



ENVIRONMENTAL AND SOCIAL  
MANAGEMENT SYSTEM  
("ESMS")

EVOLUTION II FUND

AMENDED & RESTATED VERSION 2

JUNE 2019

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## DEFINITIONS

Except as expressly provided in this document, capitalised terms shall have the respective meanings given them in the Partnership Agreement, any obligations and undertakings of the Fund shall be deemed to be made and undertaken by the General Partner and/or Advisor on behalf of the Fund, and the following terms shall have the following meanings:

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| “Advisor”                                  | means Inspired Evolution Investment Management Proprietary Limited, registration number 2006/010801/07, a private company incorporated under the laws of the Republic of South Africa and a Category I and II financial services provider under the FAIS Act with licence number 36246, or any additional or successor Advisor appointed by the Fund as an Advisor in accordance with the terms of the Partnership Agreement.                               |
| “Applicable E&S Law”                       | all applicable statutes, laws, ordinances, rules and regulations, including, but not limited to, any license, permit or other governmental Authorisation imposing liability or setting standards of conduct concerning any environmental, social, labour, health and safety or security risks of the type contemplated by the E&S Requirements.   |
| “Annual E&S Targets”                       | the quantifiable social and environmental targets set by the Portfolio Company’s Senior Management, together with the E&S Officer or E&S Manager.   |
| “Authority”                                | any national, supranational, regional or local government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, authority, tribunal, agency or entity.   |
| “Authorisation”                            | any consent, registration, filing, agreement, notarisation, certificate, license, approval, permit, authority or exemption from, by or with any Authority, whether given by express action or deemed given by failure to act within any specified time period and all corporate, creditors’ and shareholders’ approvals or consents.  |
| “Basic Terms and Conditions of Employment” | the requirements as applicable to the Portfolio Companies on wage, working hours, labour contracts and occupational health & safety issues, stemming from the International Labour Organisation (ILO) C026 - Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), C131 - Minimum Wage Fixing Convention, 1970 (No. 131), C001 - Hours of Work (Industry) Convention, 1919 (No. 1) and C155 - Occupational Safety and Health Convention, 1981 (No. 155). |
| “Category A Activity”                      | any activity of a Portfolio Company which is likely to have significant adverse social or environmental impacts that are sensitive, diverse, irreversible or unprecedented.   |

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| “Category B Activity”      | any activity of a Portfolio Company which is likely to have limited potential adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.  |
| “Category C Activity”      | any activity of a Portfolio Company which is likely to have minimal or no adverse social or environmental impacts.  |
| "Core Labour Standards"    | the requirements as applicable to the Portfolio Companies on child and forced labour, discrimination and freedom of association and collective bargaining, stemming from the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998 including the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), Right to Organise and Collective Bargaining Convention, 1949 (No. 98), the Forced Labour Convention, 1930 (No. 29) , Abolition of Forced Labour Convention, 1957 (No. 105) , Minimum Age Convention, 1973 (No. 138), Worst Forms of Child Labour Convention, 1999 (No. 182), the Equal Remuneration Convention, 1951 (No. 100); and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111).                                       |
| “E&S”                      | environmental and social.   |
| "E&S Action Plan"          | the environmental and social action plan agreed upon between the Fund and any Portfolio Company, defining actions, responsibilities, deliverables, compliance indicators and a timeframe for the measures required to remedy the known non-compliances of the business activities of the Portfolio Company with the E&S Requirements and for any other measure agreed upon, as amended from time to time.   |
| “E&S Due Diligence Report” | the E&S due diligence report prepared by the General Partner or the Investment Manager in connection with a proposed Investment by the Fund.  |
| "ESMS"                     | <p>the environmental and social management system of the Fund that includes the relevant policies, organisational structure, planning activities, responsibilities, practices, procedures and resources for developing, implementing, achieving, reviewing and maintaining compliance with the E&amp;S Requirements, dedicated to the systematic and structured improvement of environmental and social performance, specifically targeted to identify and manage environmental and social risks and opportunities in the investment appraisal and management processes for:</p> <p>(a) ensuring compliance with the Exclusion List;</p> <p>(b) assessing and categorising (as low, medium or high) the environmental, social, labour, occupational health and safety risks associated with each Portfolio Company;</p> |

(c) verifying that each Portfolio Company complies with the E&S Requirements;

(d) contractually agreeing with each Portfolio Company that it will comply with the E&S Requirements;

(e) agreeing upon an E&S Action Plan between the Fund and each Portfolio Company that does not comply with the E&S Requirements, and

(f) monitoring, evaluating and reporting on a regular basis and at least annually on the compliance of each Portfolio Company with the E&S Requirements and, if applicable, its E&S Action Plan or any other actions found to be necessary to reach compliance, including any Remediation Measures.

"E&S Officer"

Marike Fourie as environmental and social officer of the Fund, responsible for the practical and day-to-day development, implementation and operation of the ESMS (or her successor as approved by the E&S Subcommittee).

"E&S Manager"

Christopher Clarke as senior officer of the Fund, having management responsibility, among other things, for ensuring proper operation and maintenance of the ESMS (or his successor as approved by the E&S Subcommittee).

"E&S Performance Report"

the annual environmental and social monitoring report providing information set out in 3.7.

"E&S Permit"

any environmental and/or social permit, license, consent, approval or other Authorisation required by the Fund or a Portfolio Company to conduct its business.

"E&S Principles"

the guiding principles set out in 2.1 of this Investment Code.

"E&S Requirements"

the stricter of:

(a) Applicable E&S Law,

(b) E&S Permits,

(c) Basic Terms and Conditions of Employment,

(d) Core Labour Standards,

(e) Other requirements set by the ESMS,

(f) All applicable IFC Performance Standards,

(g) All applicable components of the African Development Bank Group's Integrated Safeguards System,

(h) United Nations Guiding Principles on Business and Human Rights; and

(i) All applicable EIB E&S Standards.

|                             |   |
|-----------------------------|---|
| E&S Recommendations         | the recommendations on the E&S due diligence report relating to an anticipated Investment provided by members of the E&S Subcommittee in accordance with the ESMS.  |
| “E&S Subcommittee”          | a committee formed of the E&S representatives of Policy Driven Investors and the Advisor, meetings of which are chaired by a representative of the Advisor.   |
| “EIB E&S Standards”         | means the EIB Standards dated 2013 contained in Volume I of the EIB Environmental and Social Handbook a copy of which is available at <a href="http://www.eib.org/attachments/strategies/environmental_and_social_practices_handbook_en.pdf">http://www.eib.org/attachments/strategies/environmental_and_social_practices_handbook_en.pdf</a> |
| “EMP”                       | environmental and social management plan.   |
| “EPC and O&M Contractors”   | engineering, procurement and construction (EPC) and operation and maintenance (O&M) contractors engaged for such services.  |
| “ESIA”                      | environmental and social impact assessment.   |
| “Exclusion List”            | the list of prohibited activities set forth in 3.2 hereto.  |
| “Fund”                      | the Evolution II (Mauritius) LP (including any other co-investment vehicle established for specific Investors), the General Partner and the Advisor, collectively.  |
| “High Risk Activity”        | any activity of a Portfolio Company which is likely to have significant adverse environmental or social impacts that are sensitive, diverse or unprecedented, examples of which are set out in 3.3.   |
| "IFC"                       | the International Finance Corporation, an international organisation established in Washington, DC, USA, by articles of agreement among its member countries.   |
| "IFC Performance Standards" | the IFC's Performance Standards on Social and Environmental Sustainability, as valid at the time of investment, including the technical reference documents known as World Bank Group Environmental, Health and Safety Guidelines <sup>1</sup> .  |
| "ILO"                       | the International Labour Organisation, the tripartite United Nations agency which brings together governments,  |

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<sup>1</sup> all IFC Performance Standards may be downloaded from the IFC website: [www.ifc.org/performancestandards](http://www.ifc.org/performancestandards) and all World Bank Group Environmental, Health, and Safety Guidelines may be downloaded from the IFC website: [www.ifc.org/ehsguidelines](http://www.ifc.org/ehsguidelines)

employers and workers of its member states in common action to promote decent work throughout the world.

“Investors”

Limited Partners that have subscribed to the Fund.

“Policy Driven Investor”

means each of Global Energy Efficiency and Renewable Energy Fund (“GEEREF”), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (“FMO”), SIFEM AG, African Development Bank (“AfDB”), SWEDFUND International AB, FINNFUND, CDC Group plc and Norfund.

“Portfolio Company”

All businesses in which the Fund’s capital is invested.

“Remediation Measures”

with respect to any existing Investment in a Portfolio Company, such measures as are necessary or appropriate to remedy the applicable breach, including an appropriate timeframe for implementation of such measures.

“UN Guiding Principles”

The United Nations Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations ([http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)).

## 1 BACKGROUND

This ESMS details the principles, procedures and workflow that will be followed by Inspired Evolution Investment Management (Pty) Ltd (“the Advisor”) for investments made by the Fund in accordance with the Investors’ policies and requirements set out herein and under the management and administration of the E&S Manager and E&S Officer (or other appropriately qualified designated officer).

The ESMS will be implemented on behalf of all Investors to the Fund and applied consistently across all the Fund’s investments (“Investments”) for the full term of the Fund to identify, assess, avoid or mitigate, and compensate any potential adverse social or environmental risks and impacts associated directly or indirectly with the Investments.

## 2 ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM

### 2.1 E&S Principles

The Fund will ensure that the businesses in which its capital is invested (“Portfolio Companies”), commit to continuous improvements with respect to management of the environment and social matters and work over time to apply relevant international best practice standards with appropriate targets and timetables for achieving them. Therefore, the Fund and the Portfolio Companies will implement management systems which effectively address E&S risks and realise E&S opportunities as a fundamental part of a company’s value and to act in accordance with the following principles (“E&S Principles”):

- minimise adverse impacts and enhance positive effects on the environment and all stakeholders (including employees and any affected communities) as relevant and appropriate, of the Portfolio Companies.
- encourage the Portfolio Companies to make efficient use of natural resources and to protect the environment wherever possible.
- support the reduction of greenhouse gas emissions.
- encourage the Portfolio Companies to work within a defined timeframe towards full compliance with the International Labour Organisation (“ILO”) Core Labour Standards and ILO Basic Terms and Conditions of Work and to respect the International Bill of Human Rights<sup>2</sup> in line with the UN Guiding Principles on Business and Human Rights<sup>3</sup>.
- encourage the operation of the Portfolio Companies to be carried out in accordance with good international industry practices<sup>4</sup>, recognise and, as appropriate, promote the social aspects of the development impact from the Portfolio Companies.
- consider the potential for positive impacts and opportunities from business activities e.g. certifications to enter new markets and strengthening of supply chain structures/management.
- ensure that the management and the shareholders of Portfolio Companies understand these principles and the commitments made by the Fund in this area.

The Advisor will ensure that these E&S Principles are communicated to all staff and operational officers of the Advisor, the General Partner and the Fund.

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<sup>2</sup> The International Bill of Human Rights includes the United Nations (“UN”) Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights

<sup>3</sup> <http://www.business-humanrights.org>

<sup>4</sup> Including the range of internationally certifiable environmental standards issued by the International Organisation for Standardisation (“ISO”), the ISO 14000 series, notably including standards for environmental management systems (ISO 14001) and greenhouse gas emissions (ISO 14064-65), as may be amended from time to time. See [www.iso.org](http://www.iso.org).



## **2.2 E&S Requirements**

- 2.2.1 The Advisor will ensure that the Fund will not invest in excluded activities listed in the Exclusion List, and will ensure that the investments are reviewed, evaluated and implemented in accordance with the E&S Requirements.
- 2.2.2 With respect to the staff working for the Advisor, the Advisor will adhere to IFC Performance Standard 2 (“Labour and Working Conditions”).

## **2.3 Implementation and Operation of the Fund’s ESMS:**

- 2.3.1 The Advisor will ensure that the Portfolio Companies commit to continuous improvements with respect to management of the environment and social matters and work over time to apply relevant international best practice standards with appropriate targets and timetables for achieving them.
- 2.3.2 The Advisor will support Portfolio Companies in value creation, and in generating management information that can demonstrate the required outcomes and reporting obligations of this ESMS.
- 2.3.3 The Advisor will perform a strategic review every three years on the ESMS to continually update and improve its principles, procedures and criteria to reflect international best practice, which updates shall be approved by Investors. This will include making sure that the Advisor team is adequately trained in implementing the ESMS under the oversight of the E&S Manager and/or E&S Officer.
- 2.3.4 The Advisor will perform environmental and social due diligence (“ESDD”) on all Portfolio Companies to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified.
- 2.3.5 The Advisor will review existing environmental and social impact assessments (“ESIAs”) concluded on prospective Portfolio Companies and make corrective recommendations (where relevant) to ensure that satisfactory and meaningful public consultation and participation, including mapping of land engagement, has been adequately addressed with all interested and affected stakeholders.
- 2.3.6 The Advisor will procure that ESIAs are/have been carried out for all Portfolio Companies that require such based on the outcome of the initial E&S investment appraisal conducted against the E&S Requirements.
- 2.3.7 The Advisor will implement before the first investment and maintain this ESMS and act in accordance with the E&S Principles as defined above in all its business activities.
- 2.3.8 The Advisor will ensure that the ESMS will assess and manage the environmental and social performance of the Fund in compliance with these provisions and any E&S Action Plan agreed with Portfolio Companies.
- 2.3.9 The Advisor will establish at Fund level a grievance mechanism and will ensure that each Portfolio Company establishes such mechanism commensurate to the risks and impacts to deal with grievance at the company portfolio level.
- 2.3.10 The Fund will constitute a special subcommittee of the Limited Partner Advisory Board (the “E&S Subcommittee”) to advise the Fund on social and environmental matters in accordance with the provisions in this ESMS and/or as reasonably requested by the Fund’s Partners from time to time. For clarity, neither the members of the E&S Subcommittee nor the Limited Partners who are entitled to appoint such members shall have any fiduciary or

similar obligation to the Limited Partners, the members of the Advisory Board, or the Fund. The Limited Partners entitled to appoint members of the E&S Subcommittee shall be Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), SIFEM AG, Global Energy Efficiency and Renewable Energy Fund (GEEREF), FINNFUND, SWEDFUND INTERNATIONAL AB, African Development Bank, CDC Group plc and Norfund.

2.3.11 The Advisor will advise and consult with the E&S Subcommittee regarding any proposed change in the E&S objectives or operations of the Fund, or this ESMS, including any material environmental or social risk posed by the proposed change; and if requested by the E&S Subcommittee, will amend the ESMS to assess and manage such additional risks in compliance with the E&S Requirements and these provisions, in a manner acceptable to the Policy Driven Investors.

2.3.12 The Advisor shall further ensure that:

2.3.12.1. All Portfolio Companies designated as Category A Activity, when applying the IFC Performance Standards or which have business activities listed under Annex I of the EU EIA Directive (see 3.8), will require an ESIA.

2.3.12.2. Portfolio Companies with business activities in the following areas should be considered as Category A Activity or Category B Activity requiring an ESIA:

- hydropower, geothermal or biomass projects over 10 MW new capacity;
- land-based solar PV-plants over 5 MW or occupying over 10,000 m<sup>2</sup> of land and CSP plants;
- wind developments with a total capacity exceeding 10 MW, (the latter including, when relevant, cumulative impacts of contiguous wind farms), taking into consideration potential impacts on bird and bat migration and on nearby sites of nature conservation and nuisance to local inhabitants.

2.3.12.3 The following Portfolio Companies shall be duly and carefully screened according to the E&S Requirements for their potential environmental and social impacts and categorised accordingly, followed by appropriate ESIA's (where relevant) to be carried out based on the outcome of the screening, where relevant:

- all other investments in hydropower, biomass, wind, solar photovoltaic or geothermal projects not covered above;
- any other investment in activities covered in Annex II of the EU EIA Directive (see 3.8), notably but not restricted to the fields of waste management and recycling, water treatment, medium voltage (MV)/high voltage (HV) overhead lines, agriculture, silviculture and aquaculture, food, and tourism.

2.3.12.4 If a Portfolio Company has the potential to affect a nature conservation area or any other sensitive area as defined in national legislation and international conventions, the Advisor shall obtain confirmation from the authority responsible for the monitoring and management of the area, or an equivalent assessment satisfactory to the Advisor, that the scheme does not have a significant negative impact on any site of nature conservation importance.

2.3.12.5 With respect to EPC and O&M contractors, the Portfolio Company will make commercially reasonable efforts to ascertain that these contractors are reputable and legitimate enterprises and have an appropriate ESMS that will allow them to operate in a manner consistent with the relevant E&S Requirements.

- 2.3.12.6 All Portfolio Companies will establish policies and procedures for managing and monitoring the performance of EPC and O&M contractors against the E&S Requirements.
- 2.3.12.7 All Portfolio Companies will use commercially reasonable efforts to incorporate the E&S Requirements as pass through obligations in contractual agreements with EPC and O&M contractors.
- 2.3.12.8 All Portfolio Companies will ensure that EPC and O&M contracted workers have access to a grievance mechanism. In cases where sub-contractors or labour brokers are utilised by EPC and O&M contractors, and are not able to provide grievance mechanisms, then in such instances the Portfolio Company will extend its own grievance mechanism to the EPC and O&M contractors to be used by such sub-contractors or labour brokers, as the case may be.

## 2.4 E&S Procedures

Refer to 3.1 for a detailed schematic of the Fund's E&S risk analysis procedures for all investment stages.

- 2.4.1 At an initial stage of inquiry, the Advisor will screen Portfolio Companies against the Exclusion Lists as *per* 3.2. If the Portfolio Company involves an excluded activity, the prospective client will be so informed, and further consideration of the Portfolio Company will be terminated. Otherwise, the Advisor will indicate the E&S Requirements for the project.
- 2.4.2 The Advisor will assess the environmental, health and safety and community risks and impacts of the proposed Portfolio Company's operations, categorise the operations accordingly into high, medium and low risk<sup>5</sup>, and document the rationale for such categorisation.
- 2.4.3 For all Portfolio Investments designated as High Risk Activities, the Advisor will involve adequately qualified external experts to evaluate compliance with the E&S Requirements and carry out a gap analysis by applying the relevant IFC Performance Standards and EHS guidelines<sup>6</sup>. An adequate evaluation shall comprise:
  - 2.4.3.1. for greenfield operations and major expansions of existing facilities: Evaluate risks and impacts through an adequate ESIA;<sup>7</sup>
  - 2.4.3.2. for existing operations: Evaluate risks and impacts through an adequate environmental and social audit<sup>8</sup>.
- 2.4.4 When the Advisor indicates that the Portfolio Company does not involve an excluded activity, the prospective client will be informed that the Advisor will undertake an ESDD as part of the appraisal process.

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<sup>5</sup> for assessing risks and categorisation IFC's environmental and social risks and impacts: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/es-categorization](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization)

<sup>6</sup> The IFC Performance Standards and the IFC EHS Guidelines: [www.ifc.org/performancestandards](http://www.ifc.org/performancestandards) and [www.ifc.org/ehsguidelines](http://www.ifc.org/ehsguidelines)

<sup>7</sup> Requirements for an adequate impact assessment can be found in IFC Performance Standard 1, Assessment and Management Systems, Guidance Notes

<sup>8</sup> Requirements for an adequate audit can be found in IFC Performance Standard 1, Assessment and Management Systems, Guidance Notes

- 2.4.5 The Advisor will undertake (or appoint a consultant to undertake) an ESDD as per the guideline in 3.6., depending on the complexity of the Portfolio Company and its formal categorisation in respect of the IFC Performance Standards.
- 2.4.6 As a minimum, the Advisor will appoint an external E&S consultant with demonstrable experience of applying the IFC Performance Standards and World Bank Group Environmental, Health, and Safety Guidelines (General EHS Guidelines and Industry Sector Guidelines) to complete E&S due diligence on all Category B Activity deals which trigger one or more of the IFC Performance Standards 5 to 8 and all Category A Activity deals.
- 2.4.7 For infrastructure deals, the scope of the ESDD will include the E&S management system and E&S capacity/practices of:
- i. The development partner / platform
  - ii. The project company / special purpose vehicle
  - iii. The EPC contractor (where selected) or the selection process (where selection is still to occur).
- 2.4.8 Upon request by any member of the E&S Subcommittee, the Fund shall promptly (but in any event within two business days of such request, and prior to making the relevant Investment), provide copies of the ESDD and/or any proposed environmental and social action plan (“E&S Action Plan”) prepared in connection with the proposed Investment.
- 2.4.9 The Fund will only make an Investment in a proposed Portfolio Company (including in respect of a new Investment or a follow-on Investment in an existing Portfolio Company) if any identified adverse impact or performance has been resolved in accordance with the E&S Requirements by way of implementation of any remediation measures contained in an E&S Action Plan to so resolve the identified adverse impacts or performance within a reasonable timeframe (including appropriate conditions precedent for the proposed Investment), and the investment documentation includes remedies if the proposed Portfolio Company fails to implement the E&S Action Plan (details as set out under 2.4.16).
- 2.4.10 The Portfolio Company must be able to demonstrate ongoing compliance to the E&S Requirements. Demonstration of compliance must be to the Advisor's satisfaction, although the opinion of third parties such as regulatory agencies or the E&S Subcommittee can be sought. Where compliance cannot be demonstrated, an E&S Action Plan must be agreed to in order for the investment to proceed. The plan must specify all of the necessary actions to achieve compliance. A target completion date and performance indicators for each specified action must also be agreed. The E&S Action Plan is to be included in the Fund's transaction agreements executed with the Portfolio Company.
- 2.4.11 The Advisor will make best commercial efforts to procure that the Portfolio Company ensures that contractor agreements include the following provisions at a minimum:
- (i) Compliance with the E&S Requirements.
  - (ii) Contractor implementation of the mitigation measures identified in the E&S impact assessment / E&S management plan.
  - (iii) Contractor maintenance of appropriate environmental, health and safety (EHS) capacity onsite.
  - (iv) Contractor identification and reporting of EHS non-compliances.
  - (v) Compliance with workers' accommodation: processes and standards: a guidance note by IFC and the EBRD.
- 2.4.12 The Advisor and the Fund will, for the first three proposed Investments (in separate Portfolio Company companies) and any proposed Investment in a Category A Activity, consult with the E&S Subcommittee to discuss the rationale for categorisation, scope and focus areas of the ESDD, need for involvement of external consultants and other relevant

matters. Furthermore, the Advisor will share the ESDD report, ESIA as well as any proposed E&S Action Plan for the potential Investment promptly after completion thereof, but no later than fifteen (15) business days before presentation of the proposed Investment to the Fund's Investment Committee.

- 2.4.12.1. No later than ten (10) business days after the receipt of the ESDD report from the Advisor, any member of the E&S Subcommittee may, if it considers appropriate, provide the Advisor with its E&S recommendations ("E&S Recommendations");
  - 2.4.12.2. Promptly after delivery of the E&S Recommendations to the Advisor (but before presenting the proposed Investment to the Fund's Investment Committee for final investment approval), the Fund will consult with the E&S Subcommittee and address the E&S Recommendations, by delivery of a final E&S Action Plan for the proposed Portfolio Company. The final E&S Action Plan will be agreed with the proposed Portfolio Company and will include a timeframe for implementation of the E&S Recommendations and conditions precedent for the proposed Investment;
  - 2.4.12.3. Members of the E&S Subcommittee shall be entitled upon request to review and comment on any final E&S Action Plan agreed with the proposed Portfolio Company, prior to making such Investment.
- 2.4.13 The Fund shall make available to Policy Driven Investors by email copies of any ESIA that has been prepared for or by a Portfolio Company. The Advisor shall within a reasonable period, publish such ESIA on its website with secure access for Investors.
  - 2.4.14 Any material amendment to the E&S Action Plan agreed with a Category A Activity Portfolio Company shall be notified to the E&S Subcommittee.
  - 2.4.15 The Advisor shall, on a best efforts basis, encourage Portfolio Companies to implement policies and commit to continuous improvements on E&S matters, and together with the Portfolio Company, set Annual E&S Targets.
  - 2.4.16 In case a Portfolio Company anticipates collective dismissals of more than 10% of the workforce and/or more than a total of 50 employees, the Fund will encourage the Portfolio Company on a best efforts basis, to develop a plan to mitigate the adverse impacts of retrenchment in line with national law and good industry practice<sup>9</sup> and based on the principles of non-discrimination and consultation to be reflected in the final retrenchment plan.
  - 2.4.17 The prospective Portfolio Company must provide all requested information and the Advisor must have concluded that the investment is expected to meet the E&S Requirements (with corrective measures as per the E&S Action Plan if required) prior to the Fund's decision to make an investment.
  - 2.4.18 All investment agreements (without exception) will contain appropriate environmental and social representations, warranties, and covenants requiring that projects are in compliance in all material respects with host country environmental, health, safety and social requirements embodied by state general laws, regulations and implementing agencies, and conducted in accordance with any of the relevant E&S Requirements. And, these contractual rights to oblige Portfolio Companies to comply with the E&S Requirements or to establish a corrective action plan within 90 days in order to do so.
  - 2.4.19 As promptly as possible, and in any event no more than 90 days, after becoming aware of any activity by a Portfolio Company that does not comply with the E&S Requirements, the

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<sup>9</sup> For reference see IFC Good Practice Note on Managing Retrenchment or EBRD Retrenchment Guidance.

Fund will require such Portfolio Company to implement a corrective action plan and if such Portfolio Company does not implement a corrective action plan, use all its commercially reasonable endeavours to dispose of the Investment in such Portfolio Company on commercially reasonable terms.

2.4.20 Social and environmental performance of the Portfolio Company will be evaluated on an annual basis, including status of implementation of the E&S Action Plan (where relevant). The benchmark for performance will be the ongoing compliance against the E&S Requirements. Performance evaluation will be undertaken by:

2.4.20.1. The Portfolio Companies, that will provide annual reports to the Advisor, who may follow up as required with further queries or site visits; and

2.4.20.2. The Advisor, who will provide E&S Performance Reports as per Annex 3.7 to the Investors to the Fund, to be prepared on the basis of the Portfolio Companies' annual reports provided to the Advisor and the ESDD and supervision conducted.

## **2.5 Organisation and Responsibilities**

2.5.1 The Advisor has appointed an environmental and social manager ("E&S Manager"), who is an appropriately skilled and experienced senior officer of the General Partner having management responsibility, among others, for ensuring proper operation and maintenance of the ESMS.

2.5.2 The Advisor has appointed a dedicated environmental and social officer ("E&S Officer") for the Fund in accordance with the approved employment process agreed, as agreed by the Policy Driven Investors.

The responsibilities of the E&S Manager and/or E&S Officer include:

2.5.2.1. Perform E&S screening and categorise E&S risks;

2.5.2.2. During due diligence, the evaluation of environmental and social compliance of a Portfolio Investment with the E&S Requirements;

2.5.2.3. Overseeing the social and environmental issues associated with Portfolio Companies;

2.5.2.4. Working with the lead deal team principal and management of the Portfolio Company to ensure adequate resources are committed to effective implementation of the ESMS;

2.5.2.5. Ensuring that the Portfolio Company submits an annual E&S performance report to the Fund.

2.5.2.6. Supervising Portfolio Companies against on-going compliance with the E&S Requirements.

2.5.2.7. Assessing any grievances received in relation to any Portfolio Company and/or its business activities and make reasonable efforts to ensure that valid grievances are tabled and dealt with appropriately and timeously.

2.5.2.8. The preparation, signing off, and dissemination of an annual environmental and social performance report to investors in the Fund, based on the annual performance report prepared by the Portfolio Companies.

2.5.3 The E&S Manager and/or E&S Officer will ensure that these responsibilities and procedures are implemented for each Portfolio Company and that records of environmental and social reviews are maintained.

- 2.5.4 The E&S Manager and/or E&S Officer will ensure that all investment decisions are supported by appropriate due diligence documentation, including, but not limited to, an E&S section in each final Investment Memorandum that reflects his/her judgements, conclusions and recommendations. In addition, the Investment Committee will ensure that all E&S matters are duly considered in the making of all investment decisions. The Advisor will also ensure that the E&S Subcommittee is notified if and when the current E&S Manager and/or E&S Officer leaves that position, and will provide the E&S Subcommittee with the name and credentials of the replacement E&S Manager and/or E&S Officer, which appointment shall be subject to the reasonable satisfaction of the E&S Subcommittee.
- 2.5.5 The Advisor undertakes to supplement its capacity with the appointment of a credible external professional E&S consultancy, when required, to assist with the implementation of the ESMS.
- 2.5.6 Legal Counsel will ensure that appropriate environmental representations, warranties, and covenants are incorporated in each Portfolio Companies' transaction agreements (as referred to in 3.1).

## **2.6 Resources and Capabilities**

- 2.6.1 The E&S Manager and/or E&S Officer (or other appropriately qualified designated officer) will work with management to ensure that adequate Advisor resources have been committed to allow for the effective implementation of the environmental and social policy and procedures of the Fund.
- 2.6.2 The E&S Manager (or other appropriately qualified designated officer) will need to be technically qualified to undertake E&S due diligence, review and monitoring work. The E&S Officer will need to be technically qualified to undertake E&S due diligence, review and monitoring work for high-risk Category A Activity projects, with a specific emphasis on social expertise and experience.
- 2.6.3 The E&S Manager and/or E&S Officer will maintain a file of qualified environmental and social consultants who can be called upon to assist in conducting environmental and social reviews, when necessary.

## **2.7 Records to be Maintained**

- 2.7.1 ESDD, being the record of the Advisor's detailed E&S review of a Portfolio Company at the time of considering an investment by the Fund into the Portfolio Company.
- 2.7.2 ESAs (if applicable) conducted on Portfolio Company's activities.
- 2.7.3 E&S Supervision records for Portfolio Investments being supervised and monitored.
- 2.7.4 E&S Performance Reports.
- 2.7.5 ESAPs.

## **2.8 Monitoring and Reporting**

- 2.8.1 The Advisor and Fund will:
- (i) within ninety (90) days after the end of each Financial Year, deliver copies of the E&S performance report ("E&S Performance Report") to members of the Advisory Board;
  - (ii) within three (3) days after becoming aware of the occurrence, notify the Advisory Board and E&S Subcommittee of any environmental, social, labour or health and safety incident, accident or circumstance with respect to any existing or proposed Portfolio Company that (a) has, or could reasonably be expected to have, a material adverse effect or impact on the Fund, the Portfolio Company, the environment, communities or the workforce, or (b)

involves or causes, or is reasonably likely to involve or cause, any material breach of the E&S Requirements, specifying the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise therefrom, and the measures being taken, or plans to be taken, to address them and prevent any future similar event, or (c) prompt notification on any work-related fatalities (Advisor or Portfolio Company); and keep the Advisory Board and E&S Subcommittee informed of the on-going implementation of those measures; and

- (iii) within ten (10) days of a request by any member of the Advisory Board and/or E&S Subcommittee, provide such information as is reasonably requested by that party to confirm that the Fund is in compliance with the E&S Requirements.

2.8.2 The Advisor will ensure that members of the Advisory Board and/or E&S Subcommittee (and any E&S consultants appointed by such members) have the right to visit, upon reasonable notice, any of the premises where the business of a Portfolio Company is conducted, to have access to Portfolio Company management, and to have access to the Portfolio Company's books of account and records, in each case, as such member reasonably considers necessary to (i) monitor the Fund's compliance with these E&S provisions, or (ii) assess the legal or reputational risk posed to the Fund or its investors by any incident, accident or circumstance.

## **2.9 Supervision; Exercise of Remedies**

2.9.1 At the request of any member of the Advisory Board and/or E&S Subcommittee, the Fund will promptly call a special meeting of the E&S Subcommittee to review and discuss the Fund's compliance with the E&S Requirements, the operation of the ESMS, or the compliance of any Portfolio Company with the E&S Requirements or any agreed E&S Action Plan or remediation measures which have been agreed (as applicable).

2.9.2 If the Fund becomes aware of additional environmental and social risks of an existing Portfolio Company, the Fund will confirm to the E&S Subcommittee that the ESMS has sufficient capacity, including quality of staffing and expertise, to assess and manage the environmental and social risks of Fund operations on an ongoing basis, as contemplated by the E&S Requirements. The Fund will promptly report the outcome of the capacity review to the E&S Subcommittee.

2.9.3 If (A) any member of the E&S Subcommittee reasonably determines that a Portfolio Company is in material breach of any of the E&S Requirements and notifies the Fund and the other members of the Advisory Board and/or E&S Subcommittee of such determination or (B) any of the Investors otherwise becomes aware that a Portfolio Company is in material breach of such E&S Requirements, the Fund shall promptly: (i) in the case of (B), notify the Advisory Board and E&S Subcommittee, (ii) in consultation with the Advisory Board and E&S Subcommittee, require the relevant Portfolio Company to undertake, within a specified timeframe, remediation measures which shall be approved by, in the case of High Risk Activities, the E&S Subcommittee, acting unanimously, and, in the case of other categories, a majority of the E&S Subcommittee and keep the E&S Subcommittee regularly informed of the on-going implementation of those measures; and (iii) if the remediation measures are not so approved or if they are so approved but the relevant Portfolio Company fails to implement such remediation measures within the agreed timeframes, use all reasonable efforts to (a) assert and enforce any right of the Fund to require the Portfolio Company to comply with such undertakings, including but not limited to, any available action for specific performance or similar remedy, and/or (b) absent timely or reasonable remedy, dispose of the Fund's investment in such Portfolio Company on commercially reasonable terms, taking into account liquidity, market constraints and fiduciary responsibilities.



3 ANNEXURES

3.1 ESMS Procedures for Stages of the Investment Cycle

| ESMS PROCEDURES   |  |   |  |
|---|--|---|--|
| DEAL INTRODUCTION   | <p>1. Check that the company’s operations are not included on the <b>Exclusion List</b> (Annexure 3.2).</p> <p>2. Assign Project <b>Categorisation A, B or C</b> depending on the significance of E&amp;S impacts:</p> <p><i>Category A Activity - “high risk”</i><br/>Business activities with potential significant adverse E&amp;S risks and/or impacts that are diverse, irreversible, or unprecedented.<br/><u>Procedure:</u> will require detailed <b>E&amp;S appraisal by third-party experts and a full ESIA.</b></p> <p><i>Category B Activity - “medium risk”</i><br/>Business activities with potential limited adverse E&amp;S risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.<br/><u>Procedure:</u> will be reviewed for requirements of a full ESIA with review by <b>third-party experts when applicable in some cases<sup>10</sup>.</b></p> <p><i>Category C Activity - “low risk”</i><br/>Business activities with minimal or no adverse E&amp;S risks and/or impacts.<br/><u>Procedure:</u> <b>beyond screening, no further E&amp;S action is required.</b></p> <p>3. Mark appropriate category while incorporating deal/opportunity in the Evolution II deal log.</p>  |   |  |
| INITIAL REVIEW  | <p>4. Regardless of Project risk category assigned, address the following points in 1-2 paragraphs in the Initial Review deal memo:</p> <ul style="list-style-type: none"> <li>▪ Conformance with <b>Exclusion List.</b></li> <li>▪ Project Category, including the <b>rationale for classification.</b></li> <li>▪ Potential and/or known E&amp;S status and issues associated with the project/deal.</li> <li>▪ Preliminary desktop E&amp;S Review.</li> </ul>   |   |  |
| PRELIMINARY INVESTMENT MEMORANDUM (PIM) TERM SHEET & NEGOTIATION  | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><i>Category A Activity and Category B Activity - “high and medium risk”</i></p> <p>5. E&amp;S Review with proposed E&amp;S Due Diligence (ESDD) by third-party experts for Category A Activity projects and typically internal resources (with select third-party expert input) for Category B Activity Portfolio Investments during due diligence phase.</p> <p>6. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements:</p> <ul style="list-style-type: none"> <li>▪ If internal and/or external ESDD or E&amp;S Subcommittee’s review feedback has identified any specific issues of concern, negotiate appropriate corrective action with the Portfolio Company.</li> <li>▪ If recommended by E&amp;S Audits or ESIA’s or E&amp;S Subcommittee’s review feedback, prepare and agree on a detailed E&amp;S Action Plan. Include reference to such measures in the Term Sheet.</li> </ul> <p>7. If the costs of the necessary E&amp;S actions are significant, re-evaluate the attractiveness of the Investment within the</p> </td> <td style="width: 50%; vertical-align: top;"> <p><i>Category C Activity - “low risk”</i></p> <p>5. E&amp;S Review with proposed ESDD (where relevant).</p> <p>6. No specific E&amp;S action required.</p> <p>7. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements .</p> </td> </tr> </table> | <p><i>Category A Activity and Category B Activity - “high and medium risk”</i></p> <p>5. E&amp;S Review with proposed E&amp;S Due Diligence (ESDD) by third-party experts for Category A Activity projects and typically internal resources (with select third-party expert input) for Category B Activity Portfolio Investments during due diligence phase.</p> <p>6. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements:</p> <ul style="list-style-type: none"> <li>▪ If internal and/or external ESDD or E&amp;S Subcommittee’s review feedback has identified any specific issues of concern, negotiate appropriate corrective action with the Portfolio Company.</li> <li>▪ If recommended by E&amp;S Audits or ESIA’s or E&amp;S Subcommittee’s review feedback, prepare and agree on a detailed E&amp;S Action Plan. Include reference to such measures in the Term Sheet.</li> </ul> <p>7. If the costs of the necessary E&amp;S actions are significant, re-evaluate the attractiveness of the Investment within the</p> | <p><i>Category C Activity - “low risk”</i></p> <p>5. E&amp;S Review with proposed ESDD (where relevant).</p> <p>6. No specific E&amp;S action required.</p> <p>7. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements .</p> |
| <p><i>Category A Activity and Category B Activity - “high and medium risk”</i></p> <p>5. E&amp;S Review with proposed E&amp;S Due Diligence (ESDD) by third-party experts for Category A Activity projects and typically internal resources (with select third-party expert input) for Category B Activity Portfolio Investments during due diligence phase.</p> <p>6. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements:</p> <ul style="list-style-type: none"> <li>▪ If internal and/or external ESDD or E&amp;S Subcommittee’s review feedback has identified any specific issues of concern, negotiate appropriate corrective action with the Portfolio Company.</li> <li>▪ If recommended by E&amp;S Audits or ESIA’s or E&amp;S Subcommittee’s review feedback, prepare and agree on a detailed E&amp;S Action Plan. Include reference to such measures in the Term Sheet.</li> </ul> <p>7. If the costs of the necessary E&amp;S actions are significant, re-evaluate the attractiveness of the Investment within the</p> | <p><i>Category C Activity - “low risk”</i></p> <p>5. E&amp;S Review with proposed ESDD (where relevant).</p> <p>6. No specific E&amp;S action required.</p> <p>7. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements .</p>   |   |  |

<sup>10</sup> Select business activities and projects may not require a full ESIA. This determination will be done by the E&S Manager and/or the E&S Officer where they have the requisite skills and experience and will otherwise be outsourced to third-party experts when applicable.

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|  | context of the Portfolio Company's business and financing plans against E&S risks or liabilities. |  |
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| ESMS PROCEDURES                          |  |  |  |
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| <b>INTERNAL / EXTERNAL DUE DILIGENCE</b> | <i>Category A Activity - "high risk"</i>   | <i>Category B Activity - "medium risk"</i>   | <i>Category C Activity - "low risk"</i>  |
|  | <p>8. Verify (by inspecting documents or discussing with relevant authorities and undertaking at least one site visit) that the Portfolio Company has all relevant permits and is in compliance with E&amp;S Requirements.</p> <p>9. Determine the scope of work for an E&amp;S Audit or an ESIA or amendments to existing ESIA as needed (for either brownfield or greenfield Portfolio Companies), and ensure a grievance mechanism is in place commensurate to the risks and impacts as identified in the ESIA.</p> <p>10. Engage third-party consultant or expert and discuss review (including any scoping or EIA reports completed).</p> <p>11. Use relevant E&amp;S Requirements as guidelines to create terms of references (TOR).</p> | <p>8. Verify (by inspecting documents or discussing with relevant authorities and undertaking at least one site visit) that the Portfolio Company has all relevant permits and is in compliance with the E&amp;S Requirements .</p> <p>9. Determine whether an ESIA or amendments to existing ESIA is needed (brownfield or greenfield Portfolio Investment projects) and where no ESIA is required, ensure an auditable, fit for purpose, stakeholder engagement process is in place for the whole project life cycle, and ensure a grievance mechanism is in place commensurate to the risks and impacts as identified.</p> <p>10. Investigate and resolve specific issues identified in earlier steps. Agree on actions required as pre-conditions of Investments into Portfolio Companies.</p> <p>11. Undertake an ESDD.</p> <p>12. If specific issues cannot be mitigated, or are outside the E&amp;S Manager's and/or E&amp;S Officer's (or other appropriately qualified designated officer's) competence, engage a third-party expert to provide a second opinion or undertake a E&amp;S Gap Analysis and include outcome in ESDD.</p> | <p>8. Verify (by inspecting documents) that the Portfolio Company has all relevant permits and is in compliance with E&amp;S Requirements.</p> <p>9. Ensure the Portfolio Company warrants that it has all relevant permits and is in compliance with the E&amp;S Requirements .</p> <p>10. Ensure an auditable, fit for purpose, stakeholder engagement process is in place for the whole project life cycle, and ensure a grievance mechanism is in place commensurate to the risks and impacts as identified.</p> |
|  | <i>Category A Activity - "high risk"</i>   | <i>Category B Activity - "medium risk"</i>   | <i>Category C Activity - "low risk"</i>  |
|  | <p>12. Contract with third-party experts for delivery of the ESDD (Audit or EIA).</p> <p>13. Provide the ESDD report outline and manage process until report</p>   | <p>13. If internal due diligence shows need for a second opinion or full ESIA, engage third-party expert.</p> <p>14. Determine TORs using the relevant E&amp;S Requirements.</p>   | <p>11. No specific E&amp;S action required.</p> <p>12. No specific E&amp;S action required.</p> <p>13. Include in Term Sheet standard</p>  |

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|  | completed with E&S Action Plan as needed.  | 15. The Advisor will appoint an experienced E&S consultant for all Category B Activity deals triggering IFC Performance Standard 5 to 8. | general conditions regarding compliance with the E&S Requirements. |
| <b>INTERNAL / EXTERNAL DUE DILIGENCE</b> | <p><i>Category A Activity and Category B Activity -“high and medium risk”</i></p> <p>16. For first 3 investments of the Fund, request review by the E&amp;S Subcommittee and feedback on the ESDD reports including ESIA's and the conclusions and recommendations as proposed to be included in the Investment Memorandum, and the proposed E&amp;S Action Plan if applicable:</p> <ul style="list-style-type: none"> <li>▪ If the E&amp;S Subcommittee doesn't require further information, a site visit or additional time to process its review, advice and feedback to be provided within 10 days;</li> <li>▪ Otherwise, the designated E&amp;S Subcommittee will notify the Advisor within 10 days and then mutually agree on a timeline for completing the review and issuing the clearance;</li> </ul> <p>17. If no feedback is received from the E&amp;S Subcommittee within 10 days, an automatic clearance will be assumed. Include a brief summary of the relevant E&amp;S issues in the final Investment Memorandum for consideration by the Investment Committee.</p> <p>Points to cover in the Investment Memorandum:</p> <ul style="list-style-type: none"> <li>▪ the E&amp;S risk category assigned to the Portfolio Company.</li> <li>▪ the ESDD approach, conclusions and recommendations.</li> <li>▪ the proposed E&amp;S Action Plan (if applicable).</li> <li>▪ any issues which remain unresolved and require consideration by the Investment Committee/ E&amp;S Subcommittee.</li> </ul> |  |  |

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|-----------------------------|--|--|
|                             | <b>ESMS PROCEDURES</b>   |  |
| <b>INVESTMENT AGREEMENT</b> | <p><i>Category A Activity -“high risk” and Category B Activity -“medium risk”</i></p> <p>18. Include appropriate environmental and social clauses in the Investment Agreement (or equivalent instrument), in line with the Term Sheet. Example clauses:</p> <ul style="list-style-type: none"> <li>▪ A general environmental warranty/covenant that the Portfolio Company is currently in compliance with the E&amp;S Requirements, and will remain in compliance for so long as the Fund is a shareholder.</li> <li>▪ An undertaking by the Portfolio Company to provide the Fund with an annual report on its E&amp;S status and undertakings to promptly notify the Fund of all material accidents and incidents (format to depend on complexity of cases; in straightforward cases, a short letter representing that the Portfolio Company remains in compliance.</li> </ul> | <p><i>Category C Activity -“low risk”</i></p> <p>14. No specific E&amp;S action required.</p> <p>15. Include in Term Sheet standard general conditions regarding compliance with the E&amp;S Requirements.</p> |

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|  | <p>In more complex situations (such as Category A projects and/or where the Fund's investment is conditional on an E&amp;S Action Plan), a detailed report may be required.</p> <ul style="list-style-type: none"> <li>▪ Any specific conditions decided on a case-by-case basis. E.g., if the Portfolio Investment is conditional upon the implementation of an E&amp;S Action Plan, include this undertaking in the Portfolio Investment transaction agreement and attach the E&amp;S Action Plan as an annex to the transaction agreement.</li> <li>▪ An undertaking by the Portfolio Company to incorporate the E&amp;S Requirements as a pass through obligation in contractual agreements with EPC and O&amp;M contractors.</li> </ul>   |   |
| <b>PORTFOLIO MANAGEMENT &amp; VALUE ADDITION</b> | <p><i>Category A Activity - "high risk" and Category B Activity - "medium risk"</i></p> <ol style="list-style-type: none"> <li>17. Ensure that environmental and social issues are a recurring agenda item for all Board of Directors or equivalent meetings, for as long as the Fund is a shareholder in the Portfolio Company.</li> <li>18. Include discussion on environmental and social issues during routine investment supervision activities (particularly site visits) and keep appropriate notes on file.</li> <li>19. Obtain annual E&amp;S reports from the Portfolio Companies, follow-up as appropriate, and monitor the progress of the E&amp;S Action Plan and compliance with E&amp;S Requirements.</li> <li>20. As part of Fund's annual performance reporting to Investors, include a section providing a brief review of the environmental, health &amp; safety and social status of the Portfolio Company and any issues or problems arising (per the format provided in Annex 3.7).</li> </ol> | <p><i>Category C Activity - "low risk"</i></p> <ol style="list-style-type: none"> <li>16. Monitor project E&amp;S performance and include them in the annual reporting to Investors.</li> </ol> |
| <b>EXIT / DIVESTMENT</b>                         | <p><i>All Categories</i></p> <ol style="list-style-type: none"> <li>21. Prior to the Fund's exit from the Portfolio Company, identify potential social and/or environmental issues requiring attention prior to disposal (either internally or by engaging third-party experts).</li> <li>22. In Category A Activity Portfolio Companies, obtain additional assurance about the company's readiness to withstand close scrutiny by a potential new investor.</li> </ol>  |   |

### 3.2 Merged Exclusion List

The “Exclusion List” refers to the merged list of excluded and prohibited activities, projects and/or materials, as listed below. This table (3.2) presents the integrated list of the stricter of (a) IFC’s list of excluded activities/ projects, (b) European Development Finance Institution’s (EDFI) list of excluded activities/ projects, (c) Swedfund Schedule III’s excluded activities list and the (d) GEEREF exclusion and restriction list, which include selected categories, projects, investment components and sectors, as well as the restricted sectors published on European Investment Fund’s website and updated from time to time.

| <b>3.2. EXCLUSION LIST</b> |   |
|----------------------------|---|
| 1.                         | Production, distribution, use, business or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.  |
| 2.                         | Production or activities involving forced labour or child labour.   |
| 3.                         | Activities which involve non-resolvable land use conflicts with local communities.  |
| 4.                         | Production and distribution of racist, anti-democratic and/or neo-Nazi media.   |
| 5.                         | Any business relating to pornography or prostitution.   |
| 6.                         | Production, distribution or trade in tobacco, alcoholic beverages, gambling, casinos and equivalent enterprises; and in the event that any of the aforementioned products form a substantial part of a project’s primary business activities. |
| 7.                         | Production, distribution or trade in weapons and munitions, as well as military/police equipment or infrastructure, including detention facilities e.g. prisons, police stations, schools with custodial functions.                           |
| 8.                         | Trade in wildlife or wildlife products regulated under CITES.   |
| 9.                         | Live animals for scientific and experimental purposes, including the breeding of these animals.   |
| 10.                        | Production, use of or trade in hazardous materials such as radioactive materials, including any investment that benefits from or is related to nuclear power projects.  |
| 11.                        | Production, use of or trade in hazardous materials such as unbounded asbestos fibres.   |
| 12.                        | Production, use of or trade in hazardous materials such as products containing PCB’s (Polychlorinated Biphenyls).   |
| 13.                        | Destruction of Critical Habitat and/or High Conservation Value (HCV) areas.   |
| 14.                        | Businesses and/or activities which involve unsustainable fishing methods e.g. blast fishing and drift net fishing in the marine environment using nets more than 2.5 km in length.  |
| 15.                        | Commercial logging operations and/or purchase of logging equipment for use in primary tropical moist forest.  |
| 16.                        | Trade in wood or other forestry products from virgin forests.   |
| 17.                        | Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, Ozone Depleting Substances (ODSs) and other hazardous substances subject to international phase-outs or bans.   |
| 18.                        | Processing of toxic waste.  |
| 19.                        | Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.   |
| 20.                        | Housing and/or purchase of land or real-estate investment except where it is directly associated with Investments e.g. land for the construction of a power plant, as well as investment in real estate activities.                           |
| 21.                        | Carry out any lobbying activity.  |
| 22.                        | Sectors and activities with a strong ethical dimension considered to carry significant reputation risk.   |

| 3.2. SUPPORTING NOTES AND REFERENCES |  |
|--------------------------------------|--|
| 2.                                   | <b>Forced labour</b> means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty, as defined by the International Labour Organisation (ILO). There are 8 fundamental ILO conventions that covers subjects including human rights, freedom of association, elimination of forced labour, abolition of child labour and the elimination of discrimination in respect of employment and occupation. Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply. |
| 6.                                   | <b>Substantial</b> means (i) for a financial institution or investment fund, more than 10% of that financial institution's or investment fund's underlying portfolio volumes and (ii) for any other company, more than 10% of that company's consolidated balance sheets or earnings.  |
| 8.                                   | <b>Convention on International Trade in Endangered Species (CITES)</b> of Wild Fauna and Flora. A list of CITES listed species is available from the Environment Division, IFC.  |
| 10.                                  | <b>Radioactive materials:</b> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.  |
| 11.                                  | <b>Asbestos:</b> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is < 20%.   |
| 12.                                  | <b>Polychlorinated biphenyls (PCBs)</b> is a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.  |
| 13 (a)                               | <b>Destruction</b> means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role / function is lost.  |
| 13 (b)                               | <b>Critical habitats</b> are areas with high biodiversity values, as classified by the IFC and the World Conservation Union (IUCN), including (i) habitat of significant importance to Critically Endangered and/or Endangered species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes, as described in the IFC Performance Standard 6.  |
| 13 (c)                               | <b>High Conservation Value (HCV)</b> areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <a href="http://www.hcvnetwork.org">http://www.hcvnetwork.org</a> ).  |
| 17.                                  | <b>Ozone Depleting Substances (ODSs)</b> are chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes'. The Montreal Protocol (MP) lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the MP, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the Environment Division, IFC.  |
| 17.                                  | <b>List of substances:</b> subject to international phase-outs or bans is available from the Environment Division, IFC   |
| 20 (a)                               | <b>Housing:</b> Except for social housing regarding programs for urban renewal and/or urban regeneration schemes, and unless there is significant RE and EE infrastructure for such investments such that there is at least 50% of energy requirements for such an investment that are fulfilled by RE and EE.   |
| 20 (b)                               | <b>Real Estate:</b> Investment in real estate activities with the aim of making profit on sales in the short or medium term, without a significant RE and EE infrastructure for such investments such that there is at least 50% of energy requirements for such an investment that are fulfilled by RE and EE; (k) production or activities that impinge on the land owned, or claimed under adjudication, by indigenous people, without full documented consent of such people   |
| 21.                                  | <b>Lobbying:</b> For the purposes of this clause, membership to an industry association shall not be considered as a lobbying activity.  |
| 22.                                  | <b>Reputational risk:</b> Includes health / research projects involving human embryo testing or cloning; genetically modified plants/organisms; religious organisations, psychiatric hospitals involving custodial facilities, abortion clinics, euthanasia services; and crematoria.  |

### 3.3 High Risk Activities

The following sectors are generally considered to be typical High Risk industry sectors, for both new developments (Greenfield) and existing projects (Brownfield). Depending on project specifics, the E&S risks of individual projects may be considered to be medium. The contrary could also be applicable: projects which are considered to be medium risks from the sector perspective may prove to be high risk. Therefore, Detailed rationales for categorisation must therefore be documented. For an indication of the E&S risks the FMO Toolkit for Private Equity Funds (see <http://www.fmo.nl/esg-tools>).

The sectors listed below cover activities as defined under the heading 'Applicability' of the corresponding IFC's Environmental, Health, and Safety Guidelines as defined under IFC's Performance Standards or directly trigger IFC Performance Standard 5-8.

#### *Infrastructure*

- Railways
- Ports, harbours and terminals
- Airports
- Toll roads
- Crude oil and petroleum product terminals
- Pipelines
- Long distance overhead transmission lines
- Large dams (hydro power plants / irrigation/water supply)
- River-run-off hydro power plants (> 50 MW)
- Waste management / Waste treatment facilities
- Thermal power: new plants (> 50 MW)
- Thermal power: existing plants (> 50 MW)
- Wind parks (> 100 MW installed capacity)

#### *Oil & Gas*

- Offshore oil and gas development
- Onshore oil and gas development
- Liquefied natural gas (LNG) facilities

#### *Large Scale Primary Production (Plants / Animals)*

- Plantation crop production
- Forestry
- Aquaculture
- Animal production

#### *Heavy Industry*

- Cement and lime manufacturing
- Glass manufacturing
- Construction materials extraction
- Integrated steel mills
- Base metal smelting and Refining
- Pulp and paper mills
- Foundries
- Pharmaceuticals and biotechnology manufacturing
- Coal processing
- Natural gas processing
- Oleo chemicals manufacturing
- Nitrogenous fertiliser manufacturing
- Phosphate fertiliser manufacturing

- Pesticides manufacturing and packaging
- Petroleum-based polymers manufacturing
- Petroleum refining
- Large volume petroleum-based organic chemicals manufacturing
- Large volume inorganic compounds manufacturing and coal tar distillation

#### *Mining*

- Mining (open pit and underground)

#### *Socially Critical Projects*

- Projects with large groups of low-skilled labour, for instance in free trade zones etc. (e.g. textiles manufacturing projects which may affect indigenous or tribal populations)
- Projects which may affect areas of archaeological or cultural significance
- Projects which cause or have caused (during last 5 years) physical or economic resettlement
- Projects which cause retrenchment of more than 10% of the present work force (or > 50 workers)

#### *Environmentally Critical Projects*

- Projects in or bordering ecological sensitive or protected areas (e.g. agriculture in Amazon area, large scale tourism projects)
- Large scale conversion of natural habitats
- Large scale land reclamation
- Projects that have potential to heavily impact ecosystem services (e.g. due to intensive use of ground water)

### **3.4 IFC performance Standards**

(Available at the [IFC Website](#))

### **3.5 Carrying out the Environmental & Social Due Diligence (ESDD)**

A ESDD is the record of the Advisor's review of a project at the time of appraisal that ensures that a project is meeting and is expected to continue to meet the Applicable Requirements.

A ESDD is based on all or some of the following:

- Review of information in the public domain to check for any social and/or environmental controversies/news related to the project
- Review of project and social and environmental documents of the project
- Discussions with the Project Officials
- Site visit and discussions
- Some technical/and E&S knowledge will be required along with knowledge of the technical issues in the project's industrial sector and may require the use of an external consultant if the project is large and complex.
- Industry sector-wise E&S information in available at the following locations:
  - World Bank Group Environmental, Health and Safety Guidelines ([www.ifc.org/ehsguidelines](http://www.ifc.org/ehsguidelines) contains the most updated versions of the World Bank Group Environmental, Health, and Safety Guidelines (known as the "EHS Guidelines"). They are intended to be living documents and are occasionally updated).
  - Relevant Guidance Notes issued by IFC and other investors that may be applicable to the project or investee company's activities (<http://documents.worldbank.org/curated/en/454371481192973684/International-Finance-Corporation-s-guidance-notes-performance-standards-on-environmental-and-social-sustainability>)



### 3.6 Suggested ESDD report outline

Cover issues as applicable

#### 3.6.1 Background

*Project Description,  
Site and Environmental Setting,  
Land requirements*

#### 3.6.2 E&S Risk Categorisation, and list of triggered Performance Standards

#### 3.6.3 Compliance with Applicable Requirements

*Exclusion list,  
National Regulatory requirements,  
IFC Performance Standards, if required*

#### 3.6.4 Environment Issues

*Air Pollution, Water Pollution, Solid and Hazardous Wastes, Noise, Site Health and Safety, Chemical Hazards and Emergency Management,*

#### 3.6.5 Resources Utilisation

*Water, Construction material, Other*

#### 3.6.6 Sensitive Receptors

*Local Human settlements, Local Ecologically sensitive areas, Sites of cultural importance*

#### 3.6.7 Social Issues

*Land Acquisition, Rehabilitation and Resettlement, Indigenous Peoples, Impact on local livelihood, Public Opinion and Consultation*

#### 3.6.8 Labour Relations

*No Child or forced labour,  
Compliance with national labour laws*

#### 3.6.9 Project consultation and local Disclosure

#### 3.6.10 Other project specific issues

#### 3.6.11 Environmental and Social Management/E&S Action Plan

#### 3.6.12 Summary and Recommendations

#### 3.6.13 Financing Covenants/Conditions

### 3.7 Format of E&S Performance Report

Format: The Fund can report in its own format, provided that such format has been approved by the E&S Subcommittee or alternatively provided that the format complies with an agreed format of another EDFI or IFC.

Content: The E&S Performance Report shall contain at a minimum the information set out below:

#### **For the Fund:**

- Name of the responsible E&S Manager;
- Status / Changes in ESMS;
- Transactions declined on E&S grounds;
- Difficulties and/or constraints related to the implementation of ESMS;
- Overview of current pipeline, status and expected categorisation;
- E&S trainings undertaken/planned;
- Exclusion list: confirmation that no investments are undertaken in any of the activities listed in the Exclusion List (or, in cases where a Portfolio Company is found to be partly active in activities included on the Exclusion List, submit a plan to phase out such activities);

#### **For each Portfolio Company:**

- Categorisation of each investment and rationale behind that categorisation (including triggered IFC Performance Standards);
- Summary assessment of E&S risks identified;

- For High Risk Activities, summary of qualified external E&S assessment undertaken and reference to qualification of external expert undertaking assessment;
- Status of E&S performance to date, implementation of ESMS and agreed E&S Action Plan (if applicable)
- For companies with CO<sub>2</sub> equivalent emissions exceeding 25,000 metric tons annually (report on emissions in accordance with requirements set out in IFC Performance Standard 3)
- E&S Targets set at the end of the previous reporting period and targets achieved at the end of the current reporting period
- Employment data:
  - Total number and breakdown of staff employed: Direct Employment: Total, Permanent: Males / Females
  - Has retrenchment of employees taken place in the reporting period? If yes, please specify number of employees affected and attach copy of retrenchment plan.
- Date of the last site visit for E&S purposes

**Optional information on each Portfolio Company:**

- Any improvements in performance with a clear environmental benefit (e.g. energy savings, reducing (hazardous) waste, certification of relevant management systems such as ISO 14,001, OHSAS 18,000)
- Any improvements in performance with a clear social benefit (e.g. improvements in labour conditions, certification of relevant management systems such as SA 8000)

**3.8 EU EIA Directive**

**Schedule II**

Summary of Annex I EU EIA Directive

1. Crude-oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.

2. Thermal power stations and other combustion installations with a heat output of 300 megawatts or more, and nuclear power stations and other nuclear reactors including the dismantling or decommissioning of such power stations or reactors <sup>11</sup> (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).

3. (a) Installations for the reprocessing of irradiated nuclear fuel.  
 (b) Installations designed:  
 for the production or enrichment of nuclear fuel,  
 for the processing of irradiated nuclear fuel or high-level radioactive waste,  
 for the final disposal of irradiated nuclear fuel,  
 solely for the final disposal of radioactive waste,  
 solely for the storage (planned for more than 10 years) of irradiated nuclear fuels or radioactive waste in a different site than the production site.

4. Integrated works for the initial smelting of cast-iron and steel; Installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.

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<sup>11</sup> Nuclear power stations and other nuclear reactors cease to be such an installation when all nuclear fuel and other radioactively contaminated elements have been removed permanently from the installation site.

5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20 000 tonnes of finished products, for friction material, with an annual production of more than 50 tonnes of finished products, and for other uses of asbestos, utilisation of more than 200 tonnes per year.

6. Integrated chemical installations, i.e. those installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are:

- (i) for the production of basic organic chemicals;
- (ii) for the production of basic inorganic chemicals;
- (iii) for the production of phosphorous-, nitrogen- or potassium-based fertilisers (simple or compound fertilisers);
- (iv) for the production of basic plant health products and of biocides;
- (v) for the production of basic pharmaceutical products using a chemical or biological process;
- (vi) for the production of explosives.

7. (a) Construction of lines for long-distance railway traffic and of airports with a basic runway length of 2 100 m or more;

(b) Construction of motorways and express roads;

(c) Construction of a new road of four or more lanes, or realignment and/or widening of an existing road of two lanes or less so as to provide four or more lanes, where such new road, or realigned and/or widened section of road would be 10 km or more in a continuous length.

8. (a) Inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1 350 tonnes;

(b) Trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1 350 tonnes.

9. Waste disposal installations for the incineration, chemical treatment as defined in Annex IIA to Directive 75/442/EEC under heading D9, or landfill of hazardous waste (i.e. waste to which Directive 91/689/EEC applies).

10. Waste disposal installations for the incineration or chemical treatment as defined in Annex IIA to Directive 75/442/EEC under heading D9 of non-hazardous waste with a capacity exceeding 100 tonnes per day.

11. Groundwater abstraction or artificial groundwater recharge schemes where the annual volume of water abstracted or recharged is equivalent to or exceeds 10 million cubic metres.

12. (a) Works for the transfer of water resources between river basins where this transfer aims at preventing possible shortages of water and where the amount of water transferred exceeds 100 million cubic metres/year;

(b) In all other cases, works for the transfer of water resources between river basins where the multi-annual average flow of the basin of abstraction exceeds 2 000 million cubic metres/year and where the amount of water transferred exceeds 5 % of this flow. In both cases transfers of piped drinking water are excluded.

13. Waste water treatment plants with a capacity exceeding 150 000 population equivalent as defined in Article 2 point (6) of Directive 91/271/EEC.

14. Extraction of petroleum and natural gas for commercial purposes where the amount extracted exceeds 500 tonnes/day in the case of petroleum and 500 000 m<sup>3</sup>/day in the case of gas.

15. Dams and other installations designed for the holding back or permanent storage of water, where a new or additional amount of water held back or stored exceeds 10 million cubic metres.

16. Pipelines for the transport of gas, oil or chemicals with a diameter of more than 800 mm and a length of more than 40 km.

17. Installations for the intensive rearing of poultry or pigs with more than:

- (a) 85 000 places for broilers, 60 000 places for hens;
- (b) 3 000 places for production pigs (over 30 kg); or
- (c) 900 places for sows.

18. Industrial plants for the

- (a) production of pulp from timber or similar fibrous materials;
- (b) production of paper and board with a production capacity exceeding 200 tonnes per day.

19. Quarries and open-cast mining where the surface of the site exceeds 25 hectares, or peat extraction, where the surface of the site exceeds 150 hectares.

20. Construction of overhead electrical power lines with a voltage of 220 kV or more and a length of more than 15 km.

21. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200 000 tonnes or more.

22. Any change to or extension of projects listed in this Annex where such a change or extension in itself meets the thresholds, if any, set out in this Annex.

### Summary of Annex II EU EIA Directive

#### **1. Agriculture, silviculture and aquaculture**

- (a) Projects for the restructuring of rural land holdings;
- (b) Projects for the use of uncultivated land or semi-natural areas for intensive agricultural purposes;
- (c) Water management projects for agriculture, including irrigation and land drainage projects;
- (d) Initial afforestation and deforestation for the purposes of conversion to another type of land use;
- (e) Intensive livestock installations (projects not included in Annex I);
- (f) Intensive fish farming;
- (g) Reclamation of land from the sea.

#### **2. Extractive industry**

- (a) Quarries, open-cast mining and peat extraction (projects not included in Annex I);
- (b) Underground mining;
- (c) Extraction of minerals by marine or fluvial dredging;
- (d) Deep drillings, in particular:
  - geothermal drilling,
  - drilling for the storage of nuclear waste material,
  - drilling for water supplies,with the exception of drillings for investigating the stability of the soil;
- (e) Surface industrial installations for the extraction of coal, petroleum, natural gas and ores, as well as bituminous shale.

#### **3. Energy industry**

- (a) Industrial installations for the production of electricity, steam and hot water (projects not included in Annex I);
- (b) Industrial installations for carrying gas, steam and hot water; transmission of electrical energy by overhead cables (projects not included in Annex I);

- (c) Surface storage of natural gas;
- (d) Underground storage of combustible gases;
- (e) Surface storage of fossil fuels;
- (f) Industrial briquetting of coal and lignite;
- (g) Installations for the processing and storage of radioactive waste (unless included in Annex I);
- (h) Installations for hydroelectric energy production;
- (i) Installations for the harnessing of wind power for energy production (wind farms).

#### **4. Production and processing of metals**

- (a) Installations for the production of pig iron or steel (primary or secondary fusion) including continuous casting;
- (b) Installations for the processing of ferrous metals:
  - (i) hot-rolling mills;
  - (ii) smitheries with hammers;
  - (iii) application of protective fused metal coats;
- (c) Ferrous metal foundries;
- (d) Installations for the smelting, including the alloyage, of non-ferrous metals, excluding precious metals, including recovered products (refining, foundry casting, etc.);
- (e) Installations for surface treatment of metals and plastic materials using an electrolytic or chemical process;
- (f) Manufacture and assembly of motor vehicles and manufacture of motor vehicle engines;
- (g) Shipyards;
- (h) Installations for the construction and repair of aircraft;
- (i) Manufacture of railway equipment;
- (j) Swaging by explosives;
- (k) Installations for the roasting and sintering of metallic ores.

#### **5. Mineral industry**

- (a) Coke ovens (dry coal distillation);
- (b) Installations for the manufacture of cement;
- (c) Installations for the production of asbestos and the manufacture of asbestos-products (projects not included in Annex I);
- (d) Installations for the manufacture of glass including glass fibre;
- (e) Installations for smelting mineral substances including the production of mineral fibres;
- (f) Manufacture of ceramic products by burning, in particular roofing tiles, bricks, refractory bricks, tiles, stoneware or porcelain.

#### **6. Chemical industry (Projects not included in Annex I)**

- (a) Treatment of intermediate products and production of chemicals;
- (b) Production of pesticides and pharmaceutical products, paint and varnishes, elastomers and peroxides;
- (c) Storage facilities for petroleum, petrochemical and chemical products.

#### **7. Food industry**

- (a) Manufacture of vegetable and animal oils and fats;
- (b) Packing and canning of animal and vegetable products;
- (c) Manufacture of dairy products;
- (d) Brewing and malting;
- (e) Confectionery and syrup manufacture;
- (f) Installations for the slaughter of animals;
- (g) Industrial starch manufacturing installations;
- (h) Fish-meal and fish-oil factories;
- (i) Sugar factories.

#### **8. Textile, leather, wood and paper industries**

- (a) Industrial plants for the production of paper and board (projects not included in Annex I);

- (b) Plants for the pre-treatment (operations such as washing, bleaching, mercerisation) or dyeing of fibres or textiles;
- (c) Plants for the tanning of hides and skins;
- (d) Cellulose-processing and production installations.

#### **9. Rubber industry**

Manufacture and treatment of elastomer-based products.

#### **10. Infrastructure projects**

- (a) Industrial estate development projects;
- (b) Urban development projects, including the construction of shopping centres and car parks;
- (c) Construction of railways and intermodal transshipment facilities, and of intermodal terminals (projects not included in Annex I);
- (d) Construction of airfields (projects not included in Annex I);
- (e) Construction of roads, harbours and port installations, including fishing harbours (projects not included in Annex I);
- (f) Inland-waterway construction not included in Annex I, canalisation and flood-relief works;
- (g) Dams and other installations designed to hold water or store it on a long-term basis (projects not included in Annex I);
- (h) Tramways, elevated and underground railways, suspended lines or similar lines of a particular type, used exclusively or mainly for passenger transport;
- (i) Oil and gas pipeline installations (projects not included in Annex I);
- (j) Installations of long-distance aqueducts;
- (k) Coastal work to combat erosion and maritime works capable of altering the coast through the construction, for example, of dykes, moles, jetties and other sea defence works, excluding the maintenance and reconstruction of such works;
- (l) Groundwater abstraction and artificial groundwater recharge schemes not included in Annex I;
- (m) Works for the transfer of water resources between river basins not included in Annex I.

#### **11. Other projects**

- (a) Permanent racing and test tracks for motorised vehicles;
- (b) Installations for the disposal of waste (projects not included in Annex I);
- (c) Waste-water treatment plants (projects not included in Annex I);
- (d) Sludge-deposition sites;
- (e) Storage of scrap iron, including scrap vehicles;
- (f) Test benches for engines, turbines or reactors;
- (g) Installations for the manufacture of artificial mineral fibres;
- (h) Installations for the recovery or destruction of explosive substances;
- (i) Knackers' yards.

#### **12. Tourism and leisure**

- (a) Ski-runs, ski-lifts and cable-cars and associated developments;
- (b) Marinas;
- (c) Holiday villages and hotel complexes outside urban areas and associated developments;
- (d) Permanent camp sites and caravan sites;
- (e) Theme parks.

13. Any change or extension of projects listed in Annex I or Annex II, already authorised, executed or in the process of being executed, which may have significant adverse effects on the environment (change or extension not included in Annex I);  
Projects in Annex I, undertaken exclusively or mainly for the development and testing of new methods or products and not used for more than two years.