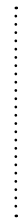


# GoldenPeaks Capital

("GPC")



*Environmental, Social & Governance  
Management System Plan*

("ESGMS")

Updated June 2020

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## Section A: Introduction and Scope

The Objective of the Golden Peak Capital's ("GPC") Environmental, Social & Governance Management System ("ESGMS") policy is to ensure that the GPC Group and its subsidiaries have a responsible approach towards its employees, suppliers and local communities, the environment and society and believes that this is an essential part of its success. These policies will provide a framework that will integrate social and environmental governance into GPC's daily processes, and will be implemented concurrently with the existing risk management procedures.

ESGMS will assist in making sure that GPC's business operations and investments will always adhere to the highest ESG standards and will assist in determining which projects may have potential ESG risks.

For the sake of clarity, the key policies are summarised below:

The Group (GPC) continually endeavors to ensure effective ESG management practices in all its activities, products and services with a special focus on the following:

1. Ensuring that projects focus on the development and deployment of appropriate and proven renewable energy technologies across our target geographical regions;
2. Ensuring that leadership, innovation and sustainability are core principles underpinning the financing of renewable energy project investments for avoidance, adaptation and/or mitigation of negative impacts associated with climate change;
3. Ensuring that all activities undertaken by the Group are consistent with the Applicable Requirements (see Appendix 1);
4. Ensuring that all projects are reviewed against the Applicable Requirements;
5. Financing projects only when they are expected to be designed, built operated and maintained in a manner consistent with the Applicable Requirements;
6. Making best efforts to ensure that all projects are operated in compliance with the Applicable Requirements on an ongoing basis, during the term of the Group's management and oversight;
7. Ensuring transparency in its activities;
8. Ensuring that the third party service providers and partners understand the policy commitments made by the Group in this area.

GPC intends to implement the ESG policy through a systematic process of education. We hold our company to the same high ethical standards that we expect from our partners. We will lead by example and foster a principle of responsibility in everything that we do.

## **Section B: Implementation**

It will be necessary to regularly communicate across the organisation the importance of ESG and its implementation. This will be achieved through internal memos, staff meetings and newsletters

This will help foster a sense of responsibility for all staff members so that they may implement the ESG in their day to day duties.

### **1. Role of the ESG Officer**

At any time throughout the life time of the Golden Peaks Capital there will be at least one qualified ESG Officer. The definition of qualified being that the individual will have attended one of the designated courses in this area.

The ESG Officer will also be a member of GPC's senior management team, which will ensure that they have the sufficient knowledge and authority to influence the decision making process and ensure that ESG is implemented throughout the company.

The ESG Officer should have a sufficient grasp of both environmental, social and financial issues to enable them to perform the following tasks:

- Manage GPC's overall ESG policy and implementation of ESG
- Coordinate GPC's available resources to ensure ESG risk management and firm-wide education
- Streamline GPC's ESG within the investment due diligence process
- Report any breaches or issues with ESG to the Executive Committee and take the necessary remedies.
- Review and approve GPC'S annual ESG performance report to Executive Committee.

The ESG Officer may be supported or may delegate some of their responsibilities to members of the team especially during the due diligence process, but ultimate responsibility will lie with the ESG Officer. This delegate will be known as the ESG Coordinator.

The ESG Coordinator may be responsible for the:

- Collection of data during evaluation, documentation and preparation for due diligence reports.
- Supervising the Group's ongoing compliance with the applicable requirements on an ongoing basis, and resolving breaches or other ESG issues.
- Preparation of the annual ESG performance report and the maintenance of records.

## 2. Projects

The following procedures will be laid out to ensure that the ESG policy is an integral part of the investment analysis and process, from initial screening to exit, with an emphasis on the provision of durable education to project companies and service providers so that the ESG policies are adhered to even after GPC's involvement. A full ESG Procedures list appears in Appendix 3.

### i. Due Diligence

During the **Initial Screening Process**, when prospective deals are discussed the Deal Manager (DM) will have the first opportunity to veto a deal if they feel that the project's operations fall within ESG's Exclusion List (see Appendix 2). If the DM learns that the potential investment has a history of environmental incidents then the project will no longer be considered for evaluation. At this stage the DM must assign a Risk Category to the potential investment according to the IFC Environmental Risk Category System (A – High Risk, B – Medium Risk and C – Low Risk. See Appendix 3) including the rationale for such a classification.

If the investment passes for further evaluation, the DM must also discuss any potential or known ESG issues that are or could be associated with the project. Furthermore if the project has been classified as a Category A project, the DM must propose what steps will be taken to carry out the ESG Due Diligence (ESGDD) third party report, or the limited ESGDD for Category B deals.

At the next analysis stage the steps the DM must take during the due diligence process will differ depending on whether the deal has been assigned as a Category A, B or C deal.

If Category A the DM must:

- Define the scope of the ESG Audit for brownfield projects or ESG Impact Assessment (ESGIA) for greenfield projects.

- Engage with a third party consultant or expert and discuss the review (including any scoping or ESGIA reports completed).
- Use IFC Performance Standards (Appendix 3) as guidelines to create Terms of References (TOR).
- Contract with third-party experts for delivery of the ESGDD (Audit or EIA).
- Provide the ESGDD report outline (see Appendix 4) and manage process until report completed with Corrective Action Plans, as needed.

If Category B the DM must:

- Verify (by inspecting documents or discussing with relevant authorities) that the project has all relevant permits and is in compliance with applicable National Social and Environmental Laws and Regulations, and (if applicable) IFC Performance Standards, and ensure that they are current.
- Investigate and resolve specific issues identified in earlier steps. Agree on actions required as pre-conditions of investment.
- If specific issues cannot be mitigated, or are outside the Group's competence, engage a third-party expert to provide a second opinion or undertake a limited ESGDD.
- If internal due diligence shows the need for a second opinion or a limited ESGDD, engage a third-party expert.
- Determine TORs using relevant IFC Performance Standards, ensuring that relevant issues are detailed, with action plans as required, in ESGDD report (see Appendix 4).

If Category C the DM must:

- Ask the Executive Committee to warrant that it has all relevant permits and is in compliance with the applicable National Social and Environmental Laws and Regulations and to review the documentation and ensure that it is current.

If the deal progresses next stage the ESG procedures for Category C projects need only ensure that the final terms include conditions stating that the project will comply with the applicable National Social and Environmental Laws and Regulations. For Category A and B deals the procedures are similar, below.

If Category A and B the DM must:

- Include in the final terms standard conditions stating that the company will comply with the applicable National Social and Environmental Laws and Regulations and IFC's Performance Standards (if applicable).
  - o If internal and/or external ESGDD review feedback has identified any specific issues of concern, negotiate appropriate

- corrective action with the potential DM.
- If recommended by ESG Audits or Impact Assessment, prepare and agree on a detailed ESG Action Plan. Include reference to such measures in the final terms.
- If the costs of the necessary ESG actions are significant, re-evaluate the attractiveness of the project within the context of the DM's business and financing plans against ESG risks or liabilities.

At the final stage there are no further requirements for the Category C deals but for the Category A and B deals the DM must ensure that the project includes:

- Summary of the relevant ESG issues in for consideration by the Executive Committee. Points to cover:
  - ESG Category assigned to the project.
  - ESG Due Diligence approach and findings (if applicable).
  - Agreed solution to any issues arising.
  - Issues which remain unresolved and require consideration by the Executive Committee.

## ii. Monitoring and Education

It is important to emphasize the objective of the ESG is not just to obtain full compliance from the potential projects but also to achieve lasting commitment from its management through the belief that there are ongoing benefits to be reaped by following a sustainable and ethical business plan. The ESG Officer and Environmental Coordinator will have access to and training on the best ESG market practices and it will be his or her duty to educate project companies in these practices and provide the relevant material to encourage implementation.

Specifically, all Category A, B and C companies will be required to monitor their ESG performance and include commentary in their annual report to the Group, however Category A and B companies will also be required to:

- Ensure that ESG issues are a recurring agenda item for all Board or equivalent meetings, for as long as GPC is a shareholder.
- Include discussion on ESG issues during routine investment supervision activities (particularly site visits) and keep appropriate notes on file.
- Obtain annual ESG reports from the project companies, follow-up as appropriate, and monitor the progress of the ESG Action Plan and compliance with applicable national ESG laws and regulations and IFC Performance Standards (if applicable).
- Report as part of annual performance reporting to the Executive Committee, include a section providing a brief review of the environmental, health & safety and social status of the Group's investments and any issues or problems arising

iii. Exit

Following on from the education of management, responsibility for an project company should not stop at exit. It is our duty to ensure that the necessary tools have been provided to management in order for them to fulfil their ongoing ESG obligations. In situations when the Group has exited we will endeavour to help our previous project companies in areas of ESG responsibility where possible, and where not possible we should guide them to the necessary source of information.

However, prior to the Group's exit from the project company, the ESG Officer should identify potential ESG issues requiring attention prior to disposal (either internally or by engaging third-party experts). Furthermore, for Category A investments the ESG Officer will obtain additional assurances regarding the project company's readiness to withstand close scrutiny by a potential new owner.

**3. Management of the ESG Framework with GPC**

The ESGMS will need to be periodically reviewed and updated to ensure that it remains relevant and effective over time and incorporates the Group's existing needs. It will remain the responsibility of the ESG Officer to keep senior management of GPC informed of the challenges and successes of ESG implementation as well as the associated issues maintaining a ESGMS.

The ESG Officer should identify and assess the potential difficulties with operational aspects of the ESGMS implementation and make changes as necessary. The scope of the ESGMS should be updated to reflect emerging ESG risks of project investments when they are detected during the due diligence process. Finally, the ESGMS should be modified in a timely fashion to encompass revisions made to the applicable national laws on environment, health and safety.

**4. GPC's Reporting to Partners**

The Group commits to producing an annual ESG Performance Report (ESGPR) which will be based upon ESG Reporting Template (ESGRT). This report includes project information, progress on ESGMS implementation and assessment procedures, ESG issues associated with project companies and the non-compliance of projects. The ESG Officer will also be responsible for collecting all the necessary information from the underlying project companies, including:

- Requests and reviewing periodic reports of projects, including reports of incidents and accidents.
- Following up with projects to ensure that plans for corrective actions to address potential ESG risks are effectively implemented.



- Following up with projects in cases of non-compliances and ensure these are corrected within a reasonable timeframe with help from consultant as necessary.
- Site visits.
- Ensuring that all records are maintained for regulation screening, industry sector/technical reviews, risk category allocation, and investment due diligence to evaluate ESG risks.

The ESG Officer will be responsible for submitting the final report to Executive Committee. It is also the duty of the ESG Officer to report as soon as possible in case any of the following occurs:

- Any project company experiences major accidents or incidents that have occurred or that have received media attention.
- Any high risk projects prior to investment decision.

## **Section C: Appendices**

### **Appendix 1**

#### **Applicable Requirements**

The Group will ensure that all projects are reviewed and evaluated against the following ESG requirements:

- 1 The Exclusion Lists for all activities/projects (see Appendix 2);
- 2 The applicable national laws on environment, health, safety and social issues and any standards established therein for all corporate and SME lending;
- 3 In case of Category A projects the IFC's Environmental and Social Performance Standards in corporate and project finance transactions.

## Appendix 2

### Exclusion List

1. Production or activities involving forced labor<sup>1</sup> or child labor<sup>2</sup>
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
3. Any business relating to pornography or prostitution.
4. Trade in wildlife or wildlife products regulated under CITES<sup>3</sup>
5. Production or use of or trade in hazardous materials such as radioactive materials<sup>4</sup>, unbounded asbestos fibers and products containing PCBs<sup>5</sup>.
6. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
7. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
8. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances<sup>6</sup> and other hazardous substances subject to international phase-outs or bans.
9. Destruction<sup>7</sup> of Critical Habitat<sup>8</sup>

In addition to the above, the financing of projects is excluded, when the following activities form a substantial<sup>9</sup> part of a project sponsor's primary operations or those of the project:

10. Production or trade in
  - a) weapons and munitions
  - b) tobacco
  - c) hard liquor
11. Gambling, casinos and equivalent enterprises<sup>10</sup>

<sup>1</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>2</sup> Employees may only be taken 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.

<sup>3</sup> CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

<sup>4</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded.

<sup>5</sup> 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.

<sup>6</sup> Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODS and their target reduction and phase-out dates.

<sup>7</sup> Destruction 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 (see footnote 10) is lost.

<sup>8</sup> Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

<sup>9</sup> A benchmark for substantial is 5 - 10 % of the balance sheet or the financed volume.

<sup>10</sup> In Financial Institutions this is calculated with regard to the portfolio volume financing such activities.

## Appendix 3

### Environmental Risk Category and ESG Procedures

- *High-Risk Projects*
  - Dams and reservoirs; mining and quarrying
  - Large-scale forestry and logging; agro-industries; industrial plants
  - Major new industrial estates; oil and gas developments, including major pipelines
  - Large ferrous and non-ferrous metal operations; pulp and paper industries; port and harbor developments; thermal or hydropower development
  - Manufacture, use or disposal of large quantities of pesticides/herbicides and mineral fertilizers
  - Manufacture, transportation and use of hazardous and/or toxic materials
  - Domestic and hazardous waste disposal operations
  - Large-scale tourism developments; textile industries involving wet processes; transportation projects (airports, highways, motorways, railroads)
  - Projects in or near to highly sensitive and high value ecosystems; with large resettlement components and all projects with potentially major impacts on human populations; affecting indigenous or tribal populations; which impose serious occupational or health risks; which pose serious socioeconomic concerns
- *Medium-Risk Projects*
  - Agribusiness (small scale); city hotels, small scales tourism; general manufacturing
  - Chemical industries, without any bulk storage of inflammable, explosive or hazardous substances; manufacture of plastic products
  - Processing and preservation of fruit and vegetable, fish, meat; vegetable/animal oil production and processing; manufacture of wines and other fermented beverages; dairy products manufacture
  - Manufacture of leather products (except tanning and dyeing); repair and maintenance shops; spinning, weaving and finishing of natural and synthetic fabric; printing
  - Manufacturing of wood products; saw milling; manufacture of veneer, plywood and other wood-based materials; small power plants
- *Low-Risk Projects*
  - Establishment of business services industries (business advisors, accountancy auditors, etc.); advisory assignment; life insurance companies
  - Education and training; broadcasting (TV, radio, satellite); health and family planning; purchase of computer equipment
  - Establishment and equipment of art, design, telecommunications studios; restaurants and other food premises

- Spinning, weaving and finishing of natural and synthetic fabric; tailoring and dress-making shops; manufacture of leather products and clothing (except where tanning or dyeing is involved)

## ESGMS Procedures

ESGMS PROCEDURES			
INITIAL SCREENING	<p>1. Check that the project's operations are not included on the <b>Exclusion List</b> (Appendix 2).</p> <p>2. Assign Project <b>Categorization A, B or C</b> depending on the significance of ESG impacts:</p> <ul style="list-style-type: none"> <li>▪ <i>Category A - "high impact"</i> Projects likely to have significant adverse ESG impacts that are sensitive, diverse or unprecedented. Procedure: will probably require detailed <b>ESG appraisal by third-party experts and a full EIA</b>.</li> <li>▪ <i>Category B - "medium impact"</i> Projects likely to have limited adverse ESG impact that can be readily mitigated. Procedure: limited review by <b>third-party experts may be advisable in some cases</b>.</li> <li>▪ <i>Category C - "low impact"</i> Projects with minimal or no adverse ESG impact. Procedure: <b>beyond screening, no further ESG action is required</b>.</li> </ul> <p>3. Mark appropriate category while incorporating deal/opportunity in the Fund deal log.</p>		
	FIRST REVIEW	<p>4. Regardless of Project 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 ESG status and issues associated with the project.</li> <li>▪ Proposed ESG Due Diligence (ESGDD) by third-party experts for Category A projects</li> <li>▪ Limited ESGDD for Category B projects (on a case-by-case basis).</li> </ul>	
SECOND REVIEW	<i>Category A - "high impact"</i>	<i>Category B - "medium impact"</i>	<i>Category C - "low impact"</i>
	<p>5. Determine the scope of work for an ESG Audit (for brownfield projects) or an ESG Impact Assessment – EIA (for greenfield projects).</p> <p>6. Engage third-party consultant or expert and discuss review (including any scoping or EIA reports completed).</p> <p>7. Use IFC Performance Standards as guidelines to create Terms of References (TOR).</p> <p>8. Contract with third-party experts for delivery of the ESGDD (Audit or EIA).</p> <p>9. Provide the ESGDD report outline (see Appendix 4 3.5) and manage process until report completed with Corrective Action Plans, as needed.</p>	<p>5. Verify (by inspecting documents or discussing with relevant authorities) that the project has all relevant permits and is in compliance with applicable National Social and Environmental Laws and Regulations, and (if applicable) IFC Performance Standards.</p> <p>6. Investigate and resolve specific issues identified in earlier steps. Agree on actions required as pre-conditions of investment.</p> <p>7. If specific issues cannot be mitigated, or are outside the Group's competence, engage a third-party expert to provide a second opinion or undertake a limited ESGDD.</p> <p>8. If internal due diligence shows need for a second opinion or a limited ESGDD, engage third-party expert.</p> <p>9. Determine TORs using relevant IFC Performance Standards, ensuring that relevant issues are detailed, with action plans as needed, in ESGDD report.</p>	<p>5. Ask the project owner to warrant that it has all relevant permits and is in compliance with the applicable National Social and Environmental Laws and Regulations.</p> <p>6. No specific ESG action required.</p>

<b>TERM SHEET &amp; NEGOTIATION</b>	<p>10. Include in Term Sheet standard general conditions regarding compliance with the applicable National Social and Environmental Laws and Regulations and IFC's Performance Standards (if applicable).</p> <ul style="list-style-type: none"> <li>▪ If internal and/or external ESGDD review feedback has identified any specific issues of concern, negotiate appropriate corrective action with the portfolio Manager.</li> <li>▪ If recommended by ESG Audits or Impact Assessment or IFC's review feedback, prepare and agree on a detailed ESG Action Plan. Include reference to such measures in the Term Sheet.</li> </ul> <p>11. If the costs of the necessary ESG actions are significant, reevaluate the attractiveness of the investment within the context of the Manager's business and financing plans against ESG risks or liabilities.</p>	<p>7. No specific ESG action required.</p> <p>8. Include in Term Sheet standard general conditions regarding compliance with the applicable National Social and Environmental Laws and Regulations.</p>
<b>BINDING TERMS</b>	<p>12. Include a brief summary of the relevant ESG issues in the final terms for consideration by the Executive Committee. Points to cover:</p> <ul style="list-style-type: none"> <li>▪ the ESG Category assigned to the investment.</li> <li>▪ the ESG Due Diligence approach and findings (if applicable).</li> <li>▪ agreed solution to any issues arising.</li> <li>▪ any issues which remain unresolved and require consideration by the Executive Committee.</li> </ul>	<p>9. No specific ESG action required.</p> <p>10. Include in Term Sheet standard general conditions regarding compliance with the applicable National Social and Environmental Laws and Regulations.</p>
<b>PORTFOLIO MANAGEMENT &amp; VALUE ADDITION</b>	<p>14. Ensure that social &amp; environmental issues are a recurring agenda item for all Board of Directors or equivalent meetings, for as long as the Fund is a shareholder.</p> <p>15. Include discussion on social &amp; environmental issues during routine investment supervision activities (particularly site visits) and keep appropriate notes on file.</p> <p>16. Obtain annual ESG reports from the portfolio companies, follow-up as appropriate, and monitor the progress of the Social &amp; Environmental Action Plan and compliance with applicable national ESG laws and regulations and IFC Performance Standards (if applicable).</p> <p>17. As part of annual performance reporting to Investors, include a section providing a brief review of the environmental, health &amp; safety and social status of the Fund's investments and any issues or problems arising (per the format provided by SIFEM).</p>	<p>13. Monitor project ESG performance and include them in the annual reporting to Investors.</p>
<b>EXIT / DIVESTMENT</b>	<p>18. Prior to the Fund's exit from the investment, identify potential social and/or environmental issues requiring attention prior to disposal (either internally or by engaging third-party experts).</p> <p>19. In Category A projects and investments, obtain additional assurance about the Manager's readiness to withstand close scrutiny by a potential new investor.</p>	

**IFC's Performance Standards can be found at:**

<http://www.ifc.org/ifcext/sustainability.nsf/Content/PerformanceStandards>

## Appendix 4

**Carrying out the ESG Due Diligence (ESGDD)**

The ESGDD is the record of the Group'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 ESGDD is based on all or some of the following:

- Review of information in the public domain to check for any ESG controversies/news related to the project
- Review of project and ESG documents of the project
- Site visit and discussions
- Some technical/and ESG knowledge will be required along with knowledge of the technical issues in the project's sector and may require the use of an external consultant if the project is large and complex. Industry sector-wise ESG information is available at the following locations
  - World Bank Pollution Prevention and Abatement Handbook
  - IFC Sector guidelines

**Suggested ESGDD report outline**

Cover issues as applicable.

1. Background  
*Project Description, Site and Environment Setting, Land requirement*
2. Compliance with Applicable Requirements  
*Exclusion list, National Regulatory requirements, (Performance Standards if required)*
3. Environment Issues  
*Air Pollution, Water Pollution, Solid and Hazardous Wastes, Noise, Site Health and Safety, Chemical Hazards and Emergency Management*
4. Resources Utilization  
*Water, Construction material, Other*
5. Sensitive Receptors  
*Local Human settlements, Local Ecologically sensitive areas, Sites of cultural importance*
6. Social Issues  
*Land Acquisition, Rehabilitation and Resettlement, Indigenous Peoples, Impact on local livelihood, Public Opinion and Consultation*
7. Labor Relations  
*No Child or forced labor, Compliance with national labor laws*
8. Project consultation and local disclosure
9. EnvironmentalG Management /Corrective Action Plan
10. Summary and Recommendations
11. Financing Covenants/Conditions