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## 1. Introduction

CPCS Development International Limited (CDIL) is a developer of renewable energy infrastructure projects in Africa. CDIL's strategy is to either originate projects or work with local partners to develop infrastructure projects of the highest quality. CDIL sources construction equity and debt from leading international and domestic financial institutions.

CDIL is a wholly-owned subsidiary of CPCS Transcom Limited, a management consulting firm, federally incorporated in Canada, providing strategic advisory services specific to transportation and power infrastructure, operations, investment, policy and regulation. CPCS operates in many emerging markets across the world as well as North America.

Ever mindful of our impact on the communities we work in, CDIL is committed to a corporate value system of undertaking profitable business in a socially and environmentally sustainable manner, taking responsibility for our actions, and promoting responsible business practices in accordance with internationally recognized standards. The Environmental and Social Management System (ESMS) included herein details the policies and procedures that CDIL will implement prior to and during project development in order to realize this objective and meet our obligations towards responsible environmental and social management. The ESMS will be overseen and implemented by the Managing Director, Development of CDIL with support from additional specialists where appropriate.

## 2. Environmental & Social Policy

### 2.1. Scope

CDIL will minimize and/or offset any harmful environmental and social impacts that may arise as a result of the company's activities. CDIL commits to working in line with international best practices and standards including the International Finance Corporation (IFC) Performance Standards and associated Guidance Notes. CDIL's development opportunities will be evaluated against the following requirements:

- a) The Exclusion List (see Appendix A)
- b) All applicable national laws and regulations concerning environmental and social issues
- c) IFC Performance Standards and EHS Guidelines

CDIL will develop and maintain adequate capacity to implement an ESMS to implement our policy and manage environmental and social compliance.

## 2.2. Principles

CDIL will ensure that every opportunity, project, or investee company:

- Complies with all applicable local laws
- Upholds ethical business practices in accordance with local laws and internationally recognized standards and in line with the CPCS Code of Ethics
- Maintains safe and healthy working conditions
- Commits to continuous improvements with respect to Environmental, Social, Health and Safety, and Governance matters
- Incorporates the IFC Performance Standards
- Seeks to advance the economic and social development of the communities involved

## 2.3. Policy

Following the overall principles and in consideration of the work that CDIL carries out, CDIL will ensure that every opportunity, project, or Investee Company abides by the policy directions provided below as they pertain to areas of Environmental & Social issues, Occupation Health & Safety, and Business Integrity.

### **Environmental & Social**

- Operate in compliance with applicable local, national and international laws (at a minimum)
- Ensure air and water pollution prevention, land management, management of unique flora, forests, water and wildlife, a clean and healthy environment for all employees, shareholders, customers, contractors, suppliers, the community and other interested parties
- Minimize any waste
- Minimize energy and water usage in project buildings, and minimize consumption of natural resources, especially where they are non-renewable
- Promote environmental awareness among the employees of CDIL and encourage them to work in an environmentally responsible manner
- Incorporate sustainability into procurement of products and services
- Assess the environmental and social risks and impacts of investee companies, including identifying potential risks and appropriate mitigating measures through an environmental and social impact assessment, where appropriate, covering loss of biodiversity or habitat, degradation of water or air quality, substantial solid waste or other significant negative environmental impacts
- Consider the potential for positive environmental impact from investment activities including payment for ecosystem services
- Take appropriate action to mitigate environmental and social risks and impacts
- Ensure that investee companies comply with the relevant IFC policies and guidelines, if these are more stringent than local legislation, with appropriate targets and timetable for improvements

- Encourage investee companies to adopt international environmental best practice standards
- Recognize and, as appropriate promote the social development impact from the projects or companies in which it invests
- Not employ children as part of the labor force
- Avoid and minimize the displacement of persons and involuntary resettlements due to project-related land acquisitions

### **Occupation Health & Safety**

- Comply with applicable local and national laws
- Ensure that all operations are subject to occupational health and safety risk assessment and management and take appropriate actions to eliminate or reduce risks to health and safety (e.g., where an activity is assessed to present significant health and safety risks)
- Ensure constant awareness of major accident and health risks and ensure the right designs, plans, actions and competent people are in place to control them
- Set internal targets which drive continual health and safety performance
- Report health and safety performance and assess the health and safety risks arising from work activities
- Apply the relevant World Bank Group EHS Guidelines, if these are more stringent than local legislation, with appropriate targets and timetable for improvements. Work towards international best practice standards for health and safety

### **Business Integrity**

- As a subsidiary of CPCS, CDIL will be guided by CPCS' Code of Ethics as part of the CPCS Anti-Corruption Compliance Program and will maintain the high standards of integrity and professionalism described in this Program

## **3. Environmental and Social Management System (ESMS)**

### **3.1. Purpose and Applicability**

The ESMS details the procedures that CDIL will follow in order ensure that all CDIL development opportunities comply with CDIL's Environmental and Social Policy. The ESMS will allow CDIL to clearly identify those opportunities it cannot proceed with as a result of the opportunity's association with the industries and activities on the exclusion list provided in Appendix A. The ESMS process will then categorize the remaining opportunities into high, medium, and low risk profiles. This categorization will serve to determine the appropriate level of Environmental and Social due diligence required in each case.

### 3.2. Organization and Responsibilities

CDIL’s Managing Director is CDIL’s ESMS Manager. The ESMS Manager is responsible for the oversight of all Environment and Social (E&S) issues and activities related to the implementation of the ESMS. The responsibilities of the ESMS Manager include:

- Ensure application of ESMS to all opportunities
- Evaluate the compliance of a target investee company against applicable requirements
- Development and maintenance of appropriate resources to carry out ESMS, particularly any required Environmental Social Impact Assessment (ESIA)s
- Ensure ongoing compliance with requirements
- Prepare required monitoring reports

### 3.3. Screening and Categorizing of Potential Risks

The screening and categorization of all CDIL opportunities will progress along a 4-step process.

- Step 1:** All opportunities will first be screened against the exclusion list found in Appendix A. Should the opportunity involve an excluded activity the opportunity will be not be given any further consideration.
- Step 2:** The ESMS Manager or his/her nominee will assess the E&S risks based on any available project documentation and a site visit where applicable. The Environmental Manager will use the checklist included in Appendix B to help identify areas of risk.
- Step 3:** Based on the findings of this screening process, the opportunity will then be categorized as High, Medium, or Low risk (A, B, and C respectively). This categorization will determine the level of due diligence required.
- Step 4:** All Category A and B opportunities will move on to be subjected to a more detailed assessment against the IFC Performance Standards. This assessment will provide a high level identification of the relevant Performance Standards and specific issues involved.

**Table 3-1: Risk Rating System**

Category	Definition
A	Project opportunity with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
B	Project opportunity with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
C	Project opportunity with minimal or no adverse social or environmental impacts.

### 3.4. Investment Due Diligence

Once the opportunity has been categorized the appropriate level of due diligence can then be performed. A description of the due diligence procedures for each risk category is provided below.

<b>Category A</b>	Due to the high level of risk, a formal ESIA must be carried out by a qualified consultant. The ESIA will assess whether the opportunity can meet IFC Performance Standards and applicable legal and regulatory requirements. The consultant will then prepare an Environmental and Social Management Plan (ESMP) detailing the opportunity’s risks and providing recommendations for reducing or eliminating these risks.
<b>Category B</b>	An ESIA must be carried out by a qualified consultant. The ESIA will assess whether the opportunity meets IFC Performance Standards and applicable legal and regulatory requirements. The consultant will then prepare an ESMP detailing the opportunity’s risks and providing recommendations for reducing or eliminating these risks.
<b>Category C</b>	Do not require further assessment but must comply with relevant legislative and regulatory requirements. The project would continue to be monitored throughout the project lifecycle to ensure that risks remain low. Should risks increase, a reassessment may be necessary.

### 3.5. Investment Decision/Agreement and Corrective Actions to Achieve Compliance

Upon completion of the requisite due diligence, the ESMS manager will ensure that any formal ESMP requirements are incorporated into any applicable investment agreements or in the project plan for new projects. The ESMS manager must be satisfied that the project either currently meets the applicable requirements or that it is expected to be able to meeting them once the corrective actions have been put in place.

The ESMS manager will present a summary of any key E&S issues to the Board of CDIL when they are considering new projects. The ESMS Manager will explain to the Board how the E&S issues are to be addressed to ensure compliance with CDIL’s Environmental and Social policy.

If applicable, CDIL will then negotiate and agree with sponsors the E&S provisions and investment conditions in the term sheet and investment agreements.

### 3.6. Monitoring and Supervision

The ESMS Manager will be responsible for ensuring that all projects and investees are complying with the ESMP and any investment agreements. This will be accomplished by carrying out the following activities:

- Periodic site visits to check in on the implementation of the ESMP
- Commissioning of external E&S audit reports as necessary

- Drafting of monitoring reports related to site visits, audits, and actions undertaken to rectify E&S matters
- Review of progress reports submitted by the investee company related to actions documented in the ESMP
- Reporting on any E&S incidents within 5 days of occurrence
- Preparation of an annual report

Due to the varying risks/circumstances surrounding each project, an appropriate monitoring schedule will be developed based on the recommendations surfacing from the ESIA. However, an annual report will be required for all projects.

### 3.7. Reporting

As noted above, significant monitoring activities will be accompanied by reporting. While monitoring reports will vary in number and frequency according to each project's unique risks and progression, annual reports must be produced for all projects. It is expected that monitoring reports drafted throughout the year will feed into this annual report.

In addition to summarizing and collecting monitoring reports in one place, the annual report is an opportunity to detail progress against the ESMP to ensure that all aspects of the project are in compliance. The annual report must include the following elements:

- A summary of activities carried out over the previous year as they pertain to E&S items
- A summary of any reports drafted over the previous year
- An update on compliance with the ESMP
- A discussion of any areas of concern
- Appended to the report – all reports drafted over the previous year including any environmental monitoring data (e.g. air/water quality testing)

## Appendix A: Exclusion List

CDIL utilizes the IFC Exclusion List and **does not** seek to develop or finance projects involving the following:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.<sup>1</sup>
- Production or trade in alcoholic beverages (excluding beer and wine).<sup>1</sup>
- Production or trade in tobacco.<sup>1</sup>
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

**All financial intermediaries (FIs)**, except those engaged in activities specified below, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

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<sup>1</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>2</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

## CDIL Environmental & Social Management Policy and System

<sup>3</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

## Appendix B: Screening and Categorization Checklist

Social and Environmental Aspects Screening Checklist: Investment in Existing Projects	
<b>Project Number &amp; Name:</b>	<b>Location:</b>
<b>Amount (\$m) and financial purpose:</b>	
<b>Project Type::</b>	<b>Brief Project Description:</b>
<b>Site visit date (if required):</b>	<b>Final Categorization:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C
<b>Reviewed by:</b>	<b>ESIA Required?:</b> <input type="checkbox"/> Yes <input type="checkbox"/> No
Compliance with applicable requirements – check all that apply	
<input type="checkbox"/> Exclusion list <input type="checkbox"/> National regulatory requirements <input type="checkbox"/> Environmental, health and safety permits granted <input type="checkbox"/> Injuries and fatalities have occurred (how and when: _____) <input type="checkbox"/> Labor-related fines (when and why: _____) <input type="checkbox"/> Environmental incidents and fines (when and why: _____)	
Management Systems – check all that apply	
<input type="checkbox"/> No written environmental and social policy <input type="checkbox"/> No written human resources policy (e.g., employee rights/non-discrimination) <input type="checkbox"/> No written fire/safety plan or emergency prevention/preparedness/response plan <input type="checkbox"/> No environmental, health and safety training for employees <input type="checkbox"/> No procedures for managing environmental and social risks <input type="checkbox"/> No designated person in charge of environmental and social issues <input type="checkbox"/> No internal process for sharing information	
Project site – check all that apply	
<input type="checkbox"/> Non-urban/undeveloped land <input type="checkbox"/> Proximity to river/stream/pond/lake/sea <input type="checkbox"/> Proximity to protected area (e.g. forest/endangered species) /ecologically sensitive area (e.g., wetland/breeding grounds) <input type="checkbox"/> Proximity to culturally sensitive/indigenous area	

<b>Environmental Issues - check all that apply</b>	
<p><i>Air Emissions</i></p> <input type="checkbox"/> Boilers <input type="checkbox"/> Generators <input type="checkbox"/> Vehicles and equipment <input type="checkbox"/> Furnaces and incinerators <input type="checkbox"/> Welding and soldering <input type="checkbox"/> On-site burning <input type="checkbox"/> Use of solvents <input type="checkbox"/> Use of fumigation <input type="checkbox"/> Evaporation of chemicals <input type="checkbox"/> Refrigeration plant <input type="checkbox"/> Use of exhaust ventilation	<p><i>Waste Water</i></p> <input type="checkbox"/> Waste water discharged to _____ <input type="checkbox"/> Drains and grates <input type="checkbox"/> Oil separators <input type="checkbox"/> Separation tanks or filters <input type="checkbox"/> Reed beds <input type="checkbox"/> Cut-off valves <input type="checkbox"/> Foul sewers and septic tanks <input type="checkbox"/> Water treatment units <input type="checkbox"/> Cleaning operations <input type="checkbox"/> Spraying operations <input type="checkbox"/> De-watering/water pump out
<p><i>Solid and Hazardous Wastes</i></p> <input type="checkbox"/> Waste generated <input type="checkbox"/> Types of waste: _____ <input type="checkbox"/> Hazardous waste (e.g., waste oils, pesticide washings, solvents, clinical waste, asbestos) <input type="checkbox"/> Waste disposed to _____	<p><i>Hazardous chemicals, fuels, and pesticides</i></p> <input type="checkbox"/> On-site chemicals or fuels storage <input type="checkbox"/> Protective measures against leaks/spills <input type="checkbox"/> Signs of leaks/spills <input type="checkbox"/> On-site spill clean up equipment <input type="checkbox"/> Protective measures against rain <input type="checkbox"/> Signs of corrosion on tanks/containers <input type="checkbox"/> Secured storage areas against theft <input type="checkbox"/> Training on proper handling of chemicals and fuels <input type="checkbox"/> Pesticide use and management
<p><i>Resource Consumption</i></p> <input type="checkbox"/> Materials used: _____ _____ <input type="checkbox"/> Use of renewable natural resources <input type="checkbox"/> Use of tools and equipment <input type="checkbox"/> Water source: _____ <input type="checkbox"/> Energy source: _____	<p><i>Nuisance</i></p> <input type="checkbox"/> Dust <input type="checkbox"/> Noise <input type="checkbox"/> Odors <input type="checkbox"/> Fumes <input type="checkbox"/> Vibrations <input type="checkbox"/> Traffic congestion and obstructions
<b>Community interactions—check all that apply:</b>	
<input type="checkbox"/> No designated person in charge of responding to questions from the community <input type="checkbox"/> No procedures for managing community complaints <input type="checkbox"/> Use of security personnel	
<b>Social Issues – check all that apply:</b>	
<input type="checkbox"/> Land acquisition required <input type="checkbox"/> Displacement/resettlement of local settlements	

- Impact on local settlements/livelihood
- Impact on indigenous peoples
- Complaints from neighbors/communities
- On or adjacent to site of cultural/archaeological importance

**Labour Issues – check all that apply**

- No Personal Protective Equipment provided (e.g., safety goggle/hard hat/protective glove)
- Inadequate employee health and safety measures (e.g., fall prevention/ventilation)
- Inadequate working conditions (e.g., air quality/lighting/confined spaces/on-site hygiene)
- Inadequate terms of employment (e.g., working hours/rest breaks/time off/overtime pay)
- Unequal employment opportunities (e.g., discrimination against gender/ethnic group/age)
- Payment below minimum wage
- Employees below minimum age
- Child or forced labor
- No process for employees to voice complaints
- No recognition of employee organizations/labor unions

**Additional Comments**

Social and Environmental Aspects Screening Checklist: Greenfield Projects	
<b>Project Number &amp; Name:</b>	<b>Location:</b>
<b>Amount (\$m) and financial purpose:</b>	
<b>Project Type::</b>	<b>Brief Project Description:</b>
<b>Site visit date (if required):</b>	<b>Final Categorization:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C
<b>Reviewed by:</b>	<b>ESIA Required?:</b> <input type="checkbox"/> Yes <input type="checkbox"/> No
Compliance with applicable requirements – check all will apply	
<input type="checkbox"/> Exclusion list <input type="checkbox"/> National regulatory requirements <input type="checkbox"/> Environmental, health and safety permits granted <input type="checkbox"/> Injuries and fatalities have occurred (how and when: _____) <input type="checkbox"/> Labor-related fines (when and why: _____) <input type="checkbox"/> Environmental incidents and fines (when and why: _____)	
Management Systems – check all that will apply during development phase	
<input type="checkbox"/> Written environmental and social policy <input type="checkbox"/> Written human resources policy (e.g., employee rights/non-discrimination) <input type="checkbox"/> Written fire/safety plan or emergency prevention/preparedness/response plan <input type="checkbox"/> Environmental, health and safety training for employees <input type="checkbox"/> Procedures for managing environmental and social risks <input type="checkbox"/> Designated person in charge of environmental and social issues <input type="checkbox"/> Internal process for sharing information	
Project site – check all that apply	
<input type="checkbox"/> Non-urban/undeveloped land <input type="checkbox"/> Proximity to river/stream/pond/lake/sea <input type="checkbox"/> Proximity to protected area (e.g. forest/endangered species) /ecologically sensitive area (e.g., wetland/breeding grounds) <input type="checkbox"/> Proximity to culturally sensitive/indigenous area	