



# KawiSafi II Environmental and Social Management System (ESMS)

June 2023



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## Glossary

**AE:** “AE” means Accredited Entities. AEs are designated by GCF to submit proposals and implement projects 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 projects and programs.

**Acumen:** Acumen Fund, Inc. is a not for profit corporation formed under the laws of the State of New York and public charity under 501c3 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 projects. APRs include reporting on the activities of the GCF-Funded project and KPIs.

**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 we work ethically and report concerns.

**ESGAP:** “ESGAP” means the Environmental, Social, and Governance Action Plan. ESGAPs are tools used to mitigate environmental and social risks of portfolio companies found in the due diligence stage.

**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 project.

**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 project (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” refer to the environmental and social safeguards standards, which is 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 projects.

**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 projects, GAPs contain metrics for collection and action plans to achieve the goals of this policy and GCF-funded project requirements.

**Gender Sensitivity Policy for GCF-Funded Projects:** Refers to Acumen’s Gender Policy for GCF-funded projects.

**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, SIMA, 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 projects.

**IAS:** Invasive Alien Species

**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.

**Investor:** Investor refers to other investors in KawiSafi II.

**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 project-related land acquisition or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement;

**KawiSafi II:** “KawiSafi Ventures Limited II” (KSV II) is a venture impact fund investing in early-growth stage companies operating in the clean energy sector across Africa.

**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 project.

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

**NDA:** “NDAs” mean National Designated Authorities. NDAs are government institutions that serve as the interface between each country and the Fund. 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.

**Portfolio Company:** is a social enterprise who receives investment capital from projects for which Acumen is an Accredited Entity and which uses GCF funding.

**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 projects, 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 Portfolio Companies and the ecosystems in which they operate.



# 1. Environmental, Social and Governance Policy



For any questions about this Policy, please contact Amar Inamdar, MD, KawiSafi Ventures, [info@kawisafiventures.com](mailto:info@kawisafiventures.com)



## 1.1. Context

- 1.1.1. As an expansive pan-African climate change fund investing in energy transition, productive use, and mobility and logistics to support low-income populations, KawiSafi Ventures (KSV) shows leadership in both seeking positive impact and the approach we take to managing environmental, social, and governance (ESG) risks and performance in our investments.
- 1.1.2. We are committed to being a “Best-In-Class” fund. This extends to our approach to sustainable and responsible investing. We believe that responsible investing practices lead to sustainable, long-term value creation, both for our investors and the companies in which we invest. We have therefore adopted a systematic approach to integrating ESG management into our investment activities throughout the life of the Fund.
- 1.1.3. We reference globally accepted benchmarks, such as the Green Climate Fund Environmental and Social Safeguards (GCF ESS), International Finance Corporation Performance Standards (IFC PS), IFC Operating Principles, and the UN-supported Principles for Responsible Investment (PRI), and we make a meaningful contribution to the Sustainable Development Goals (SDGs) in our operating countries. We identify, promote, and measure positive impact through our investments under the following SDGs in particular:
  - 1.1.3.1. **SDG 7:** Ensure access to affordable, reliable, sustainable and modern energy for all
  - 1.1.3.2. **SDG 1:** No Poverty
  - 1.1.3.3. **SDG 5:** Achieve gender equality and empower all women and girls
  - 1.1.3.4. **SDG 8:** Decent work and economic growth
  - 1.1.3.5. **SDG 13:** Climate Action
- 1.1.4. The following Policy applies to our own investment procedures and activities. It also sets out the obligations placed on our portfolio companies.

## 1.2. Governance

- 1.2.1. KSV’s Managing Director is responsible for signing off on the KSV operational principles, including this ESG Policy.
- 1.2.2. The Relationship Manager for each investment is responsible for the implementation of this policy on a deal-by-deal basis.
- 1.2.3. A designated member of the KSV team has responsibility for monitoring day-to-day implementation of the ESG Policy and related procedures, as



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well as for monitoring and preparing reports on KSV and its portfolio companies' ESG performance.

### 1.3. Revision Of Policy

1.3.1. This policy is reviewed after each investment is made, if there is an ESG incident, and thereafter once a year. The team will be made aware of any changes during the annual ESG review meeting and training session. Any policy changes will also be communicated via email to the staff and external stakeholders. NDAs will be provided updated ESMSs during annual meetings. Portfolio companies will be updated about any changes to the ESMS that are material to them during annual ESG check ins unless an urgent material matter arises. We aim to empower NDAs to provide materials to Affected Communities. We will adhere to the principle of ensuring informed stakeholders commensurate to the risks involved, particularly for potentially Affected Communities, such as engaging in the ESIA consultation process where applicable. Publicly shared ESG materials will be updated on a regular basis.

### 1.4. Scope

- 1.4.1. The Fund's position on RI is to maximize portfolio performance through environmental and social sustainability and good corporate governance.
- 1.4.2. This ESG Policy applies to all KSV II investments and throughout the life of the investment – from initial research, due diligence, and investment closing, through to monitoring and exit.

### 1.5. Commitment to Responsible Investment

- 1.5.1. KSV is aligned with the United Nations supported [Principles for Responsible Investment](#) (PRI) and committed to applying the 6 PRI Principles in our own investment operations and activities:
- 1.5.1.1. We will incorporate ESG issues into investment analysis and decision-making processes.
  - 1.5.1.2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
  - 1.5.1.3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
  - 1.5.1.4. We will promote acceptance and implementation of the Principles within the investment industry.
  - 1.5.1.5. We will work with other investors to enhance our effectiveness in implementing the Principles.





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- 1.5.1.6. We will report on our activities and progress towards implementing the Principles.
- 1.5.2. As a recipient of funding from the Green Climate Fund (GCF), we specifically commit to the following risk management practices in all our investments:
  - 1.5.2.1. Avoid, and where avoidance is impossible, mitigate adverse impacts to people and the environment;
  - 1.5.2.2. Enhance equitable access to development benefits; and
  - 1.5.2.3. Give due consideration to vulnerable populations, groups, and individuals (including women, children, and people with disabilities, and people marginalised by virtue of their sexual orientation or gender identity), local communities, indigenous peoples, and other marginalised groups of people and individuals that are affected or potentially affected by our activities.
- 1.5.3. We have also referred to the following GCF and Acumen policies in developing our investment processes:
  - 1.5.3.1. [Green Climate Fund ESS Safeguards \(2018\)](#)
  - 1.5.3.2. [Green Climate Fund Gender Policy and Action Plan \(2018\)](#)<sup>1</sup>
  - 1.5.3.3. [Green Climate Fund Indigenous Peoples Policy](#)<sup>2</sup>
  - 1.5.3.4. [Acumen Ethics and Anti-Corruption Policy](#)

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<sup>1</sup> 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 behaviours 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.

<sup>2</sup> The GCF Indigenous Peoples Policy recognises 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.



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- 1.5.3.5. [Acumen Gender Sensitivity Policy](#)
- 1.5.3.6. Acumen Environmental and Social Policy for GCF-Funded Projects

## 1.6. Excluded Activities

- 1.6.1. KSV invests exclusively in low- to medium-risk and high-impact projects in the energy, productive use, mobility and logistics and related sectors.
- 1.6.2. In so doing, KSV applies the [IFC Exclusion List](#) and will not invest in companies that have investments or activities as shared in Annex 3

## 1.7. Our Approach to ESG Risk Management

- 1.7.1. In keeping with the values and commitments of our Limited Partners, KSV II is committed to best practices in ESG risk management and achieving positive social and environmental impact, i.e., “to do no harm” while also improving environmental and social outcomes and generating co-benefits to the environment and communities.
- 1.7.2. This Policy is supported by management processes and procedures that allow us to identify, analyze, avoid, minimize, and mitigate potential adverse ESG risks and impacts in our investments, with consideration for the size and nature of our investments and our ability to work with portfolio companies before and during the life of an investment to improve performance over time.

## 1.8. How we Assess Risk

- 1.8.1. Our intention is to invest in companies in emerging markets that represent low overall ESG risk and, where ESG risks are identified, that management teams understand and are committed to managing these risks in line with international good practice.
- 1.8.2. In implementing this policy and related procedures, KSV refers to the following standards and principles as benchmarks for good international practice to be applied by portfolio companies:

- 1.8.2.1. [UN Global Compact 10 Principles](#)<sup>3</sup>

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<sup>3</sup> The Ten Principles of the United Nations Global Compact are derived from: the following conventions: Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.



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### 1.8.2.2. [IFC Performance Standards](#)

- 1.8.2.2.1. Assessment and Management of Environmental and Social Risks and Impacts
- 1.8.2.2.2. Labor and Working Conditions
- 1.8.2.2.3. Resource Efficiency and Pollution Prevention
- 1.8.2.2.4. Community Health, Safety, and Security
- 1.8.2.2.5. Land Acquisition and Involuntary Resettlement
- 1.8.2.2.6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
- 1.8.2.2.7. Indigenous Peoples
- 1.8.2.2.8. Cultural Heritage

### 1.8.2.3. Other risks

- 1.8.2.3.1. Physical and Transition Climate Risk Assessment. KSV will consider climate hazard and disaster risk and maximize project contributions to improved resilience to future climate trends for people, the environment and critical infrastructure.

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

1.8.4. The project is only allowed to make E&S Risk Category B investments as the accredited entity, Acumen, is only allowed to have E&S Risk Category B projects and investments. Acumen has demonstrated to investors the organization's capacity to manage risk category B projects. At each stage of the investment cycle, the overall level of risk will be categorized as high, medium, or low by the KSV II investment team based on:

- 1.8.4.1. Availability of information about the company and its activities;
- 1.8.4.2. Location, sensitivity, and scale of the company's activities;

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1. **Human Rights:** Businesses should support and respect the protection of internationally proclaimed human rights; and
  2. make sure that they are not complicit in human rights abuses.
  3. **Labour:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
  4. the elimination of all forms of forced and compulsory labour;
  5. the effective abolition of child labour; and
  6. the elimination of discrimination in respect of employment and occupation.
  7. **Environment:** Businesses should support a precautionary approach to environmental challenges;
  8. undertake initiatives to promote greater environmental responsibility; and
  9. encourage the development and diffusion of environmentally friendly technologies.
  10. **Anti-corruption:** Businesses should work against corruption in all its forms, including extortion and bribery.



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- 1.8.4.3. Significance and likelihood of any risks identified in terms of the context or operations of the company;
  - 1.8.4.4. The commitment and capacity of the company management to manage the risks; and
  - 1.8.4.5. The nature of KSV's investment and influence over the company.
- 1.8.5. KSV II will employ a combination of internal knowledge and procedures as well as independent ESG experts to undertake appropriate levels of ESG due diligence prior to investment as well as ongoing ESG monitoring and engagement with portfolio companies after investment. In doing so, KSV II will adopt a scaled, risk-based approach in line with good practice and GCF requirements.
- 1.8.6. In determining risk levels, KSV II refers to the following GCF category definitions<sup>4</sup> as well as the GCF Sustainability Guidance Note: screening and categorizing GCF Financed Activities (2019):
- 1.8.6.1. Category A. Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
  - 1.8.6.2. 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; and
  - 1.8.6.3. Category C. Activities with minimal or no adverse environmental and/or social risks and/or impacts. '

## 1.9. Implementation

- 1.9.1. Instructions for implementing this Policy are contained in the KSV II ESMS. In summary, we commit to:
- 1.9.1.1. Inform potential portfolio companies of our ESG expectations and processes during early phases of engagement.
  - 1.9.1.2. Follow a formal ESG due diligence process appropriate to the level and nature of ESG risks identified during early screening processes.
  - 1.9.1.3. Based on any gaps identified prior to investment and in line with opportunities to enhance company value, work with portfolio companies to determine a suitable Action Plan for performance improvement during the life of the investment.
  - 1.9.1.4. Embed ESG commitments and Action Plans (Annex5) in the investment agreement with clear timelines, responsibilities, and reporting requirements.

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<sup>4</sup> Source: GCF Revised Environmental and Social Policy (2021) <https://www.greenclimate.fund/document/revised-environmental-and-social-policy>



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- 1.9.1.5. Work with portfolio companies throughout the life of the investment to enhance business value through improved ESG performance.
  - 1.9.1.6. Champion ESG strategic considerations and planning as part of fiduciary duty in our participation as nominated directors at board level.
  - 1.9.1.7. Monitor value created through improved ESG performance throughout the life of the investment and measure total value created by the time of exit.
  - 1.9.1.8. Report to our Limited Partners and broader stakeholders on the aggregate ESG performance of our investment portfolio.
- 1.9.2. In the case of non-compliance with this Policy by a portfolio company, KSV will make all efforts to remedy the situation and work with the company to achieve compliance as quickly as possible. Should the engagement not be successful, KSV reserves the right to exit the investment in cases of egregious and irremediable breaches in order to protect the reputation and integrity of our Limited Partners.

### 1.10. Monitoring and Review

- 1.10.1. KSV will assess and monitor the ESG performance of portfolio companies prior to investment (through due diligence) and on a quarterly and annual basis following investment.
- 1.10.2. Selected key performance indicators (KPIs) will be requested from portfolio companies on a quarterly basis. More comprehensive data will be collected on an annual basis and as agreed with portfolio companies at the start of the investment.
- 1.10.3. Portfolio companies are also required to notify KSV immediately in cases of serious incidents or where changes in business structure or operations affect the ESG risk profile of the investment.

### 1.11. Training

- 1.11.1. All members of the KSV team have received introductory training on the foundations of responsible investing and ESG integration in line with international good practice. Annual training will be provided to refresh team knowledge and build expertise in key topics such as climate change, adaptation and resilience, gender, ethics, and anti-corruption.

### 1.12. Disclosure and Contribution to Global Dialogue

- 1.12.1. As KSV aspires to be a leader in the sector, we will share an annual ESG report on our portfolio's performance with our LPs, community, and the sector more broadly.



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- 1.12.2. Over the long term, we hope to leverage these annual reports to provide sector analysis and data by participating in sector dialogues.



## 2. Introduction

2.1. The Principles and Commitments stated in the ESG Policy included are a cornerstone of all business operations of the Fund. Compliance with the ESG Policy will be achieved through an Environmental and Social Management System (ESMS) implemented at two levels:

2.1.1. ESMS at Portfolio Companies: Portfolio Companies will be required to adhere to the ESG requirements of the Fund. Each Portfolio Company will establish and maintain its own ESMS to assess, address and monitor ESG risks and impacts of company operations in line with the Fund requirements.

2.1.2. ESMS at Fund level: The Fund management team will establish and maintain the Fund ESMS to assess, oversee and support the management of ESG matters by the Portfolio Companies, as well as oversee ESG matters at overall Portfolio level.

2.2. These Operational Guidelines aim to provide the information needed to support the implementation and operationalization of the ESMS. They are based on the IFC Policy and Performance Standards on Social and Environmental Sustainability 2012, and its Guidance Notes, which have been harmonized with the GCF's Environmental and Social Principles and Standards.

2.3. These Operational Guidelines are structured as follows:

2.3.1. Section 3 presents an overview of environmental and social risks and impacts associated with the renewable energy sector.

2.3.2. Section 4 provides an overview of the ESMS at Fund level, describing the methods used throughout the investment lifecycle to assess, plan, implement, monitor and review the ESG performance of Portfolio Companies and their business plans against set standards.

2.3.3. Section 5 presents the resources allocated at Fund level to conduct all ESG related activities. It also gives an overview of the expected resources that Portfolio Companies will have to allocate to ESG matters.

2.3.4. Section 6 outlines the ESG requirements and standards of the Fund, including the criteria and requirements regarding the aspects of good governance and environmental and social performance. It also includes a description of the ESMS at Portfolio Company level.

2.3.5. Section 7 describes the monitoring and reporting system set up by the Fund to monitor the ESG performance of Portfolio Companies and report to its investors.

### 3. Environmental and Social Risk and Impact Assessment on the Fund's Activity

#### 3.1. ESG Impact Assessment Executive Summary

- 3.1.1. Our team engaged in a comprehensive review of the sectors and geographies that we are covering in KawiSafi II. Our investing pillars, energy transition, productive use, and mobility & logistics, will have a positive impact on the communities and beneficiaries we intend to serve. We expect to mitigate carbon dioxide emissions by investing in green energy, electric mobility,
- 3.1.2. The Fund will seek to continue to invest in opportunities captured in the first Fund (residential and C&I markets, solar PV hardware, waste-to-energy, clean cooking, energy fintech) and additionally look for opportunities in firms that deploy battery storage systems at scale through financing/leasing/energy-as-a-service models.
- 3.1.3. Energy productivity focuses on innovative companies that leverage renewable energy, energy-efficiency technology, smart devices / IoT, software-as-a-service, and fintech / asset financing to unlock productive use of energy across African economies. This includes use of energy in sectors such as agriculture and food value chains; cooling and other supply chain efficiencies, green manufacturing and Information and Communication Technologies ("ICT") among others.
- 3.1.4. Mobility and logistics include companies involved in the rapidly evolving electric mobility and logistics markets across Africa.
- 3.1.5. Positive environmental and social impacts include:
  - 3.1.5.1. Increase energy access through investment in decentralized renewable energy for residential use (Mitigation and Adaptation)
  - 3.1.5.2. Increase access for reliable, low carbon energy for industrial growth in Africa (Mitigation)
  - 3.1.5.3. Support reduction in changes in land use – especially deforestation (Mitigation)
  - 3.1.5.4. Support development of climate-resilient infrastructure (Adaptation)
  - 3.1.5.5. Increased energy efficiency of manufacturing and other energy intensive industries in Africa (Mitigation)
  - 3.1.5.6. Support for development of low-carbon urban infrastructure (Adaptation)



- 3.1.5.7. Increased adaptive capacity of populations to climate events or hazards – through energy efficient cooling; waste to energy innovations and provision of climate related information (Adaptation)
  - 3.1.5.8. Support increased climate data collection and dissemination for climate-resilient agriculture; expected to increase capacity of agriculture dependent rural populations to water availability, changes in temperatures and rainfall variability (Adaptation)
  - 3.1.5.9. Increased deployment of low-emissions transport infrastructure (Mitigation)
  - 3.1.5.10. Support increased data collection and efficiency in urban transport and logistics systems – through electrification and investment in innovative shared public mobility business models (Mitigation and Adaptation)
- 3.1.6. In developing the fund, we found several environmental concerns that the KSV II will pay special attention to. As off grid solar has rapidly expanded since KSVI so has the issue of e-waste. Since 2010, over 180 million solar home system products have been sold, impacting more than 420 million people.<sup>5</sup> Off grid solar is still young and expanding, and the waste management industry is also nascent. Off grid solar suffers from weak waste management because of high unit costs for waste management, high treatment costs, weak regulatory environments, and weak supply chain. This issue could be magnified by the growth of productive use companies in Africa. KSV II will pay special attention to waste management as a part of our due diligence and ESG Action Plans.
- 3.1.7. Our fund also found issues with forced labor in the solar energy sector. Solar manufacturers have been accused of using forced labor to develop polysilicon and solar panels. Manufacturers have faced credible accusations of forcing marginalized communities to produce solar products.
- 3.1.8. Consumer protection remains a concern in off grid solar, productive use, and mobility. Many companies in off grid solar (both SHS and productive use) sell their products using credit or pay-as-you-go (PAYGO) to make their products more affordable for lower income customers. Off grid solar has come under some criticism for not appropriately managing consumer or company level credit risk. Some companies do not appropriately investigate customers' ability to pay for their products. When customers are unable to pay on time for their products, the company will remotely lock their products. This has left customers with ineffective products, bad credit, and debt owed to companies. Industry associations, companies, and stakeholders are finding more ways to enhance credit risk management and consumer protection.

## 3.2. Pan-African ESG Trends

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<sup>5</sup> <https://www.lightingglobal.org/resource/2020markettrendsreport/>

- 3.2.1. Across the continent, there is an intensified focus on using ESG factors as a lens through which to map risks and identify new opportunities. As the focus on ESG principles within investments acts as a catalyst for economic growth across Africa, we are seeing more developed frameworks for ensuring that ESG risks drive change.
- 3.2.2. The regulatory environment serves as a major barrier to ESG investing in Africa. Although there is a deficit in regulatory capabilities in this area, new market entrants, portfolio companies, and firms with decades-long history in Africa are experiencing external pressure to adopt international regulations, and utilise ESG data, ratings and related services in order to adhere to international best practices as a way in which to reduce 'greenwashing'. Although regulatory guidance on ESG is not the same as a binding legislation like that being considered within the EU – investors are placing importance on these Western guidelines to de-risk and safeguard their investments and ensure appropriate allocation of capital.

### 3.3. Country Context

#### 3.3.1. Kenya

Kenya has made significant strides in the development and adoption of renewable energy sources, with a goal of achieving universal access to electricity by 2022. The country has implemented policies and frameworks to support the development of renewable energy infrastructure, including geothermal, wind, and solar energy, to meet the increasing demand for energy while mitigating the environmental and social risks associated with fossil fuels. However, the transition to renewable energy in Kenya is not without its own set of environmental and social risks. These risks include land-use changes, habitat fragmentation, and biodiversity loss resulting from the construction of renewable energy infrastructure, as well as potential social conflicts arising from land acquisition for the projects.

##### a. Environment risks

- i. Environmental risks associated with the energy transition in Kenya include the potential for habitat fragmentation, biodiversity loss, and land-use changes resulting from the construction of renewable energy infrastructure. For instance, large solar and wind farms require significant amounts of land, which could lead to the destruction of important habitats and ecosystems. Additionally, the construction and operation of renewable energy infrastructure can lead to noise and light pollution, which can negatively impact wildlife. We note that KawiSafi II does not intend to invest in large solar and wind farms, however, note these risks and any potential application to our target companies.
- ii. Environmental risks associated with improving energy productivity in Kenya include the potential for increased

resource consumption and waste generation resulting from increased production of goods and services. For example, the increased use of energy-efficient technologies could lead to a greater demand for electronic devices and appliances, which could result in increased electronic waste if not managed properly.

- iii. Environmental risks associated with the adoption of electric mobility in Kenya include the potential for pollution and environmental degradation resulting from the production and disposal of electric vehicle batteries. The extraction and production of materials such as lithium required for battery production can have negative impacts on the environment if not managed properly. Additionally, the increased demand for electricity to power electric vehicles could result in increased greenhouse gas emissions if the electricity is generated from fossil fuels.

b. Social risks

- i. Social risks associated with the energy transition include the potential for social conflicts resulting from land acquisition for renewable energy projects. In some cases, communities may be displaced from their homes or have their access to resources disrupted due to the construction of renewable energy infrastructure. This can lead to social tensions and conflicts, particularly if communities feel that they have not been adequately consulted or compensated for the impacts of the projects. We note that KawiSafi II does not intend to invest in large energy projects that undertake significant land acquisition, however, note these risks and any potential application to our target companies.
- ii. Social risks associated with improving energy productivity include the potential for job displacement as traditional jobs in industries such as manufacturing and transportation become automated or phased out. Additionally, the adoption of energy-efficient technologies may require changes to work processes and procedures, which could lead to job loss if workers are not trained or retrained to adapt to these changes.
- iii. The development of electric vehicle infrastructure could require land acquisition. In certain cases, this could lead to displacement and loss of livelihoods for affected communities. Finally, the benefits of electric mobility may not be equitably distributed, with certain groups or regions benefiting more than others, particularly if access to charging infrastructure is limited in certain areas.

Kenya has developed a number of regulatory and institutional frameworks to address the E&S risks related to the target sectors.

1. The Kenyan government has developed policies and regulations aimed at promoting renewable energy development while minimizing environmental and social impacts. For example, the Energy Act (2019) requires that all renewable energy projects undergo an environmental impact assessment (EIA) and a social impact assessment (SIA) before they are approved. The National Environment Management Authority (NEMA) is responsible for overseeing the EIA process, while the National Land Commission (NLC) is responsible for overseeing the SIA process.
2. The Kenyan government has developed policies and regulations aimed at promoting energy efficiency and reducing waste. For example, the Kenya National Energy Efficiency and Conservation strategy provides a framework for promoting energy efficiency and conservation across different sectors.
3. The Kenyan government has developed policies and regulations aimed at promoting the adoption of electric vehicles while minimizing environmental and social impacts. For example, the National Electric Vehicle (EV) Policy (2020) provides a framework for the development and implementation of electric vehicle infrastructure in Kenya. The policy sets targets for the adoption of electric vehicles in the country and establishes a regulatory framework for the development and operation of electric vehicle charging infrastructure.

In addition to these policies and regulations, there are several institutions in Kenya responsible for implementing and enforcing E&S standards in the renewable/clean energy sector. For example, the National Environment Management Authority (NEMA) is responsible for ensuring that all renewable energy projects comply with environmental regulations, while the Energy and Petroleum Regulatory Authority (EPRA) is responsible for regulating and monitoring the electricity and petroleum sectors in Kenya. Finally, there are several civil society organizations in Kenya that advocate for E&S standards in the renewable/clean energy sector and provide oversight and monitoring of energy projects.

### 3.3.2. Nigeria

Nigeria, as a major oil-producing country, is in the process of transitioning from fossil fuel-based energy to renewable energy sources. The development of the renewable energy sector presents several environmental and social risks. Nigeria has the potential to become a leader in renewable energy development in Africa due to its vast renewable energy resources, including solar, wind, and hydropower. However, the sector is still in its early stages, and addressing environmental and social risks is critical to ensuring the sustainable development of the sector.

#### a. Environmental risks

- i. Environmental risks associated with the energy transition in Nigeria include the potential for increased carbon emissions due to continued reliance on fossil fuels, as well as the environmental impacts of renewable energy projects such as solar and wind farms. For example, the development of large solar and wind farms can lead to land degradation, soil erosion, and wildlife displacement.

- ii. Nigeria is still in the early stages of adopting electric mobility, but there are already several environmental and social risks associated with this transition. Low energy productivity in Nigeria presents several environmental and social risks. High energy consumption under the existing generation matrix leads to increased greenhouse gas emissions, air pollution, and other negative environmental impacts.
  - iii. The adoption of electric mobility in Nigeria presents several environmental and social risks. Environmental risks associated with electric mobility include the potential for increased energy consumption due to the charging of electric vehicles, as well as the potential for increased waste from the batteries used in electric vehicles.
- b. Social risks
  - i. Social risks associated with the energy transition include the potential for land grabbing and displacement of local communities, especially those whose livelihoods depend on the oil industry.
  - ii. Social risks associated with low energy productivity include the potential for energy poverty, especially among low-income households, as well as increased health risks due to air pollution. Additionally, low energy productivity can limit economic growth and hinder a country's development.
  - iii. Social risks associated with electric mobility include the potential for increased demand for rare earth minerals used in battery production, which could lead to environmental and social impacts in the countries where these minerals are mined. Additionally, the cost of electric vehicles and associated infrastructure could be a barrier to adoption, further exacerbating inequalities and contributing to social risks.

In terms of addressing these risks, Nigeria has developed policies and regulations aimed at promoting renewable energy development and energy efficiency.

Nigeria has developed several policies and regulations aimed at promoting renewable energy development and energy efficiency. The National Renewable Energy and Energy Efficiency Policy (NREEEP) was launched in 2015 to provide a framework for the development of renewable energy and energy efficiency in the country. The policy sets targets for the deployment of renewable energy technologies and the reduction of energy consumption, with a goal of achieving 30% renewable energy contribution to the total energy mix by 2030.

In addition to the NREEEP, the Nigerian Electricity Regulatory Commission (NERC) is responsible for regulating the electricity industry, including the development of renewable energy projects. The commission has developed regulations for grid-connected renewable energy projects, including the Feed-in-Tariff (FiT)

regulation, which provides a pricing mechanism for renewable energy projects connected to the national grid.

Furthermore, the Nigerian government has established institutions aimed at promoting renewable energy development and addressing environmental and social risks associated with the sector. The Nigerian Energy Support Programme (NESP), a joint initiative between the Nigerian Government and the European Union, provides technical assistance to the government in the implementation of renewable energy policies and programs. The Rural Electrification Agency (REA) is responsible for the development of off-grid renewable energy projects, with a focus on increasing access to electricity in rural areas.

However, despite the existence of these policies, regulations, and institutions, implementation and enforcement remain a challenge due to weak institutional capacity and governance challenges. Addressing these challenges will require a focus on capacity building, stakeholder engagement, and collaboration between government, private sector, and civil society actors to ensure the sustainable development of the renewable energy sector in Nigeria.

### 3.3.3. Ghana

As of 2019, most of Ghana's power was provided by hydro at 42.7% and thermal power plants at 57.1%; while energy demand is growing at an estimated 7% per year and 16.5% of the population lacks access to electricity. The 2019 Renewable Energy Master Plan (REMP) provides the first national roadmap for the long-term development of renewable energy resources in the country, aiming to increase renewable generation capacity to about 1,360 MW by 2030.

Key E&S risks that may apply include:

- a. Environmental Risks
  - i. Environmental risks associated with the energy transition in Ghana include the potential for habitat fragmentation, biodiversity loss, and land-use changes resulting from the construction of renewable energy infrastructure.
  - ii. Environmental risks associated with improving energy productivity in Ghana include the potential for increased resource consumption and waste generation resulting from increased production of goods and services. For example, the increased use of energy-efficient technologies could lead to a greater demand for electronic devices and appliances, which could result in increased electronic waste if not managed properly.
- b. Social Risks
  - i. Social risks associated with the energy transition in Ghana include that the benefits of the energy transition, energy

- productivity or mobility may not be equitably distributed, with certain groups or regions benefiting more than others.
- ii. Improving energy productivity may also have social implications, particularly for workers who may be displaced by the adoption of new technologies.

Regulatory oversight is provided by the Energy Commission, as the technical regulator of the electricity, natural gas and renewable energy industries. The Public Utilities Regulatory Commission regulates the provision of utilities in Ghana. The Ghana Environmental Protection Agency may require projects to provide and Environmental Impact Assessment.

The Ghana Standards Authority (GSA) is the national standards body in Ghana. The GSA maintains standards catalog that lists several quality standards for solar and solar devices and ensures that imported solar home systems (SHS) comply with the local standards.

The Environmental Protection Agency is the leading public body that implements and enforces environmental regulations. E-waste in Ghana is governed by the Hazardous and Electronic Waste Control and Management Act (Act 917) and is complemented by the Legislative Instrument on Hazardous and Electronic Waste Control and Management Regulations (LI 2250).

#### 3.3.4. Rwanda

Rwanda is a country that is highly vulnerable to climate change and has recognized the need to transition from fossil fuel-based energy to renewable energy to mitigate the environmental and social risks associated with climate change. The country has set ambitious renewable energy targets and implemented policies and frameworks to support the development of renewable energy infrastructure. However, the transition to renewable energy in Rwanda is not without its own set of environmental and social risks. These risks include land-use changes, habitat fragmentation, and biodiversity loss resulting from the construction of renewable energy infrastructure, as well as the potential for social conflicts arising from land acquisition for large projects.

- c. Environment risks:
  - i. Renewable energy infrastructure can have negative environmental impacts such as land-use changes, habitat fragmentation and biodiversity loss. Additionally, the extraction and production of materials required for renewable energy infrastructure (such as lithium for batteries) can result in pollution and environmental degradation.
  - ii. The adoption of energy-efficient technologies can result in the production of electronic waste, which can be harmful to the environment if not properly managed. Additionally, the

increased production of goods and services can lead to resource consumption and waste generation.

d. Social Risks

- i. The energy transition may also have social implications, particularly for local communities that may be affected by the construction of new infrastructure. For example, land acquisition for energy infrastructure can lead to displacement and loss of livelihoods. Furthermore, the benefits of the energy transition, energy productivity or mobility may not be equitably distributed, with certain groups or regions benefiting more than others.
- ii. Similarly, improving energy productivity may also have social implications, particularly for workers who may be displaced by the adoption of new technologies.

It is therefore critical for Rwanda to have a comprehensive regulatory and institutional framework in place to manage these risks and ensure that the transition to renewable energy is sustainable and equitable. Rwanda has developed several policies and frameworks to support the transition to renewable energy, including the National Policy on Renewable Energy, the Rwanda Green Fund, and the National Electrification Strategy. These policies aim to promote the use of renewable energy sources while mitigating the environmental and social risks associated with their development. Rwanda has also established the Energy Efficiency and Conservation Authority (EECA) to promote energy efficiency and conservation across different sectors. The EECA works with businesses, households, and government agencies to implement energy-efficient technologies and practices. Additionally, Rwanda has developed a National Environment Management Authority (REMA) that is responsible for enforcing environmental regulations and promoting sustainable development. In addition to these policies and frameworks, Rwanda has also established several institutions to oversee and enforce environmental and social regulations. For example, the Rwanda Environmental Management Authority (REMA) is responsible for enforcing environmental regulations, while the Rwanda Utilities Regulatory Authority (RURA) oversees the regulation of energy and transportation infrastructure.

3.3.5. Uganda

As of 2020, Uganda's installed generation capacity was characterized by 82% hydroelectricity, 5% solar, and 13% thermal generation. While power supply ramped up to meet and even exceed demand on the grid, a lack of infrastructure results in nearly half of the population lacking access to electricity. The National Electrification Strategy for Uganda is the country's roadmap to achieving universal energy access and includes a focus on distributed energy solutions.





## Environmental and Social Management System

The development of renewable energy solutions in Uganda may present environmental and social risks. These risks include land-use changes, habitat fragmentation, and biodiversity loss resulting from the construction of renewable energy infrastructure; the potential for increased electronic waste, and the potential for social conflicts arising from land acquisition for large projects.

- a. Environment risks:
  - i. The adoption of energy-efficient technologies can result in the production of electronic waste, which can be harmful to the environment if not properly managed. Additionally, the increased production of goods and services can lead to resource consumption and waste generation.
- b. Social Risks
  - i. The energy transition may have social implications, particularly for local communities that may be affected by the construction of new infrastructure. For example, land acquisition for energy infrastructure can lead to displacement and loss of livelihoods. Furthermore, the benefits of the energy transition, energy productivity or mobility may not be equitably distributed, with certain groups or regions benefiting more than others.
  - ii. Improving energy productivity may also have social implications, particularly for workers who may be displaced by the adoption of new technologies.

The Electricity Regulatory Authority is the legal supervisor of Uganda's Electricity Supply Industry.

Uganda has a national quality assurance framework which has adopted standards – in line with IEC standards – for both pico-PV and plug-and-play systems of up to 350W. Uganda also has a quality assurance framework for component-based solar home systems. These are governed by the Uganda National Bureau of Standards. In addition, the National Environmental Management Authority (NEMA) has launched a National E-waste Management Center.

### 3.3.6. Democratic Republic of the Congo

The Democratic Republic of the Congo (DRC) faces several environmental, social, and governance (ESG) risks in the energy sector.

Environmental: Firstly, deforestation and habitat destruction resulting from logging, mining, and agricultural activities pose significant environmental risks. The DRC's vast rainforests, which serve as critical carbon sinks and support rich biodiversity, are threatened by illegal logging and land encroachment, leading to loss of habitat, soil erosion, and carbon emissions.

Social: Secondly, social risks arise from the displacement of local communities and indigenous peoples due to large-scale energy infrastructure projects such as hydroelectric dams and oil exploration. These projects can result in land grabbing,

loss of access to natural resources, and disruption of traditional livelihoods, leading to social conflicts, human rights violations, and forced labor. The DRC has gaps in the countries labor laws, which has led to some issues with child and forced labor. The DRC Ministry of Labor has developed new regulations to curtail some of these issues.<sup>6</sup>

Governance: Thirdly, governance risks in the energy sector in the DRC are related to issues such as corruption, lack of transparency, and weak regulatory frameworks. Corruption in the awarding of energy contracts and licenses can undermine the sustainable management of natural resources and hinder the development of a fair and competitive energy market. Weak governance can also result in inadequate enforcement of environmental and social regulations, leading to environmental degradation, social injustices, and long-term economic instability.

In summary, ESG risks in the energy sector in the DRC include deforestation and habitat destruction, displacement of local communities, social conflicts, human rights violations, forced labor, corruption, lack of transparency, and weak governance. These risks can have detrimental impacts on the environment, society, and the economy, and addressing them is crucial for achieving sustainable and responsible energy development in the DRC.

### 3.3.7. Cote d'Ivoire

Cote d'Ivoire faces various environmental, social, and governance (ESG) risks in its energy sector. Some of the key ESG risks in the energy sector in Cote d'Ivoire may include:

**Environmental Risks:** Environmental risks include e-waste, Mini grid construction, and pollution that could impact local biodiversity. Public-private partnerships spurred investment in renewable energy. Much of the energy growth in Cote d'Ivoire has come from renewable energy.<sup>7</sup>

**Social Risks:** The energy sector in Cote d'Ivoire may face social risks related to land acquisition, community displacement, and human rights issues. Energy projects, such as hydroelectric dams or power plants, may require land acquisition or resettlement of local communities, potentially leading to conflicts, loss of livelihoods, and social disruptions. There may also be concerns about labor practices, health and safety of workers, and impacts on local communities, including indigenous peoples. There are concerns about labor freedom, corruption, and property rights.<sup>8</sup>

**Governance Risks:** Governance risks in the energy sector in Cote d'Ivoire may include issues related to transparency, corruption, and regulatory oversight. Weak governance practices, lack of transparency, and corruption can undermine the efficiency and effectiveness of the energy sector, resulting in mismanagement of resources, unfair distribution of benefits, and regulatory challenges.

**Climate Change Risks:** Cote d'Ivoire, like many other countries, is vulnerable to the impacts of climate change. Rising temperatures, changing rainfall patterns, and extreme weather events can affect the energy sector, including power generation and distribution infrastructure, and may result in disruptions to energy supply and increased costs for adaptation measures.

<sup>6</sup> Privacy Shield Framework, Congo (Democratic Republic of the) Country Commercial Guide; accessed [HERE](#).

<sup>7</sup> World Bank (2020) The secret to Cote d'Ivoire's electric success; accessed [HERE](#).

<sup>8</sup> UK Government (2021) Overseas business risk: Cote d'Ivoire; accessed [HERE](#).

Social and Economic Development Risks: The energy sector in Cote d'Ivoire may impact social and economic development, including access to affordable and reliable energy, energy poverty, and energy equity. Unequal distribution of energy benefits, lack of access to modern energy services, and affordability challenges can hinder social and economic development, particularly for vulnerable communities.

### 3.3.8. Zambia

Shared below are environmental, social, and governance (ESG) risks in the renewable energy sector in Zambia. These risks include:

**Environmental Risks:** Renewable energy projects in Zambia may face environmental risks such as habitat disruption, deforestation, soil erosion, water pollution, and waste management issues during the construction, operation, and maintenance phases. For example, the construction of hydropower plants could result in the flooding of large areas of land, leading to habitat destruction and displacement of wildlife. Solar power projects may require land clearing, potentially leading to deforestation and loss of biodiversity. Proper environmental impact assessments, monitoring, and mitigation measures are crucial to manage these risks.

**Social Risks:** Social risks in the renewable energy sector in Zambia may include land tenure conflicts, community displacement, involuntary resettlement, and impacts on local livelihoods. For instance, renewable energy projects may require land acquisition, which could lead to conflicts over land rights and displacement of local communities. There may also be social and cultural impacts on local communities, such as changes to traditional livelihoods and community dynamics. Zambia labor regulation is governed by the Employment Code Act No. 3, the Employment Act, and the Minimum Wages and Conditions of Employment Act and overseen by the Minister of Labour and Social Security.<sup>9</sup> Proper community engagement, stakeholder consultation, and benefit sharing mechanisms can help address these risks.

**Governance Risks:** Governance risks in the renewable energy sector in Zambia may involve issues related to transparency, corruption, regulatory compliance, and project management. For example, there may be concerns about transparency and accountability in procurement processes, contract negotiations, and revenue management. Regulatory compliance, including obtaining necessary permits and licenses, may also be challenging. Effective governance structures, adherence to regulatory requirements, and robust project management practices are important to mitigate these risks.

The following table presents an overview of relevant environmental and social risks for sectors of the Fund's activity, based on the IFC Performance Standards and IFC ESMS Implementation Handbook.<sup>10</sup> While this is a comprehensive list of relevant ESG risks using the IFC Performance Standards, it is not an exhaustive list of every ESG risk that may impact the KSVII portfolio. Section 4 and 6 will describe the organizational resourcing and due diligence required per deal. Each deal will include a deep analysis of relevant ESG issues and mitigants.

<sup>9</sup> ICLG (2023) Zambia Employment and Labour Law; accessed [HERE](#).

<sup>10</sup> ESMS Implementation Handbook: Identification of Risks and Impacts (pg. 20-23): <https://www.ifc.org/wps/wcm/connect/4c41260d-1ba8-4d10-a77d-f762d60a1380/ESMS+Handbook+General+v2.1.pdf?MOD=AJPERES&CVID=nzhmupn>.

### 3.4. Environmental (PS3)

Risks	Potential Impacts	Mitigation Measures
Energy Productivity: Productive use products can be harmful or wasteful at end of life or end of use as some will have batteries or other hazardous materials that may harm the environment. Improper recycling of lead acid batteries could cause wide-scale lead poisoning/pollution, including air, soil and water contamination.	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of potential for companies to recover units at end of life or otherwise support ecosystem development for recycling and/or proper waste management
Mobility and Logistics, Energy Productivity: Building internet connectivity, factories, or other resource intensive projects may pollute the environment	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Any resource intensive projects to undergo evaluation for measures to avoid potential pollution during construction or operation
Transportation of products across the supply chain and to rural customers may be resource intensive and pollutive	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of efficient transportation alternatives
All investments: Proper e-waste management systems may not be in place. Opportunities for recycling and reuse may not be easily accessible or familiar to the companies. Companies in the growth stage may be weaker or immature with e-waste collection, e-waste policies, and e-waste services.	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of potential for companies to recover units at end of life, offer repairing and recycling services, or otherwise support ecosystem development for recycling and/or proper waste management
Battery and solar e-waste can harm local biodiversity polluting rivers, forests, and other natural resources.	Pollution of air, land, and surface water, leading entry into the food chain resulting in diseases and fatalities	Assessment of potential for companies to repair, recycle, or recover units at end of life or otherwise support ecosystem development for recycling and/or proper waste management
Additional waste issues related to plastics materials, polystyrene residues, aluminium, copper still	Pollution of air, land and surface water, leading entry into the food chain resulting in diseases and fatalities.	Assessment of potential for companies to recover units at end of life or otherwise support ecosystem development for recycling and/or proper waste management

Release of air pollutants (air emissions)	Pollution of air, land and surface water	Assessment of potential for air pollution and management system would occur prior to investment
Improper or excessive land use	Soil degradation and biodiversity loss	Company activities expected to occur on company or client private land rather than larger infrastructure development
High or excessive noise levels	Negative effects on human health and disruption of local wildlife	Assessment of noise levels for relevant activities, in particular manufacturing
Release of liquid effluents or contaminated wastewater into local water bodies or improper wastewater treatment	Surface water pollution	Assessment at production sites for contaminant disposal
Generation of large amounts of solid waste and improper waste management	Pollution of land, and ground and surface water	Assessment of recycling and/or proper waste management
Improper management of hazardous substances	Contamination of adjacent land and water	Assessment at production sites for contaminant disposal

### 3.5. Occupational Health and Safety (PS2)

Risks	Potential Impacts	Mitigation Measures
Hazardous materials may be insufficiently protected from the employees	Worker illness or loss of life	Assessment of company OHS and hazardous materials policies, PPE, and incidents. Companies may be required to mitigate risks found in diligence (improve OHS policy, PPE)
Products could be not safe or difficult to use resulting in workplace or at home injuries	Worker injury or loss of life	Assessment of product safety, product safety incidents, OHS policies, and PPE. Companies may be required to improve policies and procedures post-investment.
Products must be transported or built which can cause workplace or road accidents	Worker injury or loss of life	Assessment of company transportation, travel, and supply chain policies and incidents.
Green manufacturing, developing agricultural products, solar products, and other goods may lead to workplace accidents	Worker injury or loss of life	Assessment of OHS policies, B2B criteria, incidents/accidents and PPE.



Hazards of musculoskeletal disorders injuries, lack of protective equipment etc.	Worker injury or loss of life	Assessment of PPE made available by potential investee.
Slips, trips and falls	Worker injury or loss of life	Assessment of company workplace accidents/incidents, OHS policies, and cleaning procedures.
Collision with moving equipment (vehicles, forklifts, cranes)	Worker injury or loss of life	Assessment of workplace safety procedures, safety training, and PPE.
Explosion or fire due to ignition of dust or flammable materials	Worker injury or loss of life	Assessment of company emergency preparedness, equipment upkeep.
Exposure to hazardous atmosphere in confined spaces	Worker injury or loss of life	Assessment of hazardous materials policies and procedures.
Caught in by improperly enclosed, unguarded or moving machinery	Worker injury or loss of life	Assessment of workplace safety procedures, OHS policies, training on heavy machinery.
Lack of appropriate welfare facilities (e.g., portable water, toilets, washing facilities)	Worker ill-health	Assessment of appropriate welfare facilities including welfare facilities that are gender specific.
Repetitive motions	Worker injury	Assessment of working conditions of manufacturing facilities.
Improper techniques for lifting heavy items	Worker injury	Assessment of worker training when working with heavy objects. Assessment of operations manual to ensure staff are getting appropriate breaks.
Standing for long periods of time	Worker injury	Assessment of operations manual to ensure staff are getting appropriate breaks.
Falls when working at heights	Worker injury or loss of life	Assessment of OHS policies and safety equipment.
Exposure to high or excessive noise levels	Loss of hearing	Assessment of PPE (earmuffs or other products) offered to staff.
Contact with exposed or faulty electrical wires	Worker injury or loss of life	Assessment of company property.

### 3.6. Labor (PS2)

Risks	Potential Impacts	Mitigation Measures
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Investees may not uphold national and international standards for employment and labor conditions, including work, health and safety, non-discrimination and equal opportunity, SEAH and child labor laws	Forced labor, child labor, workers ill-health, negative work environment and unequal access to opportunities and benefits	Company policies will be reviewed for forced labor, child labor, labor in supply chains, human rights protections, and compliance with local laws and international norms.
Investees may have gaps in their work plans, HR resources and policies, employee contracts, codes of conducts, and other worker protection policies	Negative work environment and unequal access to opportunities and benefits	Companies will be assessed for HR policies, HR capacity, employee contracts, codes of conducts, and other worker protection policies.
Forced labor in the supply chain via solar manufacturing.	Forced labor, child labor	Companies using suppliers known to have used forced or child labor during due diligence will be excluded from investment activity
Productive use has been a male dominated industry and may not sufficiently promote gender equity or environments free from harassment and exploitation	Gender Inequality, worker dissatisfaction and trauma	Assessment of SEAH policies and procedures, equitable hiring and promotion policy, gender protections for staff and proper facilities for all staff.
Financing of third-party companies who do not have sufficient protection and procedures for labor and working conditions in place.	Forced labor	Assessment of third-party companies for protection and procedures for labor and working conditions in place. Companies will be assessed for HR policies, contracts, code of conduct, and other relevant labor policies.

### 3.7. Community Health, Safety and Security (PS4)

Risks	Potential Impacts	Mitigation Measures
The use and disposal of off-grid solar, ICT, and EV technologies, and electromagnetic radiation from cell towers and smart meters may have an adverse impact on health.	Negative impacts on the community's health	Assessment of e-waste policies, procedures, and contracts, and assessment of cell tower location and safety measures. Companies will be required to have e-waste policies and procedures.
Improperly controlled or trained security guards	Violence against local community member	Assessment of company security and third-party vendors for training, incidents, and security procedures.



Companies may have insufficiently detailed contracts, unethical sales incentives, or exploitative contracts when selling productive use items to base of pyramid (BOP) customers. Customers may have insufficient protections when purchasing productive use products with either cash or credit.	Negative impacts on the community's financial health	Assessment of company contracts, sales programs, consumer protection policies and plans. Companies with notable exposure to credit risk, predatory practices, or weak contracting may be required to mitigate risks post-investment (or may not receive investment).
Internet companies, logistics supply chain optimization software and ride-hailing platforms are exposed to privacy and data breaches, as user data collection is key to their development, which may result in adverse effects to safety and security.	Negative impacts on the community's privacy and consumer health	Assessment of company privacy policy and data storage policy and procedures. Weak controls will be mitigated by post-investment requirements.
Hazardous materials may be insufficiently protected from the communities	Negative impacts on the community's physical health	Assessment of company's hazardous waste handling and disposal. Companies will be required to find appropriate third-party vendors to handle hazardous materials.
Products could be not safe or difficult to use resulting in workplace or at home injuries	Negative impacts on the community's physical and mental health	Assessment of product safety policies, procedures, and consumer awareness.
Products must be transported or built which can cause workplace or road accidents; additionally, e-mobility products could create more accidents	Negative impacts on the community's health	Assessment of company policies on business travel and OHS policies. Assessment of sales requirements for e-mobility products.
Company staff may exploit or harass consumers	Negative impacts on the community's physical and mental health, community trauma	Assessment of company harassment, SEAH, and customer protection policies. Additional assessment of code of conduct and HR policy requirements of staff.

### 3.8. Land Resettlement (PS5)

Risks	Potential Impacts	Mitigation Measures
Company may operate on disputed territory		Assessment of land usage, land purchased, titles, deeds, rental agreements, and compliance with local laws.



Land purchased by company for operations could lead to involuntary resettlement	Land loss for Affected Communities	Assessment of land usage, land purchased, titles, deeds, rental agreements, and compliance with local laws. Companies with land resettlement issues will have to develop a LARP as shared in the annex.
Land usage could lead to loss of livelihood	Loss of livelihood for Affected Communities	Assessment of land usage, land purchased, titles, deeds, rental agreements, and compliance with local laws. If companies are found to have land resettlement issues, they will be required to have LARPs.

### 3.9. Biodiversity (PS6)

Risks	Potential Impacts	Mitigation Measures
Habitat loss through clearance or displacement	Habitat loss, degradation and fragmentation, leading to a reduction in species richness and density.	Assessment location of operations and operational activities. If company operations potentially generate habitat change or loss, the company will be asked to provide mitigants in diligence. If sufficient mitigants do not exist, mitigants will be codified in term sheet.
Bird collision with solar panels and/or transmission lines	Collision risk to birds and bat species, especially if the surfaces are vertically oriented and/or reflecting light	Assessment of companies who may pose an impact to birds or wildlife will be asked about collision risk to bird in diligence. If collision risk is found, companies will be asked to share mitigants including sun catchers. Largely impactful companies with insufficient mitigants will have mitigants codified in the term sheet.
Wildlife mortality dues to attraction to evaporation ponds	Ponds may attract wild animals and pose risks in terms of chemical poisoning (in the case of concentration of chemicals before disposal) and drowning	Assessment of companies with chemicals in operations for proper waste management. If companies are insufficient, mitigants will be codified into term sheet.
Barrier effects	Large areas with PV panels and their associated facilities can disrupt wildlife/human movement (e.g., pastoralist communities) and/or migration by acting as a barrier	Assessment of minigrad and C&I solar investments for operational location and expansion plans to ensure that the projects are not encroaching upon wildlife or human migration. If risks are identified, the company will be required to either evidence sufficient mitigants or accept mandatory mitigants in the term sheet.
Habitat degradation due to changes in hydrology and water availability or quality	Excessive water usage at sites could alter the availability of surface and ground water	Assessment of companies with significant water usage in their operations. Companies with significant risks will be asked to identify

	sources to sustain habitats, such as riparian vegetation, particularly in arid areas.	mitigants or will be required to mitigate risks post-investment.
Habitat alteration due to changes in microclimatic effects of solar panels	Shadow effects caused by solar panels can alter the species composition and diversity of underlying habitats as a result of air and soil microclimatic variations.	Assessment of habitat changes from solar panels, environmental policies, if risks are identified or deficiencies are found, company will be required to make improvements.
Introduction of invasive alien species	Movement of equipment, people or components may facilitate the introduction of invasive alien species (IAS) by various pathways. Additionally, the creation of new habitats, may also facilitate the spread of IAS already present on the site.	Assessment of supply chain procedures including shipping, containing, and storage.
Associated ecosystem service impacts	Land taken for solar developments and their associated facilities could lead to reduced access to, and the loss of important provisioning services such as areas important for agriculture or provision of natural resources. Local communities may also feel a loss of cultural values, including a sense of place and belonging.	Assessment of company locations, activity, and environmental policies.

### 3.9 Indigenous Peoples (PS7)

Risks	Potential Impacts	Mitigation Measures
Considering rural and off-grid business activities, the community health and safety risks (detailed above) may affect remote, indigenous communities.	Negative impacts on the community's physical, financial, or mental health	Companies to identify coverage areas that include indigenous communities and ensure that communication and outreach efforts are sensitive to indigenous community practices and information sharing.
While we do not anticipate investments to require significant land acquisition, if any potential investment required land for project installation or facilities	Negative impacts on indigenous community	Any significant land acquisition will be subject to up-front screening for potential negative impacts and required to follow international best practices for



expansion, additional risks would be assessed.		similarly sized works for free, prior, informed consent.
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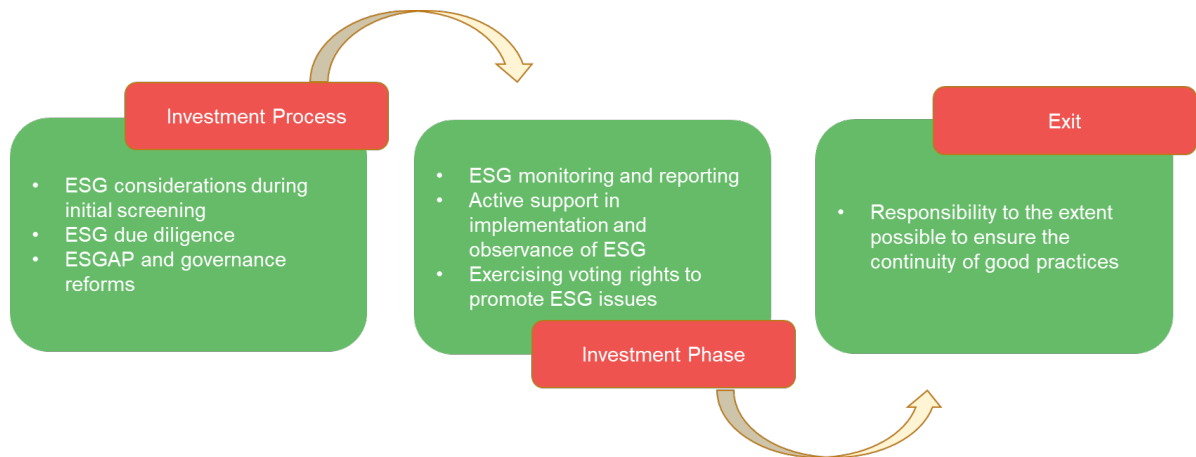
### 3.10 Cultural Heritage (PS8)

Risks	Potential Impacts	Mitigation Measures
While we do not anticipate investments to require significant land acquisition, if any potential investment required land for project installation or facilities expansion, additional risks would be assessed.	Negative impacts on cultural heritage	Any significant land acquisition will be subject to up-front screening for potential negative impacts and required to follow international best practices for similarly sized works for chance finds and preservation of cultural heritage.

## 4. ESG Management at the Fund Level

### 4.1. ESG Management Overview

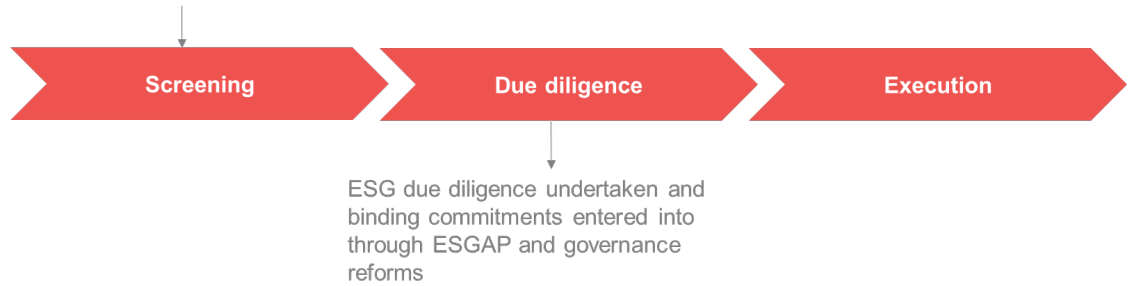
4.1.1. The ESMS of the Fund considers environmental and social requirements and governance and integrity standards from the initial phase of the investment process and throughout the investment lifetime. The integration of ESG into each step of the investment process is presented in the figure below and detailed in the following sections:



### 4.2. ESG Considerations in the Investment Process

- 4.2.1. During the investment process, the Fund will assess the ESG risks associated with the potential portfolio company and the foreseen projects to be developed with the Fund investment, as well as the capacity of the potential portfolio company to address them.
- 4.2.2. For the assessment, all potential portfolio companies will be reviewed for their E&S risk assessment and management processes and E&S capacity. The scope of the E&S assessment and further due diligence requirement will be based on the nature of operations and potential for higher risk such as type of company, complex/large size projects and/or evidence of usage of fossil fuels and/or inconclusive documentation, impact on key biodiversity areas; human rights; labor; health and safety; potential irreversible impacts; land use; extent of environmental/social issues, and presence of environmental and social management system (ESMS).
- 4.2.3. ESG risk assessment includes completing a risk assessment table, companies completing a due diligence questionnaire (annex 2).
- 4.2.4. ESG considerations at the different stages of the investment process can be visualized as follows:

ESG considerations during initial screening through information and documents provided by the company and publicly available as well as field visits



4.2.5.

### 4.3. Screening

4.3.1. The ESG risks screening will be undertaken based on initial assessment of the potential portfolio company. Potential investments will be screened using information provided and categorized according to inherent risks factors affecting various E&S aspects with the following objectives:

- 4.3.1.1. Minimize the negative impacts and E&S risks of its activities and, in addition, generate positive financial, social and environmental impacts
- 4.3.1.2. Act in accordance with applicable laws and regulations
- 4.3.1.3. Align with relevant international standards and principles i.e., IFC Performance Standards

4.3.2. All risks are considered in the context of inherent sector risks, the scale of the company's operations and whether the investment involves new or continued operations and locations.

### 4.4. ESG Due diligence

4.4.1. During the diligence phase, the Fund will employ a combination of internal knowledge and procedures to assess major concerns/ deal breakers during an initial assessment. If the investment pre-qualifies, a further ESG DD will be undertaken with the help of a specialized and independent ESG expert to undertake appropriate levels of ESG diligence prior to investment.

4.4.2. The independent ESG expert will provide the deal team with information gathered through the ESG checklist and communicate any ESG concerns that have been identified during site visits. The fund refers to the GCF risk category definitions and there the ESG checklist will include a risk categorization of the investment as:

- 4.4.2.1. Category A: Activities with potential adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;



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- 4.4.2.2. 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; and
- 4.4.2.3. Category C: Activities with minimal or no adverse environmental and/or social risks and/or impacts
- 4.4.3. The ESG checklist will help identify major risk areas that require special attention in the DD and E&S requirements that are commensurate with the risk category, including the need for a full and comprehensive ESG action plan. While the Fund is not authorized to undertake category A investments, category B and C investments will require assessment of the need for a fit for purpose ESG action plan as may be appropriate. The ESG Due diligence findings will provide all the information needed to understand environmental and social risks in order to make an investment decision, and to identify ESG reforms considered necessary to comply with the Fund requirements.
- 4.4.4. The ability and willingness of the potential portfolio company to undertake such reforms, corrective measures and improvements in a reasonable timeframe and the related allocation of resources to do so shall be assessed by the deal team and be considered for the investment decision.

## 4.5. Binding commitment on ESG Action Plan and Governance Reforms

- 4.5.1. If the deal team and the Investment Committee decide to carry on with the investment and the ESG reforms considered necessary during the ESG DD will be formulated into an Environmental Social and Governance Action Plan (ESGAP). The ESGAP will be formulated in negotiation with the senior management of the portfolio Company, and will include identified priority ESG concerns, risk levels, actions required, delegated responsibilities, implementation timeline and costs involved (where possible).
- 4.5.2. The investment side letter between the Fund and the Portfolio Company will explicitly include the commitment of the portfolio Company to implement the ESGAP, meet reporting duties, and assume ESG related costs, as well as the implications of a breach of ESG requirements. The ESGAP will be part of the contract as well, imposing a legally binding commitment to adhere to ESG reforms, including serious consequences for breaching such commitments. The deal team shall clearly communicate ESG requirements to the senior management of the portfolio company and its wider implications. Any additional risks, challenges and expectations on both sides shall be clarified at this stage.
- 4.5.3. The company will report on ESGAP progress at several milestones including mid and endpoints of ESGAP, and annually as stipulated in the action plan and the ESG side letter.

## 4.6. ESG considerations during running investment

- 4.6.1. After Fund investment, the Portfolio Company will implement the reforms that have been identified as necessary to fully comply with the ESG requirements of the Fund, in a timely and appropriate manner as detailed in the ESG Action Plan.
- 4.6.2. During a running investment, the engagement of the Fund with its Portfolio Companies will aim at ensuring responsible business operations and increasing the Portfolio Companies awareness and knowledge regarding ESG issues through:
  - 4.6.2.1. Active support in implementation and observance of ESG;
  - 4.6.2.2. Monitoring and reporting;
  - 4.6.2.3. Exercising voting rights to promote ESG issues.
- 4.6.3. Portfolio companies will be implementing an agreed upon ESG Action Plan both pre- and post-investment. ESG support will include access to ESG resources and ESG review and guidance from third party consultants.
- 4.6.4. Monitoring and reporting are one of the major tasks at this stage. As activities of the Portfolio Company are expected to have positive effects on local people, their environment and the climate, stringent monitoring and reporting is necessary to ensure that project implementation actually leads to such positive impacts. Therefore, the Fund will document and promote ESG measures by applying a pragmatic monitoring approach. Further details on the monitoring and reporting systems are provided in section 6.

## 4.7. ESG considerations during divestment process

- 4.7.1. To ensure the sustainability of environmental and social standards the Fund will, to the extent possible, propose to the new investor the need for the continuity of high ESG standards and good practices by the Portfolio company. The team will seek to meet with potential investors, share ESG resources, and, when selling shares to other investors, ask about sustainable investing practices.

# 5. Allocation of Resources, Organizational Capacity and Responsibilities

## 5.1. Fund Level

- 5.1.1. To ensure effective ESMS implementation, KawiSafi Managing Director, Amar Inamdar has full oversight of the E&S function. He brings decades of experience



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in E&S management including serving as Principal Sustainability Advisor to the President and Board of the World Bank Group. Investment Director Michelle Osorio is the internal E&S champion, ensuring that the fund's policies are implemented. They are supported by the Investment Teams, an external E&S Consultant, and an Operations & Risk Manager.

- 5.1.2. The Investment Teams and Operations & Risk Manager will be involved in applying the E&S requirements to all eligible portfolio companies. These parties are also responsible for ensuring the investment committee and investors are aware of fund and portfolio company level environmental and social risks and mitigating strategies both during due diligence and on an annual basis.
- 5.1.3. The external E&S Consultant will perform an ESG due diligence and will develop ESGAP to close gaps identified in the ESG due diligence. The investment team is responsible for ensuring that the ESGAP is included in the investment documentation. They will report to the Investment Director on E&S matters.
- 5.1.4. Qualified external consultants will be used for training KawiSafi's staff. The most recent training occurred in March 2022.

5.1.5. The roles are defined in the following table.

Institutional Role	Responsibilities
Investment Teams	<ul style="list-style-type: none"> <li>Review E&amp;S due diligence report and provide feedback</li> <li>Draft and prepare an Investment Proposal (IP) which will include a summary of the findings from the E&amp;S Self-Assessment and related documentation.</li> <li>Ensure that E&amp;S covenants and ESGAP are included in the legal agreements with the portfolio companies.</li> <li>Provide portfolio companies with post investment support to mitigate environmental and social risks and complete ESGAPs</li> </ul>
Risk Manager	<ul style="list-style-type: none"> <li>Support implementation of the ESMS and perform checks on compliance with this ESMS, which will include a review of the underwriting process and verifications obtained by the Relationship Managers, reviewing documentation and satisfying all ESMS related conditions precedent, as well as documentation related to monitoring and reporting.</li> <li>Oversee annual ESG assessment of portfolio companies to be conducted by external E&amp;S consultants.</li> </ul>
Investment Director	<ul style="list-style-type: none"> <li>Responsible for overseeing overall implementation of the ESMS.</li> <li>Ensure that adequate resources are available for management of E&amp;S risks and training programs are implemented</li> <li>Ensure that adequate technical expertise, either in-house or external expert support, is available to carry out due diligence and manage the environmental and social risks, including</li> </ul>



	providing implementation support as required to KawiSafi and its portfolio companies.
External E&S consultant	<ul style="list-style-type: none"> <li>• Interface directly with prospects on conference calls to determine and verify the prospects’ understanding of statements made in the E&amp;S due diligence assessment.</li> <li>• Obtain all related documentation from potential investees.</li> <li>• Provide a report to KawiSafi with recommendations for ESGAP to be executed with the company.</li> <li>• Provide E&amp;S training and refresher training tailored to the implementation of this ESMS.</li> <li>• Conduct annual ESG assessment on all portfolio companies.</li> </ul>
External Climate Consultant	<ul style="list-style-type: none"> <li>• Provides Climate risk assessment of each investee</li> <li>• Maps climate risks geographically for the countries of operations</li> <li>• Communicate climate adaptation and resilience opportunities within geographies assessed.</li> </ul>
Investment Committee	The Investment Committee will review the Investment Proposal including the Committee E&S summary and ESGAP.

5.1.6. Considering the above, the following table tries to summarize the allocation of responsibilities on E&S-related matters:

	E&S Data Gathering	E&S Categorization	Reputational Issues	Applicable E&S Laws	Investment Proposal
Investees	Provide questionnaires and other related documents.				
KSV	Review	Review	Review	Review	Draft
E&S Consultant	Review & Assess	Review & Assess			
Investment Committee					Decision

5.1.7. The project team seeks to ensure stakeholders, partners, investors, and other relevant parties that the project will be adequately resourced financially. The team will use the management fee to pay for staff time. Staff will use salary time towards ESG diligence, term sheet development, environmental and social action plans, post-investment support, technical assistance facilitation, and monitoring and reporting. Additionally, like Fund I, Fund II will hire a third party ESG expert to support the ESG diligence and monitoring and reporting.



- 5.1.8. Part of the Technical Assistance Facility budget is dedicated towards ESG including the implementation of environmental and social action plans and mitigating environmental and social risks across the project.

## 5.2. Portfolio Company Level

- 5.2.1. At the time of investment, each portfolio company agrees to meet specified ESG requirements, including the implementation of the ESG Action Plan. Each company determines the resource allocation to meet its commitments. This is generally driven by the size and stage of the company. Earlier stage companies may include these obligations in the Operations function, while later stage companies may hire dedicated ESG professionals. A dedicated point of contact is identified, and that individual participates in the annual ESG assessment survey and follow-through discussions. Company senior management provides relevant ESG updates at the Board level.
- 5.2.2. Portfolio companies are expected to have resources, capacity, and expertise to develop and implement an ESMS. Companies are also expected to be able to identify and mitigate environmental and social risks. Companies should also be able to monitor their ESG activity and report on their risks, mitigants, and ESGAP progress.
- 5.2.3. Portfolio companies are expected to have the resources, capacity, and expertise to develop and implement grievance redress mechanisms, gender action plans, and other relevant policies. For example, a company must be able to do an environmental and social impact assessment if they are to use investment proceeds for land expansion. Portfolio companies are also expected to have the resources, capacity, and expertise to respond to ESG incidents and grievances.

## 6. ESG requirements and standards

### 6.1. General Integrity and Good Governance

#### 6.1.1. Identification of beneficiaries

- 6.1.1.1. The Fund upholds strong ethical and legal obligations and adheres to transparency of ownership and management across investing activity. The Fund will ensure that new investments comply with the Fund and local ethical and legal standards and regulations. Moreover, the Fund will not invest in companies that are suspected of or face substantiated allegations. The Fund will conduct additional diligence on companies with obscure corporate structures or vehicles that are used to potentially hide beneficial ownership. The Fund will not invest in companies with beneficial ownership.



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- 6.1.1.2. During due diligence, the Fund team will identify the final beneficiary ownership of the potential Portfolio Company.

### 6.1.2. Integrity Clearance

- 6.1.2.1. The Fund will use internationally recognized “blacklists” (international sanction, embargos) to investigate if any entities, key persons, management, or shareholders appear on any of these lists. If entities, key persons, management, or shareholders demonstrate any red flags during the due diligence process then further investigation will be required. If red flags cannot be confirmed in regular due diligence through sufficiently reliable evidence, the Fund may consider additional background checks using an independent investigator. Background checks include reviewing a potential portfolio company, its officers’, board, and shareholders for compliance with the integrity principles of the Fund and to ensure that these groups are not involved with activities defined in the Exclusion List.

### 6.1.3. Excluded Investments List

- 6.1.3.1. The Fund team has created a list of Excluded investment activities that the Fund will use to guide their investment process. This Exclusion List is shared in Annex 3. The Fund Team will not invest in a company or will accept investments from investors with business activity that is included in the List. The Fund Team will use the Exclusion List as a screening tool for investments. Potential investees will be asked to verify that none of their business activities are included in the Exclusion List.

## 6.2. Environmental and Social Standards

### 6.2.1. ESG Key Performance Indicators

- 6.2.1.1. Through investments in clean energy products and services with radical affordability to low- and middle-income communities, the Fund aims at creating a wide range of positive environmental and social impacts.
- 6.2.1.2. In order to measure its environmental and social performance, the Fund has defined Key Performance Indicators (KPIs) that reflect direct impacts of Fund operations and can be measured in a transparent and simple manner.
- 6.2.1.3. The ESG/Impact KPIs include, for example, in the Energy Transition & Energy Productivity, and in the Mobility & Logistics sectors, and based on



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the GOGLA Standardized Impact Metrics for the Off-Grid Solar Energy Sector<sup>11</sup>:

- Energy Access – Improved energy access, cumulatively
- Economic Activity – People using products to support enterprise
- Income Generation– Households generating additional income
- Light Availability and Quality – Additional light hours used, by household
- Energy Spending – Savings on energy expenditure for pico-solar, by household
- Financial Inclusion – Number of people currently benefiting from clean energy financing number of assets financed with fintech solutions
- Number of diesel generators replaced
- Increased access to basic resources and services
- Increased security in transportation for both customers and drivers<sup>12</sup>

### 6.2.2. International Environmental and Social Standards

6.2.2.1. E&S related assessments and monitoring and reporting processes described throughout this ESMS are based on the IFC Performance Standards 2012 and will guide the ESG compliance at both Fund and Company level, in addition to any other applicable standards and principles. The IFC Performance Standards are used as an overarching framework for all these tasks as they evaluate environmental and social risks and its management, entail a holistic approach with a process-oriented focus and are in line with investors’ expectations. Hence, evaluations will follow the structure and terminology of the IFC Performance Standards, as will be reflected in the ESG Checklist (*see Annex 1*) to ensure compliance with all relevant elements.

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

IFC Performance Standards 2012

PS 1: Assessment and Management of Environmental and
Social Risks and Impacts
PS 2: Labour and Working Conditions
PS 3: Resource Efficiency and Pollution Prevention

<sup>11</sup> [https://www.gogla.org/sites/default/files/resource\\_docs/gogla\\_impact\\_metricsv4.pdf.pdf](https://www.gogla.org/sites/default/files/resource_docs/gogla_impact_metricsv4.pdf.pdf). See also: Impact Calculator: [www.gogla.org/impact/calculator](http://www.gogla.org/impact/calculator)

<sup>12</sup> See: “the case for impact investment in Sustainable Mobility in developing countries”: [https://shellfoundation.org/app/uploads/2021/07/ENEA\\_ShellFoundation\\_ImpactCaseSustainable\\_Mobility\\_FULL.pdf](https://shellfoundation.org/app/uploads/2021/07/ENEA_ShellFoundation_ImpactCaseSustainable_Mobility_FULL.pdf)

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

6.2.3. Implementation of an ESMS in Portfolio Companies

- 6.2.3.1. Portfolio Companies will be required to establish an ESMS in accordance with IFC Performance Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts and will be guided by the IFC ESMS Toolkit in development and implementation.
- 6.2.3.2. This represents an overarching requirement that shall define the framework to manage all environmental and social matters in a structured way throughout the project cycle and thus shall support continuous compliance to all the other IFC Performance Standards. (For the ESMS at Fund level and related screening and due diligence processes, please refer to section 3).



ESMS according to IFC Performance Standard 1 (Source: IFC)

- 6.2.3.3. Portfolio Companies will be required to set in place a management system that establishes procedures and tools and allocates appropriate resources to guarantee the effective implementation of environmental and social requirements. The system shall ensure the involvement of all relevant stakeholders and include all environmental and social



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requirements. Portfolio Companies shall make sure that the system functions in a dynamic and continuous process, ensuring an effective learning and improvement cycle.

6.2.3.4. The development and implementation of ESMS shall be aligned with the IFC ESMS Toolkit and address the following nine elements:<sup>13</sup>

Element	Details
1. Environmental and Social Policy	<p>Portfolio Companies shall formulate an ESG Policy that integrates the IFC Performance Standards, and any other applicable standards and principles that are compatible with the Fund’s ESG Policy and related guidelines. The ESG Policy shall reflect the commitment of the Portfolio Company with sustainable development, Community Health, Safety and Security, fair Labor and Working Conditions and provide a framework for the environmental and social management on company level.</p> <p>Therefore, it shall be officially endorsed by the senior management of the Portfolio Company, and when capacity allows, designated ESG personnel shall be appointed, and the policy shall be appropriately communicated internally and externally.</p>
2. Identification of Risks and Impacts	<p>Portfolio Companies may carry out an Environmental and Social Risk and Impact Assessment (ESIA; annex 12) or an environmental and social audit in case of existing assets, before initiating or expanding business operations and subprojects according to IFC Performance Standards and in line with national legislation.</p> <p>The assessment process shall adjust to the type, scale and location of foreseen business operations. It shall consider the nature, likelihood, magnitude and materiality of identified risks and impacts. The Portfolio Company shall consult with local communities, local authorities and other relevant stakeholders during the assessment, particularly when the project area is or has been subject to land use conflicts or/and when vulnerable local communities and indigenous peoples live in the project area or area of influence.</p> <p>If required or regulated by law in host countries, a formal ESIA process shall be initiated and fulfill all applicable administrative rules and formal procedures for public participation, documentation and decision making.</p>

<sup>13</sup> IFC ESMS Toolkit – General: [https://www.ifc.org/wps/wcm/connect/6147cbba-efe8-4879-ba77-c7af63bede7c/ESMS\\_Toolkit\\_General.pdf?MOD=AJPERES&CVID=nzhmvxC](https://www.ifc.org/wps/wcm/connect/6147cbba-efe8-4879-ba77-c7af63bede7c/ESMS_Toolkit_General.pdf?MOD=AJPERES&CVID=nzhmvxC)

	<p>In all cases the Fund management team will assess if the content and scope of the ESIA undertaken by the Portfolio Company is satisfactory.</p> <p>If the ESIA conducted by the company is not satisfactory in terms of identifying risks and impacts according to IFC Performance Standards, the Portfolio Company will be obliged to undertake another assessment which will be evaluated for its quality and completeness by the ESG officer and/or the deal team, and to put action plans in place to identify further risks and impacts.</p>
<p>3. Management Programs/Systems (ESMS)</p>	<p>The environmental and social management system (ESMS) must be consistent with the company's ESG Policy and provide mitigation and performance improvements to address identified risks and impacts, which may consist of a set of operational documents and procedures.</p> <p>Portfolio Companies shall plan operations according to sound management plans considering the findings of the risk and impact assessment and outline social and environmental safeguards, including tools to safeguard workers and local communities. The management program shall be subject to continuous revision throughout the project cycle.</p>
<p>4. Organizational Capacity and Competency</p>	<p>Portfolio Companies shall establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. Key environmental and social responsibilities should be well defined and communicated to the relevant personnel, and the human and financial resources provided shall be sufficient to achieve the Fund's ESG requirements on an ongoing basis (refer to section 4).</p> <p>Furthermore, the personnel should possess the knowledge, skills and experience to implement the specific measures and actions required under the ESMS. Given the capacity, a designated ESG representative shall be appointed to monitoring and executing any ESG action plans and responsibilities.</p>
<p>5. Emergency Preparedness and Response</p>	<p>In line with the risk assessment conducted, Portfolio Companies shall prioritize the emergency scenarios that are most likely to occur, and that would have the most severe impacts, in their area of operation and create a comprehensive emergency preparedness plan to minimize damage to the Company and workers. Companies shall appoint emergency response team members and set in place emergency response policies and procedures for the respective emergency scenarios. Implementation steps may include performing evacuation mock drills, training emergency brigades and installing and maintaining emergency response equipment. KSV and ESC experts will advise Portfolio Companies on EPP including the identification of areas where accidents and emergency situations</p>

	<p>may occur, communities and individuals that may be impacted, response procedures, provision of equipment and resources, designation of responsibilities, communication, including that with potentially Affected Communities and periodic training to ensure effective response to communities.</p>
6. Stakeholder Engagement	<p>Portfolio Companies shall Identify and prioritize stakeholders, develop stakeholder engagement plan and start communication process with prioritized stakeholders as defined in the stakeholder engagement plan.</p> <p>Stakeholder engagement is an ongoing process that may involve stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and reporting to affected communities. The nature, frequency, and level of effort of stakeholder engagement may vary considerably according to the project's risks and adverse impacts, and the project's phase of development. Typically, this involves identifying the communities that live in the area or adjacent to potential Portfolio Company's operations or depend on the resources of this area and the initiation and maintenance of a dialog that ensures their involvement in important decision making and safeguards their user rights and livelihoods.</p>
7. External Communications and Grievance Mechanisms	<p>Portfolio Companies shall develop an accessible system for receiving, documenting and responding to feedback and grievances, and implement communication channels and publicize their existence. The documenting system shall record complaints that come to the attention of the Company, while providing a transparent response regarding the plan for resolution. Furthermore, effective grievance mechanisms (annex 9a) should be developed with culturally appropriate and transparent procedures. Grievance mechanisms will be aligned with international best practices including the Ruggie Principles.</p>
8. Ongoing Reporting to Affected Communities	<p>Portfolio Companies shall develop a system for reporting and disclosing information to affected communities and maintain the determined communication to affected communities in line with the stakeholder engagement plan.</p>
9. Monitoring and Management Review	<p>Portfolio Companies shall set in place systems to monitor and routinely assess environmental and social matters according to <a href="#">sections 3.2 and 6</a>.</p> <p>Portfolio Companies shall establish clear indicators that allow for an in-depth analysis of the set environmental and social goals formulated in the ESGAP and reflect its ESG Policy. Results of the monitoring system shall be carefully analysed and reported on, and shall be subject to periodic verification, revision and reporting by the deal team. When business operations are subject to external,</p>



	independent reviews due to the attainment of the certification schemes, this may considerably minimize efforts undertaken directly by the Fund management team.
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#### 6.2.4. Stakeholder Engagement

6.2.4.1. The Fund acknowledges that solid and constructive relationships between Portfolio Companies and stakeholders are essential to successfully manage environmental and social risks and create positive impacts. Portfolio Companies will be required to integrate stakeholder engagement into business operations as an inclusive and continuous process. The adopted strategies will be adapted to the specific characteristics of the operations, and resources and level of effort will be commensurate with the risks and impacts of the project. Portfolio Companies will follow the guidelines of the IFC Performance Standards, the IFC Stakeholder Consultations Good Practices Handbook<sup>14</sup>, the GCF Sustainability Guidance Note: Designing and ensuring meaningful stakeholder engagement on GCF financed projects.<sup>15</sup> The Fund also uses the GCF Environmental and Social Standards as a guiding tool for stakeholder engagement. Stakeholder engagement involves the following elements in varying degrees: Stakeholder analysis and engagement planning; disclosure and dissemination of relevant information about the Portfolio Company operations; public consultations and stakeholder participation; effective grievance mechanism; and ongoing reporting to affected communities. Stakeholder engagement both at the Fund level and portfolio company level must incorporate a gender lens, indigenous communities, and consultation with marginalized communities.

6.2.4.2. Annex 6 provides an outline of the contents that a comprehensive Stakeholder Engagement Plan should include, based on the IFC Performance Standard 1. Annex 7 provides additional guidance related to Grievance Mechanisms that will be operated at Portfolio Company level. In addition to those, the Fund has developed a Complaint Policy (available in Annex 8) and will set up a mechanism to offer stakeholders the possibility to address grievances directly to the Fund management team. Such a mechanism will be made available to stakeholders through the Fund's website.

#### 6.2.5. Labor and Working Conditions

<sup>14</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/publications/publications\\_handbook\\_stakeholderengagement\\_\\_wci\\_\\_1319577185063](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_stakeholderengagement__wci__1319577185063)

<sup>15</sup> <https://www.greenclimate.fund/sites/default/files/document/sustainability-guidance-stakeholder-engagement-may2022.pdf>



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- 6.2.5.1. Portfolio Companies will be required to develop and adhere to labor and working conditions processes in compliance with IFC Performance Standard 2. Such processes may include putting in place SEAH policy, policies relating to HR, occupational health and safety (OHS), working conditions and terms of employment, workers' organizations rights, non-discrimination and equal opportunity, retrenchment, grievance mechanism and workers complaints, as well as child and forced labor.
- 6.2.5.2. Additional diligence could include site visits where KawiSafi II would inspect that companies comply with relevant OHS standards and provide employees with proper personal protective equipment (PPE). KawiSafi II would also use site visits to ensure that companies had proper emergency procedures and signage.
- 6.2.5.3. 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 Portfolio Companies supply chain.
- 6.2.5.4. Companies are expected to ensure that there is no forced labor or child labor within their supply chain. Companies will be asked in diligence for a list of their suppliers, and suppliers' locations. If suppliers operate in Xinjiang, they will be required to change suppliers to receive an investment from KawiSafi II.
- 6.2.5.5. Companies are expected to maintain records of SEAH, HR, and OHS training and incidents.
- 6.2.5.6. If deemed insufficient, ESGAP will require companies to address any Labor and Working Conditions gaps.
- 6.2.6. Resource Efficiency and Pollution Prevention
  - 6.2.6.1. Portfolio Companies will be required to develop and adhere to Resource Efficiency and Pollution Prevention processes in compliance with IFC Performance Standard 3.
  - 6.2.6.2. Companies shall implement technically and financially feasible and cost-effective measures for improving efficiency in its consumption of energy, water, as well as other resources and material inputs, with a focus on areas that are considered core business activities. Companies will avoid the production of hazardous and non-hazardous waste materials. Companies will be expected to properly dispose of any hazardous waste that will have minimal impact on the environment.



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- 6.2.6.3. Such measures will be 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. Companies will be asked to submit e-waste policies and contracts in the diligence process, addressing their strategy on any e-waste disposal, reuse, or recycling, and if deemed insufficient, ESGAP will require companies to address e-waste and/or other Resource Efficiency and Pollution Prevention gaps.
- 6.2.6.4. Companies shall track, log, investigate, monitor, and report environmental incidents that negatively impact local ecosystems. Specifically, companies must report if any pollution or hazardous waste incident does irreparable damage to an ecosystem or local community.

### 6.2.7. Community Health, Safety, and Security

- 6.2.7.1. Portfolio Companies will be required to develop and adhere to Community Health, Safety, and Security processes in compliance with IFC Performance Standard 5.
- 6.2.7.2. Companies will be required to put systems in place to anticipate and avoid adverse impacts on the health and safety of any affected communities during the project life from both routine and non-routine circumstances. In addition, Companies 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. Company policies shall also address, based on the area of operation, infrastructure and equipment design and safety, hazardous materials management and safety and emergency preparedness and response. In relation to E-equipment, the Fund will monitor emerging practices for assessing and managing e-waste disposal, responsible sourcing of materials for manufacturing, and health effects of electromagnetic radiation.
- 6.2.7.3. Regarding financing companies, strong consumer protection diligence, regarding data privacy and credit risk shall be instituted and monitored by the Fund. The Fund will adhere to the GOGLA Consumer Protection Principles and will survey relevant companies using the GOGLA Consumer Protection survey. Any policies or implementations deemed insufficient will require ESGAP to mitigate risks.

### 6.2.8. Land Acquisition/Involuntary Resettlement

- 6.2.8.1. Land acquisition and restrictions on land use that result from project implementation can have adverse impacts on the communities who use the land. Physical or economic displacement can lead to impoverishment



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of affected communities and to adverse environmental and socioeconomic impacts in the areas to which they are displaced. For these reasons, the Fund is committed to avoiding involuntary resettlement whenever possible, and to minimize and mitigate adverse impacts when involuntary resettlement is unavoidable.

6.2.8.2. Portfolio Companies will be required to address land acquisition processes in compliance with the IFC Performance Standard 5 – Land Acquisition and Involuntary Resettlement. Portfolio Companies shall identify any potential physical or economic displacement as part of the ESIA conducted prior to the start or expansion of business operations. All ownership status should be considered in the assessment.

6.2.8.3. In cases of unavoidable involuntary resettlement, the Portfolio Company 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 should be based on appropriate information disclosure, consultation and participation of the affected communities, with special attention to vulnerable peoples. The Portfolio Company should also explore ways to collaborate with public institutions. In those cases where the exact nature of displacement is still unknown, Portfolio companies will develop a Land Acquisition and Resettlement or Livelihood Restoration Framework (LARF) that will set the principles to develop specific plans once the project is defined and necessary information becomes available. Such frameworks shall be developed following the requirements of the IFC Performance Standards, the GCF Environmental and Social Policy, standards and requirements of other investors, and applicable national laws and policies. Annex 4 provides additional guidance on the objectives and components that should be considered for LARF and LARP.

### 6.2.9. Biodiversity and Natural Resources

6.2.9.1. Portfolio Companies will be required to develop and adhere to Biodiversity and Natural Resources processes and protections in compliance with IFC Performance Standard 6.

6.2.9.2. Based on the ESIA conducted prior to the start or expansion of operations, Companies will put systems in place to protect and conserve biodiversity and to maintain the benefits of diverse ecosystems. In line with the nature of the operations, Companies will promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities. Companies must avoid endangering or engaging in activity in



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critical and endangered habitats. Companies will also comply with not engaging in excluded activities including deforestation and palm oil manufacturing.

- 6.2.9.3. If a Company is found to potentially harm biodiversity or natural, protected, or endangered habitats, the Company must comply with an ESGAP that will identify and mitigate these harms. Additionally, a company must report environmental incidents with permanent adverse effects to natural, critical, or endangered habitats within a 5-day period of the incident.

### 6.2.10. Indigenous Peoples, Cultural Heritage

- 6.2.10.1. Portfolio Companies 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.
- 6.2.10.2. Projects may be developed in areas where communities of indigenous peoples are present. Given that indigenous peoples are particularly vulnerable to adverse impacts, Portfolio Companies will be required to identify all communities of indigenous peoples in the area of influence of the project as part of their Environmental and Social Risk and Impact Assessment.
- 6.2.10.3. Companies will avoid the creation of adverse impacts, and impacts on lands and natural resources subject to traditional ownership or under customary use and critical cultural heritage. Companies will ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples. To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts. To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner. To establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project's life cycle. To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present. To respect and preserve the culture, knowledge, and practices of Indigenous Peoples. Companies will protect cultural heritage from the adverse impacts of project activities and support its preservation and promote the equitable sharing of benefits from the use of cultural heritage.
- 6.2.10.4. In cases where adverse impacts cannot be avoided, Portfolio Companies will develop an Indigenous Peoples Plan to address impacts and explore



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opportunities to create positive impacts in accordance with IFC Performance Standard 7. Annex 5 provides additional guidance on indigenous peoples.

### 6.2.11. Climate Change Resilience and Adaptation

- 6.2.11.1. The fund assessed climate risks across the investing strategies, the sector, markets, and geographies. In doing so, the fund developed a comprehensive list of climate risks to the investing activity. The climate risk table is shared in Annex 9.
- 6.2.11.2. Portfolio companies are assessed with climate risk, maladaptation adaptation, and resilience lens. The fund developed a project climate assessment tool that will be used during diligence to measure a company's impact on climate risk and climate vulnerable populations. Companies will be diligenced for physical and transition climate risk, natural hazard and disaster risk, and climate change and disaster risk as a compounding factor.
- 6.2.11.3. KawiSafi II will have positive environmental and social impacts by investing in companies that will mitigate carbon emissions and provide climate vulnerable populations with climate adaptive and resilient tools. Some companies could have risks of maladaptation as demonstrated in the climate risk table.
- 6.2.11.4. The Fund will report on the assessment in the investment memo. If the Fund finds that a company could contribute to maladaptation the Fund will require the company to address the maladaptation risks in an ESGAP.

## 7. Monitoring and Reporting

### 7.1. Process Overview

- 7.1.1. KawiSafi monitors the E&S performance of the fund and its portfolio companies and provides reporting to its investors on an annual basis.

### 7.2. Fund Level

- 7.2.1. Fund level E&S impacts are assessed through an annual verification process conducted by a third-party E&S consultant. KawiSafi will periodically review its E&S procedures and undertake training for the entire team. KawiSafi is a



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signatory to the IFC Operating Principles for Impact Management and reports accordingly.

- 7.2.2. The Fund will also develop and distribute annual ESG reports to investors describing fund level ESG management and activity as well as portfolio company overview and ESG activity. The fund will use the third-party E&S consultant reporting and ESGAP progress as the basis for the reporting.
- 7.2.3. KawiSafi will also monitor, log, investigate and report appropriate and legitimate grievances received through the grievance redress mechanism.

### 7.3. Portfolio Company Level

- 7.3.1. KawiSafi II will monitor the E&S performance of all its portfolio companies through an annual ESG Assessment. The portfolio companies will be required to comply with E&S covenants, applicable E&S requirements and ESGAP.
- 7.3.2. KawiSafi II will monitor Portfolio Company ESGAPs at the 60-day, 100-day, midpoint, completion date, and annually to ensure that companies are completing ESGAPs. Companies are expected to be able to report on compliance with the ESGAPs,
- 7.3.3. The required compliance and other monitoring indicators are required to be reported by portfolio companies on an annual basis. KawiSafi analyzes this information and includes important insights and trend analysis in its annual report to the fund investors.
- 7.3.4. Companies are also expected to maintain records of ESG incidents, OHS incidents, HR incidents, SEAH incidents, and other company specific forms of incidents. Additionally, companies may be expected to report on ESG, HR, OHS, and SEAH trainings and ESG capacity building. Companies are expected to immediately report serious ESG incidents or breach of contract immediately. The Fund management team will immediately investigate the ESG incident or breach of contract. If necessary, the Fund may seek to conduct a site visit and assess the incident with interviews of management, employees, contractors, and affected communities. Serious incidents include:
  - 7.3.4.1. **Fatalities, serious injuries, and accidents at work.** This includes any fatalities, serious injuries and other occurrences affecting: (1) fund employees or contractors, (2) portfolio company employees or contractors, or (3) community workers employed by or voluntarily working for the project. Reporting includes death and injuries from workplace accidents, accidents related to workplace transport or equipment, murder, kidnapping, or workplace violence.

- 7.3.4.2. **Fatalities, serious injuries, and accidents impacting local communities and others.** Fatalities, serious injuries, or accidents where a fund staff, portfolio company staff, or project-related person is at fault or may be at fault are considered serious incidents.
  - 7.3.4.3. **Conflicts, disputes, and disturbances leading to loss of life, violence or the risk of violence.** This would include inter-community or inter-ethnic violence caused or exacerbated by investment activities, and conflicts that have the potential for violence towards fund/portfolio company personnel and/or local communities.
  - 7.3.4.4. **Human rights violations.** This would cover human rights violations or public accusations of human rights violations attributed to project 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 project activity and with involvement of project workers, and violations that have taken place using equipment provided by the project, including occurrences that have taken place outside the boundary of the project, where a project partner was implicated (including members of state security agents). It would also cover sexual and gender-based violence attributed to project 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 labour by the project, contractors or community workers and volunteers.
  - 7.3.4.5. **Forced evictions.** This would cover the forcible eviction of people from portfolio company owned or operated upon land.
  - 7.3.4.6. **Theft, fraud, corruption, or other major financial crimes.** This would cover any fraud, theft, or other major financial crimes worth above \$100,000 and would cover both fund level and portfolio company staff.
  - 7.3.4.7. **Large, irreversible, and financially impactful property damage.** This would cover any fund level or portfolio company level property damage either created by natural disaster, fault of the company management, or company employees.
  - 7.3.4.8. **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.
- 7.3.5. Companies are also expected to log and share any legitimate grievances received through their grievance redress mechanism. In addition, KawiSafi commits to ESG incident reporting to the LPAC in a [reasonable] time period following any ESG incidents at the portfolio companies.



## 8. Disclosure of Information

- 8.1. KawiSafi II commits to transparency and accessibility in its operations with investors, portfolio companies, and relevant stakeholders including nationally designated authorities and indigenous populations. The Fund will publicly disclose the Environmental and Social Management System.
- 8.2. The Fund may disclose the Environmental and Social Impact Assessment, Indigenous Peoples Plan, Stakeholder Engagement Plan, the Gender Action Plan, and other relevant policies either publicly or to relevant stakeholders when appropriate. As shared earlier, the Fund will have a publicly available grievance mechanism that is aligned with the Ruggie Principles. KawiSafi II will publicly share reporting of funded activities through the Green Climate Fund in its Annual Performance Review.
- 8.3. The Fund will provide investors with annual reporting and impact reporting. Additionally, the Fund seeks to share knowledge and insights gained from funded activity with the Green Climate Fund, nationally designated authorities, indigenous populations, and other relevant stakeholders. The Fund will provide information disclosure on the environmental and social impact on an annual basis to GCF and other investors. Acumen will share a redacted community report to NDAs, NGOs, civil society organizations, women's groups, and indigenous organizations. We are unable to share confidential material or communication from the company publicly. As shared in the stakeholder engagement plan (annex 8), during fund development, the Fund will engage with relevant stakeholders on the goals, activities, and impact of the fund. When appropriate and needed, the Fund will seek free, informed, and prior consent from indigenous communities affected by fund activities.
- 8.4. Companies who explicitly earmark KSVII investment capital for new constructure for infrastructure projects or new Category B activities are expected to have a fit-for-purpose ESIA that will be disclosed on their website at least 30 days in advance of beginning the activity. The ESIA may require a LARP or an IPP. These reports will be in English and translated to a local language. The company will have the information available at the project site for community disclosure. The ESIA will also be available on the AE or EE website.
- 8.5. When appropriate and required, the Fund will disclose Environmental and Social Impact Assessments and Environmental and Social Action Plans of portfolio companies. Companies may also be required to have and disclose Land Acquisition and Resettlement Action Plan, Livelihood Restoration Action Plan, Indigenous Peoples Plan, and other information that is required by GCF or other investors. Portfolio companies are also expected to engage in meaningful stakeholder engagement. Portfolio companies are expected to have publicly available grievance mechanisms.

## 9. Annexes

### Annex 1: ESG checklist

#### Objectives

1. Provide relevant information for a preliminary assessment of potential ESG risks;
2. Gather available documents and information on current ESG management;
3. Identify to the extent possible any deal breaking issues at an early stage;
4. Guide and inform the on-site due diligence process.

This list is not exhaustive, and further issues are considered as identified on a case-by-case basis

#### ESG Checklist – Business Overview

Topic	Information
Company name	
Industry/Business Sector	
Type of operation associated with the business e.g., office, manufacturing/production, warehousing, logistics etc.	
Exclusion list check	
Sustainability/Non-financial Disclosure Report Does the company prepare a Sustainability (or Non-Financial Information) report? Please note that in such a report it is possible to find some information that may be used in the compilation of tabs “environment”, “social” and “Governance”	
ESG Policy, Environmental Policy, Health & Safety Policy, Social Policy Does the company have policies that cover ESG aspects (ESG policy, Environmental policy, Health & Safety, Social policy)?	
Sustainability section on the website Does the company publish sustainability information on its website?	



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ESG Checklist – Environment

ID	Topic	IFC Performance Standard	Relevance to the pipeline company	Description/question for guidance	Level of maturity of pipeline company	Notes
E.1	Regulatory compliance	PS 3, 6		1. Serious incidents/regulatory breaches regarding environmental aspects. Nature of the incident, improvements made/lessons learnt and regulatory action ( <i>enforcement/prosecution/fine</i> ).		
E.2	Natural Hazards	PS 3		Is the company subject to flood, seismic or other natural hazards?		
E.3	Carbon emissions/Climate change	PS 3		<p>Carbon emissions</p> <p>1. Does the Company operate in an energy intensive sector? Does the Company monitor GHG emissions (inclusive of non-directly generated e.g., outsourced logistics, use of final product etc.)? Is the production (in particular the carbon intensive activities) mainly outsourced? Is the company subject to a cap-and-trade scheme (EU ETS)?</p> <p>2. Plans or actions to control and/or reduce emissions.</p> <p>Exposure to climate changes</p> <p>1. Could operations be at risk from current/evolving climate change regulation and/or physical changes associated with climate change (including increased flooding, drought or other severe weather events), for example: business disruption or damage to assets and production?</p>		



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E.4	Air Emissions	PS 3		Can the company operations originate significant emissions to air (e.g., oil & gas, energy, transportation, chemical)		
E.5	Energy and water management	PS 3		<ol style="list-style-type: none"> <li>1. Are the Company operations energy or water intensive?</li> <li>2. Are there any plans in place to reduce energy consumption, increase the percentage of renewable energy in the Company's energy mix?</li> <li>3. Do the products offered have energy labeling/certifications?</li> </ol>		
E.6	Chemicals/hazardous substances handling & supply chain	PS 3		<ol style="list-style-type: none"> <li>1. Are chemicals/hazardous substances used in the production process?</li> <li>2. Is management aware of any potential disruption to the supply of chemical/hazardous substances used in the production process through regulatory phase-out (e.g., REACH regulation)?</li> <li>3. Is the company considering the use of more environmentally friendly and safer raw materials/chemicals in the production process?</li> </ol>		
E.7	Waste management/ end of life of product	PS 3, 6		<ol style="list-style-type: none"> <li>1. Does the production process originate relevant quantities of waste or hazardous waste?</li> <li>2. Waste management initiatives to minimize or reuse/recycle waste.</li> <li>3. Are products offered designed in order to reduce their end-of-life footprint?</li> </ol>		
E.8	Soil & groundwater	PS 6		<ol style="list-style-type: none"> <li>1. Is there a risk of soil contamination resulting from the activities of the target company?</li> <li>2. Is the company aware of any former or current soil/groundwater contamination</li> </ol>		



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				<p>issues at the site(s) and is there a need to conduct investigation or remediation activities?</p> <p>3. Has the company recognized any financial provision in the accounts to address any environmental liability such as contaminated land/environmental restoration?</p>		
E.9	Biodiversity impact	PS 6		Has the production process had an impact on biodiversity (including deforestation and land degradation)?		
E.10	Green products	PS 6		Does the company offer “green” or “low impact” product lines?		
E.11	Packaging	PS 6		<ol style="list-style-type: none"> <li>1. Do the products offered by the company require a relevant amount of packaging (e.g., Fragile goods)?</li> <li>2. Are sustainability criteria considered in the design of packaging?</li> </ol>		



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ESG Checklist – Social

	IFC PS	ID	Topic	Relevance to the pipeline company	Description/question for guidance	Level maturity of pipeline company	of	Notes
Workers	PS 2	S.1	Human Resources		<ol style="list-style-type: none"> <li>1. Workforce composition (employees, self-employed, trainee, seasonal workers)</li> <li>2. Do all employees have a formal contract of employment?</li> <li>3. Turnover rates and talent retention</li> <li>4. Diversity issues (e.g., diversity on boards, pay gap)</li> <li>5. Serious labor related complaints/claims /enforcement actions</li> <li>6. Freedom of association and collective bargaining</li> <li>7. Training</li> <li>8. Benefits provided to employees</li> </ol>			



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	PS 2	S.2	Health and Safety		<ol style="list-style-type: none"> <li>1. Is the Company operating in an industry that presents a high risk for health and safety? Are workers exposed to high incidence or high risk of diseases related to their occupation?</li> <li>2. Has the company been subject to enforcement actions by the regulators for breaches of relevant H&amp;S legislation?</li> <li>3. Is the Company classified as a major risk facility?</li> </ol>		
Community	PS 4	S.3	Community involvement		<ol style="list-style-type: none"> <li>1. Community investments, sponsorships, product donations</li> <li>2. Formal programs in place to promote company involvement with the community (volunteering,</li> </ol>		



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					<p>stakeholder engagement, etc.).</p> <p>3. Previous NGO/media negative campaigns, community/workforce unrest</p>		
Customers and Products	PS 4	S.4	Consumer safety/ product regulations		<p>1. Product or sector specific regulations (e.g., food safety, pharmaceutical GMP, other)</p> <p>2. Actions taken to ensure the health and safety of consumers</p>		
	PS 4	S.5	Customer privacy		<p>1. Company's data security policy and IT security management system</p> <p>2. Sensitivity of information in possess of the Company</p> <p>3. Breaches in cyber security within the last years</p> <p>4. Substantiated complaints regarding</p>		



					breaches of customer privacy and losses of customer data		
	PS 4	S.6	Fair disclosure and labeling/Fair marketing		<ol style="list-style-type: none"> <li>1. Requirements for product and service information and labeling</li> <li>2. Incidents of non-compliance concerning product and service information and labeling</li> <li>3. Incidents of non-compliance concerning marketing communications</li> </ol>		
	PS 4	S.7	Innovation		<ol style="list-style-type: none"> <li>1. R&amp;D investment plans, patents, innovative products and/or services</li> </ol>		
Land Resettlement	PS 5		Fair land acquisition practices		<ol style="list-style-type: none"> <li>1. Companies are required to share land deeds, titles, rental agreements, and any disputes on land.</li> </ol>		



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ESG Checklist – Governance

ID	Topic	IFC Performance Standards	Relevance to the pipeline company	Description/question for guidance	Level of maturity of pipeline company	Notes
G.1	ESG systems and processes	PS 1		<p>Roles and responsibilities</p> <ol style="list-style-type: none"> <li>1. Has an ESG committee/steering committee been established?</li> <li>2. Commitment and responsibilities at a senior management level on sustainability.</li> <li>3. Has a designated reference person for day-to-day ESG matters been assigned?</li> </ol> <p>Policies &amp; Procedures</p> <ol style="list-style-type: none"> <li>1. Are ESG Values and principles clearly communicated (e.g., on the website)?</li> </ol>		



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				<p>2. Does the Company have Sustainability or Business Conduct policies? Do policies cover discrimination, and child, forced or compulsory labor, health and safety and environmental issues?</p> <p>3. Are there environmental /health and safety procedures or management systems in place?</p> <p>4. What is the level of establishment and embedment of procedures?</p> <p>Monitoring &amp; Reporting</p> <p>1. What are the arrangements</p>		
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				<p>in place for monitoring and reporting ESG issues and performance to senior management/the Board?</p> <p>2. Does the Company publish an ESG/CSR/Sustainability report or a designated section in the annual accounts?</p> <p>3. Is there a Sustainability section on the website?</p>		
G.2	Corruption and business ethics	PS 1		<p>1. What does the organization currently do to safeguard against illegal practices? Any corporate governance and/or ethical related employee</p>		



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				<p>claims/breaches/enforcement/litigation action relating to issues such as anti-bribery and corruption, cases of unfair labor practices, human rights abuses, and other unethical business practices?</p> <p>2. Does the Company make financial or in-kind political contributions?</p> <p>3. Does the Company participate in public policy development or lobbying activities?</p> <p>4. Are there any anti-trust issues?</p>		
G.3	Supply chain	PS 2, 4, 6		<p>1. Are key suppliers located in</p>		



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				<p>emerging markets with high social, human labor, environmental risks?</p> <p>2. Is the supply chain part of an industry with high social, human labor, environmental risks?</p> <p>3. Does the company have a responsible purchasing policy/Code of Conduct for suppliers? Are ESG criteria included in the selection and monitoring of key suppliers?</p>		
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Additionally, the IFC performance standards are expected to apply

IFC Performance Standards (PSs)	Applicable to target company	Direct Exposure to risk	Risk in supply chain
PS1. Environmental and Social Risk Management			
PS.2 Labor and working conditions			
PS3. Resource Efficiency and Pollution prevention			
PS4. Community health, safety, and security			
PS5. Land acquisition/Involuntary resettlement			
PS6. Biodiversity and Natural resources			
PS7. Indigenous Peoples			
PS8. Cultural Heritage			
PS9: Stakeholder Engagement			
PS10: Climate change			



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## Annex 2: Environmental and Social Due Diligence Questionnaire

KawiSafi II has an exhaustive environmental and social due diligence questionnaire that must be used for each transaction with any potential investee or facility. The environmental and social due diligence questionnaire cannot be shared publicly due to proprietary materials. Please email [info@kawisafiventures.com](mailto:info@kawisafiventures.com) for more information regarding the environmental and social due diligence questionnaire.



## Annex 3: Environmental and Social Due Diligence Report

The Diligence report outline should include the following

### *Section 1: Introduction*

1. Project background: Project description, Site and Environmental setting, Land requirements
2. E&S categorization and rationale
3. Applicable Performance standards: IFC Exclusion list, National Environmental and Social Laws and regulations, the IFC Performance Standards (as relevant)

### *Section 2: Scope of review and methodology*

Section to include the methodology used, documents reviewed Etc.

### *Section 3: E&S Categorization and rationale*

A short section on the ESG risk profile of the company under assessment and its project categorization: A, B or C with justification.

### *Section 4: Environmental and social Issues and mitigation*

By relevant performance standards; an examination of environmental and social issues and compliance with respective performance standards, identifying performance gaps and corrective action plans.

1. PS1: Environmental and Social Assessment and Management System
  - a. Environmental and Social Assessment
  - b. Management Program
  - c. Organization
  - d. Training
  - e. Community Engagement
  - f. Monitoring
  - g. Reporting
2. PS2: Labour and Working Conditions
  - a. Human Resources Policy and Management
  - b. Worker's Organization
  - c. Non-Discrimination and Equal Opportunity
  - d. Retrenchment
  - e. Protecting the Workforce
  - f. Occupational Health and Safety
3. PS3: Pollution Prevention and Abatement
  - a. Pollution Prevention, Resource Conservation and Energy Efficiency
  - b. Wastes
  - c. Hazardous Materials
  - d. Emergency Preparedness and Response
  - e. Ambient Considerations
  - f. Greenhouse Gas Emissions
  - g. Pesticide Use and Management
4. PS4: Community Health, Safety and Security
  - a. Community Health and Safety

- b. Emergency Preparedness and Response
  - c. Security Personnel Requirements
5. PS5: Land Acquisition and Involuntary Resettlement
    - a. Project Design
    - b. Compensation and Benefits for Displaced Persons
    - c. Consultation and Grievance Mechanism
    - d. Resettlement Planning and Implementation
    - e. Physical Displacement
    - f. Economic Displacement
    - g. Private Sector Responsibilities under Government-Managed Resettlement
  6. PS6: Biodiversity Conservation and Sustainable Natural Resource Management
    - a. Protection and Conservation of Biodiversity
    - b. Management and Use of Renewable Natural Resources
  7. PS7: Indigenous Peoples
    - a. Avoidance of Adverse Impacts
    - b. Consultation and Informed Participation
    - c. Impacts on Traditional or Customary Lands under Use
    - d. Relocation of Indigenous Peoples (Ips) from Traditional or Customary Lands
    - e. Cultural Resources
  8. PS8: Cultural Heritage
    - a. Protection of Cultural heritage in Project Design and Execution
    - b. Project use of Cultural Heritage

*Section 5:* Details of project consultations and local disclosure undertaken.  
Include details on the site visit conducted.

*Section 6:* Summary and Recommendations

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.

*Section 7:* Environmental Management/Corrective Action plan

Define necessary actions to be taken by the company to address risks and gaps identified, including them in E&S action plan. To the extent possible, these should include clear timeliness, responsibilities, completion indicators and, to the extent possible, estimated costs.

## Annex 4: Exclusion List

The Fund invests exclusively in low-risk and high impact projects in the renewable energy sector. In doing so, the fund applies the [IFC exclusion list](#) and will not invest in companies that have investments or activities in the following sectors:

- 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, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- 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.
- 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%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

The fund will also not invest in companies that have any of the following activities in their supply chain<sup>16</sup>

- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the natural resources or lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Coal-based energy production and coal extraction
- Palm oil production

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<sup>16</sup> Adapted from the IFC exclusion list for financial intermediaries and microfinance institutions.

## Annex 5: Environmental and Social Action Plan Template

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

## Annex 6: Guidance for Land and Resettlement

1. Rationale of LARP
  - a. The Land Acquisition and Resettlement Plan (LARP) describes the procedures for screening, assessing, compensating and managing risks and impacts generated by Portfolio Company operations.
  - b. A LARP is an important part of KawiSafi II's ESG guidance as it ensures the Portfolio Companies must abide by national land resettlement laws and regulations, and the Fund ESG requirements.
  - c. LARPs will be used when a Company is expected to generate resettlement impacts using proceeds from KawiSafi II. LARPs will ensure that project affected people will have a significant voice in the project and have access to grievance and complaints tools to ensure fair treatment.
  - d. The Fund will seek to avoid projects that contain significant risk of resettlement. Specifically, the Fund will not invest in projects that will resettle a significant number of people or have a strong negative impact on a vulnerable population.
2. Objectives of LARP
  - a. LARPs are intended to guide the Fund, the Portfolio Company, and affected stakeholders through the resettlement process.
  - b. Specific objectives of the LARP include:
    - i. To determine if a Portfolio Company will be purchasing or expanding their land usage and, if so, that the land is obtained legally and not involuntarily displacing residents;
    - ii. To minimize Portfolio Company acquisition of land resulting in involuntary resettlement or other adverse social impacts using KSV II proceeds;
    - iii. To ensure that when land acquisition with involuntary resettlement is absolutely necessary that stakeholders receive sustainable social benefits;
    - iv. To outline roles and responsibilities by various stakeholders in the project planning, implementation, and monitoring process of resettlement activities;
    - v. To ensure that the grievance redress mechanism entitles complainants to a thorough investigation of their complaint.
  - c. Involuntary resettlement or displacement must fit national and local legal and regulatory requirements.
  - d. Guiding principles for Land Resettlement are as follows:
    - i. To avoid, and when avoidance is impossible, minimize displacement through consultation and alternative project design;
    - ii. To avoid forced eviction;
3. Screening Criteria
  - a. LARP only applies to KawiSafi II investees where land has been purchased and a dispute over land resettlement or livelihood restitution has been brought forward to the company.
4. Eligibility Criteria to be used by companies and residents
  - a. Dispute must be made within two years of the land purchased;
  - b. Dispute must be about land purchased by the portfolio company;
  - c. Claimant must have evidence of rights to land in order to be investigated.
5. Compensation

- a. LARP will follow international best practices on compensation when KSVII investment has been used for land acquisition that results in improper resettlement.
6. Livelihood restoration
  - a. LARP will follow international best practices on livelihood restoration when KSVII investment has been used for land acquisition that results in improper resettlement and loss of livelihood.
7. Valuation
  - a. Valuation of any resettlement or restitution will consider the following factors:
    - i. Fair market value of land
    - ii. Transaction costs
    - iii. Interest accrued
    - iv. Transitional and restoration costs
    - v. Other applicable payments
8. Expected Budget
  - a. KawiSafi II cannot determine an appropriate budget given the unlikely nature of land resettlement issues across the portfolio. However, portfolio companies are expected to have sufficient funds to pay the costs of any significant land resettlement or livelihood restoration incident that they are found by investigation to be completely at fault for.
9. Grievance Mechanism
  - a. Project affected communities may use the KawiSafi II or portfolio company grievance redress mechanism to trigger a land resettlement or livelihood restoration incidents.
10. Monitoring and Reporting
  - a. The KawiSafi II team will monitor ongoing land resettlement and livelihood restoration investigations and settlements.
11. Land Acquisition and Resettlement Action Plan
  - a. If a Portfolio Company requires a LARP, they will need to provide the following information.
    - i. Description of project: General project description and identification of project area
    - ii. Project impacts:
      1. The project activity that creates involuntary resettlement
      2. The area of impact of the project activity
      3. Alternatives considered to minimize or avoid involuntary resettlement
      4. Strategy used to minimize resettlement during the project implementation
    - iii. Objectives: Primary objectives of the resettlement project and a summary of stakeholder engagement, studies, and research accomplished for the resettlement project.
    - iv. Regulatory summary: Summary of relevant host country laws and regulations around resettlement.
    - v. Stakeholder Engagement: Summary of discussions, engagements, information sharing with communities and people affected by resettlement

activity. Summary should include a list of the stakeholder groups, meetings, outcomes, and significant grievances.

- vi. Socioeconomic characteristics: if available, share relevant studies or research into the socioeconomic demographic data of project affected people. Relevant information may include household and census data, information on vulnerable groups, information on livelihood and standards of living,
- vii. Eligibility: Define the criteria for displaced or involuntarily resettled populations who are eligible for LARP consideration.
- viii. Valuation and compensation for losses: The methodology used for valuing losses to determine replacement cost. Description of proposed compensation types and values that fit local regulatory and legal criteria.
- ix. Magnitude of displacement: Number of persons, households, structures, public buildings, croplands, and other persons and physical properties affected.
- x. Entitlement Summary: Explains categories of affected people and investigation, grievance mechanisms, and options they were offered.
- xi. Resettlement sites: If available and applicable, the company will share relocation plans for displaced persons.
- xii. Grievance procedures: Company will outline how LARP connects to grievance mechanism and if there is any third-party arbitration necessary.
- xiii. Organizational responsibilities: Summary detailing who is responsible for implementing the LARP, how the project team will coordinate with local jurisdictions and relevant stakeholders. The summary will detail responsibilities of any outside agency, parties, consultants, or firms in enacting the resettlement plan.
- xiv. Implementation schedule: This section will summarize the LARP implementation timeline with milestones and targets.
- xv. Budget: If applicable, this section will detail the budget for compensation for resettlement. It will include budget estimates and expenditures, source of budget, and contingencies.
- xvi. Monitoring, evaluation, and reporting: LARPs will be reported to investors when appropriate. This section will detail the monitoring and evaluation plan and ensure organizational capacity to monitor the LARP. It will include a logic model that includes inputs, activities, outputs, and outcomes.

## Annex 7: Guidance on Indigenous Peoples

### Indigenous Peoples Plan Framework of KawiSafi Ventures Limited

1. Types of subprojects to be financed under KawiSafi Ventures Limited
  - a. Equity and quasi-equity investments in companies bringing off-grid energy, productive use, and mobility and logistics access to low-income communities in East Africa.
  - b. Technical assistance grants to investees.
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.
    - ii. Improved access to productive use products and services to increase climate resilience, improve agricultural outcomes, and improve income for small holder farmers.
  - b. Adverse
    - i. Possible displacement if investees expand operations (factories, warehouses) and acquire land traditionally held by indigenous groups.
    - ii. Manufacturing waste could pollute indigenous lands if factories are located nearby.
3. Assessment Plan
  - a. For each investment contemplated by KawiSafi Ventures Limited (“KawiSafi”), 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, KawiSafi may work with the company to develop its protections for indigenous groups, as relevant.
  - c. KawiSafi will also bind its investees 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 KawiSafi investees 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 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, KawiSafi will annually ask for updates during their standard review of investees.





## Annex 8: Outline of Stakeholder Engagement Plan

### KawiSafi II Stakeholder Engagement Plan

#### Context and Rationale

This plan is designed to support KawiSafi in its efforts to maintain positive stakeholder relations that promote predictable management of key business risks and opportunities.

The Fund operates under its ESG Policy and ESMS, and tests the implementation of this policy on a periodic basis through its 3<sup>rd</sup> party ESG Advisor. The Advisor provides an annual independent review of key risks and issues for each of the Fund's portfolio companies and for the Fund itself. The Fund maintains a Grievance Mechanism aligned with GCF requirements where public concerns or questions can be lodged.

#### Assessment

KawiSafi is a relatively small financial institution operating in a socially driven business environment. The Fund itself has a limited operational footprint since its primary activities are limited to Advisory and Investment Services. The Fund also acknowledges that many of its key stakeholders operate with a positive commitment to ESG issues.

As part of its ordinary business, the Fund identifies and engages with a broad range of stakeholder groups that have been identified on the basis of risk (both to the Fund and from the Fund's investment activities) and opportunity. These stakeholders, and the rationale for engagement with them, is outlined in Table 1 below.

In addition, the Fund conducts a periodic review of key stakeholders at the national level in its area of operation to prepare stakeholder maps. These maps are presented in Annex 2.

KSVII embarked upon strong stakeholder engagement in the fund development process. The project reached out to a diverse group of stakeholders in the development of this project. Our team canvassed the KSVII 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. We track our outreach efforts to ensure that these groups have opportunities to meaningfully engage with our team and provide robust feedback on our work.

Nationally Designated Authorities (NDAs), government entities responsible for approving GCF projects with no-objection letters, have been strong thought partners for our fund development. NDAs have pushed us to be thoughtful about understanding a country's context, risks, challenges, and opportunities when investing in these markets. With their thoughtful engagement, KSVII explored deeper market studies, gender assessments, local climate context, and stronger monitoring and reporting tools. NDAs wanted KSVII to have a robust land resettlement policy and grievance redress mechanism.

Our team also engaged stakeholders with virtual presentations, Q&A sessions, and surveys to understand opportunities across the landscape. We also learned about useful ways to improve the fund's operations.



We also learned a lot from KSVI beneficiaries. Our team has engaged a leading impact assessment team to survey beneficiaries of the companies and products we invest in. Our team learned that beneficiaries benefited from electrification and started to need new tools in off-grid energy. Entrepreneurs and end-users needed financing opportunities, productive use products to improve their farms, and green technology to improve their jobs.

### **Activities and Next Steps**

The Fund continues to review its stakeholder engagement strategy and plan for engagement. Related to the COP26 and 27, the Fund has been invited to participate in a number of initiatives including the UNFCCC Race to Zero and the Africa/EU strategy group convened by the Friends of Europe Foundation. The Fund takes a proactive role in supporting these initiatives and accelerating national ambitions to achieve a low carbon energy future Table 1: Key Impacts and Risks – rationale for KawiSafi’s approach to stakeholder engagement

The team commits to continue learning from the diverse group of stakeholders who supported the development of KSVII. We also want to give stakeholders tools to engage with us throughout the life of the fund.

KSVII finds it especially important to learn from end-users and beneficiaries of our investment activity. KSVII will engage an impact assessment team to survey beneficiaries on the companies and products we invest in. The voice of the end-users and beneficiaries will guide our activity with Portfolio Companies. KSVII will also pay special attention to the voices of women when learning from impact survey results. We will share survey results with Portfolio Companies in order to improve their business, increase their impact, and help them appropriately operate within the communities they serve. If survey results are particularly noteworthy, KSVII will ensure board level visibility where we have board or board observer seats. survey data will also be a component of guiding post-investment support.

KSVII beneficiaries, end-users, and stakeholders can engage with our team through our grievance redress mechanism. If stakeholders experience harm because of KSVII investment activity, the fund encourages these stakeholders to engage our team with the grievance redress mechanism. The KSVII grievance redress mechanism aligns with industry best practices, including the Ruggie principles.

Our team wants to learn from our Portfolio Companies and seeks to consistently engage with them to learn about end-users, market trends, risks, and opportunities. We will engage our Portfolio Companies through board activity, post-investment support, impact surveys, reporting, and informal engagement.

Our team will engage with investors across multiple levels. KSVII will report to investors on an annual basis. GCF will receive annual performance reports. The KSVII team may provide investors with webinars and other insights sharing opportunities. The Limited Partnerships Advisory Committee also meets annually to review yearly activity.



Finally, our team hopes to continuously learn from and share insights with various stakeholders via conferences and annual reporting. The KSV team presented at many conferences with Fund I. We aspire to share our learning and to learn from others at conferences and knowledge sharing opportunities. We also share community reports with relevant stakeholders on an annual basis. Finally, we hope to continue engaging civil society organizations and NGOs on a periodic basis.

### **Types of engagement**

**Meetings:** The team has held meetings with Nationally Designated Authorities, government entities, NGOs, and Civil Society organizations. Meetings serve as our strongest opportunity to get direct, real-time feedback on KSVII.

**Webinars:** We host webinars to sensitize key stakeholders to our Fund and investing strategy. This is also an opportunity for our team to get high level feedback from a diverse group of stakeholders:

**Conferences:** The KSVII team attends conferences to meet pipeline companies, potential investors, and other organizations and leaders in the industry. The team seeks to share our learnings by attending conferences.

**Surveys:** We conduct surveys in two ways. First, we survey stakeholders after they engage in our webinars to learn about their priorities for KSVII. Second, we survey beneficiaries to understand the impact of our investments. Both surveys provide critical information about how we can operate and create impact.

**Reports:** KSVII will provide annual reporting to investors and key stakeholders. Reports are a valuable tool to sensitize stakeholders to ongoing activity and insights we develop in the lifecycle of the fund.

**Grievance Mechanism:** Beneficiaries and project affected people can use the grievance mechanism to share complaints with the Fund team.

### **Reporting**

Our team reports on our operations and investment activity on an annual basis. We also provide quarterly and semiannual financial reporting to GCF and other investors. We also engage investors during our Limited Partnership Advisory Committee meetings. Investors can share their feedback, advice, and recommendations with the team during our LPAC meetings. Additionally, we report to GCF on an annual basis through annual performance reports.

KSVII will also share community reports to various stakeholders including NDAs, NGOs, civil society organizations, and other relevant parties.

Finally, KSVII expects reporting from Portfolio Companies. Portfolio Companies are expected to provide impact, financial, and other data. Portfolio companies are expected to report on Gender Action Plans and ESG Action Plans.

<b>KawiSafi II Stakeholder List</b>			
<b>Category and key issue</b>	<b>Key Stakeholders</b>	<b>Level of Interest and Influence</b>	<b>Stakeholder Engagement Strategy</b>
1. Entrepreneurial ecosystem – access to capital; driving innovation and promoting diversity.	1.1 Early and mid-stage energy access companies in Africa	The management teams in these companies are aligned to KawiSafi’s goals of achieving energy access in markets of operation.	Pro-active engagement with management teams to understand their strategies, business models and alignment to KawiSafi’s commercial and impact mandate. Post investment, KawiSafi will closely monitor through governance roles (Board representation) and ongoing stipulated reporting on financial performance, impact achieved and ESG compliance.
	1.2 Incubators and Accelerators and research institutions	Given the nascency of the sector, KawiSafi will rely on the innovation fostered by these institutions and their ability to generate a pipeline of investable opportunities. However, they are expected to have a low level of influence over KawiSafi’s activities.	KawiSafi will engage these stakeholders when there is an alignment of interests. Collaboration through the KawiSafi Technical Assistance Facility (TAF) will be sought as required. These representatives will also be invited to participate in knowledge-sharing events and round tables hosted by KawiSafi.

<p>2. Regulatory – energy access; climate ambition; NDC’s; electrification strategy; tax/incentives ; duties.</p>	<p>Government Agencies; Relevant Ministries; etc.</p>	<p>National governments and their agencies are aligned to KawiSafi’s mandate of achieving universal electrification and climate mitigation. They are critical to development of an enabling environment for sustainability and growth of the sector.</p> <p>Through GCF funding, National Designated Authorities (NDAs) retain a high level of influence in KawiSafi’s activities. Other regulators have a high level of influence as relates to approvals but have low interest levels.</p>	<p>Engagement of general regulators (Ministries and Agencies) on industry wide matters will occur primarily through the industry associations (GOGLA and EAVCA) of which KawiSafi is a participating member. KawiSafi will also work to ensure compliance with requirements from other relevant agencies such as the Competition Commission.</p> <p>GCF NDAs for the countries in which KawiSafi operates will be engaged proactively. The individuals will also receive quarterly virtual reporting highlighting Fund highlights and performance. These representatives will also be invited to participate in knowledge-sharing events and round tables hosted by KawiSafi.</p>
<p>3. Investors</p>	<p>DFI’s, Private Equity and Debt Investors, Venture Capital Funds and Family Offices</p>	<p>These stakeholders hold mandates to support universal energy access goals and/or to support allocation of capital to the sector and markets. They will have high levels of influence and interest as they hold debt or equity investments in KawiSafi’s portfolio companies and/or pipeline opportunities and can determine the terms of investments as well as post-</p>	<p>KawiSafi manages these stakeholders closely through calls and meetings. The Fund also holds frequent meetings with co-investors to discuss company specific activities and engagement. Investors who are also LP’s into KawiSafi will receive quarterly updates on Fund financial and impact performance and are invited to an Annual General Meeting to discuss in detail, operational and Fund activities for the year.</p>

		investment strategies. They may also, in some cases, such as with Acumen Fund and GCF be direct investors into KawiSafi.	
4. Broader Industry – advances in technology; other industry risks	Industry Associations: Global Off Grid Lighting Association (GOGLA), The East African Venture Capital Association (EAVCA)	These institutions champion KawiSafi’s mandate as an investor in East Africa and within the energy access ecosystem. They are expected to have low levels of influence over KawiSafi’s specific activities but remain important in sector-wide representation.	KawiSafi retains membership and plays a proactive role with the GOGLA and EAVCA leadership.
5. Health and Safety; product quality; consumer protection; credit risks	Beneficiaries and End Users	Beneficiaries and end-users of the products sold by portfolio companies are directly affected by their activities and have high interest in ensuring sustainability of the companies and sector overall and in the production of high quality, safe products, and customer service.	KawiSafi conducts periodic customer and end user surveys and relies on industry assessments produced by GOGLA. KawiSafi is signatory to the GOGLA Consumer Protection Code and continues to support the implementation of the guiding principles through its portfolio companies.

<p>6. Civil society organizations; indigenous advocacy organizations; women's groups</p>	<p>Woman In Sustainable Energy &amp; Entrepreneurship (WISEe),  The Indigenous Peoples of Africa Co-ordinating Committee (IPACC)</p>	<p>Consulting and engaging with associations and multi-national interest groups representing under-represented, under-served, and marginalized communities is a fundamental component of fund development. These groups will inform the implementation of the ESMS, grievance mechanism, technical assistance facility, and other stakeholder engagement tools.</p>	<p>KawiSafi will engage these groups during the fund development stage of the process through meetings and webinars both to share the project and to learn local and xxx specific context. Women's groups and relevant industry associations may be engaged to share insights from the gender work across the investing strategy and TAF. Civic organizations and other associations may be consulted if the fund needs support on specific E&amp;S issues.</p>
<p>7. Beneficiaries and end-users -impact, grievances, and complaints, and impacts</p>	<p>SHS purchasers, e-bike purchasers, other Portfolio company beneficiaries</p>	<p>Creating meaningful impact for beneficiaries is a very important component of KSV II. Beneficiary and end-user voice will be very important to portfolio company success and ensuring that we are meaningfully engaging with the communities we serve.</p>	<p>Each of our portfolio companies will have stakeholder engagement plans for the communities they operate within. Additionally, we will commission studies for our companies so that they can better incorporate customer and community feedback. Finally, portfolio companies are expected to have or to develop grievance mechanisms that respond to community concerns.</p> <p>At the fund level, KSV II has a robust grievance redress mechanism aligned with international best practices. Additionally, the fund has a strong complaints mechanism, Indigenous Peoples Policy, and Gender Action Plan to ensure vulnerable populations are engaged in the Fund.</p>

## Annex 8a: Guidance for Stakeholder Engagement Plans for Portfolio Companies

### Context:

Companies are expected to engage with a variety of stakeholders to ensure that they are responsibly managing their operations. To that end, companies are expected to have or develop a right-sized and efficiently implemented stakeholder engagement plan. This annex is intended to provide guidance to KawiSafi II portfolio companies on how to develop and implement a stakeholder engagement plan that complies with this ESMS. We will describe the needed components of a stakeholder engagement plan including assessment, learning activities, engagement, and reporting.

### Assessment:

Companies are expected to make a stakeholder map of relevant actors and beneficiaries based on the activities and operations of the fund. Portfolio companies should consider the following entities when developing their map of stakeholders:

- Government regulators
- Customers and beneficiaries
- Women's groups
- Indigenous tribes and organizations
- Civil Society organizations
- Industry associations

### Learning Activities:

The Portfolio Company must demonstrate that they have learned about the needs, risks, and opportunities presented by each group in the stakeholder list. The company must also share how and what they learned about these needs through dialogue with stakeholder groups.

### Engagement

The company must list all the methods of engaging with stakeholders. Methods include:

- Meetings
- Reporting
- Grievance Mechanism
- Surveys

### Reporting:

Companies are expected to share what kind of reporting they do to communities, stakeholders, and other relevant groups.

### Updates:

The company is expected to periodically update their Stakeholder Engagement Plan.



## Annex 9: Grievance Policy

### 1. Scope

- 1.1. This Procedure is open to all stakeholders, including a person or organisation representing a group of affected parties, who consider themselves affected by KSV’s investment activities. Complaints may be submitted on a named or anonymous basis. Although anonymous submissions may be harder to resolve, they will be treated in the same way as named Complaints to the extent reasonably possible.
- 1.2. There are no restrictions on the type of issue a stakeholder can raise under this Procedure. However, when a Complaint is received that is more appropriately handled under a separate KSV process established for that purpose (such as employment or business integrity related issues), it will be re-directed so as to prevent a parallel process being followed. All Complaints received under this Procedure shall be tracked until close-out regardless of the process under which they are handled.
- 1.3. KSV reserves the right not to address a Complaint which, after consideration, is not eligible due to being general, unspecified, and therefore un-actionable, is otherwise malicious or vexatious in nature, or concerns a matter for which KSV has no formal responsibility (for example, a matter which is under government control).

This GRM will be made available to parties who have grievances arising from activities related to the implementation of GCF-funded projects. These grievances could be related, but not limited to:

- Environmental, social, community health, safety, and security;
- Gender bias and harassment;
- Labor, compensation, and any issues that may arise due to interactions between the labor workforce and host communities;
- Resettlement-related grievances, such as the valuation of assets, amount of compensation paid, level of consultation, non-fulfilment of contracts, and timing of compensation, amongst others, will also be handled by this process.

Grievances will be deemed non-eligible if:

- Complaint is submitted 2 years after the GCF- funded project or program has been closed;
- Complaint is submitted 2 years after the date that the complainant became aware of the negative impacts by a GCF-Funded project or program.

### 2. Workflow

Process	Description	Days
<b>Complaint reported</b>		
Receive	<ul style="list-style-type: none"> <li>● KSV receives the Complaint from the Complainant in any communication form (including face-to-face, phone, fax, letter, delivery, or email)</li> <li>● Complaint recorded by KSV Staff Members</li> <li>● KSV staff assist Complainant to complete and submit the Complaint form</li> </ul>	1 day

Assess and assign	<ul style="list-style-type: none"> <li>Record Complaint in Complaints Log</li> <li>Complaint Officer to assess Complaint eligibility and significance</li> <li>Complaint Officer to assign the complaint to an appropriate Complaint Owner</li> </ul>	3 days
Acknowledge	<ul style="list-style-type: none"> <li>Receipt of Complaint formally acknowledged to the Complainant through appropriate communication medium (recorded in writing)</li> </ul>	1 day
Investigate and respond to Complaint		
Investigate	<ul style="list-style-type: none"> <li>Consult with relevant parties</li> <li>Identify further action required</li> <li>May require site visits and discussions with other stakeholders</li> </ul>	Up to 1 month
Response	Progress update provided to Complainant – including, if necessary, an indication of additional time and resources required to resolve Complaint	Up to 1 month
Resolution	Confirm with Complainant that Complaint can be closed, or determine what follow-up is necessary.	Case by case
Appeal	If KSV and the Complainant are unable to agree on a solution, the Complaint may be escalated to the Appeals Committee for review and final decision.	Within one month after escalation
Close Complaint	Record final sign-off of Complaint according to appropriate outcome	Case by case

### 3. Roles and Responsibilities

Roles and responsibilities under this Procedure are as follows:

Role	Responsibility
Fund Manager	Accountable for the implementation of this procedure and approving the close out of complaints based on recommendations from the Complaint Officer

Complaint Officer	<p>Responsible for the overall implementation of this procedure. This includes</p> <ul style="list-style-type: none"> <li>● serving as custodian of the Complaints process</li> <li>● monitoring the handling of Complaints</li> <li>● suggesting changes to policies or practices based on lessons learned</li> <li>● receiving and reporting Complaints</li> <li>● maintaining the Complaints Log</li> <li>● supporting the resolution of Complaints</li> <li>● coordinating the response to a Complaint and serving as the main point of contact with the Complainant</li> </ul>
Complaint Owner	<p>Responsible for investigating and resolving a Complaint in coordination with the Complaint Officer. This includes</p> <ul style="list-style-type: none"> <li>● conducting investigations</li> <li>● proposing resolutions</li> <li>● implementing corrective actions</li> <li>● coordinating with the parties.</li> </ul>
Investment Officer	<p>If the Complaint relates to a particular KSV investment, then the Investment Officer acts as the relationship manager with the Portfolio company in question and will notify them of the Complaint and engage with them with regard to the resolution procedure.</p>
Appeals Committee	<p>Responsible for reviewing overdue or escalated Complaints, authorising additional actions, and approving the close out of Complaints where it is not reasonably possible to reach an agreed resolution with the Complainant</p>

#### 4. Lodging Grievances

KawiSafi aspires to make any effort to report a grievance easily accessible through a variety of communications channels. KawiSafi believes that any stakeholder who has a legitimate grievance should be able to access KawiSafi’s Grievance Redress Mechanism via the communication style that best fits their needs. We seek to ensure that grievances can be shared by any population including youth, women, and marginalized and vulnerable populations like indigenous populations. We also seek to ensure that lodging grievances does not harm the populations that may participate by ensuring anonymity if the complainant requests anonymity or we believe that identification could lead to harm, intimidation, or fear. The following methods of communication are available for lodging a grievance:

- KawiSafi’s Grievance Redress Mechanism webpage has a detailed grievance procedure, delineates eligible grievances, and references our GRM investigator’s biography. Webpage also has a complaints box where complainants can share complaints confidentially and anonymously if they so choose.
- Direct complaints to KawiSafi’s GRM investigator, our Managing Director.
- Direct complaints to KawiSafi staff including the directors or other members of the team.



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- Calling KawiSafi's Nairobi phone line: +254 717 861 827
- Mailing KawiSafi's manager's Nairobi's address: Acumen Capital Partners (EA) LTD, P.O. Box 60190-00100, Nairobi, Kenya and
- Emailing KawiSafi's email address: [info@kawisafiventures.com](mailto:info@kawisafiventures.com)

If additional supports are needed, please reach out to GCF's Independent Redress Mechanism. Contact information is shared below:

Website: <https://irm.greenclimate.fund/case-register/file-complaint>

E-mail: [irm@gcfund.org](mailto:irm@gcfund.org)

## Annex 9a: Grievance Redress Mechanism (GRM) Framework for Portfolio Companies

Portfolio companies should implement a Grievance Redress Mechanism which meets the following standards:

### Scope

The GRM should be open to all stakeholders, including a person or organisation representing a group of affected parties, who consider themselves affected by Company's activities. Complaints may be submitted on a named or anonymous basis.

This GRM will be made available to parties who have grievances arising from activities related to the implementation of GCF-funded projects. These grievances could be related, but not limited to:

- Environmental, social, community health, safety, and security;
- Gender bias and harassment;
- Labor, compensation, and any issues that may arise due to interactions between the labor workforce and host communities;
- Resettlement-related grievances, such as the valuation of assets, amount of compensation paid, level of consultation, non-fulfilment of contracts, and timing of compensation, amongst others, will also be handled by this process.

Grievances will be deemed non-eligible if:

- Complaint is submitted 2 years after the GCF- funded project or program has been closed;
- Complaint is submitted 2 years after the date that the complainant became aware of the negative impacts by a GCF-Funded project or program.

### Complaints Procedure

The Company should establish a clear timeline and communication points with the complainant, to include:

- Company receives the Complaint from the Complainant in any communication form (including face-to-face, phone, fax, letter, delivery, or email)
- Complaint recorded
- Record Complaint in Complaints Log
- Complaint Officer to assess Complaint eligibility and significance
- Complaint Officer to assign the complaint to an appropriate Complaint Owner
- Receipt of Complaint formally acknowledged to the Complainant through appropriate communication medium (recorded in writing)
- Consult with relevant parties
- Identify further action required
- May require site visits and discussions with other stakeholders
- Progress update provided to Complainant – including, if necessary, an indication of additional time and resources required to resolve Complaint



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- Confirm with Complainant that Complaint can be closed, or determine what follow-up is necessary.
- If Company and the Complainant are unable to agree on a solution, the Complaint may be escalated to the Appeals Committee for review and final decision.
- Record final sign-off of Complaint according to appropriate outcome

### **Roles & Responsibilities**

The Company should assign roles for the administration of the process that include oversight, implementation and investigation.

### **Communication and Accessibility**

Companies should inform communities about the grievance redress mechanisms available to them at all levels: GCF's Independent Redress Mechanism (<https://irm.greenclimate.fund/>), Acumen's GRM (<https://acumencapitalpartners.com/grievance/>) and KawiSafi Ventures' GRM (<https://www.kawisafi.com/complaint.html>), and the Company GRM, when and how they can be accessed, and the specific steps and contact information for registering concerns with each GRM.

Multiple methods of communication should be available for lodging a grievance, which may include:

- Company website
- Direct complaints to Company's GRM investigator
- Direct complaints to Company staff
- Calling Company's phone line
- Mailing Company's address
- Emailing Company's email address

## Annex 10: Complaint Policy of the Fund

### 1. Introduction

- 1.1. KawiSafi Ventures (KSV) seeks to build strong relationships with stakeholders and manage the impact of our investments on affected communities. Nevertheless, we recognize that complaints about our investment activities may occur from time to time.
- 1.2. This Complaints Handling Procedure allows stakeholders to raise questions or concerns with KSV and have them addressed in a prompt and respectful manner. We aim to address all Complaints received, regardless of whether they stem from real or perceived issues and whether the Complainant is named or anonymous. Any stakeholder who considers themselves affected by KSV's investment activities will have access to this Procedure at no cost. The statutory rights of KSV, Portfolio companies, Contractors, and the Complainant to undertake legal proceedings remain unaffected by participation in this process.
- 1.3. KSV seeks to foster trust in the process and its outcomes. To this end, this Procedure is communicated in an understandable manner on our website and in our engagement with portfolio companies. Confidentiality will be respected and KSV will take all reasonable steps to protect parties participating in the process from retaliation.

### 2. Purpose

- 2.1. This Procedure establishes the process for addressing Complaints or concerns raised in connection with KSV's investment activities. It describes the scope and procedural steps for the complaint-handling process and specifies roles and responsibilities of the parties involved. It will be revised and updated periodically based on experience and feedback from stakeholders.

### 3. Objectives

- 3.1. This Procedure has the following objectives:
  - 3.1.1. Establish a prompt, consistent, and respectful mechanism for receiving, investigating, and responding to Complaints or concerns from stakeholders, particularly communities affected by our investments;
  - 3.1.2. Ensure proper documentation of the Complaint or issue of concern and any corrective actions taken; and
  - 3.1.3. Contribute to continuous improvement in performance through the analysis of trends and lessons learned through implementation of this Complaints Handling Procedure.

### 4. Scope

- 4.1. This Procedure is open to all stakeholders, including a person or organization representing a group of affected parties, who consider themselves affected by KSV's investment activities. Complaints may be submitted on a named or anonymous basis. Although anonymous submissions may be harder to resolve, they will be treated in the same way as named Complaints to the extent reasonably possible.
- 4.2. There are no restrictions on the type of issue a stakeholder can raise under this Procedure. However, when a Complaint is received that is more appropriately handled under a separate KSV process established for that purpose (such as employment or business integrity related issues), it will be re-directed so as to prevent a parallel process being followed. All

Complaints received under this Procedure shall be tracked until close-out regardless of the process under which they are handled.

- 4.3. KSV reserves the right not to address a Complaint which, after consideration, is not eligible due to being general, unspecified, and therefore un-actionable, is otherwise malicious or vexatious in nature, or concerns a matter for which KSV has no formal responsibility (for example, a matter which is under government control).

## 5. Terminology

- 5.1. Terminology used in this procedure has the following meaning:

Term	Definitions
Complainant	An individual, group, or organization that submits a Complaint to KSV.
Complaint	An expression of dissatisfaction with KSV, typically referring to a specific source of concern and/or seeking a specific solution. For the purposes of this Procedure, a question or request may also be treated as a Complaint.
Complaint Log	A database for maintaining information about Complaints received.
Portfolio company	A firm that has received financing from KSV in the form of an equity investment under agreed terms, including compliance with KSV's Responsible Investment (RI) Policy.
Contractor	An individual or firm that has entered into a contract to provide goods or services to KSV or an portfolio company.
Registration form	A form used to capture information about an incoming Complaint

## 6. Procedure for Resolving complaints

- 6.1. This section sets out details for each stage of the process to be followed for receiving, investigating, and resolving Complaints.

### 6.2. Receive

- 6.2.1. The Procedure is initiated when a Complaint is received by a KSV Staff member or contractor. This may be through any form of communication, including, and not restricted to, telephone, email, mail, or in-person communications.
- 6.2.2. If the Complaint is readily resolvable and can be dealt with immediately, the relevant Staff member acts to address the issue directly and records the details in the Complaints Log.
- 6.2.3. If the Complaint is not readily resolvable, the Staff member will ask the Complainant to complete the Registration form. If the Complainant is unable to complete the form, the Staff member will fill it out and read the contents back to verify accuracy. This method of completion will be noted on the form. If the Complainant refuses to complete the Registration Form, he or she will be offered the option to have the Complaint treated on an anonymous basis. The Staff member creates a record of the Complaint in the Complaint Log.

### 6.3. Assess and assign

- 6.3.1. The Complaints Officer makes an initial assessment of severity and assigns the Complaint to a Complaint Owner. The Complaint Officer and the Complaint Owner agree the timelines for an investigation and any follow-up actions. The Complaint Officer provides access to all relevant documentation to the Complaint Owner.



6.3.2. For Complaints regarding issues for which a more appropriate KSV process already exists, the Complaint Officer will refer the matter to the appropriate process owner for further action. This will typically be the case for Complaints related to contractual or commercial issues; industrial relations and employee relations; business integrity or criminal matters; and issues subject to current or pending litigation. The Complaint Officer updates the Complaint Log as appropriate.

#### 6.4. Acknowledge

6.4.1. Once a Complaint has been assessed and a Complaint Owner assigned, the Complaint Officer sends a written acknowledgement to the Complainant. The letter should normally be sent within 5 days of receiving the Complaint. The Complaint Officer documents the acknowledgement in the Complaints Log.

#### 6.5. Investigate

6.5.1. The Complaint Owner investigates the factual basis, as well as the seriousness and urgency of the Complaint, and proposes options to resolve the issue.

6.5.2. The Complaint Owner may involve third parties in the fact-finding process as required. The identity of the Complainant should only be disclosed to the extent necessary to resolve the issue, or as required by law. If the Complainant has specifically requested that his or her identity not be disclosed, their personal information may not be shared with third parties unless required by law.

6.5.3. KSV generally seeks to resolve Complaints within one month. The Complaint Officer is responsible for providing regular progress reports to the Complainant, including a verbal update and a written update. If additional time is needed to complete an investigation, the Complaint Owner will notify the Complaint Officer, who will inform the Complainant of the reason for the delay.

6.5.4. When the investigation is complete, the Complaint Owner documents the findings and proposes options for resolving the Complaint as appropriate.

#### 6.6. Response

6.6.1. The Complaint Owner and Complaint Officer agree on a response to the Complainant. The response should communicate the findings of the investigation, set out the proposed solution and timelines, and seek feedback from the Complainant within a specified timeframe.

6.6.2. The Complaint Owner and Complaint Officer determine next steps based on feedback from the Complainant. If the Complainant accepts the resolution, KSV will proceed to implement the resolution. If the Complainant does not accept the resolution, the Complaint will be escalated to the Appeals Committee. The Complainant's response will be documented in the Complaint Log.

#### 6.7. Resolution

6.7.1. If the Complainant accepts the proposed resolution, the agreed actions are implemented.

6.7.2. The Complaint Owner is responsible for assigning action parties, actions, and deadlines to implement the resolution. These are recorded in the Complaint Log with any supporting documentation. Monitoring arrangements may need to be put in place to verify implementation.

6.7.3. The Complaint Owner informs the Complaint Officer once the resolution has been implemented. The Complaint Officer then asks the Complainant to sign the Confirmation Form. If the Complainant agrees to sign, the Complaint is closed out as Resolved. If the

Complainant refuses to sign, or has failed to sign within the timeframe allowed, the Complaint is referred to the Appeals Committee.

#### 6.8. Appeal

- 6.8.1. KSV will seek to reach a resolution with the Complainant that is satisfactory to both sides. If KSV and the Complainant are unable to agree on a solution, the Complaint may be escalated to the Appeals Committee for review and final decision.
- 6.8.2. The Appeals Committee consists of the KSV Managing Director and up to two (2) members of the Fund's Investment Committee. It is established on a case-by-case basis.
- 6.8.3. The Appeals Committee reviews the case and determines if further reasonable action is possible. If no reasonable action is possible, the Appeals Committee authorizes the closeout of the Complaint. A close-out letter will be sent to the Complainant explaining KSV's position.
- 6.8.4. Cases where the Complainant disputes or declines to acknowledge the implementation of a previously agreed resolution, the case may also be referred to the Appeals Committee for review.

#### 6.9. Close Out

- 6.9.1. A Complaint is closed out when no further action can be or needs to be taken.
- 6.9.2. Close-out status will be classified in the Complaints Log as follows:
  - 6.9.2.1. *Resolved*. Complaints where a resolution has been agreed and implemented and the Complainant has signed the Confirmation Form.
  - 6.9.2.2. *Unresolved*. Complaints where it has not been possible to reach an agreed resolution and the case has been authorized for close-out by the Appeals Committee.
  - 6.9.2.3. *Abandoned*. Complaints where the Complainant is not contactable after one month following receipt of a Complaint and efforts to trace his or her whereabouts have been unsuccessful.
- 6.9.3. The Complaint Officer is responsible for updating the Complaints Log and the logistics associated with closing out the case.
- 6.9.4. At the end of a case, regardless of whether agreement was achieved, the Complaint Officer will seek feedback from the Complainant on their level of satisfaction with the complaint handling process and its outcome.

### 7. Performance Monitoring and Reporting

7.1. The Complaint Officer is responsible for gathering and reporting performance monitoring data under this Procedure. Key performance indicators (KPIs) will be collected to enable KSV to analyze trends in complaints received and identify underlying systemic issues. The Complaint Officer is responsible for making recommendations for changes to KSV policies or practices based upon ongoing learning from Complaints.

7.2. Complaint trends will be reviewed on an annual basis based on the following KPIs

- # of Complaints logged in the proceeding period by level and type.
- # of Complaints resolved between KSV and Complainant, without accessing legal or third-party mediators, by level and type.
- # of Complaints unresolved after 60 days by level and type.
- # of Complaints of the same or similar issue or related to the same investment.
- KSV's responses to the concerns raised by the various stakeholders.



- The measures taken to incorporate these responses into engagement with current portfolio companies and in the planning for future investment activities.

## **8. Confidentiality**

### 8.1. Duty of Confidentiality

8.1.1. KSV is committed to protecting the identity of the Complainant and to handling personal information in accordance with legal requirements. This duty extends to all employees or representatives of KSV, its Portfolio companies, or Contractors who participate in the complaint handling process.

8.1.2. Information about a Complaint will be shared within KSV Staff, Portfolio company Staff, and Contractor Staff on a need-to-know basis and only to the extent necessary to complete a step under this Procedure and where covered by existing confidentiality agreements. KSV will not share personal information with third parties unless required by law or authorized by the Complainant.

### 8.2. Personal Data

8.2.1. Personal data contained in the Complaints Log will be kept only as long as necessary to investigate the Complaint and implement a resolution. Personal data will then be either deleted or modified and transferred to an archive for a reasonable period pursuant to KSV's Data Privacy Policy.

### 8.3. Conflicts of Interest

8.3.1. A conflict of interest exists where there is a divergence between the interests of a KSV Staff Member, Portfolio company Staff Member, or Contractor and his or her responsibilities under this Procedure, such that an independent observer might reasonably question whether the actions of that person are influenced by his or her own interests.

8.3.2. This procedure seeks to manage potential conflicts of interest by segregating the roles and responsibilities of individuals involved in the complaint handling process and avoiding placing individuals in a position where conflicts could be perceived to arise. When a Complaint relates to a specific KSV, Portfolio company, or Contractor employee, that person shall not play a role in the complaint handling process.

## **9. Protection from Retaliation**

9.1. Retaliation is any adverse action taken against a Complainant, KSV Staff Member, Portfolio company Staff Member, or Contractor whose purpose is to frustrate the operation of this Procedure. KSV will not tolerate such conduct. When concerns about retaliation or victimization are raised, they will be investigated.

## **10. SEAH Provisions**

Victims of SEAH who seek to utilize the KSVII 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. KSVII will request that companies suspend or remove workers that are being



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investigated for SEAH from interacting with other staff or customers while the investigation is ongoing.

The victim, if KSVII 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 on SEAH investigation best practices. SEAH data is kept separately from other data due to sensitivity of the data. The KSVII team will monitor SEAH incidents throughout the course of KSVII.



## Annex 11: ESG Incident Report Template

### PART A: SERIOUS INCIDENT REPORT: INVESTEE REPORT

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

<b>1.</b>	<b>Description of Issue</b>	
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	



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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)
<b>2.</b>	<b>Company Management Follow-Up Actions</b>	
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	
<b>3.</b>	<b>Attachments to the incident report (if any):</b>	
3.1.		

**PART B:  
SERIOUS INCIDENT REPORT: FUND TO ADVISORY COMMITTEE**



<b>Date of report</b>	
<b>Fund and Fund Manager</b>	
<b>Contact Person</b>	
<b>Contact Information</b>	
<b>Name of Portfolio Entity Involved</b>	
<b>Date of Invested</b>	
<b>Amount Invested</b>	
<b>Total Portfolio Invested (At Cost)</b>	

<b>4. Description of Issue</b>	
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)	
<b>5.</b>	<b>Company Management Follow-Up Actions</b>	
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	
<b>6.</b>	<b>Conclusion: Next Steps / Action Plan</b>	





6.1.	Next steps: whether to close the case, or proceed with investigations, how to do so, and the rationale for	
7.	<b>. Attachments to the incident report (if any):</b>	
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	



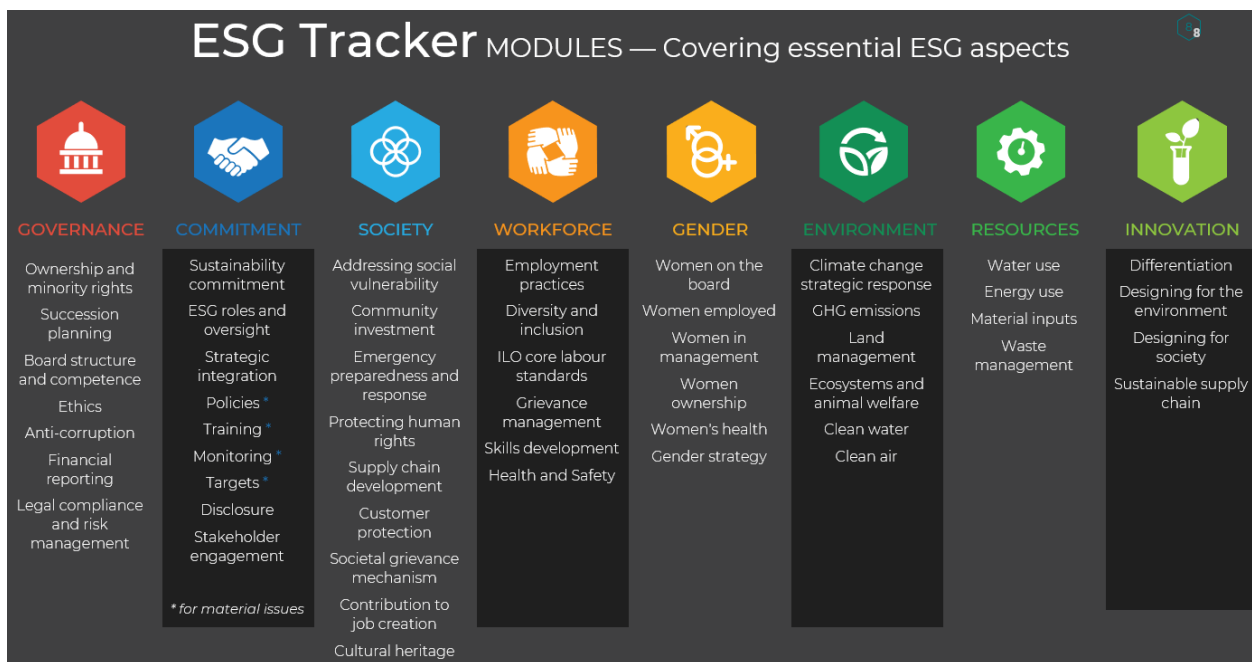
## Annex 10: Annual Report on ESG performance

KSV will assess and monitor the ESG performance of portfolio companies prior to investment during the diligence process, and on a quarterly and annual basis following investment.

Selected key performance indicators (KPIs) will be requested from portfolio companies on a quarterly basis. More comprehensive data will be collected on an annual basis and as agreed with portfolio companies at the start of the investment.

Portfolio companies are also required to notify KSV immediately in case of serious incidents or where changes in business structure or operations affect the ESG risk profile of the investment.

The annual ESG report will cover the following essential aspects :





## Annex 11: KawiSafi II Climate Risks

### Climate risks and impacts: Summary

**Energy Transition:** Extreme weather events will cause damage to energy generation and transmission infrastructure; changing precipitation patterns will reduce the output from hydropower generation infrastructure; rising temperatures will reduce the output from thermal power plants; sea level rise and extreme weather events will damage global supply chain infrastructure, reducing the availability of traditional fuels.

**Energy Productivity:** Increasing temperatures and changing precipitation patterns will reduce agricultural, livestock and fisheries yields (e.g., due to heat and water stress damaging crops, increased soil degradation due to reduced soil moisture, heat stress and diseases causing animal death, higher water temperatures changing the reproductive cycles of fish species), threatening food security; rising temperatures will increase the rate of food spoilage; global supply chain disruption due to sea level rise and more frequent extreme weather events will reduce the availability of food imports.

**Mobility & Logistics:** Reduced agricultural, livestock and fisheries production will threaten the livelihoods of those who depend on these sectors; threats to biodiversity due to changing climatic conditions will reduce the number of jobs available in the tourism sector; forest loss due to droughts and forest fires will reduce the impact of those making a livelihood from forest products; extreme weather events such as flooding and cyclones will endanger the lives of vulnerable people and cause damage to transport infrastructure.

Vertical	Climate risks and impacts: summary	KawiSafi II Interventions	Adaptation benefits	Mitigation benefits
Energy Transition	<ul style="list-style-type: none"> <li>Flooding events will cause damage to generation infrastructure. Substations on the coast are particularly valuable to the coastal flooding caused by rising sea level rise (IAEA, "Adapting the Energy Sector to Climate Change", 2019).                             <ul style="list-style-type: none"> <li>For example, in Ghana, 21 substations face some degree of flooding exposure under a high hazard scenario (Adshead et. al., "Ghana: Roadmap for Resilient Infrastructure in a Changing Climate, 2022).</li> </ul> </li> <li>Similarly, extreme weather events, such as flooding, storms and cyclones, are becoming more prevalent, causing damage to transmission and distribution grids. These networks are also highly</li> </ul>	Distributed renewable energy	A distributed energy network limits the impact of reduced performance or outages of individual generation facilities to a smaller number of users, <b>increasing the resilience of energy infrastructure to extreme weather events.</b> Expanding the supply of distributed electricity generation also increases the	Distributed renewable energy generation will see the <b>deployment of low-carbon energy assets</b> which for instance, would reduce the dependence on diesel fuel used to power back-up generators thereby, reducing the CO2eq emission impact of current generation means and necessary additions.



	<p>vulnerable to the changing temperatures triggered by climate change (IAEA, “Adapting the Energy Sector to Climate Change”, 2019).</p> <ul style="list-style-type: none"> <li>▪ Precipitation patterns are becoming less reliable, with a higher frequency of both intense rainfall events and drought. This can reduce the output of hydropower generation, as well as damaging hydropower infrastructure (for example due to flooding and soil erosion) (IAEA, “Adapting the Energy Sector to Climate Change”, 2019).             <ul style="list-style-type: none"> <li>○ For example, in Rwanda, 50% of electric power generation comes from small-scale hydropower projects. Decreased rainfall in Central and Southern regions will result in decreased river recharge and reservoir storage, and therefore reduced hydropower generation (Netherlands Ministry of Foreign Affairs, “Climate Change Profile: Rwanda”, 2018).</li> </ul> </li> <li>▪ Reduced water availability and higher water temperatures reduces the availability of water for cooling in the energy generation process (IAEA,</li> </ul>		<p>number of people with energy access (IRENA, “The Renewable Energy Transition in Africa”, 2021; AFDB, “Toward an integrated and climate-resilient Africa and a Just Transition”, 2022). The adaptation benefits of improved access to a reliable energy supply are as follows:</p> <ul style="list-style-type: none"> <li>▪ <b>Individuals/households:</b> <ul style="list-style-type: none"> <li>○ Creates new opportunities for income generation. <b>Diversifying vulnerable peoples’ sources of income</b> increases protection if income is threatened by climate change and allows individuals to develop a “safety net” (COGLA, “How the off-grid industry can boost impact and financing for climate adaptation and resilience”, 2022; IEA, “Africa Energy Outlook”, 2022).</li> <li>○ Enables access to the Internet (see below benefits of last-mile connectivity).</li> </ul> </li> </ul>	<p>Deployment of distributed renewable energy capacity will further <b>promote national energy transition efforts</b>. Further, distributed renewables will create opportunities to <b>support the reduction in changes in land use – especially deforestation</b>, contributing to emissions reductions. Distributed renewables reduce deforestation, as demand for traditional biomass reduces. (IEA, “Africa Energy Outlook”, 2022)</p>
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	<p>"Adapting the Energy Sector to Climate Change", 2019).</p> <ul style="list-style-type: none"> <li>○ For example, in Uganda, mean annual temperature is projected to rise by 0.7-0.8°C by 2039, threatening the cooling capacity of power generating stations (World Bank, "Climate Risk Country Profile: Uganda", 2021).</li> <li>▪ Changes in cloud patterns can reduce solar PV generation and winds and hail can damage concentrating and tracking solar technologies (IAEA, "Adapting the Energy Sector to Climate Change", 2019).</li> <li>▪ CO2 concentrations affect the energy density of biomass, and therefore the potential for energy generation (Asian Development Bank, "Climate Risk and Adaptation in the Electric Power Sector, 2012).</li> <li>▪ Sea level rise and extreme weather events will cause global supply chain disruption, reducing the availability of traditional fuels and threatening the operation of traditional energy infrastructure (IPCC, "Climate Change 2022: Impacts, Adaptation and Vulnerability", 2022).</li> </ul>		<ul style="list-style-type: none"> <li>○ Enables access to digital financial services, which supports access to other climate resilient solutions (e.g., climate-smart agriculture, water access and management systems) (Anand and Kanten, "The opportunity in digital finance for climate resilience", 2021)</li> <li>▪ <b>Public services:</b> Supports the <b>resilience of health and education infrastructure</b>, by powering schools and health facilities and enabling the storage of medicines at health facilities (e.g., through vaccine fridges) (OECD, "Unlocking the Potential of Distributed Energy Resources", 2022, World Bank, "Climate-Smart Healthcare", 2017).</li> <li>▪ <b>Businesses:</b> Improves SMEs' ability to provide a reliable service despite changing climatic conditions and to provide a reliable source of income to their employees.</li> </ul>	
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			<p>Moreover, business growth supports broader economic development and job creation, facilitating the creation of more resilient livelihoods (IFC, “Dirty Footprint of the Broken Grid”, 2019).</p>	
		<p>Battery storage</p>	<p>Battery technology <b>enables the storage of energy</b>, which can then be used at times when levels of energy generation are not sufficient to meet demand or during periods of power outages or disruptions, thereby reducing downtime. Moreover, the use of battery technology <b>facilitates the expansion of access to distributed renewable energy networks</b> by enabling the use of decentralised energy technologies (such as solar home systems and microgrids) (IRENA, “Bracing for Climate Impact”, 2021, IEA, “Africa Energy Outlook”, 2022).</p> <p>The adaptation benefits of battery storage and the resultant access to more reliable energy are the same as the adaptation benefits of expanded access to more reliable energy through distributed renewable energy (see above)</p>	<p>Deployment of battery capacity will see <b>increase low-emission capacity installed, furthering national energy transition efforts</b>, and contributing to emissions reductions (IFC, “Ctrl-Alt-Delete: A Green Reboot for Emerging Markets,” 2021)</p>
		<p>Clean cooking</p>	<p>The use of biogas cooking stoves contributes to improved soil fertility, as the bioslurry produced as a byproduct from the gas production process from the gas can be used as a fertilizer in replacement of chemical fertilizers (Negash, Abegaz and Smith, 2021).</p>	<p>Transitioning to clean cooking reduces demand on forests, thereby reducing CO2 emissions. Further, inefficient stoves and fuels emit a variety</p>



				<p>of short-lived climate pollutants, including black carbon, which has a warming impact on climate that is 460-1,500 times stronger than CO2. (Clean Cooking Alliance, “Clean Cooking Critical to Achieving COP26 Climate Goals”, 2021)</p>
		<p><b>Energy efficiency</b></p>	<p>Households / businesses with more energy efficient appliances are better able to cope in situations of energy scarcity, when energy generation and/or transmission are compromised. This increases their resilience to power outages and shocks to the power supply (IPCC, “Climate Change 2022: Impacts, Adaptation and Vulnerability”, 2022).</p>	<p>Energy efficiency will <b>reduce the energy intensity at the household and MSME level</b>, as both energy efficient appliances and broader efficiency will reduce overall consumption, contributing to emissions reductions over BAU (IEA, “Energy Efficiency”, 2018)</p>
<p><b>Energy Productivity</b></p>	<ul style="list-style-type: none"> <li>Extreme weather events, such as flooding, storms, cyclones and landslides, are becoming more prevalent, endangering the lives of vulnerable people and causing damage to household assets and public infrastructure.</li> </ul>	<p><b>Last-mile connectivity</b></p>	<p>Expanding Internet access to vulnerable populations enhances their capacity to cope with climate shocks and more unpredictable weather conditions, for example by enabling access to (GSMA, “The Climate Crisis: Mobile-</p>	<p>Introduction of low-carbon energy into last mile connectivity will see <b>the reduction in energy intensity in the telecommunications sector</b>, contributing to emissions reductions.</p>



	<ul style="list-style-type: none"> <li>○ For example, over the last two decades, on average 200,000 Ugandans are affected each year by natural disasters, particularly floods, droughts and landslides (World Bank, 2021).</li> <li>○ Similarly, sea-level rise and the associated coastal flooding threatens 74% of households in coastal areas in Senegal (World Bank, “Vulnerability, Risk Reduction, and Adaptation to Climate Change”, 2011).</li> </ul>		<p>enabled solutions to address the growing humanitarian challenge”, 2021):</p> <ul style="list-style-type: none"> <li>▪ <b>Early warning systems and predictive information</b>, to enable proactive and coordinated disaster preparation management and response, to protect individuals’ lives and livelihoods and to safeguard infrastructure.</li> <li>▪ Weather information, to support <b>logistics and inventory management</b>. Farmers can adapt their planting and harvesting schedules in line the weather to achieve higher yields.</li> <li>▪ Mobile financial services, such as cash and voucher assistance programmes deployed during natural disasters or insurance schemes.</li> <li>▪ Technology to communicate with humanitarian responders</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Changing climatic conditions (increasing temperatures, changing precipitation patterns, more</li> </ul>	<p><b>Cooling</b></p>	<p>Introduction of clean cold chain technology into food and medicinal supply chains improves the preservation of</p>	<p>Deployment of cold chain technology will see the <b>reduction in GHG emissions</b>, from the displacement of dirty</p>





	<p>frequent extreme weather events) will reduce the yield of agricultural crops, worsen the productivity of the livestock sector, and decrease yields in the fisheries sector. For example, rising temperatures and changing rainfall patterns is causing soil degradation, as soil moisture reduces and soil erosion increases. This threatens food security, particularly of vulnerable people dependent on subsistence production.</p> <ul style="list-style-type: none"> <li>o For example, it is projected that Nigeria’s agricultural productivity could decline by 10-25% by 2080, and by as much as 50% in parts of the north (Government of Nigeria, “First Nationally Determined Contribution, 2021).</li> <li>o In Zambia, the proportion of livestock affected by drought is expected to increase from 39% to 54% by the end of the century (CIMA, UNDRR, “Zambia</li> </ul>	<p><b>Agriculture-Energy</b></p>	<p>these products (The New Yorker, “Africa’s Cold Rush and the Promise of Refrigeration”, 2022). Avoiding spoilage of produce will be crucial to <b>protecting / improving food security</b>, particularly as the variable impacts of climate change on yields in different parts of countries will make the transportation of food more important. Similarly, preserving medicinal products that require cooling improves the <b>resilience of health care supply chains</b> and therefore access to critical medications (Clean Cooling Collaborative, “Sustainable cold chains: The missing link for sustainable development”, 2021).</p> <p>Energy solutions that facilitate farmers’ adoption of productive technologies to improve the efficiency of pumping, milling, grinding, ploughing and heating/drying will support farmers to</p>	<p>fuels and also the reduction of post-harvest losses. (FAO, 2021; Global Cold Chain Alliance, 2021)</p> <p>Productive-use technology will lead to <b>increased energy efficiency of manufacturing and other agriculture-energy related intensive industries</b>, contributing to emissions</p>
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	<p>Risk Profile: Floods &amp; Droughts”, 2019).</p> <ul style="list-style-type: none"> <li>○ In Ghana, rising sea surface temperatures are expected to change the reproductive cycles of important species such as anchovies and sardines; seafood contributes 40-60% of protein intake in Ghana so is key to food security (USAID, “Climate Change Risk Profile: Ghana”, 2017).</li> <li>▪ Moreover, rising temperatures causes a higher rate of food spoilage and reduces the preservation time for perishable items.</li> <li>▪ Sea level rise and extreme weather events will cause global supply chain disruption, threatening the security of food and fertiliser imports (IPCC, “Climate Change 2022: Impacts, Adaptation and Vulnerability”, 2022).</li> <li>○ For example, Nigeria is the second largest rice importer in the world so is vulnerable to</li> </ul>		<p><b>increase their yields, thereby contributing to improved food security</b> and higher incomes for farmers (IRENA, “Bracing for Climate Impact”, 2021).</p> <p>For example, expanding access to solar-powered irrigation/water pumps alleviates heat- and water-stress to crops by reducing dependence on increasingly unpredictable rainfall patterns and facilitating improved water resource management. This protects farmers’ yields when precipitation levels decrease (Dalberg, “Solar water pump outlook: global trends and market opportunities, 2019).</p>	<p>reductions. (IEA, “Africa Energy Outlook”, 2022)</p>
		<b>Recycling</b>	<p>Organic waste recycling lowers reliance on chemical fertilizers and the decomposition of animal and organic waste, thereby reducing soil degradation (CORDIS, “Transforming organic waste into fertiliser for emissions-free agriculture</p>	<p>Waste recycling/re-use will <b>support the evolution of a circular economy, and reduction in land use shifts – especially deforestation,</b> contributing to emissions reductions. (IEA, “Africa Energy Outlook”, 2022)</p>



	<p>disruptions in the international transportation of rice (USAID, “Climate Risk Profile: Nigeria”, 2019).</p>		<p>and forestry”, 2020). It further reduces reliance on the import of chemical fertilizers, which are vulnerable to global supply chain disruption.</p>	
<p><b>Mobility &amp; Logistics</b></p>	<ul style="list-style-type: none"> <li>▪ Changing climatic conditions are threatening vulnerable peoples’ livelihoods in various ways, putting income levels and jobs at risk.                             <ul style="list-style-type: none"> <li>○ For example, more than 28% of the Egyptian labour force works in agriculture, and therefore their incomes will be threatened by the 15–51% expected decrease in agricultural production by the end of the century (USAID, “Climate Risk Profile: Egypt”, 2018).</li> <li>○ In Kenya, 95% of the total marine catch comes from small-scale fishing operations which lack capacity to explore new fishing grounds further afield; while freshwater fisheries are expected to be negatively impacted by receding water levels</li> </ul> </li> </ul>	<p><b>Electric vehicles</b></p>	<p>Adoption of electric vehicles will deliver improvements to the <b>resilience of the transport network</b>, through reducing vulnerability to fuel price shocks and declines in availability of fuel (GIIN, “Mitigating Climate Change through Clean Mobility”, 2022). The enhanced resilience of the transport network delivered by the combined interventions will deliver three primary adaptation benefits (ENEA, “The case for impact investment in sustainable mobility in developing countries”, 2021): (1) Improved access to <b>alternative employment opportunities</b>, by facilitating the travel to new areas. The creation of additional, diverse</p>	<p>Adoption of electric vehicles will see lead to <b>increased deployment of low-emission transport infrastructure</b>, contributing to emissions reductions over alternatives. Deployment of improved and efficient transport systems in the context of urbanization across the continent will foster the <b>development or low-carbon pathways for urban eco-systems</b>. (McKinsey, “Power to move: Accelerating the electric transport transition in sub-Saharan Africa”, 2022)</p>



	<p>(Government of Kenya, National Adaptation Plan, 2016).</p> <ul style="list-style-type: none"> <li>○ In South Africa, the biodiversity sector contributes around 418,000 jobs to the economy, which are threatened by the expected loss of biodiversity due to more erratic rainfall, elevated temperatures and more frequent bush fires (Republic of South Africa, “First Nationally Determined Contribution”, 2021).</li> <li>▪ Extreme weather events, such as flooding, storms, cyclones and landslides, are becoming more prevalent, endangering the lives of vulnerable people.</li> <li>○ For example, in Nigeria, 41 million people are living in high climate exposure areas, where they are at high risk of drought and flooding (World Bank, “Climate Risk Country Profile: Nigeria”, 2021).</li> </ul>		<p>sources of income improves the adaptive capacity of those whose income is threatened by climate change.</p> <p>(2) Improved <b>accessibility of public facilities</b>, such as hospitals, which serve populations who require transport to reach them.</p> <p>(3) Improved <b>availability of transport options during emergencies, when mobility is critical</b>, by enabling providers to identify routes of high-demand and to serve them efficiently.</p>	
		<p><b>Transport logistics &amp; management</b></p>	<p>The optimisation of the transport infrastructure will improve its affordability and efficiency, thereby improving its <b>accessibility for users from vulnerable populations</b> (NIH, “Exploring the role of electric vehicles in Africa’s energy transition”, 2022). The benefits of the enhanced resilience of the transport network are outlined above.</p>	<p>Optimisation of transport systems will see the <b>improvement and efficiency of data collection and use</b>, leading to lower carbon emission from the transport sector. Additionally low-carbon transport will have the impact of <b>supporting the decrease in energy intensity in cities</b> compared to BAU growth</p>



	<ul style="list-style-type: none"> <li>○ Drought affected 15 million South Africans between 1980 and 2013 and is projected to become more common (World Bank, “Climate Risk Country Profile: South Africa”, 2021).</li> <li>▪ Flooding and prolonged periods of higher temperatures will cause damage to transport infrastructure.             <ul style="list-style-type: none"> <li>○ For example, in Ghana, annual shoreline loss of 0.38m per year due to sea level rise, is expected to increase the repair and maintenance costs of coastal roads (World Bank, “Climate Risk Country Profile: Ghana”, 2021).</li> <li>○ In Egypt, mountainous roads in the Eastern Desert Sinai region are expected to be damaged by flash flooding (Government of Egypt, “Third National Communication”, 2016).</li> </ul> </li> </ul>		<p>Data-driven approaches to transport maintenance enable preventative maintenance and more cost-effective maintenance to limit the damage caused by extreme weather events (International Transport Forum, “Data-driven Transport Infrastructure Maintenance”, 2021).</p>	
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## Annex 12: Guidance on Environmental and Social Impact Assessments

Summary: KawiSafi II intends to primarily invest in ESS Category C activities. There may be some investees 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 KawiSafi II 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 should considered implementing a ESIA.

Regular ESG due diligence:

- ESG Due Diligence Questionnaire (Annex 2)
- Manufacturing Module (Annex 3, when applicable)
- Company Policies
- Site Visit (when applicable)
- ESG Checklist (Annex 4)
- ESG Report
- ESG Action Plan

Regardless of whether companies are Category C or B, KawiSafi II 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.

Category B	Category C
General Characteristics (determined on a case-by-case basis)	General Characteristics (determined on a case-by-case basis)
<ul style="list-style-type: none"> <li>• Investment in Energy Transition, Productivity, or Mobility and Logistics</li> <li>• Must be larger investment: \$5M+</li> <li>• Due diligence finding any of the following outcomes:                             <ul style="list-style-type: none"> <li>○ Funds used for land acquisition outside of commercial zones</li> <li>○ Significant track record of OHS incidents</li> <li>○ Pattern of gender or SEAH incidents</li> <li>○ Pattern of harmful environmental and social impacts</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Investment in Energy Transition, Productivity, or Mobility and Logistics</li> <li>• Investment smaller than \$5M</li> <li>• Due diligence finds the following:                             <ul style="list-style-type: none"> <li>○ Funds used for working capital, accounts receivable, operational expenditures</li> <li>○ Minimal environmental and social impacts</li> <li>○ May not have sufficient policies and procedures</li> </ul> </li> </ul>



ESIA activities may include but are not limited to:

- 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
- Translation into local language

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.

If a production facility is integral to the operations of the potential investment, and the investment is a Category B project, above a threshold of \$5M, then we agree to follow the auditing guidelines outlined in Annex A of IFC's Guidance Note for PS1.

An environmental and social audit report is expected to include:

- 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



## Annex 13: Guidance on Chance Find Procedures

Context: The KawiSafi II team has a limited operational footprint. The team is mostly based out of Nairobi and utilizes office space for regular activity. 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. This may include mini grid or microgrid projects.

Chance find procedures may be triggered under the following circumstances:

- Companies will utilize significant amounts of land for operations
- KawiSafi II 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 artefacts, 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 site are of historical importance or must be preserved the project may be requested to consider other locations for their operations.