

Environmental and Social Management System

Social Investment Managers and Advisors llc (SIMA)

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1. Environmental and Social Management System Framework

Social Investment Managers and Advisors LLC’s (“SIMA’s”) Environmental and Social Management System (ESMS) articulates our approach to environmental and social risk management. Understanding portfolio companies’ management of environmental and social risk is an important component of our investment process. It is well recognized that if left unmanaged, these risks can have negative consequences for investors, portfolio companies, and the communities and environments in which we and our customers operate.

Environmental risk can be defined as the actual or potential threat of adverse effects on the environment by effluents, emissions, wastes, resource depletion or other similar activities arising out of or related to an organization's activities. Social risk can be defined as hazards to human health, safety and security, impacts on communities and threats to a region’s biodiversity and cultural heritage or other similar activities arising out of or related to an organization’s activities.

SIMA is committed to reducing social and environmental risks while working to achieve social goals and improve the lives of low-income people. SIMA aims to identify and mitigate these risks and provide guidance and support for portfolio companies’ improvement of their own ESG policies. SIMA believes that a robust Environmental and

Social Management System (ESMS) not only helps protect against reputational risks but is a necessary prerequisite for the Fund and portfolio companies to achieve their social impact goals.

Business models of the small scale off-grid solar and microfinance institutions we typically finance are generally not associated with the same scale and types of social and environmental risks as larger corporate clients and projects. Nevertheless, SIMA recognizes there are social and environmental risks in the off-grid solar and financial access sector, such as manufacturing and distribution of solar equipment in which toxic materials are present.

2. Environmental and Social Policy Statement

SIMA's ESMS Policy is designed to identify and manage environmental, social and governance (ESG) risks and enhance positive development outcomes. Its scope is applicable to current as well as future financings and investments by SIMA and its related funds. We use a systematic approach to identify ESG risks (such as those indicated in 'Appendix C'). At the level of the portfolio companies/ borrowers we finance, we identify and monitor ESG risks throughout the due diligence, approval, disbursement, monitoring and maturity of the financing process. SIMA strives to comply with the IFC's E&S Standards¹ and the FMO Sustainability Policy², including World Bank Group Environmental, Health, and Safety Guidelines.

The ESMS Policy objectives are:

- To identify and evaluate environmental and social risks and impacts of portfolio companies.
- To anticipate and avoid risks and mitigate impacts to workers, affected communities, and the environment.

We use the general framework of the International Finance Corporation's Environmental and Social Performance Standards³, and tools consistent with these standards, to identify and manage ESG risks and improve the social performance of portfolio companies. Detailed ESG tools, guidelines, checklists and scorecards, consistent with the IFC Standards, are used during field visits and due diligence to identify and assess specific ESG risks.

The IFC's Performance Standards are:

- 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; and

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

² <https://www.fmo.nl/policies-and-position-statements>

³ https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Document.pdf?MOD=AJPERES&CVID=jkV-X6h

- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living

Natural Resources.

- Performance Standard 7: Indigenous People
- Performance Standard 8: Cultural Heritage

SIMA’s policy is to not invest in any company with ‘Category A’ Business activities, as defined under the IFC’s Environmental and Social Categorization⁴ as set forth below:

Category	Description
Category A	Activities with potential significant adverse environmental or social risks and/or impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented
Category B	Activities with potential limited adverse environmental or social risks and/or impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures
Category C	Activities with minimal or no adverse environmental or social risks and/or impacts.
Category FI*	<p>Business activities involving investments in financial institutions (FIs) or through delivery mechanisms involving financial intermediation.</p> <p>This category is further divided into:</p> <p>FI-1: when an FI’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.</p> <p>FI-2: when an FI’s existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.</p> <p>FI-3: when an FI’s existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.</p>

*Note that the SIMA Off Grid Solar and Financial Access Senior Debt Fund I B.V. includes financial institutions.

In addition, SIMA will ensure that each agreement with the Fund’s borrowers includes at a minimum, the ESG representations included in Appendix B.

⁴ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

Deviations from this ESMS Policy will need to be approved by the Fund's Investment Committee, and will need to follow an additional Environmental and Social process to be further approved by the Investment Committee.

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Michael Rauenhorst
ESMS Officer

3. Environmental and Social Management System and Procedures

As outlined in SIMA's Investment Process and Credit Guidelines, consideration of ESG factors including completion of ESG checklists and assessment of ESG risks is undertaken in the due diligence process and by SIMA's Investment Committee. SIMA's Investment Committee may then require ESG action plans and covenants with borrowers regarding managing environmental and social risks throughout the life of the investment. These covenants will be monitored and evaluated as part of the ESMS.

Prior to disbursement, SIMA undertakes desk reviews of borrowers' ESG processes to assess for adequacy and to identify gaps. SIMA requests any ESG audits from prospective borrowers if available, and reviews them for adequacy and to identify gaps. SIMA also completes ESG due diligence questionnaires, guidelines and ESG checklists (Appendix D), some of which include observations to be made during on-site visits. In addition to our internal review, when deemed necessary, we hire external consultants that are well-versed in technical aspects of ESG assessment to assist. This process is designed to cover major ESG issues relevant for distributors as well as manufacturing companies in the off-grid solar industry.⁵ Post disbursement, SIMA periodically updates its ESG reviews of borrowers, to include on-site visits of at-least fifteen percent 15% of its borrowers per annum.

SIMA requires prospective off-grid solar company borrowers to adopt SIMA's Code of Conduct for Off Grid Solar Companies or the Global Off-Grid Lighting Association (GOGLA) equivalent. SIMA also requires prospective financial inclusion company borrowers to endorse the SMART Campaign, the Social Performance Task Force, or equivalent customer protection principles.

SIMA has developed other tools, including SIMA's Social Performance Scorecard for Financial Inclusion Institutions which assesses and scores a financial inclusion institution's social performance, and also includes assessment of a range of ESG risks. For off-grid solar companies, SIMA has developed its Social Performance Scorecard for Financial Off-Grid Solar Companies which assesses and scores an off-grid solar company's social performance, and includes assessment of a range of ESG risks. The Scorecards are designed for the purpose of social performance assessment, to enhance portfolio company borrowers' social performance and social impact outcomes.⁶ The Scorecards also help SIMA to identify and monitor social and governance risks and to develop covenants to mitigate ESG risks.

⁵ See World Bank Group Environmental, Health, and Safety Guidelines for Semiconductors & Other Electronics Manufacturing; <http://www.ifc.org/wps/wcm/connect/bc321500488558d4817cd36a6515bb18/Final%2B-%2BSemiconductors%2Band%2BOther%2BElectronic%2BMnfg.pdf?MOD=AJPERES&id=1323152500561>

⁶ SIMA additionally requires the SIMA Off-Grid Solar and Financial Access Senior Debt Fund I, B.V.'s portfolio company borrowers to identify and report on their performance toward achieving specific social goals. This process is described in SIMA's Social Performance Framework.

SIMA has also developed guidelines and checklists to assist investment analysts in their assessment of the full range of ESG risks in the diligence process. (See Appendix C, D1 and D2.) In terms of labor and working conditions, we assess portfolio companies' governance, employment and human resource policies for compliance with occupational health and safety, and other applicable labor laws and requirements. We also evaluate the portfolio company's internal policies, objectives and compensation levels, and compare these against local and international standards, to identify and highlight any risks. We encourage all borrowers to have anti-slavery and anti-child labor policies in their human resources policies.

Consideration of the following risks are undertaken through conversations with management, as well as with a sampling of community members when feasible, during and after on-site field visits: community health, safety, and security risks; the consequences of any land use or acquisition; the impact of portfolio companies' activities on conservation and sustainable management of natural resources, and; the impact of the portfolio companies' activities on indigenous peoples and cultural heritage.

Many of the portfolio companies are Small and Medium-sized Enterprises (SMEs). In this regard, SIMA will endeavor to apply its ESG risk analysis consistently with established norms for SMEs as suggested by the IFC.⁷

In terms of resource efficiency and pollution prevention, SIMA recognizes that manufacture of electronics and other equipment involves certain risks.⁸ Specifically, SIMA will work to ensure that solar companies receiving SIMA's support are environmentally and socially sustainable. Where deemed applicable, SIMA encourages its borrowers to integrate the three R's" of waste management (recycle, reuse, reduce) into their businesses and report on their waste management practices.

To help manage and mitigate these risks, we also generally require our financing to go toward off-grid solar companies products that meet equivalent international standards. SIMA has available consulting engineers which are familiar with the Lighting Global, International Electrotechnical Commission, and equivalent standards may also review off-grid solar products for compliance.

SIMA will notify the Board of Directors of the SIMA Off-Grid Solar and Financial Access Senior Debt Fund I, B.V. of a material event of fraud, corruption, or an area of environmental or social risk, and the Board of Directors will take at its discretion, the necessary measures to make sure that events and claims such as deemed in the judgement of the Board of Directors to involve, or reasonably expected to involve, a material adverse effect on the business, operations and/or assets of the Fund, will be adequately notified to the investors.

⁷ Interpretation Note on Small and Medium Enterprises and Environmental and Social Risk Management, International Finance Corporation, 2012, and (<http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk.php>).

⁸ <https://firstforsustainability.org/media/factsheetelectronics.pdf>

The following chart summarizes the Environmental and Social Management System and Procedures:

Loan Cycle	ESG aspects to be followed:	Existing formats/documents
Pipeline	<p>Prospects in SIMA’s pipeline will preliminarily be screened against ‘Category A’ (Appendix A) criteria and excluded activities (Appendix B).</p> <p>If a preliminary analysis shows the potential applicant’s activities do not fall into the exclusion list, the company can be encouraged to apply for funding.</p>	Preliminary Analysis Document
Loan Application and Review	<p>A Loan Appraisal Format is sent to the prospect requesting a range of information. The prospect’s responses will be used during a desk review to assess prospect on possible social and environmental risks.</p> <p>If prospect has higher risk activities such as manufacturing processes, then independent verification of ESG compliance on client’s manufacturing process could be requested.</p> <p>In addition to SIMA’s internal review and independent verification, SIMA will also, in some cases, hire external consultants well-versed in technical aspects of ESG assessment to audit environmental health and safety issues relevant for the supply chain of off-grid solar industry.</p>	Loan Appraisal format
Due diligence and compliance	<p>Information provided during loan application and review should be verified during on-site visit with management and clients.</p> <p>The SIMA on-site ESG checklist Appendix D1 or D2 to be filled and discussed in credit write-up.</p> <p>Relevant Social Performance Scorecard will be filled and discussed in credit write-up.</p> <p>SIMA will review prospective portfolio company’s internal policies, including Human Resources, Health and Safety and related policies, and compensation levels, etc and generally assess these for</p>	On-site ESG checklist, ESG categorization certificate, and Social Performance Scorecard

	<p>conformance with international ESG standards. Non-conformance international ESG standards will be highlighted.</p> <p>SIMA shall also complete an ESG categorization certificate which shall be approved by SIMA's ESMS officer prior to disbursement. The ESG categorization certificate may also be provided to Fund investors.</p>	
<p>Credit Write-Up and Investment Committee</p>	<p>The SIMA Credit Memorandum presented to the Investment Committee will summarize the ESG diligence and identify and discuss any ESG risks. Due to any seriously unsatisfactory indicator or issue related to ESG compliance/social impact, the Investment Committee may also decline a credit request or may also require an action plan and/or specific covenants from borrowers related to managing/mitigating environmental and social risks throughout the life of the investment. The Investment Committee may also stipulate borrower compliance with specific industry standards, such as Lighting Global or the International Electrotechnical Commission.</p>	<p>Investment Memo template</p>
<p>Legal</p>	<p>SIMA also incorporates legal covenants with Borrowers in loan agreements to represent that they are in compliance with any applicable ESG-related regulations. Legal covenants will also exclude 'Category A' activities set forth in Appendix A, and the 'exclusion list' activities set forth in Appendix B.</p> <p>Covenants requiring off-grid solar borrowers to comply with SIMA's Code of Conduct and the eventual Global Off-Grid Lighting Association Code of Conduct, will be included.</p> <p>Covenants requiring financial inclusion borrowers to endorse client protection principles such as those of the SMART Campaign will be included.</p>	<p>Covenants – Legal Agreements</p>

	<p>Also, covenants requiring borrowers to report upon progress toward social impact goals will be included. Social impact goals may include gender lens goals such as encouraging female employment and female borrowers by setting target ratios, etc.</p> <p>SIMA will require all borrowers to represent they comply with anti-slavery and anti-child labor regulations, etc as in Appendix B.</p> <p>SIMA also requires its borrowers to represent that they are in compliance with applicable ESG regulations and have never been exposed to any sanction or penal action by environmental authorities.</p>	
<p>Closing and fund disbursal</p>	<p>SIMA shall require its independent fund administrator to conduct a Know Your Customer (KYC) Anti-Money Laundering (AML), Anti-terrorism, anti-corruption, criminal and related checks on portfolio company borrowers and their managements and boards of directors.</p>	<p>KYC/AML, Anti-terrorism and related checks</p>
<p>Portfolio monitoring</p>	<p>SIMA will monitor borrowers' compliance with ESG covenants and periodically update its ESG reviews of borrowers. SIMA will strive to include on-site ESG diligence whenever feasible. In addition, SIMA will strive to conduct on-site ESG diligence re-assessments of no less than fifteen percent 15% per annum of the borrowers in the Fund's portfolio.</p> <p>In addition to its internal process, SIMA may, when deemed necessary, hire external consultants well-versed in technical aspects of ESG assessment to assist in assessing borrower compliance with ESG standards during monitoring.</p> <p>Other information that will be tracked and reported on are as follows:</p> <ul style="list-style-type: none"> • Total loans disbursed for the year • Number of applications • Number of rejections based on exclusion list 	<p>Portfolio monitoring reports</p>

	<ul style="list-style-type: none"> • Number of ESG-related interventions with borrows including those related to compliance with covenants • Most common ESG risks identified • Greatest ESG risks in the sectors financed 	
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4. Key Issues to be addressed

Factor	Objective
Labor and working conditions	Ensure portfolio companies' governance, employment and human resource policies for compliance with occupational health and safety, and other applicable labor laws are in place.
Community health, safety, and security	Ensure that portfolio companies' are not adversely affecting community health, safety and security and ensuring this through conversations with management and sampling of community members as well as during and after on-site field visits.
Effect on indigenous peoples and cultural heritage	Ensure that portfolio companies are empowering indigenous people and not disrespecting them in any way and also protecting cultural heritage.
Air Management	Ensure potential air pollutants are contained and activities do not impact the natural environment.
Noise Management	Ensure noise/ vibration levels meet statutory requirements and acceptable standards
Water Management	Maintain or improve quality of surface water. Maintain or improve quality of ground water.
Wastewater Management	Protect aquatic ecosystems, reuse treated wastewater on site.
Waste Management	Ensure wastes are disposed of in a proper manner and do not pollute the immediate environment.
Hazardous Materials Management	Ensure chemicals are stored and disposed of carefully. Ensure pest control chemicals are used safely.
Contaminated Land	Ensure land is not contaminated through financed activities

5. Compliance with Applicable Regulations

SIMA endeavors to have all of its portfolio company borrowers in compliance with applicable international and in-country regulations, including applicable ESG-related regulations. Therefore, SIMA requires legal covenants with Borrowers to represent that they are in compliance with applicable ESG-related regulations. SIMA also requires legal covenants with Borrowers to represent that they have never been exposed to any sanction or penal action related to environmental, social or governance or related matters.

Some examples of applicable in-country ESG-related regulations from India, Pakistan and African regions are provided below.

- India: National Green Tribunal Act 2010, Environment (Protection) Act, 1986 and Environment (Protection) (Amendment) Rules, 1996 etc

- Pakistan: The Pakistan Environmental Protection Act 1997
- Nigeria: The 1978 Land Use Act, The 1979 Energy Commission of Nigeria Act; The Sea Fisheries Act (later repealed by Sea Fisheries Decree 1992); and the 1986 River Basins Development Authorities Act. etc
- Kenya: Biosafety Act 2009 and Environmental (Impact Assessment and Audit) Regulations, 2003 etc

Appendix A

Category A Projects

1. Large-scale industrial plants.
2. Large-scale industrial estates.
3. Crude oil refineries and installations for the gasification and liquefaction of 500 tons or more of coal or bituminous shale per day.
4. Major Greenhouse Gas emitting projects, defined as projects with Direct Greenhouse Gas Emissions of more than 100,000 (short) tons (91,000 metric tonnes) of CO₂eq per year.
5. Cement manufacturing with an annual production rate of greater than one million dry weight tons.
6. 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.
7. 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 product; for friction material with an annual production of more than 50 tonnes of finished product; and for other asbestos utilization of more than 200 tonnes per year.
8. Integrated chemical installations, i.e. those installations that manufacture, on an industrial scale, substances using chemical conversion processes in which several units are juxtaposed and are functionally linked to one another and which produce: basic organic chemicals; basic inorganic chemicals; phosphorous, nitrogen or potassium based fertilizers (simple or compound fertilizers); basic plant health products and biocides; basic pharmaceutical products using a chemical or biological process; explosives.
9. Projects that manufacture, store, transport or dispose hazardous or toxic materials.
10. All projects that pose potentially serious occupational or health risks.
11. Construction of motorways, express roads, lines for long-distance railway traffic, and airports with a basic runway length of 2,100 meters or more. Construction of new roads with four or more lanes or realignment and/or widening of an existing road 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.
12. Pipelines, terminals, and associated facilities for the large-scale transport of gas, oil, and chemicals.
13. Seaports and also inland waterways and ports for inland waterway traffic that permit the passage of vessels of over 1,350 tonnes; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) that can take vessels of over 1,350 tonnes.
14. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.

15. Construction or significant expansion of dams and reservoirs not otherwise prohibited.
16. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
17. Industrial plants for the (a) production of pulp from timber or similar fibrous materials; or (b) production of paper and board with a production capacity exceeding 200 air-dried metric tonnes per day.
18. Peat extraction.
19. Quarries, mining, or processing of metal ores or coal.
20. Major exploration and development of on-shore oil and gas reserves.
21. Exploration and development of off-shore oil and gas reserves.
22. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tonnes or more.
23. Large-scale logging.
24. Large-scale power transmission.
25. Municipal wastewater treatment plants servicing more than 150,000 people.
26. Municipal solid waste-processing and disposal facilities.
27. Large-scale tourism and retail development.
28. Large-scale land reclamation.
29. Large-scale primary agriculture/plantations involving intensification or conversion of previously undisturbed land.
30. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tonnes of finished products per day.
31. Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows.
32. All projects with potentially major impacts on people or which pose serious socio-economic risk, including but not limited to Physical and Economic Displacement, impacts on Indigenous Peoples and adverse impacts on Cultural Heritage.
33. Greenfield housing developments that contain more than 2,500 residential units.
34. Projects, not categorically prohibited, but located in or sufficiently near sensitive locations of national or regional importance which may have apparent environmental impacts on : Wetlands; Areas of archeological significance; Areas prone to erosion and/or desertification; Areas of importance to ethnic groups/indigenous peoples; Primary temperate/boreal Forests; Coral reefs; Mangrove swamps; Nationally-designated seashore areas; and Managed resource protected areas, protected landscape/seascape (International Union for the Conservation of Nature (IUCN) categories V and VI) as defined by IUCN's Guidelines for Protected Area Management Categories. Additionally, these projects must meet IUCN's management objectives and follow the spirit of IUCN definitions.

35. Projects that involve conversion or degradation of Critical Forest Areas or forest-related Critical Natural Habitats.

36. Projects involving the construction of dams that significantly and irreversibly: (a) disrupt natural ecosystems upstream or downstream of the dam; or (b) alter natural hydrology; or (c) inundate large land areas; or (d) impact biodiversity; or (e) displace large numbers of inhabitants (5,000 persons or more); or (f) impact local inhabitants' ability to earn a livelihood.

Appendix B

The Fund will ensure that each agreement with its borrowers includes at the minimum, the following ESG representations:

- *The Borrower shall have adequate management systems to screen investments against the Fund's exclusion list described below and represent that they have not refinanced and will not refinance in the future the following activities:*
 - *Production of or trade in any product or activity deemed illegal under applicable laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs⁹, wildlife or products regulated under CITES¹⁰;*
 - *Production or trade in weapons and munitions;*
 - *Production or trade in alcoholic beverages (excluding beer and wine);*
 - *Production or trade in tobacco;*
 - *Gambling, casinos and equivalent enterprises;*
 - *Pornography and/or Prostitution;*
 - *Activities involving or relating to racist and/or anti-democratic media;*
 - *Activities leading to the destruction of High Conservation Value Areas¹¹;*
 - *Production or trade in radioactive materials; this does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source to be trivial and/or adequately shielded;*

⁹ PCBs: Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

¹⁰ CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora.

¹¹ An area designated on the basis of High Conservation Values (HCVs) which are biological, ecological, social or cultural values considered outstandingly significant at the national, regional or global level.

- *Production or trade in unbounded 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;*
- *Production or activities involving harmful or exploitative forms of forced labor¹²/harmful child labor¹³ or any form of human trafficking;*
- *Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals; “hazardous chemicals” include gasoline, kerosene, and other petroleum products;*
- *Production or activities leading to cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations; and*
- *Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.”*

¹² Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

¹³ 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 C

1. GENERAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

Risks	Potential Impacts
Release of air pollutants (air emissions)	Pollution of air, land, and surface water
Release of liquid effluents or contaminated wastewater into local water bodies or improper wastewater treatment	Surface water pollution
Generation of large amounts of solid waste and improper waste management	Pollution of land, and ground and surface water
Improper management of hazardous substances	Contamination of adjacent land and water
Excessive energy use	Depletion of local energy sources and release of combustion residuals leading to air pollution
Excessive water use	Depletion of water resources
High or excessive noise levels	Negative effects on human health and disruption of local wildlife Improper or excessive land use
Improper or excessive land use	Soil degradation and biodiversity loss

2. Occupational Health and Safety

Risks	Potential Impacts
Physical Hazards	
Slips, trips, and falls	Worker injury (sprains, strains, fractures)
Falls when working at heights	Worker injury or loss of life (fractures, life-threatening trauma)
Collision with moving equipment (vehicles, forklifts, cranes)	Worker injury or loss of life (life-threatening trauma)
Caught in by improperly enclosed, unguarded or moving machinery	Worker injury or loss of life (cuts, traumatic amputation)
Exposure to high or excessive noise levels	Loss of hearing
Exposure to extreme temperatures	Hypothermia, heat stress, dehydration
Contact with exposed or faulty electrical wires	Worker injury or loss of life (electrocution)
Explosions or fire due to ignition of dust or flammable materials	Worker injury or loss of life (asphyxiation, burnings)
Exposure to ionizing radiation (x-rays)	Worker injury or loss of life (skin lesions, radiation sickness, cancer)
Exposure to non-ionizing radiation (ultra violet, visible light)	Worker injury or loss of life (burns, blindness, skin cancer)
Chemical Hazards	
Inhalation, skin contact, or ingestion of hazardous chemicals (e.g. pesticides, solvents)	Worker injury or loss of life (irritation, damage to internal organs, intoxication)
Inhalation of dust	Worker illness (decreased lung capacity)
Exposure to hazardous atmosphere in confined spaces	Worker loss of life (asphyxiation)
Biological Hazards	
Exposure to blood or bodily fluids from persons or	Worker illness or loss of life

animals carrying pathogens	
Exposure to airborne or vector-borne diseases (bacteria, viruses or mold/fungi)	
Exposure to poisonous plants, animals or insects	
Lack of appropriate welfare facilities (e.g. potable water, toilets, washing facilities)	Worker ill-health
Ergonomic Hazards	
Repetitive motions	Worker injury (sprains and strains to muscles and connective tissues causing pain, inflammation, numbness or loss of muscle function)
Improper techniques for lifting heavy items	
Improperly designed or aligned work stations	
Standing for long periods of time	

3. Labor

Risks	Potential Impacts
Lack of contracts, use of contracts not understood by workers, or use of contracts with terms that are different from actual working conditions	Forced Labor
Exploitation of migrant or temporary workers by labor contractors, including unlawful wage deductions (e.g. excessive recruitment fees, transportation/housing costs)	Forced Labor
Low or insufficient wages	Excessive overtime and perpetuation of poverty cycle for workers (which can also lead to child labor)
Excessive overtime	Worker fatigue leading to higher injury rates and illnesses
Exploitation of young workers or student workers	Child Labor
Lack of freedom of association or grievance mechanisms	Mistreatment of workers and workers with no ability to voice concerns or submit complaints
Discriminatory hiring and promotion practices	Negative work environment and unequal access to opportunities and benefits
Verbal and physical (sexual) harassment	Worker dissatisfaction and trauma
Unsafe and unhygienic living quarters for workers	Workers ill-health

4. Community Health, Safety and Security

Risks	Potential Impacts
Release of pollutants and harmful dust into ambient air	Negative impacts on the community's health
Surface or drinking water contamination	
Strain on local water supply	Conflicts among competing water users
Exposure to hazardous substances	Negative impacts on the community's health
Spread of diseases due to the influx of workers	
Increase of disease vectors (e.g. mosquitoes, flies, rodents) from failure to manage liquid and solid wastes	
Release of unpleasant odors	
Excessive noise	

Improperly controlled or trained security guards	Violence against local community members
Excessive or unregulated vehicle traffic near the facility and through communities at inappropriate times (e.g. children going to school)	Injury/death of community members due to vehicular accidents
Poorly designed and constructed buildings and infrastructure	Injury/death of community members and damage to neighboring properties

Appendix D1

SIMA Onsite ESG Checklist (for Off-Grid Solar Distributors and Manufacturers)

1. Nature of the client's business:
 - a. name, location (region, city/town and type of neighborhood - commercial or residential)
 - b. industry sector, product manufactured, capacity, no of employees
 - c. main markets (domestic/export (specify countries))

2. Key indicators of problems:
 - a. House keeping in the work area
 - b. Evidence of liquid and solid wastes in the workplace
 - c. High levels of noise (intermittent or continuous)
 - d. Strong smell's/irritants
 - e. Access, fire risk

3. Handling of wastes:
 - a. Whether hazardous or not (check with client)
 - b. How are batteries, used equipment recycled or disposed of? Describe process and ID specific risks.
 - c. Waste water and effluents
 - d. Treatment
 - e. Presence of toxic/hazardous materials
 - f. Disposal mechanism
 - g. Air emissions from stacks (chimneys)

4. Human resources policies and working relations
 - a. Do workers have legal contracts and benefits according to the law: social security, minimum age, working hours, collective bargain?
 - b. In case the law is silent about this, does the company prevent collective bargain or hire workers under the age of 18 in exploitative forms?
 - c. In case of contracted personnel, is there a reasonable control over these aspects? Are environmental and social aspects introduced into the contract with service providers?
 - d. Are equal opportunities granted to women and minorities?

5. Social and labor issues:
 - a. Labor and working conditions and ability to have representation
 - b. Relations with local communities, disclosure and transparency
 - c. Were there any adverse consequences to the community from the Company's land use or logistics?
 - d. Records of problems, complaints and protests from local communities

6. Environmental Regulations Compliance:
 - a. Is the Company in possession of all required Health Safety and Environment (HSE) permits and approvals?; Has the Company paid any excess charges or fines/penalties for non-compliance with HSE regulations and standards in the last two years? ; Is the Company exposed to potentially significant HSE liabilities, such as those arising from land / groundwater contamination, related to the Company's past or ongoing operations? If yes, specify magnitude?; Has the Company had any significant **accidents or incidents** in the last two years (e.g., oil spills, fires) involving deaths or multiple serious injuries and/or significant environmental damage? Was the company inspected by relevant government/municipal authorities in last 2 years? If yes, provide results.

7. Social issues and community relations:

- a. How does the Company engage with community and its leaders? How do the Company's activities impact the community health, safety and security?
- b. Are there any other of the Company's activities effecting conservation and sustainable management of natural resources?
- c. Are there any other of the Company's activities effecting indigenous peoples and cultural heritage? Identify and assess any specific risks.

8. In the event that the Company is not materially in compliance with HSE regulations and standards, or if there are potentially significant HSE risks, describe further actions required by the authorities and/or planned by the Company to address these issues satisfactorily, and to achieve regulatory compliance.

Document approved by:

SIMA Managing Partner Signature Date

Print Name

Appendix D2

SIMA Onsite ESG Checklist (for financial access companies)

1. Nature of the client’s business:

- a. name, location (region, city/town and type of neighborhood - commercial or residential)
- b. Major loan & Investment products

2. Portfolio Information:

Product Line	Total Exposure (US\$ Millions)	Average Transaction (US\$ Millions)	Max Transaction Size (US\$ Millions)
Individual Loans			
Female Borrowers			
Group Loans			
Other			
Deposit/Saving Products			

3. Loan Exposure in 5 Major Industries:

1.	
2.	
3.	
4.	
5.	

4. Indication of Most Appearing E&S Risks (during your own assessment)

	Volume (US\$)	% of Total Portfolio
How many loans have been screened for E&S issues?		
How many interventions have led to:		
a) Awareness		
b) Explain & Educate		
c) Decline of loan		

5. Indicate with 'X' the most frequent risks encountered in portfolio

	Frequent	Not Common	N/A	Indicative % of portfolio
Air Pollution				
Deforestation				
Fish depletion				
Littering and disease and pest occurrence				
Soil depletion				
Water pollution				
Fire and explosion				
Infection of HIV/AIDS				
Intoxication				
Occurrence of diseases				

Occurrence of harmful bacteria and diseases				
Personal injury				
Bad working environment				
Harmful child labour				
Unfair labour conditions				
Other; please specify:				

5. Environmental & Social Management

Processes	Yes/No	
Does company have an ESG policy and have there been any updates?		If yes, please provide a copy of the updated procedure and reasons for the same.
Has Senior management signed off on the changes?		If yes, please provide details.
Were most of the loans screened for E&S issues?		If yes, please provide details and numbers.
Were any transactions rejected on account of your exclusion list?		If yes, please provide details.
Were there any difficulties and/or constraints related to the implementation of the environmental procedures?		If yes, please provide details.
Were there any material environmental and social issues (such as accidents, work-related illness) associated with borrowers during the reporting period in particular?		If yes, please provide details.
Supervision and Monitoring	Yes/No	
Does company supervise the environmental and social performance of clients?		If yes, please describe how you do this and the extent of coverage of your portfolio.
Does company conduct client visits to take in account environmental and social issues?		If yes, please describe the process including any environmental and social issues considered.
Sustainable Finance	Yes/No	
Have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, community development, etc led to changes in behavior or measurable benefits?		If yes, please provide details.

6. Human resources policies and working relations

- a. Do workers have legal contracts and benefits according to the law: social security, minimum age, working hours, collective bargain?
- b. In case the law is silent about this, does the company prevent collective bargain or hire workers under the age of 18 in exploitative forms?
- c. In case of contracted personnel, is there a reasonable control over ESG aspects? Are environmental and social aspects introduced into the contract with service providers?
- d. Are equal opportunities granted to women and minorities?

7. Environmental Regulations Compliance:

- a. Are there any local ESG-related regulations which are required to be complied with?
- b. Are there any third-party recommendations regarding ESG issues, and if so are they complied with?
- c. Whether any other lender has highlighted any issue on ESG or ESMS?.

Document approved by:

SIMA Managing Partner Signature Date

Print Name