Green Guarantee Company

A greener world guaranteed

Environmental & social policy

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Environmental & social policy

1. Green Guarantee Company

The Green Guarantee Company (GGC), the developing world's climate-focused guarantor, uses its investment grade guarantees to mobilise global capital markets to provide long-term financing to unlock climate investments into Emerging Markets and Developing Economies.

GGC's hard currency, investment grade guarantees will enhance the creditworthiness of both public and private project developers thereby enabling them to access more affordable, longer-term debt from private lenders including banks and institutional investors.

By providing up to 100 percent credit guarantees with a tenor of up to twenty years on debt instruments, GGC will help to de-risk investments to address climate change and help to deliver the UN Sustainable Development Goals. These guarantees reduce the lender's exposure to default risk, making it more attractive for banks and institutional investors to finance projects they would otherwise reject.

The company is managed by the Development Guarantee Group, has a guarantee capacity of USD 1 billion, and is funded by the Green Climate Fund, the Foreign Commonwealth and Development Office of the United Kingdom through its MOBILIST programme, the Nigerian Sovereign Investment Authority, Norfund and The International Climate Initiative (IKI).

2. Purpose and scope of the policy

GGC has developed a comprehensive and holistic approach to environmental and social (E&S) risk management which is made up of the key framework, policies and operational procedures. The GGC E&S Policy clearly defines, articulates, and demonstrates the organisation's commitments and approach to E&S, and forms the foundation of GGC's E&S approach. This includes the principles and E&S risk standards and requirements that GGC, projects and programmes that receive GGC's guarantees are expected to adhere to.

GGC's E&S Policy sets out the organisation's commitment to embedding E&S considerations into its day-to-day business activities and transaction processes. By doing so, this holds GGC accountable to fulfilling its duties as a responsible guarantor, and its commitment to delivering a net zero carbon economy, whilst avoiding harm and potential financial and reputational liabilities.

The GGC E&S Policy applies to all of GGC's financing activities.

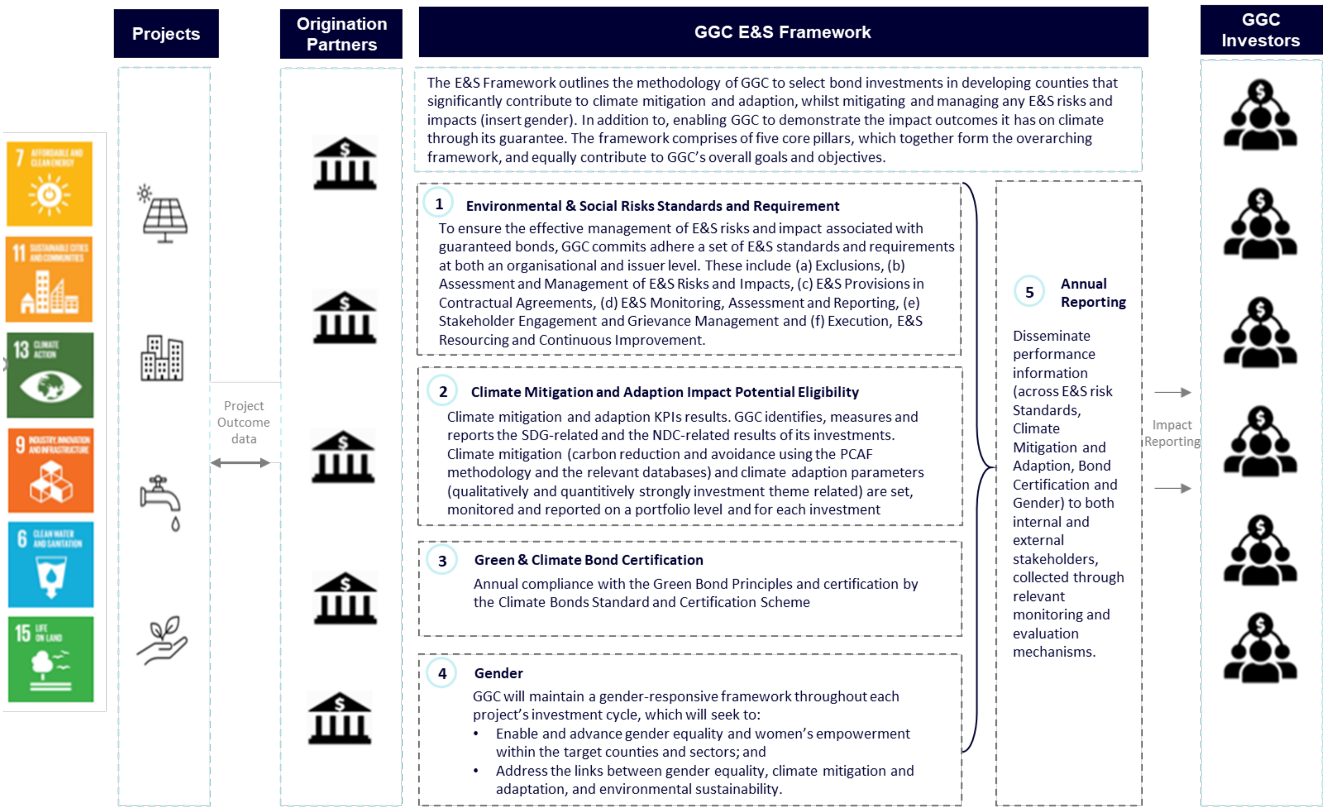
3. Our Commitment

GGC prioritises the effective management of E&S risks and effects related to its investments. GGC's guaranteed projects and programmes aim to contribute to the reduction of GHG; protect biodiversity and natural resources; respect cultural heritage and indigenous peoples; support gender diversity and equality; maintain good labour standards and working conditions, as well as the health and safety of workers; community health and safety; pollution prevention; and prevent involuntary resettlement or loss of livelihood. As such, GGC will not invest in high-risk projects (so-called Category A projects / FI -1) and will limit itself to projects with medium or low risks (Category B/FI-2 and C/FI-3).

4. E&S and Impact Framework

The E&S and Impact Framework of GGC is made up of five key pillars, which together form the framework and contribute to GGC's overarching goals and objectives as outlined in Figure 1 below. This E&S Policy provides the key principles that drive pillar 1 of the framework (E&S risks standards and requirements) and together with the other pillars (2 – Climate Mitigation and Adaptation Impact, 3 – Green and Climate Bond Certification, 4 – Gender and 5 – Annual Reporting), the E&S and Impact Framework forms the foundation for the operation of GGC in mobilising global capital markets for climate investments.

Figure 1: Overview of GGC E&S Framework



5. E&S Guiding Principles

GGC, projects and programmes receiving GGC's guarantees will adhere, or seek to adhere to, the following set of guiding E&S principles below. While some projects/pogrammes may not satisfy all of the principles at the time of the guarantee is issued, GGC will encourage all parties to align with these during the course of its financing period.

Environment

- Contribute to environmental protection and the reduction of pollution.
- Reduce our consumption of resources and improve the efficient use of those resources.
- Apply the precautionary principle to avoid or prevent irreversible impacts on biodiversity and ecosystems in cases where the consequences of damage or loss are potentially significant, and the knowledge needed to manage risks and impacts is lacking.
- Adopt climate action where relevant through addressing physical and transition risk management approaches to help reduce our contribution to and impacts from the effects of climate change.
- Understand and manage the physical risks and opportunities from climate change (such as increased temperatures and increased intensity of flood or storm events).
- Understand and manage the transition risks and opportunities from climate change (such as increasing carbon regulation, consumer pressure for low carbon products etc.).

Social

- Support and respect the protection of nationally and internationally proclaimed human rights.
- Support and respect responsible and fair labour and working conditions and practices.
- Protect the health and safety and wellness of all employees, contractors, surrounding communities, and customers. Establish preventative and emergency preparedness and response measures to avoid, and where avoidance is not possible, minimise health and safety risks.
- Do not engage in or benefit from any use of forced or compulsory labour and / or child labour.
- Eliminate any form of gender-based violence or discrimination in terms of employment and other business practices including SEAH (Sexual, Exploitation, Sexual Abuse and Sexual Harassment) risks or potential adverse impacts on women, men, girls and boys as early as possible.
- Promote gender equity and empowerment in company remuneration, hiring and procurement practices.

- Encourage implementation awareness raising for host communities and project workforces on SEAH to enhance gender equality and to prevent, address and eliminate SEAH.
- Eliminate any form of gender-based violence or discrimination in respect of employment and other business practices.
- Respect local communities and indigenous people.
- Ensure adherence to relevant stakeholder and public participation requirements to ensure that the rights, dignity, culture and way of life of interested and affected parties are respected, observed and maintained.

E&S Risk Standards and Requirements

The projects and programmes receiving GGC's guarantees are required to act in accordance with the following E&S and guidelines:

- Applicable national and local E&S laws and regulations in applicable operating jurisdictions;
- Basic Terms and Conditions of Employment set out in the ILO Core Conventions;
- World Bank Environmental and Social Standard 9;
- International Finance Corporation (IFC) Performance Standard 1 to 8 on Environmental and Social Sustainability (2012)[1]. The eight Standards are as follows:
    - — Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
    - — Performance Standard 2: Labor and Working Conditions
    - — Performance Standard 3: Resource Efficiency and Pollution Prevention
    - — Performance Standard 4: Community Health, Safety, and Security
    - — Performance Standard 5: Land Acquisition and Involuntary Resettlement
    - — Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
    - — Performance Standard 7: Indigenous Peoples
    - — Performance Standard 8: Cultural Heritage

GGC shall not guarantee any proposed bond and loan issuances that, in its reasonable opinion, will not meet, over the life of the GGC's transaction, the applicable E&S standards requirements. GGC may invoke other international standards and / or guidelines as deemed appropriate.

1 https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

Core E&S Commitments

To ensure that E&S forms an integral part of GGC's transactional processes and decision making, the guarantor commits to the following undertakings:

- Ensure that E&S considerations are integral to transactional processes and decision making.
- Develop, implement and maintain a robust ESMS, based on international best practice standards and in line with its E&S Framework and E&S Policy, to ensure the consistent and robust application of E&S across all business activities.
- Allocate sufficient organisational capacity and competencies to support the implementation of GGC's E&S Framework, Policy and associated ESMS.
- Review issuance proposals provided by partners to a) identify any risks and impacts associated with the project, b) assign an appropriate E&S risk categorisation and c) confirm compliance with set E&S requirements. Instances whereby, areas of non-conformances are identified, ensure mitigation measures are defined and incorporated into legal agreements between partners (the issuer of the bond or loan to be guaranteed by GGC) and the project, in the form of an E&S Action Plan (ESAP) (or similar).
- Do not make investments into transactions that trigger any excluded or prohibited activities as stipulated on the GGC Exclusion List and / or any transactions categorised as High Risk (refer to Appendix II).
- Seek appropriate disclosure on E&S management and performance from partners and associated projects in which GGC guarantees.
- Seek continued improvement and progress at guarantor and issuer level through on-going monitoring, review and reporting on progress against set E&S objectives.
- Ensure that specific remedial clauses or mechanisms are in place to address breaches in set E&S risks standards and requirements between GGC and partners.
- Generate regular and transparent disclosures on E&S efforts, activities and progress to investors and other relevant stakeholders.
- Periodically review the GGC E&S Framework, Policy and associated ESMS to ensure alignment with emerging best practice and continual improvement of performance against set objectives and targets.

Excluded Activities

GGC will ensure that no excluded / prohibited activities and / or projects are guaranteed according to the GGC Exclusion Activities. In addition to this, GGC will not provide a guarantee to any transaction categorised as Category A or FI-1.

6. Accountability, Execution, and Implementation

Overall accountability for the execution of GGC's E&S Policy lies with the Impact Team of the Development Guarantee Group (DGG), the manager of GGC. As part of this, DGG's Impact Team are responsible for ensuring that adequate resources are provided, whether budgetary, allocation of staff time or availability of appropriate expertise, to ensure that the necessary capacity (internal staff or external expertise) is deployed effectively to oversee and implement the requirements of this E&S Policy and associated systems and procedures.

All DGG staff members are responsible for ensuring that the transaction process and GGC's business activities are executed in a manner that are socially and environmentally sustainable, responsible, and aligned with GGC's E&S Policy and Framework. As and when required, DGG shall utilise third party expertise and support from competent and qualified service providers.

GGC is committed to reviewing this E&S Policy periodically and if there are material changes in applicable law, regulation, or international best practice. This review will take into account developments in the IFC Performance Standards, relevant international frameworks and conventions, and evolving market and regulatory expectations. Any material updates to this Policy will be approved by the GGC's Board and shareholders and communicated to relevant staff and stakeholders.