions to these companies to match the size, scope, and scale of the environmental and social risks of these investments.

6.2.2.5. Supplementary questionnaires are provided to vertically integrated solar home system companies and solar home system manufacturers. Companies will be asked to share more information about labor and working conditions, occupational health and safety, resource efficiency, and pollution. Companies will be evaluated using similar criteria as described above.

6.2.2.6. Companies will be asked to provide a comprehensive set of their policies, procedures, and evidence of implementation. H2R will ask for a company level ESMS, ESG policy, Human Resources Policy, Employee Code of Conduct, Grievance Mechanism, Stakeholder Engagement Plan, Consumer Protection Policy, Anti-Sexual Harassment Policy, and others. The companies will also be asked to share their logs of OHS incidents, grievances, reports of harassment, and other materials. Companies will also be asked to share evidence that staff have been trained in or have awareness of these policies. Companies will be evaluated on the following topics:

- 6.2.2.6.1. Accuracy of their ESG Due Diligence Questionnaire responses
- 6.2.2.6.2. Thoroughness of policies; alignment with best practices
- 6.2.2.6.3. Organizational capacity demonstrated by the policies
- 6.2.2.6.4. Organizational awareness of the policies
- 6.2.2.6.5. Evidence of implementation of the policies
- 6.2.2.6.6. Gaps or risks created by missing or incomplete policies

6.2.2.7. Some due diligence/auditing will require site visits. Relationship managers will have an ESG site visit checklist and an interview sheet. The relationship manager is expected to check sites for emergency preparedness, PPE, safety hazards, security personnel, and proper storage of sensitive equipment. They are expected to interview staff about labor protection and working conditions, customer protection, e-waste, and other relevant ESG topics. The relationship manager will document their findings in the checklist (Annex 4) and the due diligence report (Annex 5).

6.2.2.8. Our climate risk assessment and resilience tool will evaluate the climate risks in the geographic area of investee (new or existing facility) operations within Hardest-to-Reach. Assessing the climate risks will then inform measuring the climate vulnerabilities of the populations the investee (facility) serves. Finally, the tool will measure if the intervention provides climate resilience or adaptation capacity. We will include the results of this tool in the ESG due diligence report/audit findings (Annex 5) and the investment memo.

6.2.2.9. Companies will also be required to fill out a consumer protection questionnaire that will be evaluated by a consultant. Companies are expected to demonstrate their consumer protections for products being bought with PAYGo.

6.2.2.10. For larger investments, the team may ask the company to share an employee engagement survey with their employees. The team wants to learn about staff understanding of labor and working conditions. While companies may have policies with all the right components, some may not be strong on implementation. Additionally, H2R wants to learn about sales agents' incentives and company engagement in sales strategy. The team believes that sales agent survey data could inform H2R about consumer protection. Survey results would be included in the ESG due diligence report (Annex 5).

6.2.2.11. The ESG checklist (audit checklist) (Annex 4) would ensure that the H2R management team has received or developed all the relevant materials to make an informed assessment of the Investee's (new or existing facility) ESG risks, maturity, capacity, and mitigants. If the concerns surface via the ESG checklist (Annex 4), H2R may require extra diligence/auditing or expert opinions to complete the diligence/audit process. Once the ESG checklist is complete and all the materials are received, the Impact and ESG officer can develop an ESG due diligence report/audit finding (Annex 5). The officer will either confirm or revise the ESS risk category depending upon the ESG due diligence (E&S audit). After further due diligence, if companies are considered Category B, the team may consider undergoing an ESIA (Annex 13).

6.2.2.12. The ESG due diligence report/audit findings (Annex 5) encapsulate all the ESG information received during diligence. The Impact and ESG officer will complete the report with the support of the relationship manager and any experts needed for diligence. The Impact and ESG officer will use the materials to decide of the ESG risk category. The ESG risk categories are as follows:[41]

6.2.2.12.1. **Category A:** Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.

6.2.2.12.2. **Category B:** Business activities with potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.

6.2.2.12.3. **Category C:** Business activities with minimal or no adverse environmental or social risks and/or impacts.

6.2.2.13. Hardest-to-Reach will only invest in Category B and C companies as that aligns with our environmental and social capabilities and the expectations of our investors.

6.2.2.14. The assessment will also include compiled analysis that aligns with the IFC Performance Standards and the GCF Environmental and Social Safeguards. The ESG due diligence report (Annex 5) will provide a detailed summary of the environmental and social risks and opportunities of the investment as well as the company capacity to mitigate these risks themselves or with outside consultation. The ESG Due Diligence

[41] Ibid.

(Environmental and Social audit) findings will provide all the information needed to understand environmental and social risks to take an investment decision, and to identify ESG reforms considered necessary to comply with the Program requirements.

6.2.2.15. The ESG due diligence report/audit findings (Annex 5) will be attached to the investment memo. The investment memo will also include a short description of the ESG risks, mitigants, and conditions for the investment. The Investment Committee is expected to review the ESG diligence report and investment memo as part of the decision-making criteria.

6.2.3. Binding commitment to ESGAP

6.2.3.1. If the H2R team and the Investment Committee decide to invest in an Investee (new or existing facility), the company must make a binding commitment to implementing an ESG Action Plan (ESGAP) within their relationship with H2R. The ESGAP will be developed in negotiation with the Investee's (facility) senior management and will be based on the findings in the ESG due diligence report/audit findings (Annex 5). The ESGAP will include mitigants to the strongest risks and baseline needs in accordance with the Program and investor expectations.

6.2.3.2. The investment side letter between the Program and the Investee (facility) will include the explicit commitment of the Investee (facility) to implement the ESGAP, meet reporting requirements, and assume ESG related costs, as well as the implications of a breach of ESG requirements. The ESGAP (Annex 6) will be also included in the side letter as a legally binding commitment to ESG improvements and will detail the ramifications of breaching the commitments. The Program team will meet with the Investee (facility) senior management to ensure their understanding of their accountability towards the defined ESG commitments in the ESGAP.

6.2.3.3. The **ESG Action Plan,** as found in Annex 6, will automatically include several Programs if companies demonstrate deficiencies through due diligence (E&S audit). Companies will be required to have a strong ESMS or ESG Policy, a grievance redress mechanism, consumer protection policy and plan, stakeholder engagement plan, and an e-waste policy. Companies are expected to comply with local regulations and laws and must show evidence of their compliance with laws and regulations. By the end of the Company's legal obligation to the Program, the Company is expected to have strong consumer protection policies and procedures. Finally, companies are expected to have good labor and working condition policies, environmental protections and policies, anti-harassment, non-discrimination, and equal employment opportunity policies, and community health and safety procedures. Manufacturers are expected to have strong occupational health and safety policies and procedures and demonstration of proper PPE for their employees. All ESGAP are time bound and companies must have internal accountabilities to ensure that the activities are completed.

6.2.3.4. The MSF LMD loans will have shorter ESGAPs that reflect the nature of these investments. These are earlier stage investments where companies will be less mature but also have less capacity to implement robust changes to ESG policies and procedures. These last mile distributor loans will stagger ESG activity across initial loans and follow on investments.

6.3. ESG considerations post-investment

6.3.1. After legal obligations have been determined, the ESG Action Plan has been developed, the investment agreement has been signed, and the funding has been disbursed, the Investee (new or existing facility) must begin engaging on its legal obligations to the Program. The Investee (facility) is expected to fully comply with the reforms that have been deemed necessary to ensure complete adherence to the H2R ESMS in an appropriate manner as detailed in the ESGAP.

6.3.2. Companies are expected to have a wide range of ESG maturity and capacity across the Program. To that end, the Program team developed a variety of diagnostic and support tools in the MSF and MEF Technical Assistance Facility. Companies will have the opportunity to receive technical assistance to support their ESG development, policies and procedures, and reporting. ESG services are tiered based on need, maturity, and capacity.

6.3.3. Webinars: Companies will have the opportunity to attend several webinars a year where ESG experts will do a deep dive into ESG topics relevant to the off-grid solar sector. Webinar topics will include developing an ESMS, grievance mechanisms, e-waste and e-waste policies, recycling, refurbishment, and repair, consumer protection policy, sales agent management, labor and working conditions, and occupational health and safety. Companies that have ESMS, e-waste, or consumer protection deficiencies are required to attend these webinars. These webinars will serve as prerequisites for consultation with companies.

6.3.4. Consultations: Investees (facility) will have the opportunity to receive one-on-one consultations with ESG experts and consultants to support completing their ESG Action Plans. Investees (facilities) will be tiered by their ESG maturity. Companies with the weakest ESG maturity will be required to receive ESG consultations to meet baseline requirements as part of their ESGAP. Companies will receive specific support on ESMS, consumer protection, grievance mechanism, and e-waste development.

6.3.5. Resources: Hardest-to-Reach will have an ESG resource library to support Investees (facilities) with policy templates, guides, case studies, and other resources to support their ESG capacity building.

6.3.6. Investees (facilities) are expected to not engage in Exclusion List activities, to align their practices with H2R ESMS guidelines, and to maintain the business practices as evidenced during due diligence (audit). They are also expected to make efforts towards completing the ESGAP.

6.3.7. Investees (facilities) that make significant changes to their business utilizing H2R funds will be required to undergo further due diligence (audits) and may be required to undergo an Environmental and Social Impact Assessment.

6.3.8. MSF small last mile distributor loans will be required to have an ESGAP as part of receiving H2R funding. They will be expected to make efforts towards completing two activities outlined in the ESGAP. To receive follow-on loans, they are expected to improve other ESG functions of their enterprise. More details on follow on expectations are shared in Annex

6.3.9. Reporting: Companies are expected to report on ESG performance at ESGAP milestones and on an annual basis. Companies will share KPIs when they fill out the annual ESG report. Investees (facilities) are also required to update the ESGAP on an annual basis. If companies fill answers partially or the relationship manager has difficulty interpreting company answers, the RM and the Impact and ESG officer will conduct a survey of the company. The RM will also conduct a short interview with the company quarterly to get updates on their ESG activity.

6.3.10. Companies are also expected to report ESG incidents within five (5) days of the incident. See Section 8 for more information about reporting and ESG incident requirements.

6.3.11. Companies are expected to work with the H2R team if they are found to be below expectations or behind on progress on their ESGAP. Companies may be required to report on a more frequent basis and seek additional resources if they are found to be in breach of their ESG requirements.

6.3.12. Follow On Investments: To receive follow on investments, companies must demonstrate compliance with baseline ESG requirements of the program. Companies are expected to have an ESMS, a grievance mechanism, consumer protection policy, and an e-waste policy. Companies are also expected to comply with other expectations of H2R including labor and working conditions, environmental policies, occupational health and safety amongst others. Some companies may not complete the ESGAP with the loan tenor, especially if it is a yearlong loan. To receive a follow-on investment, companies must complete the baseline ESG requirements, complete a follow-on diligence form, and revise their ESG Action Plan with more detailed commitments.

6.3.13. Small MSF last mile distributor loan recipients must demonstrate progress on two ESGAP activities to qualify for a follow-on loan. For the first follow on, small loan recipients must create or improve their e-waste policy and their consumer protection policy. For their second follow on, the Investee (facility) must improve other ESG related policies. By the third follow on, Investees (facilities) are expected to have an ESMS created with the support of an ESG expert.

6.4. ESG considerations during divestment

6.4.1. Hardest-to-Reach will seek to sell equity shares of joint ventures or other companies to responsible and sustainable investors with similar ESG, social impact, and environmental impact goals. The management team will always share the importance of strong ESG commitments and standards with potential new investors of the Investees (facilities).

7. Environmental, Social, and Governance Safeguard Standards

7.1. Executive Summary

7.1.1. The Hardest-to-Reach ESMS aligns our ESG and investment strategy with industry leading environmental and social standards, best practices, and investor policy requirements. In this section, the team will share the commitments and practices around general integrity and good governance, and environmental and social standards. These are both commitments for H2R program activities and for Investees to ensure strong environmental and social practices at all levels of H2R.

7.2. General Integrity and Good Governance

7.2.1. Company Ownership Structure

7.2.1.1. Hardest-to-Reach expects companies to share clear and detailed evidence of the company ownership structure. If the company cannot provide sufficient evidence of investors and owners of the company, nor their debt obligations, then H2R may not proceed with the investment. Additionally, H2R will further diligence investors and company owners that are facing criminal allegations or are suspected of violating H2R ESG commitments. Companies may not be investable if the ownership structure remains opaque or there are integrity questions about the owners of the company.

7.2.2. Integrity Clearance, AML/KYC/CFT, Criminal Offenses

7.2.2.1. Hardest-to-Reach has developed a comprehensive integrity search that is documented in the Program Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) AML/CFT (KYC) Policy. Hardest-to-Reach will use LexisNexis's Bridger Searches platform that searches multiple databases for any flags. Shared below is a short sample of the searches automatically conducted when using the Bridger Search platform:[42]

7.2.2.1.1. Excluded Parties List System (EPLS)
7.2.2.1.2. Financial Action Task Force (FATF)
7.2.2.1.3. FBI Most Wanted
7.2.2.1.4. Interpol Most Wanted
7.2.2.1.5. The Office of Foreign Assets Control (OFAC)
7.2.2.1.6. The Terrorist Exclusion List
7.2.2.1.7. Sanctions lists
7.2.2.1.8. United Nations Security Council Sanctions Lists – fourteen (14) lists in total
7.2.2.1.9. European Union Consolidated list of sanctions – twelve (12) lists in total
7.2.2.1.10. World Bank Listing of Ineligible Firms & Individuals:
7.2.2.1.11. World Bank Corporate Procurement Listing of Non-Responsible Vendors
7.2.2.1.12. World Bank List of Debarred Firms
7.2.2.1.13. Enforcement sources: Civil or criminal offenses, filed charges, indictments, convictions and sentencing for crimes

[42] https://bridger.lexisnexis.com/XgAuth/?returnUrl=/xgapp/home/start

7.2.2.1.14. Financial history (i.e., foreclosures, historical and current held assets, bankruptcies, etc.)

7.2.2.1.15. Personal data (i.e., addresses, driver's license, etc.)

7.2.2.2. H2R will use the LexisNexis platform to search for companies and key people in the organization. Key persons include founders, senior leadership, the board, and large investors. The Program screens the identification information of the individual and/or entity against international sanctions lists, enforcement sources (i.e., civil, or criminal offenses, indictments, and convictions), and financial history (i.e., foreclosures, bankruptcies, etc.).

7.2.2.3. The Program will perform background checks ("PATRIOT Act searches") in the following instances:

7.2.2.3.1. **Procurement:** any new vendor, service provider, and related entities and owners prior to signing a contract;

7.2.2.3.2. **Capital Raise:** any fund, entity, organization, and all relevant key persons prior to accepting an investment into the Program;

7.2.2.3.3. **Disbursements:** any investee (new or existing facilities) and all other parties to an investment document (including the investee's founders, directors and officers, and major shareholders) prior to approving an investment disbursement; and

7.2.2.3.4. **Exits**: any purchaser and all other parties to the purchase agreement prior to the sale of shares.

7.2.2.4. If the Program's screening process results in a match, it may perform additional due diligence to determine whether the match is accurate. If the match is accurate, the Program staff must contact the AE's Risk and Compliance Manager who will escalate the matter to the AE's General Counsel as necessary.

7.2.2.5. General Counsel will then convene with the Program's Director to discuss next steps which may include (i) the rejection of the transaction and/or blocking the applicable person's assets; and (ii) filing of a Report of Blocked Transactions and/or a Report of Rejected Transactions with OFAC within ten (10) days of the requested transaction. The Program's Adviser must file a comprehensive report of all blocked assets with OFAC annually.

7.2.3. Exclusion List

7.2.3.1. The Program team has created a list of Excluded investment activities that the Program will use to guide their investment process. This Exclusion List is shared in Annex 1. The H2R team will not invest in a company or will accept investments from investors with business activity that is included in the List. The H2R team will use the Exclusion List as a screening tool for investments. Potential Investees (facilities) will be asked to verify that none of their business activities are included in the Exclusion List.

7.3. Environmental and Social Standards

7.3.1. ESG Key Performance Indicators

7.3.1.1. Through two facilities investing blended finance and targeted accompaniment in off-grid solar companies, Hardest-to-Reach (H2R) seeks to build OGS markets in low electrification and high poverty countries to generate energy access for tens of millions of first-time users and creating a wide array of environmental and social impacts.

7.3.1.2. The Program seeks to measure, monitor, and evaluate the performance of its activities and impacts using Key Performance Indicators (KPIs). The Program defined these KPIs that align with Program activities and intended outcomes of the operations and investments of the Program.

7.3.1.3. KPIs include both environmental and social impacts and impacts on the market, portfolio, company, and beneficiary level.

7.3.1.4. The KPIs include:

7.3.1.4.1. Greenhouse gas emissions reduced, avoided, or removed/sequestered via sales of solar home systems
7.3.1.4.2. Installed renewable energy capacity via solar home systems and solar lanterns
7.3.1.4.3. Number of direct and indirect beneficiaries reached with access to electricity
7.3.1.4.4. Number of direct and indirect beneficiaries with first time access to electricity
7.3.1.4.5. Number of green jobs created in by Investees (new or existing facilities) in Hardest-to-Reach markets
7.3.1.4.6. Number of women reached for training opportunities to either enter or move up in the off grid solar sector in Hardest-to-Reach markets

7.3.2. International Environmental and Social Standards

7.3.2.1. Environmental and social assessments, ESGAPs, and monitoring and reporting processes shared throughout the ESMS use the 2012 IFC Performance Standards and the GCF Environmental and Social Safeguards. These two sets of standards guided the Environmental and Social Impact Assessment, and the policies, procedures, tools, and guidance described in the ESMS Annexes. These standards are aligned with Investor requirements and apply at the Program level and the Investee (facility) level. As such, the IFC Performance Standards will act as a framework to guide the summary of the H2R E&S standards and requirements of the Program and Investees (facilities) as described in this section.

7.3.2.2. The IFC Performance Standards 2012 as at the time of the formulation of this document are listed in the following table.

IFC Environmental and Social Performance Standards 20212
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
PS 5: Land Acquisition and Involuntary Resettlement

PS 6: Biodiversity Conservation and Sustainable
PS Management of Living Natural Resources
PS 7: Indigenous Peoples
PS 8: Cultural Heritage

7.3.3. Assessment and Management of Environmental and Social Risks and Impacts

7.3.3.1. Hardest-to-Reach Investees (new or existing facilities) will be required to develop and implement an environmental and social management system in accordance with IFC Performance Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts by the end of their engagement with H2R. While the ESGAP is the primary tool for ensuring compliance with the Hardest-to-Reach environmental and social requirements, the Company-level ESMS will be a complementary tool companies use to manage environmental and social concerns and opportunities throughout and beyond the Program lifecycle. Program level investing expectations and procedures are described in Section 6.

7.3.3.2. Investees (facilities) are expected to develop an ESMS/ESMP that establishes the following components: procedures and tools identifying and mitigating environmental and social risks, necessary resourcing and organizational capacity to manage an ESMS, the right monitoring and reporting tools to meet investor and funding requirements and have the appropriate stakeholder communication tools to ensure effective and holistic engagement.

7.3.3.3. **Each Investee (new or existing facilities) ESMS/ESMP shall contain the following elements:**

ESMS/ESMP/ESG Policy or similar Policy or procedure
Environmental and Social risk identification and mitigation strategy
Organizational capacity and environmental and social champion
Stakeholder Engagement plan and procedures
Grievance Mechanism aligned with best practices (Annex 12a)
Emergency Preparedness Procedures

7.3.3.4. **Environmental and Social/ESG/Responsible Investing Policy:** Investees (facilities) must develop an E&S Policy aligned with the H2R ESG Policy that includes measurable goals with social safeguard and biodiversity and environmental protection components. The E&S Policy is both a commitment to environmental and social protections, and a framework for the company-level ESMS. As such, the E&S Policy should be endorsed by senior management and shared with internal and external stakeholders. If a company already has an E&S Policy, it should meet the criteria described in the H2R ESMS or the ESGAP will mandate remedies to make the E&S Policy sufficient.

7.3.3.5. **Identification of Risks and Impacts:** Hardest-to-Reach Investees (new or existing facilities) will be on a spectrum of ESG readiness. Some companies will have E&S Policies and ESMSs while others will be beginning their ESG work with Hardest-to-Reach. H2R will conduct approximately scaled and holistic ESG diligence (E&S audit) on potential Investees (facilities) that will be captured in the ESG Due Diligence report/Audit Findings (Annex 5), the Investment Memo, and the ESG Action Plan (Annex 6). If an Investee (facility) has not carried out an E&S risk assessment, these documents may act as the foundation for an assessment. Newly developed risk assessments should be aligned with the H2R ESMS and the IFC Performance Standards and need to be incorporated in the company-level ESMS. If Category B investments present particularly strong environmental and social risks, the H2R team may consider third-party ESIAs to ensure appropriate risk identification and mitigation (Annex 13). They may also consider doing an ESIA (Annex 13) in due diligence that the company will use for their policies and procedures moving forward. Risk assessment and mitigation strategies should incorporate the nature, likelihood, magnitude, and materiality of identified risks and impacts. Identified risks and impacts must align with the concerns and feedback received from communities through stakeholder engagement. ESIAs will also incorporate local laws and regulations around environmental and social risks including labor, occupational health and safety, and pollution laws and regulations. If the risk assessment does not align with the IFC Performance Standards, misses important risks, or seems insufficient, the Investee (facility) or our team may be asked to revise the document. If a company has difficulty developing the ESIA based on the documents they receive from due diligence (audit) and internal capacity, H2R may offer additional support for the Investee (facility). The relationship manager and the MSF or MEF Impact and ESG officers will review the risk assessment or ESIA to determine if it is sufficient.

7.3.3.6. **Management Program:** The management program should follow the outline shared in the company E&S Policy and guidance from the H2R ESMS. The management program needs a mitigation and performance improvement strategy that mitigates the risks and impacts identified in the risk assessment or ESIA. Investees (facilities) need to include the tools that will protect workers, communities, indigenous people, beneficiaries, and the environment. The management plan should align with and refer to relevant company policies like the HR policy, code of conduct, and occupational health and safety policy. The management plan must demonstrate how it will be operationalized by the Investee (facility) including who is responsible for the implementation, how it will be socialized, and how it will be monitored.

7.3.3.7. **Organizational Capacity:** The Investee (facility) ESMS/ESMP should be overseen by senior leadership and have staff assigned to implement it. The ESMS should include the organizational structure that defines roles, responsibilities, and authority to implement the ESMS. The Investee (facility) shall allocate the right resources, training, and responsibilities to ensure that the ESMS can be fully implemented, the ESGAP can be completed, and that environmental and social risks can be appropriately mitigated. This entails assigning responsibilities to relevant company staff like the HR manager leading the labor and working conditions risks. The company should be committed to continuous learning and should seek to train staff on best practices and relevant risks. H2R seeks to support companies in their capacity and expertise building with ESG webinars on relevant topics.

7.3.3.8. **Stakeholder Engagement:** Investees (new or existing facilities) need to listen to, learn from, and share with stakeholders to effectively manage environmental and social risks and create positive impact. Investees (facilities) are expected to incorporate stakeholder engagement into their ESMS and business operations on an iterative and ongoing basis. The stakeholder engagement strategy should be suitable to the operational activities and level of risks of the business. The level and type of engagement will change depending on the company, their capacity, and the level of risks of the operations. Investees (facilities) need to follow best practices including GCF's Environmental and Social Safeguards, IFC Performance Standard 1, and the IFC Stakeholder Consultations Good Practices Handbook. Stakeholder engagement should include the following activities:

7.3.3.8.1. Stakeholder engagement strategy development and planning and beneficiary identification
7.3.3.8.2. Consultation on new business activities and Program development
7.3.3.8.3. Disclosure and dissemination of relevant information about operations
7.3.3.8.4. Public consultations and stakeholder participation
7.3.3.8.5. Effective grievance mechanism
7.3.3.8.6. Continuous reporting to affected communities
7.3.3.8.7. Inclusion of gender lens, indigenous communities, and marginalized communities

7.3.3.9. **Grievance Mechanism:** The Investee (facility) Grievance Mechanism is an essential tool to identify, investigate, and mitigate risks and incidents. Investees (facilities) are expected to either have or develop grievance mechanisms aligned with best practices including H2R grievance guidelines, the Ruggie Principles, and the GCF Grievance Policy. Companies must make their grievance mechanism publicly available, culturally appropriate, and accessible. The investigation process must be transparent, timebound, and responsive to community needs. If an investigation finds that the company is at fault for harm to a community, the company should make its best efforts to include community input in developing an appropriate and feasible resolution. The Investee (facility) is expected to include a summary of monitoring and reporting their grievances. Investees (facilities) are expected to share their grievances with the H2R management team within one month of receiving the grievance.

7.3.3.10. **Monitoring and Review:** Investees (facilities) are expected to have strong environmental and social monitoring requirements for Hardest-to-Reach. To effectively manage H2R's monitoring and reporting requirements, H2R requires that Investees (facilities) incorporate monitoring and reporting objectives, metrics, and procedures into the company ESMS. The Company will have ESGAP indicators it is expected to report on during ESGAP milestones and on an annual basis. The Investee (facility) is also expected to report on ESG KPIs to H2R on an annual basis. The Investee (facility) may use the ESGAP and the annual ESG report to create the company level ESG KPIs. The Investee (facility) should use these KPIs to monitor the ESG performance of the company on an ongoing basis. The H2R team, via the relationship manager and the Impact and ESG officer, will monitor the ESG KPIs and seek evidence from the company to ensure the veracity of the company's ESG activities.

7.3.3.11. Hardest-to-Reach will seek to ensure that companies have **emergency preparedness** procedures and signage in their company buildings. H2R will diligence (E&S audit) companies on their emergency preparedness. If companies answer the ESG diligence questionnaire insufficiently, do not provide evidence of their emergency preparedness plan, or have accessible emergency signs and equipment during the site visit then improving emergency preparedness procedures, policies, and resources will be a binding requirement of the ESGAP. Companies will be expected to report on any emergencies that take place at their facilities.

7.3.3.12. **MSF Last Mile Distributor (LMD) Borrowers:** MSF LMD borrowers are expected to have an ESMS by the second follow-on investment from Hardest-to-Reach. They will have an ESG Action Plan that will guide the companies to demonstrate a willingness and ability to mitigate several risks during the first investment. MSF LMD borrowers will then build policies to mitigate the two largest environmental and social risks for the Program: consumer protection and e-waste risks. By the second follow-on investment, the company must have demonstrated a willingness to identify and mitigate ESG risks, and the ability to mitigate substantial ESG risks. H2R will then provide technical assistance resources to support these borrowers with developing and implementing an ESMS. MSF LMD borrowers have an extended timeline to build their ESMS because of their small footprint, limited capacity, and limited materiality to the H2R risks.

7.3.4. Labor and Working Conditions

7.3.4.1. Hardest-to-Reach Investees (new or existing facilities) are expected to have or to develop labor and working conditions policies and procedures that comply at a minimum with (i) national labor, employment, social security and occupational health and safety laws; (ii) the fundamental principles and standards embodied in the ILO core conventions, (iii) IFC Performance Standard 2, and (iv) ESS 2. Companies will be evaluated in due diligence (audit) on their capacity to mitigate labor and working conditions risks via questions in the ESG due diligence (audit) questionnaire, evidence from labor and working conditions policies and procedures, interviews during site visits, and desktop research on the company. Companies are expected to answer questions on working conditions and management of worker relationships, working conditions and terms of employment, workers' organization, non-discrimination and equal opportunities, collective dismissal, internal grievance mechanisms, child and forced labor, occupational health and safety, and supply chain issues.

7.3.4.2. Investees (facilities) are expected to have or develop a human resources policy, code of conduct, non-discrimination and equal opportunity policy, workplace harassment policy, occupational health and safety policy, internal whistleblower plan, contracts with employees and sales agents. In addition, policies should address worker training, and the extension of the labor policies, to the extent relevant and possible, to workers engaged by third parties, labor contractors, recruiting agencies and other third parties, and as generally, as applicable, in the Investees (facilities) supply chain. Companies are expected to maintain records of SEAH, HR, and OHS training and incidents.

7.3.4.3. The Program will pay special attention to forced labor in the supply chain. H2R will ask potential Investees (facilities) to share their suppliers and their region of operation. Companies will either not receive investment or will be required to switch suppliers if they operate in areas with forced labor.

7.3.4.4. If H2R finds that companies have insufficient labor, workplace protections, or working conditions in policy, procedures, plans, or practice, the management team will require binding activities to improve identified deficiencies in the ESGAP.

7.3.4.5. Investees (new or existing facilities) may receive technical assistance to improve labor and working conditions in their operations. Consultants may seek to improve the sales agent contracts, or to build HR capacity. Investees (facilities) will be able to access a resource library that can help them build or improve their labor and working conditions policies and procedures.

7.3.4.6. Companies shall track, log, investigate, monitor, and report ESGAP labor activities or improvements, trainings, and improvements to organizational capacity, and any major labor incident as defined in Section 9 of the ESMS.

7.3.4.7.

Summary of Labor and Working Conditions Safeguards for Investees (new or existing facilities)
● Evidence of compliance with local labor laws ● Human Resources Policy and Procedures ● Evidence of non-discrimination and equal opportunity (Policies or other evidence) ● Evidence of retrenchment policies or guidance ● Workplace Harassment Policy ● Occupational Health and Safety Policy

7.3.5. Resource Efficiency and Pollution Prevention

7.3.5.1. The principles and techniques applied during the Hardest-to-Reach life-cycle will be tailored to the hazards and risks associated with the nature of the Program and consistent with good international industry practice (GIIP), as reflected in various internationally recognized sources, including IFC Performance Standard 5, ESS 5, and the (EHS Guidelines).[43] It is important to note that this Program will have minimal risk of harmful water consumption or usage and will not be engaging in the use of pesticides or fertilizers.

7.3.5.2. Companies will be evaluated in due diligence (E&S audit) on their capacity to mitigate resource efficiency and pollution risks via questions in the ESG due diligence (audit) questionnaire, evidence from environmental health and safety policies and procedures, interviews during site visits, and desktop research on the company. Companies are expected to answer questions on e-waste, environmental policies and regulatory compliance, recycling and refurbishment, Verasol product quality, and pollution in manufacturing.

7.3.5.3. Investees (facilities) are expected to have or develop an e-waste policy, e-waste contracts, and, when needed, an environmental health and safety policy. Companies are required to produce and sell Verasol[44] verified products, and to have product refurbishment and recycling strategies. Manufacturers are expected to share evidence of policies and procedures they have for pollution prevention. Investees (new or existing facilities) will avoid the production of hazardous and non-hazardous waste materials. Investees (facilities) will be expected to properly dispose of any hazardous waste that will have minimal impact on the environment. Such measures will be

[43] IFC, (2012), https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines
[44] CLASP, (2022) https://data.verasol.org/

guided by GOGLA guidelines and integrate the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy, and water.

7.3.5.4. If H2R finds that companies have insufficient e-waste policies or contracts, environmental health and safety plans, recycling or refurbishment strategies, or product quality, the management team will require binding activities to improve identified deficiencies in the ESGAP.

7.3.5.5. Investees (facilities) may receive technical assistance support on opportunities to improve e-waste policies and procedures, recycling, and refurbishment. Consultants may seek to improve the e-waste policies, procedures, recycling, and refurbishment plans. Investees (facilities) will be able to access a resource library that can help them build or improve their e-waste policies and procedures.

7.3.5.6. Companies shall track, log, investigate, monitor, and report ESGAP environmental activities or improvements, trainings and improvements to organizational capacity, and any major environmental incident as defined in Section 9 of the ESMS.

7.3.5.7.

Summary of Resource Efficiency and Pollution Prevention Safeguards for Investees (new or existing facilities)
• Evidence of compliance with local environmental laws • Environmental health and safety policy (when applicable) • E-waste Policy • E-waste contract • Evidence of pollution prevention at manufacturing sites • VeraSol verification

7.3.6. Community Health and Safety

7.3.6.1. Investees (new or existing facilities) are expected to have or develop community health and safety systems that anticipate and avoid adverse impacts on the health and safety of any affected communities. These practices should be aligned with international best practices such as IFC Performance Standard 4 and GCF ESS 4. The Program will adhere to the GOGLA Consumer Protection Code.[45]

7.3.6.2. Companies will be evaluated in due diligence (E&S audit) on their capacity to mitigate community health and safety risks via questions in the ESG due diligence (E&S audit) questionnaire, evidence from community health and safety policies and procedures, interviews during site visits, and desktop research on the company. MSF and MEF Investees (facilities) with larger loans will be required to complete a longer due diligence/audit survey. Other MEF Investees (facilities) will be required to fill out the GOGLA Consumer Protection assessment. Companies are expected to answer questions on product safety, gender-based violence and SEAH, emergency preparedness and response, security personnel, and consumer protection.

[45] GOGLA, Consumer Protection Framework, (2023) https://www.gogla.org/consumer-protection/assessment-framework

7.3.6.3. For consumer protection, the Program has collaborated with consumer protection experts to develop questionnaires and mitigation strategies to minimize risks of consumer indebtedness, lowering credit scores, and impacting the use of products. Moreover, diligence/audit will also examine customer contracts and data privacy.

7.3.6.4. Investees (new or existing facilities) are expected to have or develop consumer protection policies, credit risk management plans, and procedures for security personnel. Consumer protection policies must be transparent, committed to responsible sales and pricing, data privacy, good consumer service, good product quality, and fair and respectful treatment. Companies selling their products using PAYGo will have to ensure their systems are secure, safe, easy to use and transparent for consumers. In addition, Investees (facilities) shall ensure that, if relevant, safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to affected communities. Investees (facilities) are expected to have proper security policies and procedures. Investee (facility) policies shall also address, based on the area of operation, equipment design and safety, hazardous materials management and safety and emergency preparedness and response. Investees (facilities) must let consumers know if their products create safety hazards during extreme weather events. As mentioned above, Investees (facilities) are expected to have proper e-waste disposal plans, policies, and contracts.

7.3.6.5. If H2R finds that companies have insufficient consumer protection, credit risk management, security procedures, or community health, safety strategies, the management team will require binding activities to improve identified deficiencies in the ESGAP. Consumer protection will require an additional plan. Special attention will be paid to companies who are in the first few years of operating a PAYGo strategy.

7.3.6.6. Investees (facilities) may receive technical assistance support on opportunities to improve consumer protection, PAYGo systems, and credit risk management. H2R is partnering with consumer protection experts to provide these services to Investees (facilities). Early stage PAYGo companies will be required to work with consultants to ensure that their systems are strong and safe for consumers. Investees (facilities) will be able to access a resource library that can help them build or improve their consumer protection policies and procedures.

7.3.6.7. Companies shall track, log, investigate, monitor, and report ESGAP community health and safety activities or improvements, trainings and improvements to organizational capacity, and any major consumer incident as defined in Section 9 of the ESMS. Additionally, companies with consumer protection plans will be required to monitor and report activity using the plan.

7.3.6.8.

Summary of Community Health and Safety Safeguards for Investees (new or existing facilities)
• Evidence of security requirements (when applicable) • Evidence of consumer protection procedures and credit risk management • Evidence of data privacy protections for consumers • Evidence that consumer protection practices are aligned with GOGLA consumer protection principles

● Evidence of proper procedures and storage of hazardous materials

7.3.7. Land Resettlement

7.3.7.1. Investees (new or existing facilities) must follow the guidance shared in Annex 9, Guidance for Land Resettlement, and best practices as defined by IFC Performance Standard 5 and GCF ESS 5.

7.3.7.2. H2R Investee (facility) activities have minimal land resettlement risks as SHS companies use minimal land for operations. SHS companies land use has predominantly been used for SHS production in factories, storing inventory, and office use. Given the small physical footprint of SHS activity, land resettlement is an unnecessary and uncommon risk. Land acquisitions, resettlements, and restrictions on land use generated by Investee (facility) activities may have adverse impacts on communities using the land. Displacing communities, whether it be physical or economic in nature, can have adverse environmental and social impacts that may lead to the impoverishment of affected communities.

7.3.7.3. While land resettlement risk is minimal, the Program is committed to avoiding involuntary resettlement whenever possible, and to minimize and mitigate adverse impacts when involuntary resettlement is unavoidable.

7.3.7.4. Investees (facilities) or the team may be expected to conduct an ESIA (see Annex 13) if they seek to use H2R proceeds to purchase land outside of office space or inventory storage.

7.3.7.5. If a H2R Investee (facility) must use H2R proceeds to purchase land and it results in unavoidable involuntary resettlement, they will develop a Land Acquisition and Resettlement or Livelihood Restoration Action Plan (LARP) that will be guided by the overall objectives: avoid forced eviction, avoid or minimize adverse impacts on displaced persons, compensate for losses and improve livelihoods of displaced persons. The process will be guided by the framework described in Annex 9. The Investee (facility) needs to disclose pertinent information, consult with affected communities while paying attention to vulnerable populations. If Investees (facilities) know that their Program will result in displacement but do not know the extent of displacement, they shall develop a Land Acquisition and Resettlement or Livelihood Restoration Framework (LARF) that will guide the process. Both LARF and LARP will be guided by the framework in Annex 10, IFC PS 5, and GCF ESS 5.

7.3.7.6.

Summary of Land Resettlement Safeguards for Investees (new or existing facilities)
● Land Resettlement Plan

7.3.8. Biodiversity and Natural Resources

7.3.8.1. H2R Investees (new or existing facilities) are expected to have or develop policies, procedures, and activities that protect and do not harm biodiversity and natural resources in alignment with IFC Performance Standard 6 and the GCF Environmental and Social Safeguards.

7.3.8.2. The Program expects to have minimal negative impacts on the biodiversity in Hardest-to-Reach markets. The Program's most significant risk to protecting biodiversity is e-waste for SHS products.

7.3.8.3. Companies will be evaluated in due diligence (E&S audit) on their capacity to mitigate the proliferation of e-waste, environmental policies and procedures, and compliance with local regulations via questions in the ESG due diligence (E&S audit) questionnaire, evidence from environmental health and safety policies and procedures, interviews during site visits, and desktop research on the company.

7.3.8.4. Investees (facilities) are expected to be aware of protected biodiversity, habitats, and animals within the sphere of company operations. Companies are expected to protect and conserve biodiversity and ensure that company operations benefit ecosystems via clean energy. Companies are expected to have limited to no operations or no negative impact in critical or endangered habitats. Investees (facilities) must avoid endangering or engaging in activity harmful to critical and endangered habitats and ecosystems. Moreover, by the end of the company's engagement with H2R, they are expected to have and maintain environmental health and safety policies. Investees (facilities) are expected to not engage in any activities on the Exclusion List oriented towards harming biodiversity. Additionally, Investees (facility) will be required to develop an ESIA if they plan to use H2R proceeds towards Programs that could be harmful to biodiversity.

7.3.8.5. Companies shall track, log, investigate, monitor, and report ESGAP environmental health and safety activities or improvements, trainings and improvements to organizational capacity, and any major environmental incident as defined in Section 9 of the ESMS. Additionally, companies with consumer protection plans will be required to monitor and report activity using the plan.

7.3.8.6.

Summary of Biodiversity and Natural Resources Safeguards for Investees (new or existing facilities)
• Evidence of not endangering critical or endangered habitats or species • Evidence of environmental policies • Evidence of e-waste policy

7.3.9. Indigenous Peoples, Cultural Heritage

7.3.9.1. Investees (facilities) will be required to develop and adhere to Indigenous Peoples and Cultural Heritage processes and protections in compliance with IFC Performance Standard 7 and 8 and GCF Environmental and Social Safeguards 7 and 8.

7.3.9.2. Investees (facilities) may operate in areas where communities of Indigenous people live and work. Investees (facilities) may seek to hire or sell their products to Indigenous peoples. Since Indigenous people can be especially harmed by adverse impacts, Investees (new or existing facilities) must be able to identify if their operations intersect with Indigenous communities.

7.3.9.3. Hardest-to-Reach expects to have positive impacts on Indigenous people by providing cheap and renewable electricity to first time energy users in Indigenous communities. To avoid adverse impact on Indigenous people, Investees (facilities) must seek Free, Prior, and Informed consent when seeking to operate in Indigenous communities. Additionally, the Program seeks the Informed Consultation and Participation of Indigenous people during Program development and throughout the lifespan of the Program. H2R seeks to avoid impacts, or, when unavoidable, minimize and compensate for harmful impacts to Indigenous people. Guidance on indigenous peoples is included in Annex 10. We also expect to share our learnings from indigenous communities with H2R Investees (facilities).

7.3.9.4. Investees (facilities) will be asked during due diligence/audit to identify any Indigenous peoples that are present in areas of operation. They will also be asked how their company respects the culture, knowledge, and practices of Indigenous communities. The Investee (facility) will be asked about consultations with Indigenous people, current practices to minimize harms to this population, and efforts to monitor Investee activity. The Investee (facility) will be asked if their Grievance Mechanism protects Indigenous peoples.

7.3.9.5. Additionally, the Investee (facility) will be asked about respecting the cultural heritage of local communities. The Program team will also do desktop research to ensure that Investee (facility) artwork, logos, and advertising does not inappropriately use cultural heritage or landmarks. Companies must comply with the H2R chance find procedures. If H2R Investees (facility) find cultural artifacts using H2R funds that may be harmed during the regular course of company operations, they must cease operations on that site. They must seek cultural and anthropological experts and community leaders to determine how to move forward with the safekeeping of the artifact. Only when the cultural landmark or artifact is safely removed or protected may the project continue at that site.

7.3.9.6. If the Investee (facility) could detrimentally harm Indigenous people through the regular course of operations, the Investee (facility) will be required to develop and implement an Indigenous Peoples Plan.

7.3.9.7.

Summary of Indigenous Peoples and Cultural Heritage Safeguards for Investees (new or existing facilities)
• If engaging with Indigenous community, evidence of Indigenous Peoples policy • If engaging in construction, evidence of chance find procedures • Evidence that cultural artifacts and heritage are not improperly used or used without consent of relevant cultural stakeholders

7.4. Summary of Environmental and Social Safeguards for Investees (new or existing facilities)

Expectations of Hardest-to-Reach companies	
Environmental and Social Risk Category B	**Environmental and Social Risk Category C**
○ Depending on initial DD: an ESIA (Annex 13) ○ ESGAP ○ GAP ○ Consumer Protection Plan ○ ESMS or ESMP ○ Grievance Mechanism ○ HR Policy ○ Code of Conduct ○ Environment Policy (when applicable) ○ Land Resettlement and Acquisition Plan or Displacement Plan (when applicable) ○ OHS Policy ○ Indigenous Policy (when applicable) ○ E-waste policy ○ GOGLA Consumer Protection Principle	○ ESGAP ○ GAP ○ Consumer Protection Plan ○ Light touch ESMS or ESMP ○ Grievance Mechanism ○ HR Policy ○ Code of Conduct ○ Environment Policy (when applicable) ○ OHS Policy ○ Indigenous Policy (when applicable) ○ E-waste policy

8. Monitoring and Reporting

8.1. Executive Summary

8.1.1. Hardest-To-Reach monitoring and reporting is implemented at two levels. H2R Investees (new or existing facilities) will monitor their environmental and social activities on an ongoing basis and will report to the H2R management team on a recurring basis. The H2R management team will report to investors, donors, and other relevant stakeholders on an ongoing basis.

8.2. Investee (New and Existing Facility) Level

8.2.1. H2R companies are expected to continuously monitor ESG performance and activities of its operations. Investees (facilities) are expected to report to H2R at regular intervals with metrics and indicators defined in the H2R ESMS, term sheet, and ESG Action Plan.

8.2.2. The Investee (facility) is expected to use the ESGAP to fill in activities relating to binding agreements from the term sheet. ESGAP requirements are primarily focused on ESG improvements, ESMS building, ESG capacity building, and adopting the proper policies and procedures. Companies are expected to report on ESGAP activity at ESGAP milestones and on an annual basis.

8.2.3. Companies are expected to meet with the H2R team on a quarterly basis. They will provide a brief update on environmental and social issues. They will also provide an update on any progress with the ESGAP.

8.2.4. Companies are expected to report to H2R on an annual basis. The annual reports include detailed information on the ESG performance and activities of the Investee (facility). The annual report template is in Annex 9.

8.2.5. Investee (facility) level ESG reporting will be shared with the Advisory Committee to ensure their visibility on ESG matters. The Advisory Committee shall advise on what activities must be changed, evaluate flaws, and set goals for the next year. The H2R management team shall support the Investees (facilities) to improve their monitoring and reporting capabilities. If companies demonstrate weaknesses or challenges fulfilling the ESGAP, they may be required to provide more frequent reporting to H2R.

8.3. ESG Incidents

8.3.1. Hardest-to-Reach companies are expected to report ESG incidents within five days of knowing the ESG incident. A serious ESG incident is an unplanned or uncontrolled event that negatively impacts Hardest-to-Reach personnel, Investee (facility) personnel, community members, any Program affected people, or the environment within the investment's sphere of influence. A serious ESG incident may also materially affect an investment or the reputation of an investment, the Program, or Acumen. The following are considered serious incidents:

8.3.1.1. **Fatalities, serious injuries, and accidents at work**. This includes any fatalities, serious injuries and other occurrences affecting: (1) fund employees or contractors, (2) Investee (facility employees or contractors, or (3) community workers employed by or voluntarily working for the Program. Reporting includes death and injuries from workplace accidents, accidents related to workplace transport or equipment, murder, kidnapping, or workplace violence.

8.3.1.2. **Fatalities, serious injuries, and accidents impacting local communities and others**. Fatalities, serious injuries, or accidents where Program staff, Investee (new or existing facilities) staff, or Program-related person is at fault or may be at fault are considered serious incidents.

8.3.1.3. **Conflicts, disputes and disturbances leading to loss of life, violence or the risk of violenc**e. This would include inter-community or inter-ethnic violence caused or exacerbated by investment activities, and conflicts that have the potential for violence towards Program/Investee (facility) personnel and/or local communities.

8.3.1.4. **SEAH Incidents**: This covers incidents where H2R investee (facility) staff commit sexual exploitation, abuse, or harassment of either other staff or customers on company time.

8.3.1.5. **Human rights violation**s. This would cover human rights violations or public accusations of human rights violations attributed to Program workers, contractors of community workers or volunteers. It would cover deaths and injuries to suspects arrested in the conduct of law enforcement activities, torture or other forms of unlawful use of force, or unlawful damage to or confiscation of community or private property. It would include violations of human rights that have occurred as a direct consequence of a Program activity and with involvement of Program workers, and violations that have taken place using equipment provided by the Program, including occurrences that have taken place outside the boundary of the Program, where a Program partner was implicated (including members of state security agents). It would also cover sexual and gender-based violence attributed to Program workers, including rape, sexual exploitation, abuse, harassment and physical violence against women. It would also cover the use of, and public accusations of the use of harmful child labor by the Program, contractors or community workers and volunteers.

8.3.1.6. **Forced eviction**s. This would cover the forcible eviction of people from Investee (facility) owned or operated upon land.

8.3.1.7. **Theft, fraud, corruption, or other major financial crime**s. This would cover any fraud, theft, or other major financial crimes worth above $100,000 and would cover both Program level and Investee (facility) staff.

8.3.1.8. **Large, irreversible, and financially impactful property damag**e. This would cover any Investee level activities or Program level activities that resulted in over $100,000 of property damage.

8.3.1.9. **Environmental impacts** or public accusation of significant environmental impacts attributed to investing activities that have led to or could lead to serious contamination, destruction or degradation of natural habitats or areas of high biodiversity value.

8.3.2. ESG Incident Reporting Requirements		
Status	**Incidents**	**Response**
Mandatory	• Fatalities, serious injuries, and accidents at work • Fatalities, serious injuries, and accidents impacting local communities and others • Conflicts, disputes and disturbances leading to loss of life, violence or the risk of violence • Human rights violations • Forced evictions • Theft, fraud, corruption, or other major financial crimes • Large, irreversible, and financially impactful property damage • Environmental impacts	Follow the serious reporting procedure including investigating, reporting, and applying lessons learned. Some agreements may not require ESG incident reporting. Be aware of what investors require serious ESG incident reports.
Annual	• Minor injuries, HR violations, accidents, and other incidents • Minor or petty theft	If deemed in the interest of relevant stakeholders, shareholders or other parties, incident could be disclosed in annual ESG reporting

8.3.3. Mandatory ESG Incident Procedure: After receiving a report of an incident, consider the following steps when investigating and reporting a serious incident.

8.3.3.1. Receive notice of incident. Investees (new or existing facilities) should be aware of what qualifies as a serious ESG incident and how to report incidents to investors. Investors should have multiple methods of communication available to Investees (facilities), stakeholders, and other affected parties. Anonymity and whistleblowing privileges should be afforded to those who seek protection from retaliation in reporting ESG incidents.

8.3.3.2. Incident recipient notifies relationship manager and fund team. If the incident is ongoing and the company is not responsive to critical issues like violence, death, severe environmental impact (forest fires, extreme flooding), and human rights violations, please contact the proper authorities.

8.3.3.3. Within the first five days, H2R needs to investigate the ESG incident and establish a description of the incident. Description includes date and time, location of accident/incident, type of incident, name of person(s) involved/injured/deceased, if applicable, narrative and contextual information, state if incident is work or non-work related, cause of incident, and a listing of parties involved in the initial investigation (witnesses, staff, police, or other authorities). Use the incident reporting template also shared with the toolkit.

8.3.3.4. Disclose incident with findings from initial investigation to any entity requiring incident reporting which may include Limited Partners, Acumen, and other stakeholders with contractual requirements for incident disclosure.

8.3.3.5. The incident is assessed by relevant parties and a fulsome investigation is continued. This may involve interviewing additional parties to collect more information or bringing in third parties to support the investigation and assessment.

8.3.3.6. If an incident is ongoing, seek weekly reminders from Investees (new or existing facilities). If additional events or serious incidents happen in relationship to the original incident, update the report and any tracking mechanism you may have. Please keep Acumen informed of updates regarding the incident.

8.3.3.7. If legal procedures or formal inquiry is involved, the incident will be considered ongoing, and the team should cooperate with the relevant authorities.

8.3.3.8. The team should, when possible and appropriate, help the Investee (facility) resolve the incident.

8.3.3.9. Any lessons are applied internally as appropriate (e.g., updating policies or processes). The Program could seek to improve ESMS, Investee (facility) engagement, or stakeholder outreach.

8.3.3.10. When the incident is resolved and the investigation is complete, a full report should be developed for relevant stakeholders and investors. Incident reports should include lessons learned, corrective steps, and resolution of incidents.

8.3.4. Resolutions

8.3.4.1. Acumen adheres to the mitigation hierarchy as an overall principle to managing environmental and social risks and impacts, suitable for all instances of GCF- financed activities. The mitigation hierarchy aims to:

8.3.4.1.1. Anticipate and avoid adverse risks and impacts on people and the environment;
8.3.4.1.2. Where avoidance is not possible, adverse risks and impacts are minimized through abatement measures;
8.3.4.1.3. Mitigate any residual risks and impacts; and
8.3.4.1.4. Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, design and implement measures that provide remedy and restoration before adequate and equitable compensation of any residual risks and impacts;

8.3.5. Reporting and Closure

8.3.5.1. Every ESG incident must be closed, and H2R should issue a final report that will mark the closure of the incident. Incidents may be ongoing for long periods of time if there is a criminal investigation or litigation.

8.3.5.2. ESG incidents should be closed when the investigation is complete, a resolution is implemented, and the Program has no further actions that they can take.

8.4. Program Level Reporting

8.4.1. The H2R management team will consistently, transparently, and deeply report ESG activities, technical assistance Programs, metrics, impacts, results, incidents, and challenges as aligned with investor expectations and the Program mission and vision. The ESG strategy, ESMS implementation, and ESG activities will be reported to MSF and MEF donors and investors on an annual basis. H2R will provide an annual Environmental, Social, and Governance report for investors and a community update for relevant stakeholders.

8.4.2. The Annual ESG report will provide H2R context, ESG risk trends, and standardized reporting metrics across companies so that investors, donors, and stakeholders can evaluate the management team effectiveness, assess trends across the portfolio, and learn about the technical assistance provided to the companies.

8.4.3. The MSF advisors will be expected to also provide annual updates on Investee (new or existing facility) level ESG performance and Program level performance. The MSF advisors are responsible for acquiring ESG performance updates from the deals they support.

8.4.4. We also expect to report to stakeholders on an ongoing basis. Stakeholder reporting is outlined in the Stakeholder Engagement Plan. Stakeholders will receive annual community reports with broad, anonymized, and aggregated portfolio level ESG updates. Stakeholders may also participate in annual H2R webinars that will provide stakeholders with an opportunity to engage with the management team.

8.4.5. Hardest-To-Reach also expects to monitor the Program level Grievance Redress Mechanism (GRM). The GRM will act as an important tool to monitor any ESG incidents or weaknesses in the Program ESMS. The H2R management team shall report on the GRM results to investors on an annual basis.

9. Disclosure of Information

9.1. Hardest-To-Reach will engage with investors, donors, stakeholders, and Investees with transparency, integrity, and clarity. With these guiding values, the H2R management team commits to sharing and facilitating access to relevant information about its operations with stakeholders.

9.2. H2R will have Program level activities ensuring proper disclosure of information including the ESMS, the Grievance Redress Mechanism, and the Stakeholder Engagement Plan. These activities outline publicly disclosable information about Program activities. H2R will also include the Indigenous Peoples Policy, the guidance on Land Resettlement and Livelihood Restoration, and any other relevant ESG materials. The Program will also disclose annual community reports on the Program website. Moreover, each of these documents will be publicly shared when proper online communications channels are developed.

9.3. The H2R Program will also require companies to publicly disclose relevant policies and procedures. This may include their ESMS and their Grievance Redress Mechanism. The program does not intend to have extensive subprograms. In the rare and limited case of Category B investments, the ESIA and an ESMP will be disclosed at least 30 days in advance of the approving authority's decision. The safeguard reports will be available in both English and the local language (if not English). The reports will be submitted to GCF and made available to GCF via electronic links in both the AE and the GCF's website as well as in locations convenient to affected peoples in consonance with requirements of GCF Information Disclosure Policy and Section 7.1 of (Information Disclosure) of GCF Environmental and Social Policy].

Annex 1: Hardest-to-Reach Exclusion List

All Hardest-to-Reach activities will be evaluated using the Exclusion List as defined below. The Accredited Entity shall ensure that the Program does not fund or participate in any activity or investments where the project has concrete evidence of direct investment in, production of, or use of products tied to the Exclusion List.

The Accredited Entity shall ensure that the Executing Entities investigate any potential excluded activity found during due diligence. If the relevant Executing Entity does not have sufficient expertise in the subject, it may hire outside investigators to support the investigation or choose not to proceed with the activity or investment.

Obligors will be prohibited from engaging in any activity listed on the Exclusion List as part of the term sheet agreement. If an Executing Entity finds that an Obligor engaged in an excluded activity post-investment, that Obligor will be found to be in default on their loan or other financing agreement and forced to return their investment. The Accredited Entity shall ensure that the Executing Entities monitor investees and ongoing activity to ensure that the Program does not participate in, or fund excluded activities:

a. Forced Labor or child labor
b. 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 pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
c. Production or trade in weapons and munitions.[46]
d. Production or trade in alcoholic beverages (excluding beer and wine).[47]
e. Production or trade in tobacco.[1]
f. Gambling, casinos and equivalent enterprises.[48]
g. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
h. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
i. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
j. Displacement or resettlement of individuals or communities at the Category A risk level as defined by the IFC Environmental and Social Performance Standards.

[46] This does not apply to Project donors or investors 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.
[47] This does not apply to Project donors or investors 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.
[48] This does not apply to Project donors or investors 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.

Annex 2: Hardest-to Reach ESG Due Diligence Questionnaires (Environmental and Social Audits)

Hardest-To-Reach ESG Due Diligence/ Questionnaire

Context: This questionnaire (audit) is the ESG diligence questionnaire for all potential Market Support Facility and Market Expansion Facility Investees (new or existing facilities) besides the small last mile distributors. The MSF and MEF relationship managers will send this questionnaire to Investees (facilities). All companies are expected to fully complete the questionnaire.

Acumen seeks to have a holistic understanding of our potential Investees (facilities). If any of these questions (or any part of this process) are confusing or require clarification, please reach out to the ESG Insights Manager, Sam Jewett, at sjewett@acumen.org for more information.

Please confirm that you do not partake in any activity, distribution, use, trade, purchase, or investment involving:

a. Forced Labor or child labor
b. 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 pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
c. Production or trade in weapons and munitions.[49]
d. Production or trade in alcoholic beverages (excluding beer and wine).[50]
e. Production or trade in tobacco.[1]
f. Gambling, casinos and equivalent enterprises.[51]
g. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
a. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
b. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
c. Be engaged in any business or be deriving revenues exceeding 10 per cent. (10%) from any business related to fossil fuels.

E&S Policy and ESMS

a) Do you have a formal Environmental, Social and Governance (ESG) Policy or an Environmental and Social Management System (ESMS)? If yes, please provide the policy or ESMS.

[49] This does not apply to Project donors or investors 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.
[50] This does not apply to Project donors or investors 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.
[51] This does not apply to Project donors or investors 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.

b) How are staff and stakeholders made aware of the ESMS or ESG policy?

c) Who is responsible for implementing the ESMS or ESG policy? Who is responsible for oversight of the policy?

d) How do you ensure organizational capacity for mitigating environmental and social risks?

e) How do you identify environmental and social risks across the business? How do you mitigate the identified risks?

f) How do you monitor the environmental and social risks and mitigants across the business?

g) What business activities are exposed to climate or nature-related risks?

h) What is the organization's governance structure and process around climate-related risks and opportunities?

i) Do you have an emergency preparedness plan? How is that communicated to different stakeholders, locations, teams?

Stakeholder Engagement

a) How does your company engage stakeholders including local communities and community leaders?

b) How does the company ensure appropriate assessment of communities that you sell your products within?

c) Does your company have a grievance mechanism? If so, please share the mechanism.

d) Is there a defined process to screen, assess and resolve the issues raised and to determine how to respond? If yes, please briefly describe the process.

e) Is there a defined process to screen, assess and resolve the issues raised and to determine how to respond? If yes, please briefly describe the process.

f) How have you ensured the affected community and other stakeholders are aware of the grievance mechanism?

g) Is there a log or register to track incoming queries and responses?

h) Does your company engage or interact with indigenous communities? If so, what is your engagement strategy?

i) Do you seek free, informed, and prior consent from indigenous communities prior to operating in indigenous territories?

j) If you do engage with indigenous communities, do you have an Indigenous Peoples' Policy?

k) Do you use cultural heritage artwork or historical iconography in your logos, marketing materials, or other promotional media? If yes, did you receive consent to use these materials?

l) If you are purchasing or building on land in non-commercial zones for operating activities, do you employ chance find procedures if artifacts or cultural heritage items are found?

Community Health, Safety, and Security

a) Do you have security personnel to protect property or staff? If so, have you had any incidents with the community? How do you ensure human rights are protected in engaging with the community?

b) Do you inform customers about potential hazards of your product?

c) How do you monitor the potential hazards of your product, especially during extreme weather events?

d) What are your priority community health and safety concerns regarding your operations? How do you mitigate them?

Consumer Protection and Credit Risk

a) What is your customer credit risk management strategy? And What is your company's culture towards risk-taking?

b) What are your criteria for acquiring a customer? Specifically, how do you assess ability to pay?

c) What, if any, policies/procedures do you have around credit and risk management?

d) What portfolio quality metrics do you track? What are your approaches to provisioning and write-offs?

e) How are your sales agents / loan officers compensated? (Please include details of incentive structure for commissions or bonuses)

f) How do you protect customer data?

Labor and Working Conditions

a) Who is responsible for ensuring a safe, equitable, and fair work environment?

b) Does your company ensure the legal, fair, and ethical treatment of employees and contractors? If so, how?

c) How do employees, contractors, and supervisors know their roles, requirements, and protections?

d) Does your company commit to non-discrimination and equal opportunities for employees? If so, how?

e) Does your organization forbid or disallow organizing or union development?

f) How does your company handle retrenchment? What are the policies and procedures you have to ensure fair and lawful termination of employees?

g) Does your labor, human resources, and other policies include the following:

HR Policy Contents	Yes/No	Copy is attached (Yes/No)
Terms and conditions of employment		
Employees/worker's rights related to hours of work, wages, overtime, compensation, benefits		
Employee code of conduct		
Recruitment policy		
Progression policy		
Employee grievance mechanism		
Anti-harassment policies, including Sexual Exploitation, Abuse, and Harassment policy		
Non-discrimination Policy		
Policy prohibiting child labor and forced labor		
Retrenchment Policy or procedures		
Whistleblower Policy		

h) Do you verify that your suppliers do not use forced or child labor and are compliant with international human rights standards? If so, how? Please share a modern slavery policy or statement.

i) Please list your suppliers and the location of operation including city, region and country.

Name of supplier	Product	Location (City, Region, Country)

Gender

a) Please share sex-disaggregated data of your company staff (e.g., average salary, turnover, absenteeism, retention, and promotion). How is the data analyzed and to what extent is data used for decision-making on gender-related efforts?

b) What proportion of sales and distribution agents are women? Does the company collect gender-disaggregated performance of agents? How is the data analyzed and to what extent is data used for decision-making?

c) How does your company ensure an equitable work environment?

d) How does your company protect workers and customers from sexual abuse, exploitation, and harassment?

e) How does your company ensure that women are engaged at all levels of the company from customers to executives?

f) Does the business specifically target female customers, or design products or services tailored to women's needs, preferences, and behaviors?

g) Does your company have a Gender Action Plan?

h) What staff is responsible for ensuring your company is committed to gender equity with respect to staff and customers?

Occupational Health and Safety

a) Does your company have an occupational health and safety (OHS) policy?

b) Does your company train employees on OHS?

c) Do employees have access to personal protective equipment as needed?

d) Do you maintain records of OHS incidents? If so, please share a copy of your records?

e) Do you monitor workplace noise and air quality?

f) How do you ensure the safe transport of goods and products?

g) Do you have driver safety requirements?

E-waste, Pollution, and Biodiversity

a) Do you manage the end of your product lifecycle? If so, how?

b) Do you re-use or recycle products? Are customers aware of e-waste collection, recycling, or refurbishment opportunities? If yes, please explain.

c) Does your company have a waste management plan?

d) If available, please share all current waste disposal contracts.

Source of waste	Quantity generated	Disposal mechanism description
Batteries		
Used equipment collected		
Hazardous waste		

e) Please describe what types of waste your business generates.

f) Do your operations generate air pollution, noise pollution, or water contamination? If so, please describe what measures are taken to manage the pollution.

g) Does your company possess all relevant and up-to-date Health, Safety, and Environment permits and approvals? Please provide copies.

h) Has your company experienced any fines from any HSE violations?

i) Do your environmental policies account for avoiding protected or endangered species, critical or vulnerable habitats, or conservation of biodiversity?

j) Does your company operate in any natural, critical, or vulnerable habitats?

k) Does your company impact any endangered species or habitats?

l) Have your operations ever created habitat loss, degradation and fragmentation and invasive species? How has your company responded?

m) How do you ensure safe management of your operations in these areas?

Policies

If applicable and available, please provide the following policies:

Policies or Procedures	**Mark if available and attached (X)**	**Additional Notes**
ESMS policy or ESG Policy		
Emergency Preparedness Procedures		
Grievance Mechanism		
Record of grievances received over the past year		
Stakeholder Engagement Plan		
Records of consultations with stakeholders		
Credit Policy		
Write Off Policy		
Consumer Protection Policy		
Data Privacy Policy		
Human Resource Policy		
Employee Handbook		
Company Code of Conduct		
Occupational Health and Safety Policy		
Records of occupational health and safety data		
Sample employee contract		
Sample contractor agreement		
Equal employment policy or statement		
Anti-Sexual Harassment Policy		
Gender Action Plan		
E-waste Policy		
E-waste Contract		
Environmental Action Plan		
Environmental licenses or regulatory approvals		
Other regulatory licenses or approvals		
Procurement Policy		
Company website		
Satellite pictures		

Hardest-to-Reach MSF ESG Diligence Questionnaire

Context: This is the due diligence questionnaire for the loans to small last mile distributors. This is a lighter touch approach that fits the company's risk profiles and E&S capabilities.

Acumen seeks to have a holistic understanding of our potential Investees (facilities). With this knowledge, we can better support the companies we invest in with targeted insights and accompaniment. We view this aspect of the diligence process as a way of understanding how Acumen can be additive to potential Investees (facilities). If you find any of the questions (or any part of this process) confusing or requiring clarification, please reach out to the ESG Insights Manager, Sam Jewett, at sjewett@acumen.org for more information.

Name of Company:

Area of Operation:

Founding Date:

Please confirm that you do not partake in any activity, distribution, use, trade, purchase, or investment involving:

a. Forced Labor or child labor
b. 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 pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
c. Production or trade in weapons and munitions.[52]
d. Production or trade in alcoholic beverages (excluding beer and wine).[53]
e. Production or trade in tobacco.[1]
f. Gambling, casinos and equivalent enterprises.[54]
g. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
h. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
i. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

1. E&S Policy and ESMS

a) Do you have a formal Environmental, Social and Governance (ESG) Policy or an Environmental and Social Management System (ESMS)? If yes, please provide the policy or ESMS.

b) How are staff and stakeholders made aware of the ESMS or ESG policy?

[52] This does not apply to Project donors or investors 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.
[53] This does not apply to Project donors or investors 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.
[54] This does not apply to Project donors or investors 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.

c) Who is responsible for implementing the ESMS or ESG policy? Who is responsible for oversight of the policy?

d) How do you monitor the environmental and social risks and mitigants across the business?

e) Do you have an emergency preparedness plan? How is that communicated to different stakeholders, locations, teams?

2. Stakeholder Engagement

m) How does your company engage stakeholders including local communities and community leaders?

n) How does the company ensure appropriate assessment of communities that you sell your products within?

o) Does your company have a grievance mechanism? If so, please share the mechanism. Does it have sexual exploitation, assault, and harassment provisions?

3. Consumer Protection and Credit Risk

a) What is your customer credit risk management strategy? And What is your company's culture towards risk-taking?

b) What are your criteria for acquiring a customer? Specifically, how do you assess ability to pay?

c) What, if any, policies/procedures do you have around credit and risk management?

d) What portfolio quality metrics do you track? What are your approaches to provisioning and write-offs?

e) How are your sales agents / loan officers compensated?

f) How do you protect customer data?

3. Labor and Working Conditions

a) Who is responsible for ensuring a safe, equitable, and fair work environment?

b) Does your company ensure the legal, fair, and ethical treatment of employees and contractors? If so, how?

c) How do employees, contractors, and supervisors know their roles, requirements, and protections?

d) How do you ensure your operations meet local health and safety requirements? Do you provide workers with proper protective equipment when required?

e) Do you verify that your suppliers do not use forced or child labor and are compliant with international human rights standards? If so, how?

4. Gender

a) How does your company ensure an equitable work environment?

b) How does your company protect workers and customers from sexual abuse, exploitation, and harassment?

c) How does your company ensure that women are engaged at all levels of the company from customers to executives?

5. E-waste

a) Do you manage the end of your product lifecycle? If so, how? Do you have an e-waste policy or contract?

b) Do you re-use or recycle products? Are customers aware of e-waste recycling? If yes, please explain.

Policies

If applicable and available, please provide the following policies:

Policies or Procedures	**Mark if available and attached (X)**	**Additional Notes**
ESMS policy or ESG Policy		
Emergency Preparedness Procedures		
Grievance Mechanism		
Record of grievances received over the past year		
Stakeholder Engagement Plan		
Records of consultations with stakeholders		
Credit Policy		
Write Off Policy		
Consumer Protection Policy		
Data Privacy Policy		
Human Resource Policy		
Employee Handbook		
Company Code of Conduct		
Occupational Health and Safety Policy		
Records of occupational health and safety data		
Sample employee contract		
Sample contractor agreement		
Equal employment policy or statement		
Anti-Sexual Harassment Policy		
Gender Action Plan		
E-waste Policy		
E-waste Contract		
Environmental Action Plan		

Environmental licenses or regulatory approvals		
Other regulatory licenses or approvals		
Procurement Policy		
Company website		
Satellite pictures		

Annex 3: Hardest-to-Reach ESG Due Diligence (Audit) Questionnaire Supplementary Modules

Context: This module is intended to be used for MSF and MEF investments that have manufacturing activities in their operations. This will include the MSF joint venture investments and the MEF vertically integrated business loans.

Name of Company:

Area of Operation:

Vertically Integrated Businesses and Manufacturers

a) Does your organization have an Occupational Health and Safety Policy?

b) Who is responsible for the OHS Policy?

c) Do you track occupational health and safety incidents? If so, please share a summary of the incidents and the tracking mechanism.

d) How are staff made aware of the OHS policy and safety procedures in the factory?

e) What PPE is offered to employees?

f) What is your water usage? How do you impact local water quality?

g) What mitigants are put in place for pollution?

h) How do you combat noise pollution?

Annex 4: Hardest-to-Reach ESG Checklist (Audit Checklist)

Context: This is a checklist to be used by the H2R investee relationship manager in due diligence to ensure all materials have been collected for the ESG due diligence report. This will be completed by the MSF or MEF relationship managers, the MSF advisors.

Company Name:	**Location:**	**Date:**

Provisional E&S Category:
Please provide rationale for categorization

Instructions:

- Please ensure the "Comment" sections are completed.
- If a question is marked as Not Applicable, please provide rationale.
- Please include an action plan if required.
- If IFC Performance Standards are applicable for this transaction, please ensure a sufficient E&S DD report is attached to the initial risk assessment.

Applicable Requirements
Please select the relevant applicable requirements and comment on the Program's current compliance status

Does the Company have any activities on the H2R's **Exclusion List**?	Y	N	NA	Please provide a list of excluded activities if any
[Confirm compliance with other H2R's policies, as applicable]	Y	N	NA	Please provide a list of excluded activities if any
What is the key **applicable E&S laws** relevant for this transaction? Can the Company provide documented evidence showing compliance i.e., permits, licenses, EIAs etc.?	Y	N	NA	Please provide a list of permits or licenses required for this transaction
Does this transaction need to comply with **IFC Performance Standards or other internal standards? (Refer to the H2R's ESMS)**	Y	N	NA	Please state the rationale for PS applicability

E&S Risk (transaction / client) Assessment Please complete the following section based on the site visits and documents reviewed. Please list all relevant documents as applicable.				
Roles and Responsibilities				
Please list the key personnel responsible for environmental, social, health and safety (ESHS) and Human Resources (HR) management.				
Please provide details on the composition of teams responsible for ESHS, SEAH, and HR				
Please provide a summary of internal and external reporting mechanism on ESHS				
Environmental and Social Policies and Procedures	**Y**	**N**	**NA**	**Comments**
Does the Company have an E&S Policy?				Comment on the E&S Policy (senior management commitment, date, scope, reference framework such as international standards)
Does the Company have an overarching E&S Management System identifying environmental and social risks and impacts associated with its operations?				Comment on the scope and contents of the E&S Management System including key topics covered and respective management plans if any.
Does the Company have a procedure to identify and engage with relevant stakeholders including affected communities? Does this include SEAH activities?				Please list all relevant documents and procedures including by not limited to stakeholder mapping, community grievance mechanism, stakeholder engagement plan etc.
Does the Company have an Emergency Preparedness and Response Plan?				Please comment on what is defined as an emergency i.e., natural hazards, environmental spills etc. and how the plan is communicated to staff including drills and training programs. Does the plan also cover emergencies that could potentially affect local communities or any third parties in the vicinity of the Program?
Labor and Working Conditions	**Y**	**N**	**NA**	**Comments**
Human Resources				

How many employees does the company have?	Please provide the breakdown between direct and contract workers			
Please select whether the Company has the following HR documents;				
HR Policy				Please comment on the contents of the HR Policy e.g., terms of employment, working hours, overtime, payment, leave, freedom of association etc.
Internal Grievance Mechanism				Does the mechanism allow for anonymous complaints? Does it include SEAH provisions? Does the Company record all grievances? Is the grievance mechanism accessible to third party workers, if any?
Code of Conduct				Please include the key requirements under the CoC such as non-discrimination
Do all employees have written contracts?				Please comment on whether terms of employment are clearly included
Have there been any collective dismissals or labor disputes in the past two years?				If yes, please provide details
Does the company have a contractor management plan?				If applicable, please comment on what this plan entails and how company requirements are cascaded to contractors?
Does the company operate in a sector where the primary supply chain can be considered high risk?				Please provide details on how the company monitors its supply chain.
Occupational Health and Safety				
Does the company have a health and safety management plan?				Please comment on the scope and contents including how the H&S requirements are cascaded to contractors.
Does the company have a documented risk assessment?				Please provide a list of high risks areas identified
Does the Company record health and safety incidents?				Please provide the number of serious accidents/incidents including but limited to fatalities in the past year.
Does the company have mechanisms in place to communicate health and safety measures to its employees e.g., training, toolbox talks, permits to work etc.				Please provide details

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Resource Efficiency and Pollution Prevention	**Y**	**N**	**NA**	**Comments**
Does the company generate any air emissions?				If yes, please comment on whether and how the company monitors its air emissions.
Does the company generate any wastewater?				If yes, please provide details on how the company monitors its effluent discharge and confirm the relevant permits are in place.
Does the company generate any solid waste?				If yes, please provide details of the type of waste produced and disposal methods
Does the company generate any hazardous waste?				If yes, please provide details of the type of waste produced and disposal methods
Does the company have mechanisms to monitor the use and improve the efficiency of energy, water, raw materials and other inputs?				If yes, please provide details.
Are diesel storage tanks fitted with secondary containment bunds?				
Is there a process in place to manage spills or accidental discharges?				Please provide details
Community Health Safety and Security	**Y**	**N**	**NA**	
Are there any communities located near the company's facilities?				If yes, please provide details on how the Company identifies and manages community health, safety and security risks.
Are there security personnel on the company's premises?				If yes, please provide details including whether the security staff is armed and the code of conduct expectations. How are these enforced?
In the case of transportation of materials or outputs, does the company have a traffic management plan?				If yes, please provide details.
Other E&S Risks	**Y**	**N**	**NA**	
Is there any land acquisition required for the proposed transaction?				If yes, please provide details

Will there be physical and/or economic displacement because of the land acquisition?				If yes, please comment on how the company will manage this process including but not limited to consultation and compensation
Are the company facilities/operations close to an environmentally sensitive or protected area?				If yes, please provide details and how the company minimizes its impacts on biodiversity
Are there any indigenous peoples who are in proximity or impacted by the Program?				If yes, please provide details on how the company engages with indigenous people.
Are the company facilities/operations close to an area where there are existing or potential areas of cultural heritage?				If yes, please provide details including how the company protects cultural heritage sites or objects

Summary of E&S Issues and Final E&S Categorization

Annex 5: Hardest-to-Reach ESG Due Diligence Report (Audit Findings)

Context: This is the due diligence report that is to be sent to the H2R MSF or MEF investment committee. This is prepared by the MSF or MEF impact and ESG managers. This report is intended to provide the investment committees with relevant ESG information for their investment decision. It also acts as the basis for the term sheet.

Introduction

- Short description of the ESG process: dates and visits, experts involved
- List of reviewed documents (attachment)
- List of interviewed persons (attachment)
- Mention any limitations to the due diligence process
- Relevant standards that were assessed or are applicable:

Company Name:
Company Location:
Founder:
Start Date:

Final Checklist

Standards/requirements	**Applicable**	**Assessed**
ESG DD questionnaire response		
Exclusion List		
IFC Performance Standards		
Lender criteria		

IFC Environmental and Social Risk Categorization

Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.

Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.

Investment Risk Category
Risk Category Justification *Short summary of the ESG risk profile of the Program at hand when considering Program type, size, and location.*

Compatible with local laws

Legislation	Issuing Authority	Approval entitlement (content)	Issuing date	Expiring date	Comments

Compliance with Environmental and Social Requirements

PS1: Assessment and Management of Environmental and Social Risks and Impacts

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
ESMS/E&S Policy				
Company identifying E&S Risks				
Demonstration of E&S organizational capacity				
E&S Monitoring Capacity				
Company emergency preparedness				
Company Stakeholder Engagement				
Grievance Mechanism with SEAH provisions				

Describe which environmental and social risk assessment and mitigation mechanisms are already in place and which are in process to be implemented.

Senior and staff roles and responsibilities, with emphasis on the thematic areas of coordination, environmental management, health and safety and community relations.

Describe the system in place to communicate with relevant stakeholders, particularly with affected communities and indigenous peoples.

Describe and assess grievance mechanisms in place. Are there specific provisions for Indigenous peoples?

PS2: Labor and Working Conditions

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Human Resources Policies				
Working conditions and terms of employment				
Workers organization/union				
Retrenchment				
Occupational Health and Safety				
Forced Labor				

Do workers have legal contracts and benefits according to the law: social security, minimum age, working hours, collective bargain?

In case the law is unclear about this or does not exist, does the company prevent collective bargain or hire workers under the age of 18 in exploitative forms?

In the case of contracted personnel, is there a reasonable control over these aspects?

How are contracted personnel or sales agents compensated?

Characteristics of working conditions in factories: proper PPE, visible safety warnings and signage, emergency signage, proper lighting, cleanliness, and ventilation.

Is there a health and safety plan in place?

What kind of accidents and incidents have been registered and given due follow up?

PS3: Resource Efficiency and Pollution Prevention

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Resource efficiency				
Water usage				
Pollution prevention				
Pollution emissions				

E-waste management				
E-waste policy				
Hazardous materials management				

Environmental impacts

Which potential impacts have been identified and included in the ESMS? Have any potential impacts not been considered?

Is there an appropriate management system in place for waste, water and emissions?

Describe the formalized e-waste policy and management system? Are customers aware of e-waste recycling or repair opportunities? How does the company handle broken or repairable products? Do their products have warranties?

PS4: Community Health, Safety and Security

Main aspects	**Assessment**			**Comments**
	Weak	**Medium**	**Strong**	
Traffic and transportation				
Exposure to hazardous materials				
Exposure to disease				
Emergency preparedness and response				
Site security and security personnel				
SEAH protections				
Consumer protection policy				
Data privacy				
Repair, refurbishment, and warranty				

Community health and safety

Which main health and safety aspects have been identified (accidents, hazardous materials) that could affect communities? Are any aspects not been considered?

Are adequate mitigation measures in place and included in the ESMS?

Are adequate grievance mechanisms in place?

In case the company hired security personnel, are safeguards in place to minimize potential risk towards people outside the Program area?

Does the company comply with the GOGLA Consumer Protection Principles?

Does the company have governance oversight of consumer protection, good customer service, transparency, good product quality, personal data privacy protections, and fair and respectful treatment of customers?

Does the company manage credit risk and customer ability to pay appropriately. What are the customer payment safeguards?

PS 5: Land Acquisition and Involuntary Resettlement

Main aspects	**Assessment**			**Comments**
	Weak	**Medium**	**Strong**	
Program Design				
Compensation and benefits for displaced persons				
Community Engagement				
Grievance mechanism				
Resettlement/livelihood restoration planning				
Physical displacement				
Economic displacement				

Conflicts over land tenure and displacement

Are there any conflicts over land tenure?

Is the Program designed to avoid or minimize physical and/or economic displacement?

If displacement is unavoidable, are resettlement or livelihood restoration plans in place? Is the process participative and does the company offer appropriate compensation?

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

Main aspects	**Assessment**			Comments
	Weak	**Medium**	**Strong**	
Habitat				

Natural habitat				
Critical habitat				
Legally protected and internationally recognized areas				
Identification of risks and impacts on biodiversity				
Application of mitigation hierarchy				

Risk assessment and mitigation hierarchy

Are these risks included in the ESMS according to the scope and scale of the Program and the biological value of the area in which it is located?

Are mitigation measures in place according to the mitigation hierarchy principle, particularly regarding impacts on biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation and invasive species?

Are differing values attached to biodiversity and ecosystem services by affected communities considered?

PS 7: Indigenous Peoples

Main aspects	**Assessment**			**Comments**
	Weak	**Medium**	**Strong**	
Avoidance of adverse impacts				
Impacts on traditional or customary lands				
Relocation from traditional or customary lands				
Impact on natural resources subject to traditional ownership, use, or occupation				
Principles of FPIC				

Indigenous peoples

How were indigenous peoples included in the risk assessment analysis?

What traditional and customary rights were identified in the process? Were cultural sites considered in the assessment?

Are the principles of FPIC met?

PS8: Cultural Heritage

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Program design to avoid impacts on cultural heritage				
Consultation and community access				

Cultural heritage identification

Which cultural heritage sites did the company identify?

Are appropriate mitigation measures related to cultural heritage in place?

Summary of main findings and gap analysis

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

GAP Analysis Summary								
Area	**Current State**	**Target State**	**Difference**	**Compatibility with H2R requirements**	**Compatibility with AE E&S Policy**	**Compatibility with GCF revised E&S Policy**	**Action Plan**	**Priority**

Vote and suggested ESGAP measures

Statement of decision if this Program can be supported from an environmental and social point of view. In case deficiencies have been detected, decisions can be linked to actions to be taken.

Define necessary actions to be taken by the company to address risks and gaps identified, including them in an Environmental and Social Action Plan (ESAP). To the extent possible, these should include clear timelines, responsibilities, completion indicators and, to the extent possible, estimated costs.

Annex 6: Hardest-to-Reach Sample Environmental, Social, and Governance Action Plan

Context: All companies (new or existing facilities) will be expected to have and complete an environmental, social, and governance action plan as part of receiving an investment from H2R. Shared below is the guidance for the various investment facilities and instruments.

Small MSF Loans to Last Mile Distributors

Small MSF LMD loan recipients will undergo the light touch ESG diligence (audit) questionnaire during due diligence. Small LMD loan recipients are expected at an earlier stage and have smaller environmental and social impacts than other funded activities. ESG action plans will be mandated by the investment agreement. The lending advisor, Hardest-to-Reach, Acumen, and the Investee will collaborate to establish a size and scale appropriate Environmental, Social, and Governance Action Plan.

For the first disbursement of the small loan, companies are expected to agree to an ESG action plan, demonstrate a commitment to the actions outlined in the action plan, and progress at least two activities outlined in the action plan.

To qualify for a follow-on loan, companies are expected to agree to a revised ESG action plan. The company is expected to agree to activities improving consumer protection, e-waste, and a grievance redress mechanism.

In order to qualify for a second follow on for the MSF LMD loan, Borrowers are expected to agree to a revised ESG action plan. At this stage, Borrowers are expected to engage with ESG technical assistance to develop an environmental and social management system. Investees are expected to have effective human resources policies, consumer protection policies and procedures, e-waste policies, stakeholder engagement plans, and grievance redress mechanisms.

Market Support Facility Loan

Market Support Facility loan recipients will be expected to undergo the ESG due diligence questionnaire and supplementary questionnaires depending on their business model. They will be required to share policies, procedures, evidence of implementation, and monitoring/tracking tools in due diligence. Some companies may be subject to site visits. They will be expected to be able to have the organizational capacity to identify and mitigate environmental and social risks. If the Program team identifies rectifiable ESG risks or deficiencies that are commensurate with an IFC E&S Risk Category B or below, then the company will be required to have an ESGAP.

If the tenor of the loan is a year and the H2R team expects to have a follow-on loan, they may allow the ESGAP to either be completed by the end of the expected engagement or to split the ESGAP into smaller subcomponents.

The H2R team may decide that technical assistance will be a mandatory requirement of the ESGAP depending on the nature and complexity of the ESG risks identified in due diligence.

Market Support Facility Convertible Note or Recoverable Grant Investment

Market Support Facility convertible note or recoverable grant Investees will be expected to undergo the ESG due diligence questionnaire and supplementary questionnaires depending on their business model. They will be required to share policies, procedures, evidence of implementation, and monitoring/tracking tools in due diligence. Some companies may be subject to site visits. They will be expected to be able to have the organizational capacity to identify and mitigate environmental and social risks. If the Program team identifies rectifiable ESG risks or deficiencies that are commensurate with an IFC E&S Rick Category B or below, then the company will be required to have an ESGAP.

The H2R team may decide that technical assistance will be a mandatory requirement of the ESGAP depending on the nature and complexity of the ESG risks identified in due diligence.

The company must demonstrate that most ESGAP conditions have been met to qualify for a follow-on investment.

Market Expansion Facility Loan

Market Expansion Facility loan recipients will be expected to undergo the ESG due diligence questionnaire and supplementary questionnaires depending on their business model. They will be expected to be able to have the organizational capacity to identify and mitigate environmental and social risks. If the Program team identifies rectifiable ESG risks or deficiencies that are commensurate with an IFC E&S Rick Category B or below, then the company will be required to have an ESGAP.

The H2R team may decide that technical assistance will be a mandatory requirement of the ESGAP depending on the nature and complexity of the ESG risks identified in due diligence.

The company must demonstrate that a majority of the loan ESG conditions are fulfilled to be considered for follow on loans.

Summary of risks	**Mitigation measures**	**Risk significance**	**Responsible party/person**	**Schedule**	**Expected results**	**Cost/Budget**
This contains the description of risks and can be derived from the responses to the screening questions in Part B2.	*Options to avoid, reduce, mitigate risks and impacts. This may also indicate additional due diligence and specific management plans*	*This contains a description of the overall level of risk**	*Individual person, unit, or entity tasked to carry out the mitigation measures*	*Timing of implementation of measures including any additional due diligence and management plans and may depend on the stage of implementation*	*Expected outputs of the measures*	*Estimated cost of carrying out the measures*

**Risk significance. The probability of occurrence is the likelihood for a risk to occur and can be characterized in terms of the degree to which it will happen (for example, the UNDP screening procedure uses “expected, highly likely, moderately likely, not likely, and slight”). The impact or magnitude of risks is the description of how severe the impacts would be if it were to occur (for example, “critical, severe, moderate, minor, and negligible”). A significant value of the risk (for example low, medium, high) can be obtained by combining the probability and impact values. The risk significance indicates the relationship between probability and severity or magnitude of impacts. The entities or organizations that will be implementing the proposed activities are best positioned to define the probability of occurrence and severity or magnitude of impacts.*

There is no single technique to determine the significance of risks, nor will it apply in all situations. The entities and organizations that will be implementing the activities will need to determine which technique will work best for each situation. Determining risk significance would require an understanding of activities and locations, the urgency of situations, and objective judgment.

Annex 7: Hardest-to-Reach ESG Incident Report Template

Context: This incident report is intended to be used when any ESG incident occurs as defined by the ESMS. The incident report is supposed to be completed by the MSF or MEF relationship managers and the legal team.

PART A:
SERIOUS INCIDENT REPORT: INVESTEE (NEW OR EXISTING FACILITIES) REPORT

Date of report	
Program and Program Manager	
Contact Person	
Contact Information	
Name of Portfolio Entity Involved	
Date of Invested	
Amount Invested	
Total Portfolio Invested (At Cost)	

1.	**Description of Issue**	
1.1.	Date and time	
1.2.	Location of Accident (e.g., address and describe the site)	
1.3.	Type of incident: (e.g., environmental issue, fatality, alleged fraud or other)	
1.4.	Name of person(s) involved / injured / deceased, if applicable	

1.5.	Narrative and contextual information	
1.6.	Weather and other conditions on time of incident	
1.7.	State whether incident was work or non-work related	
1.8.	Causes of incident	
1.9.	Status of investigation	
1.10.	Listing of parties involved in investigation (e.g., witnesses and staff, unions, police, other authorities, and other parties)	1)
2.	**Company Management Follow-Up Actions**	
2.1.	Company manager's view of incident: degree of severity, possible uncertainties, or disputed facts to be investigated	
2.2.	Status of Investigation	
2.3.	Reports received	
2.4.	Immediate actions taken by the fund manager and other parties	
2.5.	Further actions to prevent re-occurrence of incident	
2.6.	Monitoring / reporting arrangements to follow up on efficacy of actions	
2.7.	Results to date of action taken	
3.	**Attachments to the incident report (if any):**	

3.1.	

PART B:
SERIOUS INCIDENT REPORT: FUND TO ADVISORY COMMITTEE

Date of report	
Program and Program Manager	
Contact Person	
Contact Information	
Name of Portfolio Entity Involved	
Date of Invested	
Amount Invested	
Total Portfolio Invested (At Cost)	

4.	**Description of Issue**	
4.1.	Date and time	
4.2.	Location of Accident (e.g., address and describe the site)	
4.3.	Type of incident: (e.g., environmental issue, fatality, alleged fraud or other)	
4.4.	Name of person(s) involved / injured / deceased, if applicable	
4.5.	Narrative and contextual information	

4.6.	Weather and other conditions on time of incident	
4.7.	State whether incident was work or non-work related	
4.8.	Causes of incident	
4.9.	Status of investigation	
4.10.	Listing of parties involved in investigation (e.g., witnesses and staff, unions, police, other authorities, and other parties)	
5.	**Company Management Follow-Up Actions**	
5.1.	Company manager's view of incident: degree of severity, possible uncertainties, or disputed facts to be investigated	
5.2.	Status of Investigation	
5.3.	Reports received	
5.4.	Immediate actions taken by the fund manager and other parties	
5.5.	Further actions to prevent re-occurrence of incident	
5.6.	Monitoring / reporting arrangements to follow up on efficacy of actions	

6.	**Conclusion: Next Steps / Action Plan**	
6.1.	Next steps: whether to close the case, or proceed with investigations, how to do so, and the rationale for	
7.	**. Attachments to the incident report (if any):**	
7.1.	Internal Reports from the Investee Company management External or third-party investigation reports Follow-up action plans by Management, Third Parties or External Advisors Changes to policy or procedures to prevent such incidents	

Annex 8: Hardest-to-Reach Annual ESG Monitoring Report

Context: Companies are expected to share ESG developments on an annual basis. MSF and MEF relationship managers will send the questionnaire to the companies at the end of the year for them to fill out within 1 month of receipt. The impact and ESG managers will interpret this material for monitoring, reporting, and implementation purposes.

Name of Company:
Name and position of E&S reporter:
Date:

Status and changes to ESGAP over the past year?

Status and changes to ESMS/E&S Policy?

List of major and minor corrective actions and observations from the last annual certification audit?

Summary of progress on environmental and social challenges.

Difficulties implementing the ESMS?

Have you had any environmental or social incidents?

Did you have any grievances recorded or investigated this year?

Have you made any changes to the HR policy?

Have you made any changes to employee benefits, rights, or compensation?

Have you had any labor issues, organizing issues, or contracting issues?

Have you been fined or found in violation of any local labor laws?

Have you had any emergencies in areas of operation?

Please confirm that your organization has not participated in any of the Excluded Activities?

Annex 9: Hardest-to-Reach Land Acquisition and Resettlement Policy

The Land Acquisition and Resettlement Policy (LARP) defines the process for screening, assessing, compensating and managing potential risks and impacts from land acquisition and resettlement due to operations supported by an Investee (new or existing facility). As soon as the specific sites and the beneficiary communities of the operations have been defined clearly and in detail, the LARF should be expanded into a specific Land Acquisition and Resettlement Plan (LARP) in line with applicable safeguard requirements.

A Land Acquisition and Resettlement Policy provides the necessary background to ensure that any operations that might involve land acquisition and/or resettlement and loss of livelihoods of affected people will comply with the national laws and the Program ESG requirements.

For each operation that would have activities likely to generate resettlement impacts, a LARP will be prepared. The LARF describes the design criteria for the resettlement of affected persons during implementation of the project, the legal context, the process for the preparation of a LARP, its contents and the process for its execution, and finally the required institutional organization.

Purpose of a Land Acquisition and Resettlement Policy

Land acquisition and involuntary resettlement involve the displacement of people arising from operations that encroach on their productive assets, cultural sites and income sources such as land, grazing fields, other assets, etc. What distinguishes involuntary from voluntary resettlement is that the former involves people who may be displaced against their wishes, as they are often not the initiators of their movement.

The implementation of the various operations of an Investee (facility) may trigger the environmental and social safeguards on involuntary resettlement as the land may be acquired for operations purposes and affected persons will need to be compensated for loss of land, crops, dwellings and other structures, and livelihoods.

The purpose of a LARP is to appropriately deal with matters such as the necessity for land acquisition, compensation and resettlement of people affected by the implementation of the operations of the Investee (facility).

Objectives of the LARP

The overall objective of a Land Acquisition and Resettlement Policy is to provide guidance on how to deal with risks and impacts related to land acquisition, compensation and resettlement during the implementation of the project. Our LARP ensures that displacement is avoided, and if not avoided, the displaced and resettled persons are compensated for their loss at replacement cost, given opportunities to share in project created benefits, and assisted with the move and during the transition period at the resettlement site.

The specific objectives of this Policy are as follows:

1. To minimize, as much as possible, acquisition of land for implementation of project operations, where such acquisition or project related activities will result in adverse social impacts;

2. To ensure that where land acquisition is necessary, this is executed as sustainable programs to enable people to share in the project benefits;

3. To ensure meaningful consultation with people to be affected or displaced;

4. To provide assistance that will mitigate or restore the negative impacts of the project implementation on the livelihoods of people affected in order to improve their livelihoods or at least restore to pre-project levels;

5. Outline roles and responsibilities by various stakeholders in the planning, implementation, monitoring and evaluation of resettlement activities;

6. Allow redress among communities affected by project activities; and

7. Reduce stress on project-affected communities/households.

The operational objective of our Policy is to provide guidance to stakeholders participating in the mitigation of adverse social impacts of the project, including rehabilitation/resettlement operations, to ensure that project affected persons will not be impoverished by the adverse social impacts of the project. The target groups for this Policy are all the stakeholders relevant to the implementation of the project operations. This includes project affected persons, communities and NGOs as applicable.

The legal and administrative framework relating to land acquisition and resettlement risks and issues consist of the various pieces of legislation of the countries where the project operations will be undertaken and the Program ESG requirements (which include ESG standards of its investors). It is important that at the operation level and as part of the formulation of a Land Acquisition and Resettlement Plan, a gap assessment is undertaken to determine the alignment of the various legal and policy requirements, with a view of adopting the most stringent requirements applicable to the activities and for addressing risks related to land acquisition and resettlement. Key areas of comparison of the legal and administrative framework include compensation of lost assets, eligibility, level of assistance to affected people for improving standards of living and livelihoods, consultation and grievance redress, census and asset inventory, cut-off dates, the timing of compensation, vulnerable communities, and monitoring and completion.

An important consideration in identifying legal and administrative frameworks at the country level is the specific context related to processes for acquisition and land take, processes for resettlement of affected peoples, land tenure system, customary rights and traditional ownership of lands.

In addition to the national requirements, the subprojects will also need to align with the ESG requirements of the Program. In particular, IFC Performance Standard 5 specific to land acquisition and involuntary resettlement recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. The standard thus has the following objectives:

1. To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs;

2. To avoid forced eviction;

3. To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected;

4. To improve, or restore, the livelihoods and standards of living of displaced persons; and

5. To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites.

Involuntary resettlement in IFC PS 5 refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) because of project-related land acquisition. Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse land acquisition, which results in displacement. Where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities must be carefully planned and implemented.

Compensation framework

The Land Acquisition and Resettlement Plan that will be prepared for specific Investee (new or existing facility) operations assessed to likely generate land acquisition and resettlement risks and impacts will need to define a compensation framework that would provide the payment for loss of lands or assets including access to land and resources. The compensation framework will be guided by the following principles:

1. Provide transparent, fair and timely compensation (prior to land clearance or taking land) for displacement, including compensation for assets in accordance with national regulations and applicable standards;

2. Compensate for lost assets at replacement value; and

3. Restore the livelihoods and welfare of project affected persons and local communities such that their well-being is at the least, equal to their pre-resettlement conditions, or that they are better off.

The LARP will present the types of affected persons (such as landowners, tenants, forest occupants without formal tenure, owners of permanent and non-permanent infrastructures, people potentially losing livelihood and access to resources, etc.) and their compensation entitlements. The LARP will also provide the eligibility of affected people for compensation, for example providing consideration to formal legal rights, with leased rights, without legal rights, those arriving after the cut-off dates, etc.

Entitlement Planning

The LARP will also present the entitlement planning process which would entail determining applicable compensation rates at replacement value and establishing measures to mitigate further impacts of land take including livelihoods restoration initiatives, and vulnerable person assistance measures. In establishing the applicable compensation rates, an independent valuation expert may be engaged to advise on the market values of affected land, crops and other economic assets in the subproject area.

Method of Compensation

Individual and household compensation will be made in cash, in kind and/or through assistance in the knowledge and presence of both man and wife and adult children or other relevant stakeholders where applicable. The type of compensation will be an individual choice although every effort will be made to instill the importance and preference of accepting in-kind compensation, especially when the loss amounts to more than 20% of the total loss of productive assets. It should be noted that when land holdings necessary for the livelihood of affected persons are taken away or reduced in size by the project works, the preferred form of compensation is to offer an equivalent parcel of land elsewhere, i.e., land for land. Where such land is not available, cash payment can be an option even though cash compensation is not the preferred form of compensation in such cases. It should be noted that cash compensation is only appropriate where there is a market for land or other lost assets in the area of the impact. It is unacceptable to offer cash compensation to, say, a farmer, when he/she has no possibility of acquiring new land in the same area.

Other key elements of the LARP preparation are the process for notifying affected people, census and documentation of assets, agreements on compensation and integration in contracts, and the mechanism for delivering compensations to affected people.

Livelihood Restoration

The Investee (new or existing facility) operations may also affect access of local communities to resources resulting in losses of livelihoods. The LARF should also include a livelihood restoration strategy to prevent and mitigate the potential adverse impacts on the vulnerable project affected persons as a direct result of the resettlement process.

Key principles guiding livelihood restoration planning

The sustainable approach to livelihood restoration is based on the following principles:

1. Livelihoods are multi-faceted strategies, and a combination of approaches is therefore required to support the restoration of income and the reestablishment of community support networks;

2. Active participation of intended beneficiaries in planning and decision making to ensure proposed support reflects local realities and priorities;

3. Affected people should be provided with choices so that they can self-determine how their household will best benefit from the livelihood restoration options;

4. Transition allowances are necessary, but require clear eligibility and end points;

5. Capacity building should be incorporated into livelihood restoration activities to develop skills, including in agricultural practices. Capacity building acknowledges the different needs of women, men, youth, and vulnerable groups with respect to skills development.

Integration of livelihood restoration in plans

To recognize the potential and magnitude of adverse impacts and develop livelihood restoration options, the following approach may be considered:

1. Livelihood restoration for vulnerable affected peoples should refer to the ecological conditions, livelihoods and socio-cultural characteristics possessed by affected people;

2. Livelihood restoration should be able to support project affected people to gain a similar or even better livelihood, independently. It is important that the land acquisition and resettlement process will not cause dependency to the project which eventually would make more problems in the future;

3. The livelihood restoration should be focused on the characteristics of the vulnerability and potential sources of livelihood assets owned by each household;

4. Involving representatives of both communities, the project-affected people and host populations, in the consultation process to build familiarity and to resolve disputes that are expected to arise during and after the resettlement process.

Land Acquisition and Resettlement Action Plan

Should the Investee (new or existing facility) operations require a specific LARP, an outline of the contents that a comprehensive LARP should include, based on the IFC Performance Standards Guidance Notes, is provided in the following:

1. Description of the project: General description of the project and identification of the project area.

2. Potential impacts: Identification of

- the project component or activities that give rise to resettlement;

- the zone of impact of such component or activities;

- the alternatives considered to avoid or minimize resettlement; and

- the mechanisms established to minimize resettlement, to the extent possible, during project implementation.

3. Objectives and studies undertaken: The main objectives of the resettlement program and a summary of studies undertaken in support of resettlement planning / implementation, e.g. census surveys, socio-economic studies, meetings, site selection studies, etc.

4. Regulatory framework: Relevant laws of the host country, other policies and procedures, performance standards.

5. Institutional framework: Political structure, NGOs.

6. Stakeholder engagement: Summary of public consultation and disclosure associated with resettlement planning, including engagement with affected households, local and/or national authorities, relevant CBOs and NGOs and other identified stakeholders, including host communities. This should include, at a minimum, a list of key stakeholders identified, the process followed (meetings, focus groups, etc.), issues raised, responses provided, significant grievances (if any) and plan for ongoing engagement throughout the resettlement implementation process.

7. Socioeconomic characteristics: The findings of socioeconomic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people, including results of household and census survey, information on vulnerable groups, information on livelihoods and standards of living, land tenure and transfer systems, use of natural resources, patterns of social interaction, social services and public infrastructure.

8. Eligibility: Definition of displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

9. Valuation of and compensation for losses: The methodology used in valuing losses to determine their replacement cost; and a description of the proposed types and levels of compensation under local law and such supplementary measures as are necessary to achieve replacement cost for lost assets.

10. Magnitude of displacement: Summary of the numbers of persons, households, structures, public buildings, businesses, croplands, churches, etc. to be affected.

11. Entitlement framework: Showing all categories of affected persons and what options they were/are being offered, preferably summarized in tabular form.

12. Livelihood restoration measures: The various measures to be used to improve or restore livelihoods of displaced people.

13. Resettlement sites: Including site selection, site preparation, and relocation, alternative relocation sites considered and explanation of those selected, impacts on host communities.

14. Housing, infrastructure, and social services: Plans to provide (or to finance resettlers' provision of) housing, infrastructure (e.g., water supply, feeder roads), and social services (e.g., schools, health services); plans to ensure comparable services to host populations; any necessary site development, engineering and architectural designs for these facilities.

15. Grievance procedures: Affordable and accessible procedures for third-party settlement of disputes arising from resettlement; such grievance mechanisms should consider the availability of judicial recourse and community and traditional dispute settlement mechanisms.

16. Organizational responsibilities: The organizational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services; arrangements to ensure appropriate coordination between agencies and jurisdictions involved in implementation; and any measures (including technical assistance) needed to strengthen the implementing agencies' capacity to design and carry out resettlement activities; provisions for the transfer to local authorities or resettlers themselves of responsibility for managing facilities and services provided under the project and for transferring other such responsibilities from the resettlement implementing agencies, when appropriate.

17. Implementation schedule: An implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts, and implementing the various forms of assistance. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.

18. Costs and budget: Tables showing itemized cost estimates for all resettlement activities, including allowances for inflation, population growth, and other contingencies; timetables for expenditures; sources of funds; and arrangements for timely flow of funds, and funding for resettlement, if any, in areas outside the jurisdiction of the implementing agencies.

19. Monitoring, evaluation and reporting: Arrangements for monitoring of resettlement activities by the implementing agency, supplemented by independent monitors to ensure complete and objective information; performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities; involvement of the displaced persons in the monitoring process; evaluation of the impact of resettlement for a reasonable period after all resettlement and related development activities have been completed; using the results of resettlement monitoring to guide subsequent implementation.

Annex 10: Hardest-to-Reach Guidance on Indigenous Peoples

Background

While Hardest-to-Reach's work does not generally present risks to indigenous groups, we want to ensure that our activities comply with the Green Climate Fund's ("GCF") Indigenous Peoples Policy ("IPP") and international best practice for any Programs funded by GCF, in an effort to be more effective in our mission and in serving impoverished communities.

Definitions

In this policy, the term Indigenous Peoples is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

(a) Self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others;

(b) Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation as well as to the natural resources in these areas;

(c) Customary cultural, economic, social, or political systems that are distinct or separate from those of the mainstream society or culture; and

(d) A distinct language or dialect, often different from the official language or languages of the country or region in which they reside. This includes a language or dialect that has existed but does not exist now due to impacts that have made it difficult for a community or group to maintain a distinct language or dialect.

Commitments

This policy represents Hardest-to-Reach's formal approach to issues affecting Indigenous Peoples. For each of the Programs funded by the Green Climate Fund, Acumen will create and implement an Indigenous Peoples plan framework ("IPPF") for activities conducted under these Programs.

Implementation and Review

We intend to implement this policy by developing IPPFs and working with the Program teams to see them integrated within the Program. Additional operational guidance, monitoring and review may be provided periodically by the MSF and MEF Impact and ESG officers.

Indigenous Peoples Plan Framework

1. Types of Subprograms to be financed under Hardest-to-Reach

a. Debt, quasi-equity, and grant investments in companies bringing off-grid energy access to low-income communities in Hardest-to-Reach markets in Africa.

b. Technical assistance grants to Investees (facilities).

2. Potential impacts to Indigenous Peoples

a. Positive

i. Improved access to affordable off-grid energy and decreased reliance on traditional energy sources, translating into health and financial savings.

b. Adverse

i. Possible displacement if Investees (new or existing facilities) expand operations (factories, warehouses) and acquire land traditionally held by indigenous groups.

ii. Manufacturing waste could pollute indigenous lands if factories are located nearby.

iii. Potential impacts on natural resources subject to traditional ownership, use, or occupation.

3. Assessment Plan

a. For each investment contemplated by Hardest-to-Reach, the investment team will ask certain questions during the diligence phase to assess the level of risk presented to indigenous people, and any action to take, as necessary.

b. Questions may include:

i. Does the company operate in areas with known indigenous populations? If not, no further action.

ii. If yes, ask questions about business model and the community to understand:

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

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

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

c. Hardest-to-Reach will also bind its Investees (facilities) by the same or comparable standards as the IPP, as appropriate.

4. Ensuring Meaningful Consultation and Free, Prior and Informed Consent

a. In the event that Hardest-to-Reach Investees (facilities) identify adverse impacts on indigenous groups, Investees will construct a plan for engaging in meaningful consultation, pursuant to section 7.1.5. of the IPP.

b. Where activities of an investee (facility) may result in displacement, the investee will obtain free, prior and informed consent, as set forth in section 7.2 of the IPP, before any such action is taken.

5. Monitoring and Reporting

a. Where potential impacts have been identified, Hardest-to-Reach will annually ask for updates during their standard review of Investees (facilities).

Annex 11: Hardest-to-Reach Stakeholder Engagement Plan

Context and Rationale

Stakeholder engagement is a pillar of the Hardest-to-Reach Project. It will take a strong, committed, and broad coalition to act together to reach millions of beneficiaries that have never had access to electrification. We need inspired entrepreneurs with SHS businesses, investors and donors passionate about renewable electrification, government entities engaged in their climate goals, and the voices of beneficiaries to guide our Project. To that end, we developed a comprehensive Stakeholder Engagement Plan to ensure that we engage important voices across the Project in the Project development, implementation, monitoring, and reporting stages.

H2R is governed by the ESG Policy, which is implemented by the H2R team, the co-manager, consultants, and Investees (new or existing facilities). The ESG Policy and ESMS commits H2R to ESG and community-based activities, stakeholder engagement, and stakeholder tools. Stakeholders across the Project will have access to multiple methods of communicating with and learning from the H2R Project. The Project developed and now implements a Grievance Redress Mechanism aligned with international best practices and GCF standards.

Project Development

The Project reached out to a diverse group of stakeholders in the development of this Project. Our team canvassed the H2R markets we expect to reach, and learned from government entities, investors, donors, pipeline companies, industry associations, affiliated nonprofits, civil society organizations, advocacy groups, and prospective beneficiaries.

For example, industry associations and nonprofits helped us engage on critical issues around e-waste and consumer protection. Consultants supported our understanding of local climate risks. Government entities encouraged our engagement with pipeline companies, beneficiaries, and the local energy ecosystem.

Outreach Methodologies

1. One-on-one meetings: Our team meets with government entities, pipeline companies, nonprofit organizations, nongovernmental organizations, civil society organizations, and other valuable stakeholders on a one-on-one basis to ensure that we learn their needs and feedback on our Project. We ask stakeholder specific questions during one-on-one meetings, build rapport, and create partnerships.
2. Stakeholder engagement town halls: We use stakeholder engagement in-person and virtual town halls to orient a wide variety of stakeholders to our Project. We share our country-specific goals, impacts, and climate policy alignment. We also collect quick feedback on our Project from our town halls.
3. Surveys: We survey stakeholders to get feedback on the Project design, stakeholder interest in the Project, and to improve our communications tools with stakeholders. Their feedback informs our relationship with these groups as the Project progresses.
4. Conferences: Acumen and the H2R team has attended conferences like GOGLA's Global Off-Grid Solar Forum and Expo and COP 27 in Egypt. Conferences give H2R the opportunity to network with businesses, government entities, NGOs, and other potential partners for the Project. Side meetings, panel discussions, and networking informed Project design, opportunities to create impact, and ESG practices.
5. Customer study: We have done household surveys with customers of pilot projects.

Summary of Consultations

Hardest-to-Reach has engaged with over 90 different stakeholders across 28 countries representing a number of different stakeholder groups. The team aimed to learn and seek guidance from stakeholders who have informed the project design and early implementation.

Acumen and the Hardest-to-Reach team has sought significant input and engagement from and reporting to Nationally Designated Authorities in Hardest-to-Reach markets. The team has reached out to all the NDAs in H2R markets and has had significant engagement with each of them.

- 6 NDAs met at the GCF Global Programming Conference (09/22)
- 6 NDAs met at COP 27 (11/22)
- 9 NDAs met during in-country visits (2/23)

The team has had meaningful engagement with the following NDAs:

- Ministry of Living Environment and Sustainable Development, Benin
- Prime Ministry, Burkina Faso
- Ministry of Environment, Agriculture, and Livestock, Burundi
- Ministry of Environment, Water, and Fisheries, Chad
- National Coordination of the Green Climate Fund, Democratic Republic of Congo
- The National Directorate of the Environment, Guinea
- Secretariat of State of the Environment / General Direction of the Environment, Guinea Bissau
- Ministry of Energy and Meteorology, Lesotho
- Environmental Protection Agency, Liberia
- Ministry of Environment, Ecology, Sea and Forests, Madagascar
- Environmental Affairs Department, Malawi
- Ministry of Economy and Finance – National Directorate for Monitoring and Evaluation, Mozambique
- National Council of the Environment for Sustainable Development (CNEDD), Niger
- Environment Protection Agency, Sierra Leone
- Ministry of Environment and Climate Change, Somalia
- Vice President's Office, Tanzania
- Directorate of Environment, Ministry of Environment, Togo
- Ministry of Finance, Planning and Economic Development, Uganda
- Ministry of National Development Planning, Zambia

As a result of persistent engagement efforts, the team has secured the following 16 No Objection Letters:

- Ministry of Living Environment and Sustainable Development, Benin
- Prime Ministry, Burkina Faso
- Ministry of Environment, Agriculture, and Livestock, Burundi
- Ministry of Environment, Water, and Fisheries, Chad
- National Coordination of the Green Climate Fund, Democratic Republic of Congo
- The National Directorate of the Environment, Guinea
- Secretariat of State of the Environment / General Direction of the Environment, Guinea Bissau
- Ministry of Energy and Meteorology, Lesotho
- Environmental Affairs Department, Malawi
- Ministry of Economy and Finance – National Directorate for Monitoring and Evaluation, Mozambique
- National Council of the Environment for Sustainable Development (CNEDD), Niger
- Environment Protection Agency, Sierra Leone
- Ministry of Environment and Climate Change, Somalia
- Directorate of Environment, Ministry of Environment, Togo
- Ministry of Finance, Planning and Economic Development, Uganda
- Ministry of National Development Planning, Zambia

NDAs have asked the team about Land Resettlement issues, grievance mechanisms, and impact. The H2R team was able to directly improve these activities and narratives because of engaging with NDAs. The team has also learned about reporting and communications expectations from the NDAs. The NDAs have also been helpful to the Project's broader stakeholder engagement efforts. NDAs shared valuable guidance on communities, organizations, and other government entities to speak with during the project development process. As a result of these meetings, the team has set up both in-person and virtual town halls with a diverse cross section of stakeholders.

The team held its first in-person town hall in Sierra Leone in November 2022. 10 organizations and 14 people attended the town hall in Freetown. The conference helped the team build a pipeline, deepen the team understanding of the local context, and engage a variety of local organizations.

The team has also visited Guinea, Guinea Bissau, Liberia, Lesotho, Malawi, Madagascar, Mozambique, Sierra Leone, Togo, and Zambia and met with NDAs, high level government officials, civil society organizations, leaders in the private sectors, and off grid solar consumers. The team has also commissioned Open Capital Advisors (OCA), a consultancy firm focused on Africa, to do several on the ground research studies on consumers in several of the Hardest-to-Reach markets. As shared throughout the ESMS, project-affected people will provide a guiding role in the project design and implementation. Site visits and OCA research has helped H2R better understand the needs and barriers faced by potential consumers in H2R markets.

The team continues to host town halls across the H2R markets. The team hopes to have annual town halls to continue the dialogue with stakeholders. The team has participated in or hosted two virtual town halls for stakeholders in Uganda and Burkina Faso. The team plans to host more town halls to reach a broader range of stakeholders including civil society organizations and organizations representing women and indigenous communities.

Hardest-to-Reach has also engaged industry peers, leaders, and others at conferences over the past year. The team has spoken at and attended a number of important conferences including COP 27 and the GCF Global Programming Conference. These conferences have been valuable opportunities to build the H2R network, knowledge share, and develop insights.

The H2R team has had meaningful engagement with over 25 individuals, notably via a Stakeholder Consultation Forum with GCF Gender Monitors. The session had representation from over 11 countries in sub-Saharan Africa, as well as from specialist gender lens off-grid solar organizations. (See Annex 8a, Section: 'Consultations')

Additionally, the team has worked with a number of organizations to improve the climate and gender lens of the project. The team hired climate and gender experts to support the development of the climate mitigation and adaptation rationale and strategy. They also supported the development of climate mitigation methodology. The project gender experts supported the development of the gender lens investing strategy and the Gender Action Plan.

Acumen also seeks to build an enabling environment with the team's stakeholder engagement work. The team has sought to coalesce a multiparty stakeholder group called the REACH Partnership. Based on Acumen's experience in the OGS sector, the team has learned that these markets become strongest when different stakeholder groups like NGOs, aid organizations, and leading OGS practitioners come together to learn from each other and coordinate strategies to maximize impact. The REACH Partnership is still forming, and members, meeting structure, activities, outputs, and reporting is still being discussed by interested parties.

Finally, the team has piloted a project in Benin, and we sought the voice of beneficiaries in the pilot. The team commissioned a consumer study that reached 212 beneficiaries. The team received the results in

November and hopes to incorporate the findings into future project development and implementation. End-user voice and input is critically important to the success of this project. Results include:

- 61% of respondents shared that they were living in poverty
- 58% of respondents shared that quality of life “very much improved”
- 77% of respondents shared that this was the first-time accessing service provided
- 67% of respondents reported not having access to a good alternative

Stakeholders helped us deepen our understanding of the country's context. We have a better understanding of the political context, gender issues, and the off grid energy market because of our consultations with various local government entities, groups, organizations, and businesses.

Assessment

Hardest-to-Reach aspires to have a large impact for a relatively small electrification Project. Our activities primarily consist of investment services, technical assistance, and coalition building. H2R activities have a limited operational footprint. Our stakeholders are broadly interested in positive ESG impact.

Across Project development, implementation, and monitoring, stakeholders will provide important insight into environmental, social, and governance risks both to the Project and the communities we are investing in. We outlined our stakeholders and our engagement strategy in the table below.

Activities

Project development activities include in-person and virtual country-level stakeholder town halls to understand the specific local needs of the communities and stakeholders we serve.

Ongoing activities include:

- Consumer studies: Consumer studies will help us understand the community voice in our Project. Consumer studies will measure community voice on access and usage, customer experience, quality of life, poverty, consumer protection, ESG, gender, and climate adaptation and resilience. We are also interested in engaging in several longitudinal studies on climate adaptation and resilience, ESG, and understanding energy use.
- Due diligence on stakeholder engagement: Hardest-to-Reach will ask pipeline companies about their stakeholder engagement in due diligence. We aspire to invest in companies who can incorporate community voice in their work. All companies are expected to have or develop a grievance mechanism.
- Grievance Redress Mechanism: Hardest-to-Reach developed a strong, transparent, and responsive grievance redress mechanism that is available to anybody adversely impacted by Project activities. Hardest-to-Reach seeks to ensure that Investees (new or existing facilities), beneficiaries, and stakeholders can report adverse impacts of the Project, have their report investigated, and seek remedial action.
- Community Reports: Hardest-to-Reach seeks to engage relevant stakeholders with annual updates on Project activity.
- NDA engagement: country report and a liaison to strengthen our ties and ensure appropriate monitoring, reporting, engagement, and alignment with country-level climate goals.
- Insights Reporting: H2R is approaching electrification with innovative and powerful ideas. We want to evaluate their success and share our findings with the world. Insights reporting will be an important tool for ecosystem building.
- Conferences: Hardest-to-Reach seeks to share Project activity, insights, and lessons learned with peers in the industry. We hope that our engagement with investing peers and off grid companies will be catalytic.

- LP engagement: LPs will be briefed on Project activity on a quarterly basis. They will have the opportunity to share their feedback, ensure the Project is complying with investor agreements, and provide guidance to the team.
- Investment Committee: The Investment committee will review potential investments across Hardest-to-Reach and provide expert input on market fit, risks, ESG, gender, climate, and other relevant matters.
- Annual town halls: Hardest-to-Reach seeks to continue engaging relevant stakeholders with annual updates on Project activity with annual virtual town halls. We hope to collect feedback on our activities so we can continue to improve the Project throughout its lifespan.

Nationally Designated Authorities

Acumen and Hardest-to-Reach considers the Nationally Designated Authorities to be a valued partner to the program. NDAs provide meaningful on-the-ground knowledge, public sector partnership, valuable guidance, and a meaningful monitoring and reporting role. Our team seeks to support NDAs in accomplishing national climate and electrification goals. We are committed to knowledge sharing, insights development, and strategic investing that will support NDAs with their climate and energy goals. To ensure Acumen and Hardest-to-Reach maintains a strong relationship with NDAs, Acumen commits to the following activities:

1. Quarterly Meetings: Acumen will schedule virtual quarterly meetings with the NDA for Acumen to provide progress reports on GCF programs and to learn from the NDA about opportunities and challenges in H2R countries.

2. Annual Monitoring and Beneficiary Meeting: Acumen will meet annually with the NDA to review monitoring strategy and program impacts on beneficiaries in the country, and seek the NDA's guidance, counsel, and support in implementing this program and optimizing impact on beneficiaries.

3. Annual Report: Acumen will provide an annual report detailing activities and impacts of the programs based in the country. These reports could be disbursed by the NDA to stakeholders and other government officials.

4. Annual Stakeholder Gatherings: Each GCF program will host a virtual or in person stakeholder meeting with different stakeholder groups in the country, which may include government entities, industry associations, local businesses, women's groups, indigenous organizations, civil society organizations, academic institutions, and other relevant parties. We hope that the NDA will provide guidance and support connecting Acumen with valuable stakeholders.

5. Building Direct Access Entity (DAE) Capacity: Acumen seeks to consult with DAEs to improve their capacity to design and implement GCF programs. Current ideas for such support could include consulting on environmental and social management systems, GCF funding proposals, and monitoring and reporting, as appropriate. We welcome ideas from the NDA as we engage DAEs and update you in our quarterly and annual meetings on the development of these supports.

Stakeholder voice

Hardest-to-Reach cares deeply about the impact and risks of our Project. Our investors and donors share a mandate with Hardest-to-Reach to identify and mitigate environmental and social risks both material to the financial viability of the Project and to communities we seek to serve. We listen closely to our investors and donors about ESG risks they want us to identify and mitigate. We have built their ideas, insights, and mandates into the ESG Policy, ESMS, Stakeholder Engagement Plan, Gender Action Plan, and Grievance Redress Mechanism.

With Hardest-to-Reach, we want ESG to be a tool to ensure the financial viability and sustainability of the Project, and to ensure that we identify risks, mitigants, and positive impacts on the communities we serve.

For example, we care about labor issues both because illegal labor practices could harm investment returns and because it would negatively impact the communities we serve.

Hardest-to-Reach is an opportunity to understand the environmental and social risks from the community perspective, to complement our investors and donors' ESG approach. We want to ask what their biggest concerns are when new businesses engage in their community. Do communities care about different concerns than other stakeholders in the Hardest-to-Reach universe? How can our Project incorporate community concerns into the building of H2R markets?

We hope that H2R MSF Investees (new and existing facilities) will seek MEF lending if and when H2R Market Support Facility Investees repay MSF loans and fulfill all conditions and covenants. As a condition of MEF funding, Hardest-to-Reach will engage in beneficiary and community level surveys to understand both the impacts and the community-level ESG risks that are most concerning to the people we serve. We are engaging in a new way to measure and manage ESG risks. When we hear directly from the communities we serve, we can better orient our ESG action plans, stakeholder engagement, grievance mechanisms, and tools to the needs of Hardest-to-Reach beneficiaries. Acumen has always listened to our beneficiaries as a core component of creating impact, and we are expanding with Hardest-to-Reach to create a holistic understanding of this Project.

With the data and information that we will receive from these surveys, we hope to help Investees (facility) prioritize the ESG concerns of the communities they serve, improve the stakeholder engagement in the communities they serve, and give beneficiaries opportunities to improve the Project.

MEF Investee (facility) ESGAPs will be made with community voice prioritizing both the timing and scale of intervention. Community voice will drive our Project activities, engagement with companies, impact assessment, and portfolio evaluation throughout the life of the fund.

Monitoring

Stakeholder engagement will be a pillar of Hardest-to-Reach Project monitoring and evaluation. Our Project will work with customer voice experts to survey beneficiaries on impact, ESG, consumer protection, and several other topics. Stakeholder voice will help us determine if our investing and interventions are improving their lives and companies' capacity to generate more and deeper impact.

H2R will continue to engage stakeholders in the process, will monitor investee (new and existing facilities) activity for grievances or ESG incidents. Hardest-to-Reach will consult with civil society organizations, people from marginalized communities, or other representatives if we find recurring issues adversely impacting communities or the Project.

Reporting

Hardest-to-Reach expects to report on Project activity to a diverse group of stakeholders on an annual basis. The H2R team will share Project activities, outputs, outcomes, and impacts with these groups. We will also share outcomes of stakeholder engagement activity with select groups including GCF. Moreover, we will seek their feedback and guidance after we share these results.

Community voice will be an important part of the insights that we develop and share more broadly across the industry. We will also want to learn from stakeholders what insights and reporting are relevant to them. With that, we hope to influence the various stakeholders, policy makers, and private sector leaders to follow the H2R lead on electrification in these markets.

H2R will expect reporting from companies on their stakeholder engagement activities. This includes reporting on grievance redress mechanisms, ESG incidents, and community outreach. Companies will also be expected to report on improvements or changes required in their stakeholder strategy that may be required as part of the ESG action plans.

Stakeholder voice, captured in our reporting, will inform Project activities and investing strategy over the course of H2R. We shared our stakeholder engagement approach across stakeholders below.

Category and Key Issue	**Key Stakeholder**	**Level of Interest and Influence**	**Stakeholder Engagement Strategy**
Potential Investees and others	Solar Home System Last Mile Distributor	Last mile distributors operating in H2R markets will be very interested in the Project as H2R will provide important financing opportunities. Their needs, capacity, and engagement are very important to the success of the Project. LMDs will have a high level of influence in our Project.	The H2R team expects to learn from entrepreneurs and companies about their business models, strategies, and alignment with the Project. We expect to engage with potential H2R LMD in DD to ensure they appropriately engage with communities. Ensure they have grievance mechanisms and other Project-aligned community communication tools. Companies are responsible for sharing data with H2R.
	Solar Home System Vertically Integrated Business	Vertically integrated businesses will be interested in H2R financing as it will help them expand into new markets. VI businesses entering these markets will be important as they will demonstrate their viability to investors, financiers, and other companies. These	Similar expectations to LMDs. Vertically integrated businesses should ensure that their communications tools and grievance mechanisms are locally and culturally appropriate.

		businesses will have a high degree of influence in our project.	
	Solar Home System Manufacturer	SHS manufacturers will be needed to support LMDs in H2R markets. They will have a high level of influence over the project activities.	H2R will have similar expectations to SHS manufacturers. Manufacturers are expected to comply with local laws and regulations, and to engage beneficiaries and employees with strong regard for human rights.
Regulatory/Government entities	Nationally Designated Authorities	H2R will need No Objection Letters (NOL) written by the Nationally Designated Authorities in the H2R markets. Receiving NOLs means that the Project team has appropriately and responsibly engaged government entities in the project development process. Their input into the project design is very important as NDAs help the team align project goals and activities with national climate goals. NDA input and support will be very valuable for the project implementation, monitoring, and stakeholder engagement. They will have a high level of influence on the project.	Nationally designated authorities are deeply engaged in our Project development and throughout the Project lifecycle. NDAs will ensure that our Project aligns with their country's climate and electrification priorities and give guidance on their expectations of the Project. NDAs will also be informed of Project activity on an annual basis. H2R will ask NDAs to provide feedback on reporting and engagement with relevant stakeholders.
	Energy Ministries and Departments	H2R will have to comply with local energy laws and regulations. Moreover, the Project will want to align with government electrification, energy, and renewable energy goals. Energy ministries will be interested in the companies seeking to operate within their countries. They will have a moderate level of influence over the Project.	We will seek guidance from energy ministries to ensure portfolio compliance with local laws and regulations. We will also seek engagement with energy ministries on policy alignment with electrification and renewable energy.

	Other relevant regulatory agencies	H2R and Investees (facilities) will have to follow local laws and regulations. These ministries will influence the types of activities that the Project and Investees (facilities) can do. They will have a moderate level of influence over the Project.	H2R also wants to ensure our compliance and portfolio compliance with local labor laws and regulations. We will check regulatory agency websites periodically to ensure we are up to date on local laws and regulations.
Investors and donors	Green Climate Fund, DFIs, other investors	Investors and donors have a high degree of influence over the project design and implementation. H2R must abide by the governing documents and investor agreements for H2R. Moreover, H2R must abide by investor and donor policies. Investors will influence the project through the LPAC and other advisory positions. Additionally, H2R will be accountable to investors via the Project's annual reporting.	H2R will engage with GCF, DFIs, and other investors frequently to ensure compliance with investor policies, agreements, and expectations. H2R will seek investor input into the development of the fund, funded activities, investment strategy, stakeholder program and a number of Project management topics. H2R will also report to investors on financial, impact, and environmental and social aspects on a quarterly and annual basis.
	Donors include HNWIs, government aid programs, and other large donors	Donors will have a high level of influence over the Market Support Facility. The project development and implementation will be guided by their input, policies, procedures, and requirements. The donors will also influence the MSF through grant capital that can be used towards equity, debt, technical assistance, and project management.	H2R will seek to engage donors proactively and listen to their input throughout the life of the Project. Donors' expectations for funded activity will influence Project design. They will share expectations for Project activity and reporting. H2R will report to donors annually on Project activity and seek their input when their expertise and influence can enhance Project outcomes.
Broader Industry, industry associations	GOGLA	Industry associations will have a moderate level of influence over the Project. Their expertise, experience, and access to different stakeholders will help the project with	Hardest-to-Reach expects to learn best practices, recent trends, and investing opportunities from industry associations,

		sharing insights and learning from peers in the industry.	organizations, and businesses. We expect to report our findings, impact, and insights to the broader industry so that others can learn from our model and make similar impacts in H2R markets.
Consultants and contractors	E.g., IBIS, Value for Women	Consultants will influence the technical assistance, climate, and gender work. They will have a high level of influence over specific aspects of the Project activities like gender work, ESG, and consumer protection.	H2R will seek to engage consultants and contractors in their areas of expertise. Consultants and contractors will provide technical assistance to H2R Investees (facilities) on gender, ESG, consumer protection, and business development topics. They will provide expertise and guidance across the Project so that companies can improve business and impact practices.
Academia, universities, and think tanks	Loughborough University	Academics will have a small influence on the project. H2R hopes to include their insights and expertise in the monitoring, evaluation, and reporting of the Project.	H2R aspires to include academic institutions in our learning throughout the Project. The team hopes that they can support our continued learning on the value of electrification in building climate resilience for beneficiaries in H2R markets.
Marginalized communities, advocacy groups, civil society organizations	Women's renewable energy association, Indigenous advocacy group	These groups will have a high level of influence over specific tools and activities in this project. Their voice will inform the design and implementation of these components.	Civil society groups, advocacy groups, and marginalized communities will be important voices to capture throughout the project lifecycle. They will inform the gender lens for H2R investing, activities around SEAH, Indigenous engagement and protections, and other important topics. H2R seeks to meet with representatives from these groups to learn about their perspective of the project. Additionally, H2R seeks to share

			annual community reporting and webinar engagements with these groups.
End-Users and beneficiaries	End-users with first time electrification	End-users and beneficiaries will have a high degree of influence over the project. Their voice will influence engagement with Investees (new or existing facilities) and other stakeholders.	H2R seeks to engage beneficiaries and end-users with their input and voice throughout the Project lifecycle. The management team seeks to engage end-users and beneficiaries using a variety of tools. The team hopes to engage them using the customer surveys. Their voice will guide the Project and the team engagement with Investees (facilities). The Project will also engage them with the Grievance Redress Mechanism. The team wants to hear from beneficiaries who have experienced challenges with the Project.

Annex 12: Hardest-To Reach Grievance Redress Mechanism

I. Introduction:

The Program intends to do no harm with its investing and has developed robust environmental and social risk identification and mitigation policies, procedures, and strategies to reduce harm. The Program is aware that its work is especially impactful to marginalized and vulnerable populations, and, as such, has an obligation to listen to the concerns of the communities in which the Program operates. Given that, the Program will implement a Grievance Redress Mechanism ("*GRM*") as developed between the AE and the Green Climate Program ("*GCF*"). The Program's GRM is a tool for stakeholders to engage with the Program on concerns that affect their communities and livelihoods. The AE and the GCF developed the GRM framework based on the AE's Environmental and Social Policy, the Ruggie Principles, and the GCF's Independent Redress Mechanism.

II. Purpose:

The GRM is meant to ensure that communities with eligible environmental and social complaints have a legitimate, accessible, predictable, equitable, transparent, and rights-compatible grievance process. The Program's GRM intends to:

1. Respond to the needs of beneficiaries and Program-affected people;
2. Serve as a portal for communities to share their input on the impacts of the Program's investments;
3. Collect information on harms that were unintended or not appropriately mitigated to prevent future harms;
4. Share the Program's grievance process in a clear and transparent manner;
5. Deter harmful environmental and social impacts through public accountability;

III. Types of Grievances:

The GRM is made available to all parties who have grievances arising from activities related to the Program's investments. These grievances can be related but not limited to:

1. Environmental, social, community health, safety, and security;
2. Gender bias and harassment;
3. Labor, compensation, and any issues that may arise due to interactions between Investees (new or existing facilities) and host communities;
4. Resettlement-related grievances, such as valuation of assets, amount of compensation paid, level of consultation, non-fulfilment of contracts, and timing of compensations, etc.

Grievances are non-eligible if:

1. The complaint is submitted two (2) years after the Program has been closed;
2. The complaint is submitted two (2) years after the date that the complainant became aware of the negative impacts by the Program's Investees (facilities).

IV. Transparency:

The Program commits to transparency with its GRM. The Program will share its GRM procedures online and with stakeholders when making an investment. The Program commits to being both transparent about the process while also maintaining confidentiality when appropriate. The confidentiality of the communities and stakeholders and the Program's commitment to Investees (facilities) drive the level of public disclosure. The Program will share grievances with the AE and annually report to GCF on the number of grievances, their nature, and a summary of resolutions. The report will be made available to GCF and other relevant stakeholders.

V. Accessibility and Availability:

The Program seeks to educate all relevant stakeholders on its GRM. The Program will incorporate several outreach efforts to familiarize said stakeholders with this GRM:

1. The GRM process, eligibility criteria, and relevant staff will be shared on the Program's website;
2. A summary of the GRM is included in the Program's Environmental and Social and Gender Equity policies (featured on the Program's website); and
3. The Program will share the GRM with all relevant nationally designated authorities for which the Program has an NOL.

VI. Lodging Grievances:

The Program aims to make any effort to report a grievance easily accessible through a variety of channels. The Program believes that any stakeholder who has a legitimate grievance should be able to access the Program's GRM via the channel that best fits its needs. The Program seeks to ensure that grievances can be shared by any population including youth, women, and marginalized and vulnerable communities (i.e., indigenous populations). The Program also seeks to ensure that the lodging of grievances does not harm the populations that may participate (by guaranteeing anonymity per the complainant's request or if the Program believes that identification could lead to harm). The following channels are available to lodge a grievance:

1. The Program's GRM webpage has a detailed grievance procedure that details eligible grievances and contains a complaint box where grievances can be shared confidentially if they so choose: [https://acumencapitalpartners.com/grievance/];
2. Direct complaints to the Program's GRM investigator, the AE's General Counsel;
3. Direct complaints to the Program's staff;
4. Calling the Program's phone line: [+1 (212) 566-8821];
5. Faxing the Program's fax line: [+1 (212) 566-8817];
6. Mailing the Program's business address: [40 Worth Street, Suite 303, New York, NY, 10013, USA];
7. Emailing the Program's grievance email address: [grievance@acumen.org];

VII. Grievance and Complaints Process:

1. A complaint is received via one of the seven channels above;
2. A complaint is recorded in the Program's Grievance Redress Mechanism Tracker;
3. The complainant is notified of receipt of the complaint and informed of next steps;
4. Involved parties are informed. On occasion, an involved party, particularly the complainant, may be informed later in the assessment to best preserve information and review baseline facts for notice;
5. The complaint is assessed by the AE's General Counsel as it is made. This may involve interviewing parties to collect all relevant information or bringing in third parties to support the investigation. The investigation is conducted by an individual independent of the involved Investee's (new or existing facility) management;
6. The complainant is notified when the investigation ends;
7. The response / resolution is decided on by the Program Director and the AE's General Counsel;
8. The response / resolution is communicated to the complainant and all involved parties;
9. The resolution is recorded in the Grievance tracking mechanism; and
10. Any lessons are applied internally as appropriate.

In instances where there is a potential conflict-of-interest, the AE's General Counsel will investigate the grievance without the Program's Director. AE's General Counsel is an experienced mediator, independent of investment decision making, day-to-day operations, or other interactions with the Program's investment team. In instances when the AE's General Counsel has a potential conflict-of-interest, counsel will recuse themselves.

VIII. Grievance Recording, Assessment, and Documentation:

The Program maintains a Grievance Redress Mechanism registry (the "*GRM tracker*"). The registry includes the description of the complaint, relevant information about the complainant (when possible), records of the investigative process, and the resolution.

Resolutions are assessed based on the size of the impact, the long-term impacts on the community and the investment, and mitigating strategies to reduce the harm. The resolution will be recorded in the registry.

If the complaint is deemed eligible and there has been redress, the Program will follow up with the complainant to ensure that redress (either compensation or Investee related actions) has been delivered in a timely and transparent manner. Once the complaint has been resolved and the complainant has been contacted, the grievance will be considered closed.

The Program will document all evidence of the grievance in the tracker and a designated Grievance folder in the Program's shared google drive. The AE's General Counsel and their team will be the only individuals with access to the Grievance folder.

IX. Grievance Monitoring and Oversight

The Program will assess the GRM on an annual basis to ensure that it is aligned with the Program's Environmental and Social Policy, as well as the AE's Gender Sensitivity Policy, and the Ruggie Principles. If the GRM needs to be updated, the Program will share any changes with relevant stakeholders for approval.

X. SEAH Provisions

Victims of SEAH who seek to utilize the H2R GRM will have a survivor-centered and gender-sensitive lodging mechanism, investigation, and resolution. SEAH victims will have the option of maintaining anonymity and will receive assurances of absolute confidentiality if so desired in the lodging process.

SEAH victims will have the opportunity to request a thorough investigation if they choose. Victims also have the right to lodge a grievance and not request that it be investigated. Victims will have the right to work accommodations to ensure their privacy and distance from perpetrators. H2R will request that companies suspend or remove workers that are being investigated for SEAH from interacting with other staff or customers while the investigation is ongoing.

The victim, if H2R is found at fault due to negligent monitoring of Investees (facilities), may provide additional resources to the victim as necessary including legal support, support with community reintegration, and access to mental health services. Data must be secured and only accessible to highly relevant parties like investigators and legal authorities. SEAH victims must be assured of their privacy and security in the GRM process. Recording SEAH data will only be done by a person trained in SEAH investigation best practices. SEAH data is kept separately from other data due to sensitivity of the data. The H2R team will monitor SEAH incidents throughout the course of the H2R program.

XI. Grievance Mechanisms

If companies cannot satisfy customer complaints with their grievance mechanisms, the company should make the Acumen and GCF grievance mechanisms available.

Green Climate Fund Independent Redress Mechanism: https://irm.greenclimate.fund/

Acumen Grievance Redress Mechanism: https://acumencapitalpartners.com/grievance/

Annex 12a: Hardest-to-Reach Guidance on Investee Grievance Mechanism

Hardest-to-Reach Investees (new or existing facilities) are expected to have a grievance redress mechanism or complaints mechanism prior to the end of their investing period with H2R. Complaints Mechanisms and GRMs must be accessible, transparent, and responsive to complainants. Investee (facility) GRM's must align with GCF's IRM, Acumen's GRM, the H2R guidance on GRMs, and international best practices including the Ruggie Principles. Companies are expected to align their mechanisms with the following sections: roles, lodging, investigation, SEAH provisions, recording, monitoring, and communication.

Roles:

- Companies are expected to have a trained and qualified staff member manage the complaints mechanism;
- Companies are expected to attend grievance trainings through H2R if their grievance mechanism is found insufficient;

Lodging:

- Companies are expected to have multiple modalities for lodging complaints including in person, via phone, mail, and internet;
- Sales agents are expected to be able to receive complaints when engaging with a customer and to know how to record and share those complaints with relevant staff;
- Companies are expected to offer confidentiality and anonymity for those choosing to lodge a grievance;

Investigation:

- Companies should have a clear and transparent process for investigating complaints
- Investigations should be time bound and complainants should expect to hear from the company at different intervals of the investigation including lodging, fact finding, and resolution;

SEAH Provisions:

- Companies are expected to have gender-sensitive and victim-centered approaches to SEAH incidents;
- Companies are expected to suspend or remove workers being investigated for SEAH from customer or staff facing engagements;
- SEAH victims should have work accommodations to ensure their privacy and well-being during the investigation;

Recording:

- Grievances should be recorded in a grievance tracker that can only be accessed by relevant investigators or grievance managers;

Monitoring:

- Companies are expected to continuously monitor and report on grievances to the H2R team;

Communications:

- Please share the following resources with the complainant;

- Green Climate Fund Independent Redress Mechanism: https://irm.greenclimate.fund/
- Acumen Grievance Redress Mechanism: https://acumencapitalpartners.com/grievance/

Annex 13: Hardest-to-Reach Guidance on Environmental and Social Impact Assessment

Summary: Hardest-to-Reach intends to primarily invest in ESS Category C activities. There may be some Investees (new or existing facilities) who, given the investment size, due diligence results, and other considerations, could be considered ESS Category B. These companies will undergo the regular due diligence required of all Hardest-to-Reach investments. They are expected to undergo further due diligence as described below.

Screening: Companies will be screened on the following topics:

- Exclusion List
- Desktop research on the company
- Initial materials shared from the company
- Market and company type context

If evidence demonstrates that a company may be Category B, the team must consider implementing an ESIA.

Regular ESG due diligence (environmental and social audit for category C and above):

- ESG Due Diligence (Environmental and Social Audit) Questionnaire (Annex 2)
- Manufacturing Module (Annex 3, when applicable)
- Company Policies and Procedures
- Site Visit (when applicable)
- ESG Checklist (Annex 4)
- ESG Report (Environmental and Social Audit Findings)
- ESG Action Plan

Regardless of whether companies are Category C or B, H2R will complete both screening and regular ESG due diligence. If the company has evidence of the following Category B activities, there may be additional ESG due diligence activities to develop an ESIA.

General Characteristics (determined on a case-by-case basis	
Category B	**Category C**

• OGS investment
• Must be larger investment: $5M+
• Due diligence finding any of the following outcomes:
  ○ Funds used for land acquisition outside of commercial zones
  ○ Significant track record of OHS incidents
  ○ Pattern of gender or SEAH incidents
  ○ Pattern of harmful environmental and social impacts
	• OGS investment
	• Investment smaller than $5M
	• Due diligence finds the following:
	  ○ Funds used for working capital, accounts receivable, operational expenditures
	  ○ Minimal environmental and social impacts
	  ○ May not have sufficient policies and procedures

ESIA activities may include but are not limited to:

- Executive Summary
- Scope of the Audit
- Regulatory Setting
- Audit and Site Investigation Procedure
- Findings and Areas of Concern
- Corrective Action Plan, Costs and Schedule (CAP)
- Annexes: These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above
- Screening Activities (Required)
- Regular ESG DD Activities (Required)
- Environmental and Social Impact Assessment (Required)
- Third Party Auditor
- Third Party ESG expert investigator
- Stakeholder meeting
- Land survey

ESIAs are expected to include:

- In depth identification of environmental and social risks using the IFC environmental and social performance standards;
- Analysis of community risks and potential grievances
- Analysis of land resettlement or displacement risks
- Analysis of gender and SEAH concerns
- Analysis of environmental and social management of investment
- Gap analysis of E&S risks and E&S capacity
- Mitigant strategy

The ESIA report will be shared with the investment committee. A redacted ESIA may be shared with other entities if needed in cases of regulatory compliance. A summary of the ESIA results may be shared with relevant stakeholders if appropriate and with the approval of the company.

Annex 14: Hardest-to-Reach Chance Find Procedures

Context: The Hardest-to-Reach team has a limited operational footprint. The team is mostly based out of London and utilizes office space for regular activities. The team may go on site visits for due diligence and have limited exposure to uncovering or impacting cultural objects. Therefore, this guidance is limited to Category B investments made with the funds explicitly earmarked for new construction or land purchase outside of urban or business park areas.

Chance find procedures may be triggered under the following circumstances:
- Companies will utilize significant amounts of land for operations
- Hardest-to-Reach has directly funded the purchase of land or construction

Companies will be requested to do the following:
1. Stop all works in the vicinity of the find, until a solution is found for the preservation of these artifacts, or advice from the relevant authorities is obtained.
2. Delineate the discovered site or area; secure the site to prevent any damage or loss of removable objects.
3. Preliminary evaluation of the findings by archaeologists. The archaeologist must make a rapid assessment of the site or find to determine its importance. Based on this assessment the appropriate strategy can be implemented.
4. Contact local ministries responsible for cultural heritage to ensure compliance with local laws.
5. If human remains or minor artifacts are found, determine if excavation can be accomplished.

If sites are of historical importance or must be preserved the project may be requested to consider other locations for their operations.