

# ANNEX 6

**Environmental & Social Management System Manual**

**Final Version - GCF BOARD | JUNE 2023**

# 2023

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**BLUE GREEN BANK**  
A GREEN CLIMATE FUND INITIATIVE



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## LIST OF ACRONYMS

BGB	Blue Green Bank
EHS	Environmental Health and Safety
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
FI	Financial Institution
GBV	Gender Based Violence
GCF	Green Climate Fund
GHG	Green House Gas
HOPE	Home Ownership Providing Energy
HR	Human Resources
IFC	International Finance Corporation
ILO	International Labour Organization
IP	Investment Process

KPI	Key Performance Indicator
NDC	Nationally Determined Contribution
NFI	Non-Financial Institution
OHS	Occupational Health and Safety
SEA	Sexual Exploitation and Abuse
SEAH	Sexual Exploitation and Abuse and Harassment
SH	Sexual Harassment
USD	United States Dollars

# Definitions

The following definitions shall apply in this Manual:

**“BGB”**, means Blue Green Bank.

**“Due diligence”**, in the context of the environmental and social management system, means the process of investigating potential investments to confirm all facts, such as reviewing environmental and social safeguards, audits, assessments, and compliance before consideration of funding or entering into an agreement with another.

**“Environmental and social impacts”** refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on the surrounding community and workers, resulting from the activities to be supported.

**“Environmental and social management system (ESMS)”** refers to a set of management processes and procedures that allow an organization to identify, analyse, control, and reduce the environmental and social impacts of its activities, in a consistent way and to improve performance in this regard over time. For the purposes of this document, “ESMS” refers to the environmental and social management system of BGB.

**“Environmental and social risk”** is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

**“Intermediaries”** refers to subnational, national, regional or international public and private entities (financial or non-financial) with accredited capacities for intermediation.

**“SEAH”** means Sexual Exploitation, Sexual Abuse and Sexual Harassment.

**“Stakeholders”** refers to individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including from neighbouring governments, neighbouring projects, and nongovernmental organizations.

# 1 BGB's E&S manual and policy

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## 1.1 BACKGROUND TO THE BLUE-GREEN BANK

**The people of Barbados are being severely impacted by climate change, constraining the sustainable development ambitions of the country and threatening the lives and livelihoods of vulnerable communities.** These climate impacts are driven largely by the increased frequency and intensity of tropical storms and hurricanes — along with the associated impacts of sea level rise and storm surge — as well as decreasing rainfall with longer dry spells, lower soil moisture and increased aridity. **Urgent adaptation action is, therefore, needed to reduce the wide-reaching impacts on key economic sectors and secure a sustainable future for all Bajans.** In addition to these core adaptation needs; the country recognises the vital importance of global mitigation efforts to reduce the threat of future climate change exacerbating these impacts. To this end, despite contributing significantly less than 0.01% of global GHG emissions, Barbados' resilience strategy includes highly ambitious mitigation targets, including a transition to 100% renewable energy by 2030. These ambitious targets are intended to demonstrate the country's commitment to climate action, as well as to serve as an example to the rest of the world of the feasibility of the transition when innovative approaches are adopted.

**Unfortunately, despite these commitments, progress has been slow — especially in adopting renewable energies and water conservation initiatives by middle- to low-income households.** This relates primarily to the structure of ownership of capital in the Barbados economy and the financial ecosystem (see Barriers below for more detail). Given the existing fiscal constraints, Barbados' resilience strategy — encompassed in the Roofs to Reefs Programme (R2RP) — recognises the need to partner with the private sector to mobilise finance for innovative climate investments that are, or can be made, bankable. Such an approach will enable the government to direct the limited concessional finance available towards public-good resilience measures that do not have direct financial returns.

**There is a discernible gap in the market in Barbados and the Caribbean for a financial institution that can provide opportunities for existing financial institutions and capital markets to mobilise funds,** whether through conventional bank lending or alternative securitisation of revenue streams deriving from climate change mitigation and adaptation activities, thereby creating stronger and more diversified capital markets.

**To address the urgent need for innovative finance in Barbados, the proposed project will establish a sustainable climate finance vehicle — the Blue Green Bank (BGB) — to stimulate innovation in the financial sector with the goal of mobilizing the securities and loan markets in order to unlock additional funding for climate-responsive initiatives.** The BGB will be a joint public-private sector effort to create an improved financing infrastructure that works closely with other financing players — such as commercial banks, credit unions, pension funds, and insurance companies — to crowd in private capital alongside public capital, rather than crowding out the significant investment opportunities offered by these key financial institutions. For such institutions to become involved in climate change mitigation and adaptation activities, the leadership should be provided by a third party putting the deal together, for which it must establish the appropriate capacities in technical and HR terms, as well as appropriate management and institutional arrangements.

**The BGB is designed to become a significant institution for practical and strategic financing of climate change adaptation and mitigation policies and measures, supporting the Governments of Barbados to achieve national resilience and emissions reduction targets.** As a partnership which brings together public (Government of Barbados), private and multilateral institutions at the level of equity, the BGB can present a holistic view of the market and the potential for green financing by ensuring that new projects align with Barbados' NDC targets. Because the BGB's goal is national climate adaptation and mitigation, it will seek not to replace other financial institutions but to act as a partner and support system for them in this underdeveloped market segment. To this end, the bank will be wholesale in operation, providing support in the form of funds, guarantees or other mechanisms to existing lenders, whether banks, credit unions, insurance companies etc to facilitate the funding of blue/green programs contemplated by government policy. The BGB will also serve as a conduit between local

financial institutions and the Government of Barbados, allowing the BGB to identify market opportunities and provide feedback and data to inform policy decisions more effectively.

Once established, the BGB will engage with investors, including private investment firms, development banks, philanthropic organisations, and other sources of finance to continue to capitalise the bank over the long term. The bank will maintain a debt-finance to-equity ratio of 7:1, aiming to mobilise at least USD 620 million over the next 15 years.

**Overall, the BGB will promote a paradigm shift towards investment in resilient livelihoods and low-carbon technologies, with emphasis on low-income, vulnerable households and the energy, housing, agriculture and transport sectors.** The project will also build the wider community's awareness of climate investment opportunities in support of a more resilient and sustainable Caribbean. Finally, by focusing on climate resilience and adaptation for middle to low-income households – including a specific focus on women and other highly vulnerable groups – the BGB would aim to attract more concessional or philanthropic providers of capital, expanding the goals of climate action in Barbados without the need for further injections of money by the Government and GCF. This will create long-term sustainability and scalability in the banking sector, with the potential to scale beyond Barbados into the broader Caribbean region over time.

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## 1.2 INFORMATION ON SUBPROJECTS TO BE FINANCED BY BGB

BGB will finance subprojects through Financial Intermediaries (FI) and Non-Financial Intermediaries (NFI). Examples of subprojects that BGB will target are subprojects under the HOPE program and the SHIFT program in Barbados. BGB will finance individual subprojects rather than providing finance to the entire program.

HOPE aims to construct and sell 2- and 3-bedroom concrete and hurricane-resilient houses for low-income markets. Additionally, all properties will be sold with PV panels on the roof and possibilities for water reclamation. This water will then be treated and sold for irrigation to agricultural projects, thereby enhancing Barbados' food security. The SHIFT program aims to install PV panels on 50,000 climate-resilient roofs for low-income households. Additionally, several investment areas have been preliminary identified for the second phase of BGB's subproject pipeline. These include subprojects that would reduce the reliance on food imports, climate resilience agriculture and vehicle-to-grid electric vehicle charging programs. The financial services that are most suitable for financing such projects will be determined by BGB's management team.

At the time of writing this ESMS Manual, concrete information about BGB's pipeline was not available (e.g., details on the exact location of subprojects). However, Eligibility Criteria were developed that BGB will use to select appropriate subprojects (refer to Annex 2.2 BGB Eligibility Criteria). These criteria are intended to help BGB and its intermediaries to appraise the subprojects against a comprehensive set of criteria supporting prioritization and selection of the most suitable subprojects. The Eligibility Criteria tool comprises the initial due diligence framework (step 1), the sector level due diligence (step 2), and a deep dive assessment (step 3). These steps include an assessment of the financial feasibility and environmental and social (E&S) aspects of the project, amongst others. One of the E&S criteria that will be assessed is the E&S Risk Category of the subproject, which the Eligibility Criteria limit to Category B and C subprojects (i.e., BGB will not finance Category A subprojects), as further explained in this ESMS Manual.

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## 1.3 ENVIRONMENTAL AND SOCIAL RISKS IN BARBADOS

This section provides an overview of the current environmental and social risks in Barbados.

### 1.3.1 Environmental impact assessments (EIA): current state of play in Barbados

Barbados has a planning and development (Environmental Impact Assessment) regulation of 2021 which provides guidelines for conducting EIA in Barbados<sup>1</sup>. The regulations require a board of the EIA committee to be appointed to advise the minister with respect to EIA assessment studies. The process allows for public participation and public scrutiny through commenting on proposed development projects<sup>2</sup>. According to local regulations, the following activities are required to conduct an EIA:

1. Major transportation infrastructure, including highways, airports, seaports, wharves, marinas, piers or jetties.
2. A fossil-fuelled electricity generating plant or alternative energy generation plant having a capacity greater than one megawatt, including but not limited to hydro-electric plants, geothermal energy plants, wind-power plants, solar-voltaic arrays, and waste-to-energy plants.
3. A crude oil storage or refinery facility or a petroleum and natural gas storage and pipeline installation.
4. A waste incinerator, sanitary landfill operation, solid waste disposal site, sludge disposal site, toxic waste disposal site or other waste management facility, other than a facility for sorting and processing of source-separated dry recyclable wastes.
5. A sewage or wastewater treatment plant, a desalination plant or a water purification plant.
6. An industrial plant for the manufacture, storage or use of cement, chemical products, paints or hazardous materials.
7. An industrial estate development project.
8. Mining operations, including quarries and sand mines (including the excavation, removal or deposit of beach materials and similar materials on the foreshore or seabed).
9. An operation involving land reclamation, dredging and filling of ponds.
10. A hotel or resort complex within excess of 50 rooms or a golf course.
11. Crematoria and funeral parlours.
12. Development within Heritage Conservation Areas or Protected Areas.

### 1.3.2 Labour and working conditions in Barbados

Barbados's constitution was published in 1966 and has been amended eight times with 2021 being the year of the latest amendment. The constitution encompasses human rights provisions including rights to life, personal liberty, law, inhuman treatment, slavery, and forced labour, arbitrary search and entry; freedom of movement, conscience, expression, assembly, and association; privacy, work, racial discrimination and deprivation of property.

Barbados has also ratified all eight of the International Labour Organization (ILO)'s Fundamental Conventions<sup>3</sup>:

- C029 – Forced Labour Convention;
- C087 – Freedom of Association and Protection of the Right to Organise Convention;
- C098 – Right to Organise and Collective Bargaining Convention;
- C100 – Equal Remuneration Convention;
- C105 – Abolition of Forced Labour Convention;
- C111 – Discrimination (Employment and Occupation) Convention;
- C138 – Minimum Age Convention; and

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<sup>1</sup> <https://www.barbadosparliament.com/uploads/sittings/attachments/e8b8ed6cd2c94db7cef68bf030b6ef68.pdf>

<sup>2</sup> <https://www.barbadosparliament.com/uploads/sittings/attachments/e8b8ed6cd2c94db7cef68bf030b6ef68.pdf>

<sup>3</sup> [https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200\\_COUNTRY\\_ID:103218](https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103218)



- C182 – Worst Forms of Child Labour Convention.

In terms of ILO's Governance (Priority) Conventions, Barbados has ratified three out of four, i.e., C081 Labour Inspection Convention, C122 Employment Policy Convention and C144 Tripartite Consultation (International Labour Standards) Convention. Only C129 Labour Inspection (Agriculture) Convention. ILO's Governance (Priority) Convention has not been ratified by Barbados.

Barbados has ratified ten of 178 Technical Conventions in relation to labour working conditions, which are:

- C011 – Right of Association (Agriculture) Convention;
- C012 – Workmen's Compensation (Agriculture) Convention;
- C017 – Workmen's Compensation (Accidents) Convention;
- C019 Equality of Treatment (Accident Compensation) Convention;
- C026 – Minimum Wage–Fixing Machinery Convention;
- C042 – Workmen's Compensation (Occupational Diseases) Convention;
- C063 – Convention concerning Statistics of Wages and Hours of Work;
- C090 – Night Work of Young Persons (Industry) Convention;
- C094 – Labour Clauses (Public Contracts) Convention;
- C095 – Protection of Wages Convention;
- C097 – Migration for Employment Convention;
- C101 – Holidays with Pay (Agriculture) Convention;
- C102 – Social Security (Minimum Standards) Convention;
- C108 – Seafarers' Identity Documents Convention;
- C115 – Radiation Protection Convention;
- C118 – Equality of Treatment (Social Security) Convention;
- C128 – Invalidity, Old–Age and Survivors' Benefits Convention;
- C135 – Workers' Representatives Convention;
- C172 – Working Conditions (Hotels and Restaurants) Convention; and
- MLC, 2006 Maritime Labour Convention.

The Ministry of Labour under the Labour Department has a section in charge of Occupational safety and health who are responsible for the administration of statutory provisions and the promotion of 'best practice' towards achieving acceptable working conditions<sup>4</sup>. The Department pursues this goal by working with employers and workers through a range of safety programs which includes: routine factory inspections, accident investigations, investigation of complaints, consultancy services, and public awareness and training. Barbados has a Safety and Health at Work Act Cap356 that aims to secure the provisions of safety, health and welfare for persons in the workplace as well as those external to the workplace who may be impacted by the activities that occur there. The law provides for the right of workers to refuse dangerous work without jeopardy to their employment, and authorities generally protected employees in this situation. Occupational accidents have significant

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<sup>4</sup> <https://gisbarbados.gov.bb/blog/changes-to-safety-health-at-work-act-cap-356/>

human, social and economic costs. Despite the regulations being in place Barbados' latest statistics stand at 388 non-fatal occupational injuries per 100 000 workers while occupational fatalities stand at 0.8 per 1000 000 workers<sup>5</sup>.

Barbados has a government-mandated minimum wage, supported under the Minimum Wage Act of 2017 and no worker in Barbados can be paid less than this mandatory minimum rate of pay<sup>6</sup>. Barbados has occupational minimum wages for categories such as shop assistants, domestic workers, and agricultural workers; although average wages tend to be higher than the minimum wage. Under the Minimum Wage Act, all businesses must pay their employees not less than the national or sectoral minimum wage that applies, whether they are employed on a full- or part-time basis, or as a temporary or permanent employee. Despite this, the country has reported several industrial actions over the years<sup>7</sup>. Reports show that the Minimum Wage Council has not met for a while, but is expected to do so soon. The Minimum Wage (National and Sectoral Minimum Wage) Order 2021, which came into effect on 1 April 2021, was established to:

- Increase the national minimum wage in Barbados;
- Increase the sectoral wage for security guards; and
- Revoke the Wages Councils (Wages Regulation) (Shop Assistants) Order 2012.

Migration is governed by several pieces of legislation: The Constitution of Barbados, the Barbados Citizenship Act (Cap. 186), the Barbados Immigration Act (Cap. 190) and the Caribbean Community (Movement of Skilled Nationals) Act. The Minister with responsibility for Immigration holds discretionary powers to make decisions on matters such as citizenship, work permits and extensions of stay. The Immigration Act, Chapter 190, states that no person shall engage or employ any person who is not a citizen of Barbados, permanent resident in Barbados or immigrant, unless there is a work permit in force covering that engagement or employment. Individuals desirous of working in Barbados must hold a permit<sup>8</sup>. The website of the Barbados Immigration Department indicates that, "*All non-nationals desirous of working in Barbados are required to register with immigration prior to commencing employment*". The website further distinguishes between short-term and long-term work permits; the former is valid for up to 11 months and the latter for up to three years. In both instances, employers make applications on behalf of the prospective employee. Employers must conduct a labour market needs test and provide proof that no local employee can or is willing to do the position being filled.

The Employment Act 2020 was enacted on 28 July 2020. Its key objective is to protect employees from discrimination. The law prohibits discrimination on grounds of age, skin colour, creed, disability, domestic partnership status, marital status, medical condition, physical features, political opinion, pregnancy, race, trade, gender, sexual orientation, social status, or union affiliation. The Employment Act contains a number of prohibitions in favour of employees, including a prohibition against an employer from requiring an employee to answer questions in relation to, or undergo a test for, a medical condition as a precondition to entering into a contract of employment or as a condition for the continuance of employment.

In Barbados, 83.3% of legal frameworks that promote, enforce and monitor gender equality under the SDG indicator, with a focus on violence against women, are in place. In 2012, 69.9% of women of reproductive age (15-49 years) had their need for family planning satisfied with modern methods<sup>9</sup>. To address these challenges, the Barbadian government has established and signed a number of initiatives aimed at promoting gender equality and women's empowerment. These include the Beijing Platform for Action, which outlines goals and objectives for achieving gender equality and women's rights in Barbados<sup>10</sup>. As a result of signing this document, Barbados has made significant positive progress towards freedom and equality for women such as eliminating the direct discrimination and violence against women in public spheres and activities. Barbados is also in compliance with the Inter-American Convention on the Prevention, Punishment, and Eradication of Violence against

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<sup>5</sup> <https://ilostat.ilo.org/topics/safety-and-health-at-work/>

<sup>6</sup> [https://uploads-ssl.webflow.com/624a33e623e2fe4579bb88f5/63c7bd3d83089404b77bfa0d\\_Minimum%20Wage%20Act%2C%202017.pdf](https://uploads-ssl.webflow.com/624a33e623e2fe4579bb88f5/63c7bd3d83089404b77bfa0d_Minimum%20Wage%20Act%2C%202017.pdf)

<sup>7</sup> <https://barbadostoday.bb/2023/02/18/industrial-action-could-be-avoided-minister/>

<sup>8</sup> <https://immigration.gov.bb/pages/WorkPermit.aspx>

<sup>9</sup> <https://data.unwomen.org/country/barbados>

<sup>10</sup> <https://www.un.org/womenwatch/daw/Review/responses/BARBADOS-English.pdf>

Women, the only binding and legal document against gender-based violence and upholds women's physical, sexual and psychological integrity<sup>11</sup>. The gender pay gap in the Caribbean remains alarmingly disparate, as the 2019 Human Development Report placed annual gross income for women at US \$13,686 while men earn US \$18,292, especially because women outnumber men as graduates of institutions of higher learning<sup>12</sup>.

The right to freedom of association is enshrined in the Constitution. Barbados ratified Convention No. 87 on Freedom of Association (The right to form and join the trade union of one's choosing as well as the right of unions to operate freely and carry out their activities without undue interference) and Protection of the Right to Organise (1948) in 1967 and Convention No. 98 on the Right to Organise and Collective Bargaining (1949) in 1967. In terms of collective bargaining, the government of Barbados neither supports nor guarantees it. Given the absence of any legal requirements, collective bargaining is only practised where there is goodwill between the parties or a tradition of such negotiations. According to reports on human rights 2022, employers recognized unions or collective bargaining where more the 50 per cent of employees made a request. The law prohibits anti-union discrimination and protects workers engaged in union activity<sup>13</sup>.

Employment Sexual Harassment Act 2017 was passed by the Barbados Parliament on the 21st day of October 2017. It protects both men and women from being subject to sexual harassment in the workplace. Section 4 requires all Employers to draft a clear Sexual Harassment Policy Statement which should be issued by the Employer to each Employee at the commencement of their employment<sup>14</sup>. The Sexual Harassment Act provides a framework for the reporting and lodging of complaints; and provides for the investigation, hearing and determination of sexual harassment complaints. The Act also provides for strict confidentiality, except to the extent necessary for the purposes of the Act. However, the Act does not cover instances of sexual harassment that may occur outside an employee's place of work, such as at a fete or in public or other places not associated with the Employees work or duties. Harassment of women and girls in Barbados is a widespread and pervasive issue as it has been normalized as part of the culture as reported in one article published in 2021 by one journalist<sup>15</sup>.

### 1.3.3 Resource scarcity and efficiency

The country is ranked among the top 10 most water-stressed countries in the world (OCHA, 2022) and, according to the United Nations Commission on Water, Barbados is a "water scarce" country. Barbados is almost entirely reliant on groundwater from aquifer sources and the drought of 1994-1995, which put the country on a scarcity level near many Middle Eastern desert nations, triggered the need for saltwater desalination to supplement groundwater sources. The desalination facilities produce 30,000 cubic meters of water per day, which supplies water for up to 20% of the population (USAID, 2021). In 2021, the country began importing water from CARICOM states to meet the local water supply (OCHA, 2022).

Water availability in Barbados is directly affected by the periods and intensities of the wet and dry seasons and by extreme weather systems (Government of Barbados, 2018). Changing precipitation patterns and rising sea levels will lead to an increase in saline intrusion into aquifers, which will impact the quality and quantity of suitable water (OCHA, 2022), which is likely to negatively impact water security.

In terms of energy, Barbados imports around 94% of its energy in the form of fossil fuels, which makes the country highly reliant on external providers, and impacted by cost fluctuations and the ability to supply and deliver. However, Barbados' resilience strategy includes highly ambitious mitigation targets, including a transition to 100% renewable energy by 2030.

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<sup>11</sup> <https://caribbean.unwomen.org/en/caribbean-gender-portal/caribbean-gbv-law-portal/gbv-and-state-accountability>

<sup>12</sup> <https://hdr.undp.org/system/files/documents/hdr2019pdf.pdf>

<sup>13</sup> <https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/barbados/>

<sup>14</sup> <https://www.bamlbb.org/post/copy-of-literacy-program-for-syrian-girls-refugees>

<sup>15</sup> <https://globalvoices.org/2021/07/29/journalist-working-remotely-in-barbados-shares-her-experience-of-street-harassment/#>

According to the 2021 NDC, the fishing and agricultural industries are impacted heavily by drought, flooding and storm damage, saline intrusion, pest and invasive species outbreaks and spread, and ecosystem destruction (Barbados, 2021), which impact livelihoods and food availability.

### **1.3.4 Pollution in Barbados**

Climate-related weather events can lead to pollution of the natural environment. Key examples include groundwater contamination from flooding, contaminated soils and saltwater intrusion, and disruption to key infrastructure and services, such as sanitation and solid waste collection, which impact groundwater, the marine environment and soil quality. Unsustainable land use practices result in runoff during extreme rainfall events, also polluting and degrading marine ecosystems.

A more recent concern, with a multitude of impacts, is the increase in drifting sargassum seaweed. This disrupts fisheries and has devastating impacts on tourism, damages critical nearshore ecosystems and coastal livelihoods, as well as causes significant health challenges for populations exposed to rotting sargassum (Juman, 2021). Health risks are related to the release of gases during decomposition, such as hydrogen sulphide and ammonia. Impacts can range from headaches and nausea to neurological and cardiovascular changes (Milkowska-Shibata, 2022).

Barbados has an approximate population density of around 660 persons per km<sup>2</sup>, making it one of the most densely populated islands in the Caribbean and it is within the top 20 most densely populated countries in the world, with roughly 25% of the island's population living within 2 km of the coast (Government of Barbados, 2018). Approximately 50% of the homes are concrete based while the remaining are typically timber structures, which are more vulnerable to extreme weather events.

Barbados is already being significantly and directly impacted by the increase in climate-related extreme events, including hurricane frequency and intensity, droughts, and sargassum seaweed influxes which are aggravated by the specific location of Barbados' beaches, coastline characteristics and social and economic factors (Barbados, 2021).

The projections of higher sea levels and increased tropical storm activity are expected to increase storm surge frequency and intensity, with the main impact of storm surges being flooding and, because of Barbados' generally low-lying topography, it has been estimated that storm surge flooding events could extend over 150–300m inland (Government of Barbados, 2018). Such events will lead to an increase in damage to coastal infrastructure and settlements, deterioration of coastal conditions and resources and knock-on effects on sectors of the economy, such as tourism, agriculture and fisheries (Government of Barbados, 2018). In addition, damage to utility infrastructure impacting centralised energy supplies, as well as water, gas and telecommunications infrastructure, has significant negative impacts on the well-being of the population and their health, with typical health impacts related to water and vector-borne diseases.

### **1.3.5 Health and safety risks for communities in Barbados**

#### **1.3.5.1 Overview of health and safety risks in Barbados**

The overall health profile of the country is of an ageing population which faces more health risks from non-communicable than communicable diseases. Barbados has one of the oldest populations in the Caribbean and the pace of ageing is inspected to increase.

The disease burden is increasingly dominated by non-communicable diseases. In 2019, cardiovascular diseases, diabetes, and cancers were the top three causes of death and disability. In 2016, the prevalence of overweight and obesity in the adult population was 52.4%, related to this 85.8% of the population reported insufficient physical activity. The NDC noted that obesity, heart disease, strokes and other non-communicable diseases (NCDs) are causing vulnerability in the population and that COVID-19 exacerbated this.

The 2010 census counted between 12,000 and 14,000 disabled people in the country, however, updated figures are missing.

On infant and maternal health, the maternal mortality ratio for 2017 was estimated at 27 deaths per 100 000 live births, which was a reduction of 46% from the estimated value for 2000. The infant mortality rate in Barbados also decreased from 12.8 to 10.1 deaths per 1 000 live births, a decrease of 21.1% from 2000 to 2020.

In 2020, there were new 2.1 cases of tuberculosis per 100,000 people and the overall tuberculosis mortality rate (age-adjusted and per 100 000 population) was 0.3 (0.2 in women and 0.3 in men). In 2019, the estimated human immunodeficiency virus (HIV) infection incidence rate (new diagnoses) was 34.8 per 100,000 and the age-adjusted mortality rate for HIV was 8.4 per 100,000, which was a decrease of 85.4% since 2000.

New and re-emerging communicable diseases such as chikungunya, dengue and Zika virus are current concerns in the country. Dengue fever is endemic and from 2010–2015, there were 2,955 confirmed cases, and 12 deaths. Chikungunya virus was introduced in Barbados in 2014 resulting in 139 laboratory-confirmed cases and the Zika virus in 2015 resulting in one confirmed case of congenital syndrome. Leptospirosis and typhoid are also recognized as risks in the country.

Air quality in Barbados is moderately unsafe as the annual mean concentration of PM<sub>2.5</sub> was 23 µg/m<sup>3</sup> in 2017 which exceeds the recommended maximum of 10 µg/m<sup>3</sup> from the WHO guidelines. Home heating with wood, vehicle emissions, waste burning, and electricity generation contribute to this poor air quality. The NDC also cites the issue of volcanic ash, following the eruption of La Soufriere in neighbouring St. Vincent in early 2021, which severely affected Barbados' agricultural sector, and more temporarily business and health.

### **1.3.5.2 Environmental and social factors compounding health and safety issues**

The NDC highlighted increased heat stress and greater prevalence of water and vector-borne diseases as the key health concerns related to climate change. Given the ageing population and that elderly people are particularly susceptible to heat stress, this is a critical concern.

The WHO also highlights that climate change can affect air quality, supplies of safe drinking water, sufficient food and secure shelter which can have a negative impact on health in the country and as a result illness and death from malnutrition and diarrhoea will increase globally.

Damages to health facilities from extreme events can also hinder health services.

### **1.3.5.3 Existing health and safety infrastructure**

Barbados' Ministry of Health and Wellness mission is *“to promote and manage health and ensure environmental concerns are considered in all aspects of national development, through the provision of comprehensive, coordinated and integrated care, supported by appropriately trained staff, national leadership and standards of excellence”* (Barbados Integrated Government website). Comprehensive health care is provided through a network of polyclinics, a secondary care institution, a mental hospital, and long-term facilities for the elderly and persons with disabilities. Health care services are provided free at the point of service in the public sector.

In 2019, public expenditure on health accounted for 2.8% of gross domestic product (GDP) and 10.6% of total public expenditure.

One indication of accessibility for people with disabilities, is the information available online about wheelchair-accessible shelters in case of hurricanes. However, there is a need for more data about people living with disabilities and there are concerns about issues of discrimination.

## **4. Further Recommendations for mitigating risk**

There are some synergies between addressing climate change issues and health, for example reducing emissions of greenhouse gases through better transport, food and energy use can result in improved health, particularly through reduced

air pollution. Initiatives which focus on water, sanitation and solid waste for mitigation and adaptation also have health co-benefits.

However, vulnerabilities as a result of health issues need to be included in community climate risk profiles and vulnerability assessments to ensure that adaptation measures address differentiated risk-related health concerns.

### **1.3.6 Eminent domain land acquisition in Barbados**

There is a local law, the Land Acquisition Act cap 228 which allows the government to compulsorily acquire land in Barbados. The acquisition process requires parliament to approve according to section 5 of the Land Acquisition Act Cap 228. Additionally, compensation with respect to compulsory is payable according to the act<sup>16</sup>.

Barbados' compulsory acquisition legislation allows the taking of properties for public purposes or uses that benefit Barbadians in general rather than individuals. No land is taken without adequate compensation and there are safeguards where Government would pay the cost of an independent valuation if the price offered is not accepted. Government also pays the reasonable attorney's fees in dealing with the compensation. Where the offer from Government as determined by the Barbados Revenue Authority is so far from the quantum assessed by the Valuer working for the property owner, either party can have the quantum of compensation determined by the Courts. Where persons are to be relocated as a result of an acquisition, persons obtain replacement houses and if they owned the land, a replacement lot (instead of compensation, where the concept of equivalent reinstatement is utilized).

Barbados' policy on informal settlements is such that if the informal settlement does not offend the planning authorities it is allowed to remain. However, if it offends, persons are notified, warned and enforcement action is taken. The enforcement action gives opportunities to bring the settlement in line with planning standards by seeking retention from the planning authorities. If the informal activities cannot be allowed to continue, the settlement becomes subject to removal. However, if the persons are below the poverty line or there are children or persons with disabilities involved, the social services and housing agencies are contacted to collaborate on rehousing. Barbados has been innovative in dealing with persons having tenures other than freehold. Tenants of house-spots must be given a minimum of six months' notice to vacate rented land; this is reduced to three (3) months if the person is being evicted for rent arrears. However, said Notice to Quit is discharged by the payment of the outstanding rent. More than five (5) persons living on an area of land subdivided for the placement of chattel houses constitute a tenantry, whereby the rental passing cannot be increased by more than 20% of what it was on 1 June 1974. Those same tenants from 1980 obtained a right to purchase their land with tenants paying only 10 cents per square foot for lots in listed plantation tenancies and \$2.50 per square foot in private tenancies. Agricultural tenants are also protected from eviction and in some cases are entitled to up to a year's notice. Agricultural tenants on listed plantations who were tenants in 1983 are entitled to of right to purchase their lots at a price to be agreed upon.

The policy of the government is that housing is a very important component of social life in the country. In this regard, the policy of the government is to build 20,000 housing units/ solutions in the next five years. These will cater to all segments of society and drive down prices in the market. The government has also enunciated that renting is 'dead money' and is encouraging all persons to acquire the freehold of the properties that provides them with residential accommodation.

There are several reports as to the number of vacant and derelict properties across the country; some reports suggest that there are more than 20,000 such lots. The Government intends to bring these properties back into productive use since they would already be provided with utility services. Different strategies will be used to get the vacant and derelict lots back into use from negotiations with owners, beneficiaries and families, forgiveness of outstanding taxes, grants to allow for improvements and acquisitions for public purposes including environment improvement, urban gardens and housing.

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<sup>16</sup> <https://www.barbadoslawcourts.gov.bb/assets/content/pdfs/statutes/LandAcquisitionCAP228.pdf>

### 1.3.7 Biodiversity and land degradation in Barbados

Barbados is recognized as the most easterly island in the Eastern Caribbean Island chain measuring 34km long and 23km wide, with a total land area of approximately 432 km<sup>2</sup>. 78% of land in the country is farmland and is cultivated by 10% of farmers whereas the rest is dominated by estates of over 50 hectares. Indigenous mammals are restricted to 6 species of bats but introduced mammals include rats, green monkeys and mongooses<sup>17</sup>. According to BirdLife International, Barbados has 7 Important Bird and Biodiversity Areas (IBA) totalling to 185ha and 1 Endemic Bird Area (EBA)<sup>18</sup>. The country has one UNESCO World Heritage site categorized as a cultural site. Nationally Barbados has a total of 8 protected Areas. The country has a total of 1 National Park, 2 marine Reserves, 1 Nature Reserve, 1 Private Forest Reserve, 2 wildlife Refuges, and 1 Historic Site. Internationally, the country has one Ramsar site wetland of international importance<sup>19</sup>.

The National Conservation Commission under the Ministry of the Environment, and National Beautification oversees the management and conservation of both terrestrial and marine protected areas. Since 2020, biodiversity considerations have been incorporated into broad-level national strategies as well as the administration of local governments. Participants ranging from government ministries, educational institutions, non-governmental organizations and stakeholders of the Barbados Marine Reserve have been active in the conservation and managing marine protected areas.

However, Barbados continues to experience biodiversity threats through habitat loss and fragmentation caused by mainly tourism developments, unsustainable land use practices, land clearance and golf course developments. Other threats to biodiversity include the introduction of invasive species and sewage pollution.

### 1.3.8 Vulnerable groups and indigenous peoples in Barbados

Historically, the earliest inhabitants of Barbados were Indigenous groups who began arriving from South America (Venezuela's Orinoco Valley) around 350 CE. Among these were the Taino (Arawak) who set up several settlements on the island after 800 CE. They were later joined by Kalinago (Carib) migrants in the 13th century. Between 1536 and 1550, Spanish raiders regularly seized large numbers of indigenous Taino-Kalinago from Barbados to be used as slave labour on regional plantations. This prompted the Kalinago to flee the island for other Caribbean destinations (e.g., Dominica and St Vincent)<sup>20</sup>.

Eventually, the Arawaks of Barbados were either killed by the Caribs, who were cannibals and formed a threat to the Arawaks, or fled to neighbouring islands. The Caribs inhabited Barbados until the Spanish invaded in 1492. The Spanish captured the Caribs and transported them back to Spain to work as slaves<sup>21</sup>.

The Spanish control of Barbados did not last long. Soon after occupying the island, the Spanish abandoned it to colonize other and larger islands in the region. After the Spanish left Barbados, the island remained uninhabited until the British arrived<sup>22</sup>.

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<sup>17</sup> <https://www.cbd.int/countries/profile/?country=bb>

<sup>18</sup> <http://datazone.birdlife.org/country/barbados/species>

<sup>19</sup> <https://www.protectedplanet.net/country/BRB>

<sup>20</sup> <https://www.refworld.org/docid/4954ce3023.html>

<sup>21</sup> Handler, Jerome S. "The Amerindian Slave Population of Barbados in the Seventeenth and Early Eighteenth Centuries." *Caribbean Studies*, vol. 8, no. 4, 1969, pp. 38–64. JSTOR, <http://www.jstor.org/stable/25612085>%20.%20Accessed%206%20Mar.%202023, accessed 6 March 2023

<sup>22</sup> Ramsey, A. O. "Barbados Breaks Free: The Caribbean island's decision to sever ties with the British monarchy is one facet of a broader push to reckon with the brutal legacy of colonialism, enslavement, and empire", *NACLA Report on the Americas*, vol. 54, issue 2, 2022, p. 137-141, Taylor & Francis Online, <https://www.tandfonline.com/doi/full/10.1080/10714839.2022.2084974?scroll=top&needAccess=true&role=tab>, accessed 23 March 2023

By the time the British occupied Barbados and settled there in 1627, there were no Taino or Kalinago peoples left in Barbados: “When first settled by English colonists in 1627, no indigenous peoples remained on the island, and settlers were confronted with a heavy forest” (Armstrong in DeCorse, 2019, p. 137)<sup>23</sup>.

As of today, according to various unofficial sources, close to 90 per cent of the population of Barbados is of African descent<sup>24</sup>. The remaining portion includes persons of mixed descent, Europeans, South Asians (Hindus and Muslims) and an influential group mainly of Syrian and Lebanese origin<sup>25</sup>.

### 1.3.9 Cultural Heritage Sites in Barbados

Barbados’ notable cultural heritage sites are listed with UNESCO in the World Heritage Convention. Barbados has one site that has been designated a World Heritage Site and a further cultural site that has been listed on the UNESCO World Heritage tentative list<sup>26</sup>. Historic Bridgetown and its Garrison is a 187-ha area in the heart of Barbados’ capital that has been protected as a UNESCO World Heritage Site since 2011. It is considered to be of outstanding universal value due to its representation of the English expansion into the British Americas from the 17th century. After Historic Bridgetown and its Garrison were listed as a UNESCO World Heritage Site, the Barbadian government developed a management plan to protect the site. The management plan lists potential risks and responses to these risks. The main current and future environmental risks are the sea level rise and the increase in meteorological and other coastal hazards (storms, hurricanes, flooding, and storm surges) presented by climate change. Given that Bridgetown is a Coastal City, that Barbados is relatively small in geographic size, and that many sites are located close to sea level, the risks posed by climate change are significant.

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## 1.4 BACKGROUND TO THE MANUAL

Blue-Green Bank (herewith referred to as “BGB”) has developed a comprehensive and holistic approach to environmental and social (E&S) risk management which is made up of the following key policies, and operational procedures:

- BGB E&S Policy clearly defines, articulates, and demonstrates the organisation’s commitments and approach to E&S, and forms the foundation of BGB’s E&S approach. This includes the principles and E&S risk standards and requirements that BGB, partners and subprojects are expected to adhere to (refer to Section 2).
- BGB E&S Management System (herewith referred to as ‘ESMS’) has been developed and adopted as part of BGB’s day-to-day business activities and processes to operationalise, and achieve compliance with, the E&S Policy (i.e., commitments and requirements set) (refer to Section 4 to 5.5 and supporting annexures).

The manual details the BGB E&S Policy as well as the components that make up the ESMS, enabling BGB to ensure sound E&S risk management practices to avoid and/or minimize potential financial and reputational liabilities associated with its financing activities.

**This manual will ringfence the ESMS scope to eligible GCF projects only** (refer to Annex 2.2 BGB Eligibility Criteria) and limit such projects to those that fall into Cat. B and C. (Refer to **Error! Reference source not found.** and **Error! Reference source not found.**). This includes, in particular, operations related to loans and financing that the BGB grants to its clients, whether or not these operations are in the context of Green Climate Fund-related projects. The scope covers the entire loan cycle, from the start of the financial facility procedure (prospecting) until the end of the commitment with the client (e.g.: repayment of the last maturity by the client). In this respect, financial products such as investment loans, operating loans, overdraft advances,

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<sup>23</sup> Armstrong, D.V. “Early-Seventeenth-Century Settlement in Barbados and the Shift to Sugar, Slavery, and Capitalism”, in “Power, Political Economy, and Historical Landscapes of the Modern World”, C.R. DeCorse, 2019, Chapter 6, p. 131-152, State University of New York Press

<sup>24</sup> <https://www.gov.bb/Visit-Barbados/demographics>

<sup>25</sup> <https://minorityrights.org/country/barbados/>

<sup>26</sup> <https://whc.unesco.org/en/list/>



invoice advances, documented loans or commitments by the signature (bonds, guarantees) and the majority or minority equity investments are included in the scope of the ESMS.

E&S Risk Category FI or NFI intermediary	E&S Risk Categorization of subprojects		
	Category A	Category B	Category C
<p>Category FI-1 (FI) or A (NFI)</p> <p>When the proposed portfolio of subprojects 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>	Excluded		
<p>Category FI-2 (FI) or B (NFI)</p> <p>When the proposed portfolio of subprojects is expected to comprise business activities that have potentially limited adverse environmental or social risks or impacts few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.</p>	0%	> 20%	
<p>Category FI-3 (FI) or C (NFI)</p> <p>When the proposed portfolio of subprojects is expected to comprise business activities with minimal or no adverse environmental or social risks or impacts.</p>	0%	< 20%	

This manual will not cover gender as this is a separate component for the GCF except for the elements that are in Appendixes.

The ESMS comes into effect from the date of publication of this Manual. The ESMS does not apply retrospectively to existing commitments (existing portfolio) as of the date of publication of this Manual. For clients with a renewable loan authorization granted before the date of publication of this Manual, the requirements of the ESMS do not apply to loans made under the initial authorization even if the loans occur after the date of publication of this Manual. Loans that would require an amendment to the original authorization (for reasons of amount or conditions) and that would occur after the date of publication of this Manual would fall within the scope of the ESMS.

## 2 BGB environmental and social policy

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### 2.1 PURPOSE AND SCOPE

**BGB's E&S Policy sets out the organisation's commitment to embedding E&S considerations into its day-to-day business activities and transaction processes.** By doing so, this holds BGB accountable for fulfilling its duties as a responsible investor, and its commitment to overcome the existing financing challenges and constraints of climate change adaptation and mitigation in Barbados, whilst avoiding harm and potential financial and reputational liabilities.

**The policy defines the guiding E&S principles, commitments and E&S Risk Standards and Requirements which underpin BGB's E&S management approach.** These have been carefully selected based on their relevance to BGB as an organisation and its investment strategy, considering the types of borrowers, use of proceeds, sectors and operating jurisdictions, as well as set investor and other good practice requirements.

**The BGB E&S Policy applies to all BGB's financing activities.**

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### 2.2 GUIDING E&S PRINCIPLES

**BGB, partners and subprojects will adhere, or seek to adhere to, the following set of guiding E&S principles below.** While some partners and subprojects may not satisfy all the principles at the time of the investment, BGB will encourage all parties to align with these during the course of its financing period.

#### General

- Incorporate environmental and social considerations, including Sexual Exploitation, Abuse, and Harassment (SEAH), in ways that not only include safeguard measures of “do no harm,” but also improve environmental and social outcomes and generate accessible and inclusive co-benefits to the environment and the communities, including women and girls.
- Ensure that in case of potential transboundary impacts of BGB-funded projects all necessary consultations and due diligence processes, including prior notification and accessible, inclusive, gender-sensitive consultations with the relevant stakeholders, including addressing their comments.
- Ensure that environmental and social requirements and processes are commensurate with the level of risk and meet the relevant E&S risks standards and requirements (refer to next section).
- Adhere to the mitigation hierarchy as an overall principle for managing environmental and social risks and impacts, suitable for all instances of BGB-financed activities. The mitigation hierarchy aims to:
  - Anticipate and avoid adverse risks and impacts on people and the environment;
  - Where avoidance is not possible, adverse risks and impacts are minimized through abatement measures;
  - Mitigate any residual risks and impacts; and
  - Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, design and implement measures that provide remedy and restoration before adequate and equitable compensation of any residual risks and impacts.

- The ESMS will be continuously reviewed and updated in a transparent and participatory manner to sustain its relevance and responsiveness to the prevailing organizational, social, economic and political conditions. The ESMS will also be consistently aligned with international best practices and applicable standards.
- BGB will not support activities that do not comply with applicable laws, including national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, whichever is the higher standard (see 2.3 E&S Risks Standards and Requirements).

## **Environment**

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

## **Social**

- Support and respect the protection of nationally and internationally proclaimed human rights.
- Support and respect responsible and fair labour and working conditions and practices.
- Protect the health and safety and wellness of all employees, contractors, surrounding communities, and customers.
- Do not engage in or benefit from any use of forced or compulsory labour and/or child labour.
- Eliminate any form of gender-based violence or discrimination in terms of employment and other business practices including SEAH (Sexual Exploitation, Sexual Abuse and Sexual Harassment) risks or potential adverse impacts on women, men, girls, and boys as early as possible.
- Promote gender equity and empowerment in company remuneration, hiring and procurement practices.
- Encourage implementation awareness raising for host communities and subproject workforces on SEAH to enhance gender equality and to prevent, address and eliminate SEAH.
- Eliminate any form of gender-based violence or discrimination in respect of employment and other business practices.
- Respect local communities and Indigenous people, if applicable.
- Ensure adherence to relevant stakeholder and public participation requirements to ensure that the rights, dignity, culture and way of life of interested and affected parties are respected, observed and maintained.

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## 2.3 E&S RISK STANDARDS AND REQUIREMENTS

BGB, partners and subprojects are required to act in accordance with the following E&S and guidelines:

- Applicable national and local E&S laws and regulations in applicable operating jurisdictions, including (but not limited to):
  - The Barbados Sustainable Development Policy (2004);
  - The Planning and Development Act (2019);
  - The Planning Development (Environmental Impact Assessment) Regulations (2021);
  - Employment Rights Act (2012);
  - Safety and Health at Work Act (2005);
  - Land Acquisition Act (1949);
- International Finance Corporation (IFC) Performance Standard 1 to 8 on Environmental and Social Sustainability (2012)<sup>27</sup>.  
The eight Standards are as follows:
  - Performance standard 1: Assessment and management of environmental and social risks and impacts.
  - Performance standard 2: Labour and working conditions.
  - Performance standard 3: Resource efficiency and pollution prevention.
  - Performance standard 4: Community health, safety, and security.
  - Performance standard 5: Land acquisition and involuntary resettlement.
  - Performance standard 6: Biodiversity conservation and sustainable management of living natural resources.
  - Performance standard 7: Indigenous peoples.
  - Performance standard 8: Cultural heritage.

BGB shall not invest in projects that, in its reasonable opinion, will not meet, over the life of the BGB's transaction, the applicable E&S standards requirements. BGB may invoke other international standards and/or guidelines as deemed appropriate.

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## 2.4 CORE E&S COMMITMENTS

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

- Ensure that E&S considerations are integral to transactional processes and decision-making.

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<sup>27</sup> [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

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

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## 2.5 EXCLUDED ACTIVITIES

BGB will ensure that no excluded/prohibited activities and/or subprojects are financed according to the BGB Exclusion List (refer to **Appendix I**). In addition to this, BGB will not provide financing to any transaction categorised as FI-1 or Category A.

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## 2.6 ACCOUNTABILITY, EXECUTION, AND IMPLEMENTATION

**Overall accountability for the execution of BGB's E&S Policy lies with the BGB Senior Leadership Team.** As part of this, BGB Senior Leadership Team is responsible for ensuring that adequate resources are provided, whether the budgetary, allocation of staff time or availability of appropriate expertise, to ensure that the necessary capacity (internal staff or external expertise) is deployed effectively to oversee and implement the requirements of this E&S Policy and associated ESMS.

**All BGB staff members will be responsible for ensuring that transaction processes and business activities are executed in a manner that is socially and environmentally sustainable, responsible, and aligned with the BGB E&S Policy.** As and when required, BGB shall utilise third-party expertise and support from competent and qualified service providers.

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## 2.7 COMMUNICATION

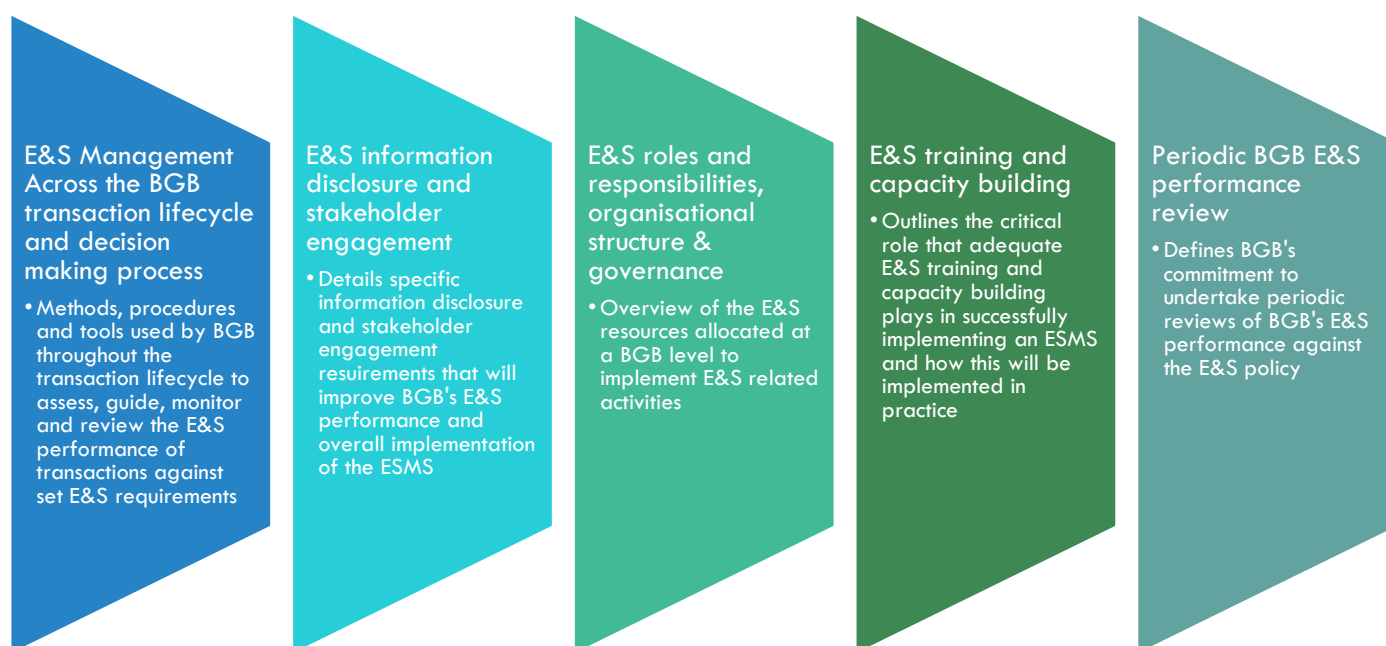
BGB will make this E&S Policy publicly available and disclose any relevant related ESMS documents or information. This will include information on BGB's investment criteria (i.e., Eligibility Criteria), as well as information on the stakeholder engagement process, the grievance mechanism, and the grievance management procedure.

The primary channel for disseminating E&S information will be BGB's website and, if applicable, the website of the program under which the subproject falls that BGB finances. In cases where an online communication channel is inappropriate for providing information, e.g., because the target group has no access to the internet (e.g., Affected Communities), BGB will ensure that alternative channels are utilized. These could include, but are not limited to, information in writing (e.g., letters) or in-person stakeholder consultation sessions.

## 3 BGB E&S management system

### 3.1 BACKGROUND TO THE SYSTEM

The BGB ESMS governs the effective incorporation and management of E&S factors and safeguards throughout its decision-making and transactional processes to ensure that E&S risks and impacts are being effectively managed. The ESMS comprises several components as illustrated in **Figure 1** which are outlined in further detail in the following sections. This provides information needed to support the implementation and operationalization of the ESMS. The BGB ESMS applies to all BGB's activities.



*Figure 3--1: Components of the BGB E&S management system*

This ESMS will be implemented at a BGB level, of which the BGB Senior Leadership Team is responsible for ensuring its establishment and maintenance to assess, oversee and support the management of E&S matters at both a partner (and subproject) and overall investment portfolio level.

Importantly, the ESMS contains E&S requirements that will be passed down to both the financial intermediaries and the subprojects. However, these parties are expected to institute E&S systems, processes and resources to establish and maintain their own E&S performance including managing risk exposures associated with subprojects, in line with BGB's E&S requirements.

BGB will, where feasible, support partners to ensure adherence to these requirements and/or will refrain from providing financing in instances where non-compliance shall unlikely be achieved in the lifespan of their financing period.

BGB implements a holistic and systematic approach to E&S management across its entire transaction lifecycle (from deal origination, through screening and due diligence, into approval and structuring and finally, to post-investment monitoring) – this approach is integrated into conjunction with legal, commercial, financial, to name a few, processes.

## 3.2 E&S RISKS AND IMPACTS

A high-level overview of the typical E&S risks associated with the activities that BGB will look to support through its investments is provided in Table 3-1. Transaction-specific E&S risks will be interrogated, and possible mitigation and management measures/safeguards will be implemented to manage these typical risks and impacts during BGB's comprehensive Investment Process (IP) as outlined in the subsequent sections.

**Table 3-1: Generic E&S risks and impacts associated with BGB investments**

Target Result Area	Energy generation and access	Buildings, cities, industries, & appliances	Health, well-being, food, & water security	Infrastructure & built environment
Programmes' focus	Solar	Housing	Water security	Housing
Cross-cutting risks & impacts	Labour and Working Conditions Occupational Health and Safety Waste and Effluent Management (production and disposal)			
Sector-specific risks	Water Management (hydro-power projects) Sustainable resources and materials Habitat and ecosystem destruction (renewable, hydropower, grid and Transmission and Distribution lines) Involuntary resettlement	Supply Chain Sustainable resources and materials Involuntary resettlement	Habitat and ecosystem destruction Use of pesticides and agrochemicals Water Use Management	Involuntary resettlement Emissions, noise, dust, and pollution Habitat and ecosystem destruction Supply chain Sustainable resources and materials



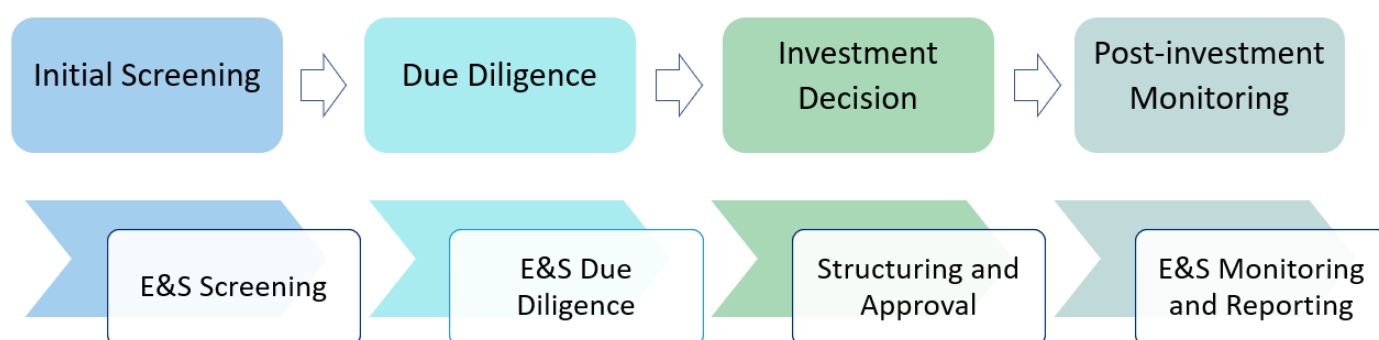
**Table 3-2: Risks and mitigant measures examples**

Sector	Typical risk	Mitigant measure	Positive outcomes
<b>Buildings</b>	<ul style="list-style-type: none"> <li>- Poor air and water management (quality, consumption &amp; extraction)</li> <li>- Poor air and water management (quality, consumption &amp; extraction)</li> <li>- Extreme weather</li> <li>- Habitat and ecosystem destruction</li> <li>- Cultural heritage sites</li> <li>- Land acquisition</li> <li>- Limited occupational health and safety (OHS) guidelines</li> <li>- Noise, dust and pollution</li> </ul>	<ul style="list-style-type: none"> <li>- Labour management framework and procedures</li> <li>- OHS management procedures</li> <li>- Workers' codes of conduct, particularly in relation to GBV/SEA prevention</li> <li>- Emergency Preparedness and Response Plan</li> <li>- Resource efficiency and pollution prevention and management</li> <li>- Establishment of regular control measures for the intensity of noise pollution</li> <li>- Respecting national regulations (building safety and prevention of fire and explosions)</li> <li>- Compliance with national regulations for the protection of historical and cultural property</li> <li>- Stakeholder management plan</li> </ul>	<ul style="list-style-type: none"> <li>- Access to affordable housing</li> <li>- Reduced number of casualties and injuries</li> <li>- improvements to gender equality through reducing women's vulnerability</li> <li>- local job creation</li> <li>- more affordable housing can allow the remaining capital to be invested in entrepreneurial activities</li> <li>- new technical skills, capacity building and technology transfer</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>- Poor air and water management (quality, consumption &amp; extraction)</li> <li>- Exposure to hazardous materials</li> <li>- Poor use of sustainable resources and materials</li> <li>- Labour and working conditions</li> </ul> <p>OHS</p>	<ul style="list-style-type: none"> <li>- Hazardous chemical substances used during construction shall be stored in designated storage areas, when not in use</li> <li>- Labour management framework and procedures</li> <li>- OHS management procedures</li> <li>- ensure safe disposal of solar panels and battery systems by including provisions in contracts</li> <li>- establishing a stakeholder engagement plan for the project</li> <li>- undertaking feasibility assessments prior to undertaking floating solar installation site and technology-specific feasibility assessments to ensure it is not situated in areas that have sensitive marine biodiversity documented and well away from protected areas</li> <li>- workers' codes of conduct, particularly in relation to the GBV/SEA communication programme to inform the population about ongoing works</li> </ul>	<ul style="list-style-type: none"> <li>- Access to clean electricity resilience</li> <li>- Higher electrification rate, which will i) improve the ability to study and therefore improve educational opportunities; ii) reduce the workload of women and girls; iii) increase time available for income-generating activities; iv) improve health outcomes for example by providing electricity to hospitals</li> <li>- Transition to low carbon economy</li> <li>- Local job creation</li> <li>- new technical skills, capacity building and technology transfer</li> </ul>

<b>Water</b>	<ul style="list-style-type: none"> <li>- Extreme weather</li> <li>- Habitat and ecosystem destruction (fauna and flora)</li> <li>- Use of pesticides and agrochemicals</li> <li>- Water management (quality, consumption and extraction)</li> <li>- Poor labour and working conditions</li> <li>- Limited OHS</li> </ul> <p>Risks associated with GBV</p>	<ul style="list-style-type: none"> <li>- Integrate physical climate risks and adaptation into core business processes</li> <li>- Labour management framework and procedures</li> <li>- OHS management procedures</li> <li>- Stakeholder engagement plan</li> <li>- Workers' codes of conduct, particularly in relation to GBV/SEA prevention</li> <li>- Water quality management procedures</li> <li>- Communication programme to inform the population about ongoing works</li> </ul> <p>hazardous material management and emergency response plans</p>	<ul style="list-style-type: none"> <li>- improvement of hygiene conditions and reducing the prevalence of waterborne diseases</li> <li>- enhancement of water supply security</li> <li>- increasing access to clean water, improving communities' health</li> <li>- improving the availability of water for sanitation</li> <li>- improving water supply for agriculture supporting income generation</li> <li>- reducing the workload of men and women involved in water collection activities, thereby increasing the time available for income-generating activities</li> <li>- decreasing spending on the treatment of water-borne diseases</li> <li>- local job creation</li> <li>- potential to improve water supply to tourism facilities, supporting employment opportunities</li> <li>- new technical skills, capacity building and technology transfer</li> </ul> <p>mitigating against the growing insecurity of water supply caused by climate change</p>
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### 3.3 BGB INVESTMENT PROCESS

BGB will provide loans to financial intermediaries (FI) and the target programmes directly (referred to as non-financial institution (NFI) intermediaries in this ESMS Manual). FIs and NFIs will use these loans to finance projects under the programmes that have been outlined in the previous section. When debt is provided to FIs, the E&S assessments will focus on the FI's E&S commitment, its ESMS, its capacity to conduct E&S assessments and the E&S risks of the underlying portfolio of subprojects. When debt is provided to NFIs (e.g., the HOPE programme), the E&S assessments will be conducted on the E&S risks of the underlying portfolio of subprojects and the measures that are required to manage the identified risks. Providing debt to FIs and NFIs requires the application of different tools, which is further explained in this section. The figure below illustrates how the E&S assessments are integrated into BGB's investment process (as outlined in Annex 21 of the Funding Proposal).



#### 3.3.1 Loans to Financial and non-financial intermediaries

##### Step 1: E&S screening (including E&S risk categorization)

For all transaction opportunities, BGB will conduct a screen and review of all the relevant information made available to them by the partner to assess:

- Alignment with BGB's Exclusion List (refer to Appendix 1)
- Alignment with BGB's Eligibility List (refer to Appendix 2)
- Alignment with BGB's E&S Policy (refer to Section 2 of this ESMS Manual)
- Initial E&S risk exposure including high-level sector-specific and/or transaction-specific E&S risks, opportunities, and impacts (that require further interrogation during the due diligence phase).

During the screening, BGB shall use the relevant E&S Screening Checklist for FIs and NFIs (refer to Appendix 5) to conduct a go/ no-go assessment of the proposed transaction and to make an initial assessment of the E&S risk exposure of the transaction (including an E&S categorisation). This checklist includes questions to identify red flags (e.g., if the proposed transaction would trigger BGB's Exclusion List) and questions to identify key E&S risks associated with the transaction.

**BGB will identify SEAH risks or potential adverse impacts on women, men, girls, and boys of subprojects as early as possible as part of GCF-financed activities screening and reflect such risks or impacts in the requirements of relevant safeguards instruments for subprojects (including EIA and ESMP as appropriate). SEAH risks and impacts should be avoided as much as reasonably possible.**

To reflect the magnitude of E&S risks and impacts associated with a proposed transaction (and to inform the level of appraisal needed), BGB will categorise every proposed transaction. Key contributing factors considered when assigning the E&S Risk Category to loans include the sector of the subprojects that are going to be financed, the size of the projects and the sensitivity and the magnitude of potential E&S risks and impacts, including direct, indirect, induced, and cumulative impacts.

The risk categorisation system applied is based on the IFC E&S Risk Categorisation Guidelines<sup>28</sup> and the IFC Interpretation Note on Financial Intermediaries<sup>29</sup>. According to this system, financial intermediaries (FI) can be categorized as FI-1 (High Risk), FI-2 (Medium Risk) or FI-3 (Low Risk) and non-financial institutions (NFI intermediaries) as A (High Risk), B (Medium Risk) or C (Low Risk), depending on the risk categorization of the portfolio of subprojects that will be financed with the loan. Subprojects can be categorized as Category A (High Risk), B (Medium Risk) or C (Low Risk). Error! Reference source not found. provides guidance on the E&S Risk Categorization of FI and NFI intermediaries and Error! Reference source not found. provides example projects for each risk category, similar to the projects that BGB will finance through intermediaries.

**Table 3-3: Guidance on E&S risk categorization of financial institutions**

E&S Risk Category FI or NFI intermediary	E&S Risk Categorization of subprojects		
	Category A	Category B	Category C
<b>Category FI-1 (FI) or A (NFI)</b> When the proposed portfolio of subprojects 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.	Excluded		
<b>Category FI-2 (FI) or B (NFI)</b> When the proposed portfolio of subprojects is expected to comprise business activities that have potentially limited adverse environmental or social risks or impacts few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.	0%	> 20%	
<b>Category FI-3 (FI) or C (NFI)</b> When the proposed portfolio of subprojects is expected to comprise business activities with minimal or no adverse environmental or social risks or impacts.	0%	< 20%	

**Table 3-4: Guidance on E&S risk categorization of subprojects**

E&S Risk Category of Subproject	Examples of Projects
<b>Category A</b> Business activities or projects with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.	<ul style="list-style-type: none"> <li>Projects with large resettlement components and/or major impacts on human populations</li> <li>Projects which pose serious occupational or health risks</li> </ul>
<b>Category B</b> Business activities or projects with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.	<ul style="list-style-type: none"> <li>Renewable energy (except large hydro-electric power projects)</li> <li>Larger-scale water harvesting, e.g., communal rainwater ponds</li> </ul>
<b>Category C</b> Business activities or projects with minimal or no adverse environmental or social risks and/or impacts.	<ul style="list-style-type: none"> <li>Rooftop solar power</li> <li>Rainwater harvesting</li> </ul>

<sup>28</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/es-categorization](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization)

<sup>29</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/publications/publications\\_policy\\_interpretationnote-fi](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_interpretationnote-fi)

**Note:** BGB will not finance FI-1 financial intermediaries nor any Category A non-financial intermediary or subproject. Should the proposed portfolio of subprojects contain a Category A subproject, then the proposed transaction should be abandoned, or the portfolio of subprojects should be adjusted to meet BGB's E&S risk criteria. Loans will only be provided to FI-2 and FI-3 or Category B and C intermediaries if the use of proceeds meets BGB's eligibility criteria.

If the proposed transaction meets the necessary criteria to proceed, BGB shall assign an initial E&S risk categorisation (Category FI-2 / FI-3 for FI intermediaries or Category B / C for NFI intermediaries) to the proposed transaction, supported by the E&S Screening Checklist. BGB will also draw upon relevant supporting sectorial resources/guidelines during this process including, but not limited to, CDC Sector Profiles, E&S Briefing Notes, IFC Performance Standards, World Bank General and Sectorial Environmental Health and Safety (EHS) Guidelines, ILO Fundamental Conventions, etc.

If the proposed use of the loan is not fully defined at the time of the E&S Risk Categorization, BGB may expand its review to other business activities of the FI or NFI intermediary. In addition, the highest E&S Risk Category of the potential projects in scope should be considered as the overall E&S risk category for the transaction.

The findings of the E&S Screening, including any red flags, key E&S risks, and the E&S Risk Categorization, are summarized and explained in the Initial Investment Committee Decision Meeting Paper (refer to Appendix 8). This document will include a plan for the subsequent E&S Due Diligence (including the scope and the necessary allocation of resources, both monetary and personnel), which is based on the E&S Screening findings and the E&S Risk Categorization.

## Step 2: E&S due diligence

BGB's due diligence process is fundamental to fully understanding the E&S risks, impacts and opportunities associated with a proposed transaction, before BGB provides any financing. This involves conducting a more detailed interrogation of the FI's or NFI's commitment to E&S management, the FI's or NFI's ESMS and the E&S risks associated with the proposed portfolio of subprojects.

The findings will inform BGB's decision-making and will define specific E&S conditions for the proposed transaction. Table 3-5 outlines how E&S Due Diligence should be conducted for financial and non-financial intermediaries for each E&S Risk Category.

**Table 3-5: E&S due diligence for FI-1, FI-2, and FI-3 transactions**

E&S Risk Category	Due Diligence
Category FI-1 or Category A	FI-1 or Category A transactions typically require an external consultant to conduct an in-depth assessment of the FI's or NFI's ESMS and the E&S risks associated with the proposed portfolio of subprojects. This will not apply to BGB as <b>FI-1 and Category A transactions are excluded</b> .
Category FI-2 or Category B	Due diligence of FI-2 or Category B transactions will be conducted by BGB internally. An external consultant could be appointed to assess the E&S risks associated with the proposed portfolio of subprojects, e.g., if these risks would be associated with IFC Performance Standards 5-8. An external consultant may also be appointed for any transaction for which BGB's internal E&S capacity is insufficient to adequately assess the E&S risks of the proposed portfolio of subprojects.
Category FI-3 or Category C	Due diligence of FI-3 or Category C transactions will be conducted by BGB internally.

**The following requirements apply to the E&S risk management of FI and NFI intermediaries:**

- FIs and NFIs are required to develop and operate an ESMS that is commensurate with the level of E&S risks in the proposed portfolio of subprojects. The ESMS should incorporate relevant principles of IFC Performance Standard 1. In addition, the ESMS of FIs should incorporate the relevant principles of the IFC Performance Standards Interpretation Note on Financial Intermediaries (refer to Appendix 3 for an outline of a typical ESMS for FIs and NFIs).
- FIs and NFIs are required to apply relevant aspects of IFC PS 2 to their workforce. They are also required to assess the labour and working conditions risks of the subprojects they finance and ensure that these subprojects comply with the requirements of IFC PS2.
- FIs and NFIs will apply the BGB Exclusion List and follow relevant national laws.
- FIs and NFIs will ensure that subproject developers will undertake an Environmental Impact Assessment (EIA) for all greenfield Category B subprojects. For brownfield Category B subprojects and Category C subprojects, a limited or focused assessment (e.g., compliance audit), or application of environmental siting, pollution standards, design criteria, or construction standards, may be adequate.
- FIs and NFIs will ensure that BGB's E&S requirements are implemented at the subproject level throughout the lifecycle of the loan, including BGB's requirements on stakeholder engagement and grievance mechanisms.
- FIs and NFIs will implement risk-based E&S performance monitoring processes, including major incident reporting.
- FIs and NFIs will assign E&S responsibilities to a representative of senior management and/or board member to take accountability for the FI's overall E&S management as well as allocate appropriate resources for the implementation of the ESMS (human and financial resources).
- FIs and NFIs will develop and maintain a grievance redress mechanism that allows affected and concerned stakeholders to raise complaints or grievances related to subprojects financed by the FI or NFI.

***Internal Due Diligence***

During the internal due diligence, BGB shall, supported by the relevant E&S Due Diligence Checklist, i.e., for FI or NFI intermediaries (refer to Appendix 5):

- Review the FI's or NFI's ESMS and the implementation of the ESMS based on a review of E&S Screening, E&S Due Diligence and E&S Monitoring reports of similar transactions for FIs or similar projects developed by NFIs.;
- Conduct interviews with relevant staff of the FI (e.g., the E&S Manager, investment manager, etc.) or NFI (e.g., OHS manager, Environmental manager, HR manager, operational site manager, etc.) to fully understand the integration of E&S into the transaction process (FI) or daily business operations and project development (NFI);
- Review all available information, records, and documentation related to the E&S risks and/or impacts of the proposed portfolio of subprojects;
- Conduct site inspection(s) and interview(s) with issue and / or project personnel and relevant stakeholders; and
- Identify any gaps between the performance and the requirements and define corresponding corrective measures and actions to address these, in the form of an E&S Action Plan (ESAP). The ESAP contains recommended corrective actions and the associated costs, time frames and responsible parties (refer to Appendix 7).

Key considerations during the due diligence of FIs and NFIs are the E&S risk profile associated with a proposed portfolio of subprojects, the quality and status of E&S policies, procedures, and tools (i.e., the ESMS) in place, as required by IFC PS 1, PS 2, and the IFC PS Interpretation Note of Financial Intermediaries and the ESMS implementation capacity (i.e., resources) of the FI. This seeks to identify where the FI and BGB could be exposed to E&S risks, and it seeks to define requirements for managing these risks.

### ***External due diligence***

Certain transactions may require support from an external specialist focusing on certain technical specialist areas which BGB deems necessary to interrogate further. This could be the case if risks associated with IFC Performance Standards 5-8 have been identified for subprojects or if BGB's internal E&S capacity is insufficient to adequately assess the E&S risks associated with a certain transaction. BGB shall use a standard E&S Due Diligence Terms of Reference (ToR) to commission an independent party to conduct the assessment and prepare the findings report, including the ESAP (refer to Appendix 7).

### ***Final Investment Committee meeting***

The E&S due diligence findings will be summarised in the Final Investment Committee Decision Meeting Paper (refer to Appendix 8) which will be an annex to the transaction documents to facilitate informed decision-making, including the ESAP.

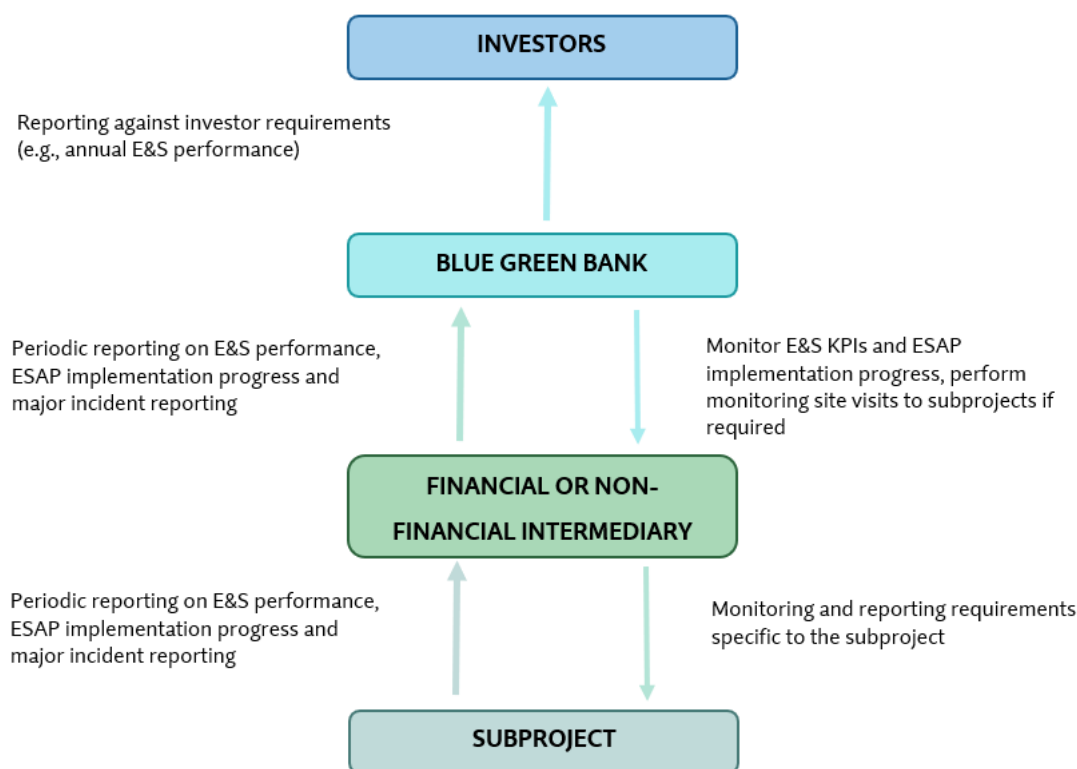
### **Step 3: Structuring and approval**

Once due diligence of the prospective transaction has been completed and all the materials have been submitted to BGB's Final Investment Committee, this committee will opine on the material, financial and commercial aspects of the transaction. If BGB's Final Investment Committee is comfortable with the financial and commercial aspects of the transaction, it will issue formal approval to provide the loan to the borrower.

BGB will then define the E&S conditions for the transaction in line with set requirements and expectations to be explicitly highlighted in all relevant legal agreements between BGB and the borrower prior to disbursement. This involves considering the findings gathered through screening and due diligence and defining appropriate E&S provisions and clauses using the E&S Clauses Guidance Note (refer to Appendix 10). These will cover the E&S risk standards and requirements, clear reporting requirements, including the ESAP, implications of a breach of E&S requirements, etc. **These requirements must be passed down from the borrower to the subprojects, to ensure alignment with BGB's E&S requirements.**

### **Step 4: E&S monitoring and reporting**

During the loan period, BGB will engage with the borrower to ensure that responsible business operations and practices are being implemented in accordance with set E&S requirements and encourage improvements, where possible. This involves implementing monitoring and reporting mechanisms to assess, measure and evaluate the ongoing performance of its borrowers and subprojects and in turn, BGB's overall E&S performance. Figure 3-2 outlines the monitoring and reporting approach between BGB, its FI and NFI clients and the subprojects between BGB and its investors.



**Figure 3--2: BGB monitoring and reporting processes**

The level and type of E&S monitoring, assessment and reporting applied to each borrower across the portfolio will be commensurate to its E&S risk exposure and hence determined on an individual transaction basis, based on the outcomes of the E&S Due Diligence. For example, higher-risk transactions require more stringent and frequent monitoring compared to lower-risk transactions to actively manage and mitigate E&S risks and impacts. In some instances, BGB may increase monitoring requirements applied to a transaction if any new risk exposures are identified during the transaction period. With respect to SEAH, BGB will monitor and report progress and performance on SEAH to GCF through their reporting mechanism. The latter includes continuously improving all measures to mitigate and manage identified SEAH risks and impacts.

## **Borrower-level monitoring and reporting**

### ***E&S KPI monitoring***

Borrowers will report periodically to BGB on a defined set of indicators which are considered material to the transaction and its success. This involves collecting, tracking, and reporting on a quarterly and/or annual basis against select indicators (refer to Appendix 11). Typically, quarterly reports will provide general updates on E&S matters and issues experienced in the reporting period, including updates on interventions. Whereas annual reporting provides detailed information on the E&S performance of the loan and the financed subprojects.

### ***E&S action plan monitoring***

Borrowers will provide BGB with regular updates on the implementation of their E&S Action Plans to ensure ongoing compliance with BGB's E&S requirements. The frequency of progress updates will be determined against set items/milestones.

### ***Major Incident and grievance monitoring for subprojects***

All borrowers are required to report to BGB any major/significant unplanned E&S events or incidents associated with its operations and/or projects, which could materially impact their operations and/or performance. Examples include fatalities, serious injuries, fires, incidents of bribery or money laundering, labour strikes, financial irregularities etc.



In the event of a major incident/ accident/ event occurring at the borrower or subproject level, the borrower must use the BGB Major Incident Reporting Form (refer to Appendix 12) to report incidents, as soon as possible but no later than two (2) days after its occurrence, detailing what happened, what investigation has taken place and what actions have been taken to remedy the situation. In particular, borrowers and subprojects are required to establish and operate accessible inclusive survivor-centred and gender-responsive grievance redress mechanisms (GRMs). These should include specific procedures for SEAH, including:

- Confidential reporting with safe and ethical documenting of such cases;
- When and where to report incidents;
- What follow-up actions will be undertaken; and
- Modalities to provide timely services and redress to survivors, including as appropriate, medical care, psychosocial support, legal support, community-driven protection measures, and reintegration.

This mechanism seeks to ensure that BGB is informed in a consistent and timely manner of any incidents occurring within its portfolio. BGB shall review the information provided and confirm whether the incident has been dealt with in accordance with its requirements (i.e., local and national regulations, IFC Performance Standards, etc).

### ***E&S monitoring site visits***

BGB will occasionally conduct E&S monitoring site visits to select borrowers and their projects to review their E&S performance. Generally, site visits may be conducted on an annual basis for medium-risk investments, and occasionally visits to lower-risk investments, unless otherwise triggered by significant E&S reasons (e.g., fatalities, change in management, change in project scope, etc).

These monitoring visits seek to ground truth the E&S performance and define recommendations for improvements, if any non-compliances are identified. Material findings, including any new risk exposures or opportunities identified, and recommended actions will be documented in the live ESAP and agreed upon with the issuer post the visit.

### **BGB-level monitoring and reporting**

#### ***Portfolio performance monitoring***

BGB's Internal E&S Specialist shall present key E&S information collected from ongoing monitoring efforts to BGB's management and relevant committees (e.g., risk committee, E&S committee, the board, transaction committees, etc). This involves compiling and aggregating key E&S monitoring data into suitable formats for discussion during these platforms and aims to provide sufficient updates and highlights on the E&S performance across the portfolio.

This portfolio E&S performance update commonly covers a brief status update on E&S matters, any existing or new E&S risk exposures or E&S non-compliances that may present material implications, any incidents and grievances reported, any E&S initiatives that occurred during the reporting period, a progress report on ESAP, etc. This ensures that the BGB Senior Leadership team and other key stakeholders are alerted of E&S matters in a timely manner.

#### ***Annual E&S disclosures***

BGB will disseminate E&S performance information to investors and other relevant stakeholders to demonstrate its E&S efforts and E&S performance. To do so, BGB will produce an Annual E&S Report for distribution to relevant parties. This report aims to showcase the work that has been done on E&S-related aspects as well as how the BGB is performing from an E&S perspective. Notably, the report content and structure will evolve year-on-year and will align with requirements and/or expectations expressed by investors (as part of side letters).

BGB will endeavour to deliver these reports within 90 days of the end of the financial year, unless otherwise specified in legal agreements with investors.

### ***Investor specific reporting***

BGB shall provide investors with E&S information in accordance with investors reporting and disclosure requirements as stipulated in the side letters / legal agreements.

## 4 BGB's internal organization: Labour and working conditions

BGB is committed to upholding and implementing the principles and relevant aspects of IFC Performance Standard 2 and the ILO Core Labour Standards (referenced under each labour principle in the section below) in its organization. More specifically, it is committed to developing and implementing policies and procedures for respecting the labour rights of its staff as well as policies and procedures for ensuring its staff's health and safety.

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### 4.1 HUMAN RESOURCES

BGB will develop a Human Resource (HR) Policy that covers the key labour principles and requirements that will guide the employment relationship between BGB and its staff. This will include the following:

- BGB will develop an HR Policy that will be applicable to its direct workers, contract workers and supply chain workers.
- BGB will develop an HR Policy that will cover working hours, wages, overtime, compensation, and benefits upon beginning the working relationship and when material changes occur. BGB will, at a minimum, comply with applicable Barbadian laws and regulations. Should BGB enter into a collective bargaining agreement with a trade union, then it will commit to complying with the requirements in that agreement.
- **Non-discrimination:** BGB will commit to the principles of non-discrimination and equal opportunity in all aspects of the employment relationship with its staff (including hiring, compensation, working conditions, access to training, job assignment, promotion, termination of employment, and disciplinary practices) in alignment with ILO Conventions 100 (Equal Remuneration) and 111 (Discrimination (Employment and Occupation)).
- **Workers' organizations:** BGB will respect its workers' right to join or form unions (i.e., freedom of association) in alignment with ILO Conventions 87 (Freedom of Association and Protection of the Right to Organize) and 98 (Right to Organize and Collective Bargaining).
- **Child labour:** BGB will commit to not employing persons under the age of 18 in hazardous work. If persons under the age of 18 are to be employed, their responsibilities will be subject to an appropriate risk assessment and monitoring of health and safety risks. BGB will commit to aligning its HR Policy with the requirements of ILO Conventions 138 (Minimum age (of employment)) and 182 (Worst forms of child labour).
- **Forced labour:** BGB commits to not use forced labour, i.e., any work or service that an individual would provide involuntarily. BGB will commit to aligning its HR Policy with the requirements of ILO Conventions 29 (Forced Labour) and 105 (Abolition of Forced Labour).
- **Working conditions:** BGB will commit to providing working conditions which are, at a minimum, in compliance with applicable labour legislation in Barbados and any collective bargaining agreement (if applicable). Additionally, BGB commits to developing and implementing working conditions that meet industry standards and the standards in Barbados for similar responsibilities.
- **Occupational health and safety:** BGB will commit to providing its workers with a safe and healthy working environment. The implementation of this commitment will follow the principles outlined in section 4.2.
- **Retrenchment:** BGB will commit to analysing alternatives to retrenchment prior to any retrenchment taking place. If retrenchment is unavoidable, BGB will develop a retrenchment plan that complies with all applicable legal and contractual obligations and with the requirements of IFC Performance Standard 2.
- **Grievance mechanism:** BGB will develop an internal grievance mechanism that provides its internal stakeholders with the possibility to submit any grievance or raise any concern they might have. The grievance mechanism will allow for anonymous complaints and will ensure confidentiality. To ensure appropriate grievance management, BGB will develop an internal grievance management procedure that should ensure a prompt and understandable response. BGB will ensure transparency of the process by disclosing this procedure to all internal stakeholders.

Guided by the HR Policy, BGB will develop an HR Management System (HRMS) through which it will implement the requirements of its HR Policy. This HRMS is a comprehensive set of procedures, which will be:

- Risk-based, i.e., the selection of relevant procedures will be based on an assessment of labour and the scope and comprehensiveness of these procedures will be based on the nature and severity of the identified risks.
  - Aimed at prevention and protection, i.e., the procedures aim to avoid non-compliances with the HR Policy.
  - Properly documented, i.e., the HR Policy and procedures will be formalized, signed off by senior management and stored in a way that they are accessible and available to all staff.
  - Regularly reviewed, so that they remain appropriate, effective and in line with regulatory and industry standards.
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## 4.2 OCCUPATIONAL HEALTH AND SAFETY

BGB's commitment to providing a safe and healthy working environment to its workers will be included in the HR Policy. To implement this commitment, BGB will undertake the following:

- Identify potential hazards to workers.
- Develop and implement preventive and protective measures.
- Train workers to ensure health and safety procedures are adequately followed.
- Tracking and documenting occupational safety incidents.
- Implement ERP measures.

## 5 Stakeholder engagement

Stakeholder engagement is an essential part of the ESMS to facilitate the integration of E&S considerations into BGB's financing lifecycle and decision-making. In this context, stakeholder engagement denotes proactive ongoing dialogue, information sharing and interactions between BGB and its stakeholders. As such, BGB commits to developing and implementing effective stakeholder engagement mechanisms (internally and externally and as noted in Appendix 13) to support a culture of transparency and accountability and learning and continual improvement. For example, implementing regular cross-team interactions, function meetings and presentations on gender and E&S topics, direct internal communication via e-mails, newsletters, etc.

### **Stakeholder engagement during ESMS implementation**

During the implementation of the ESMS, BGB will engage with stakeholders to ensure the implementation will be successful. Annex 7 (Stakeholder Engagement Plan) identifies the stakeholders that BGB will engage during the implementation of the ESMS as well as the types of information to be shared, modes of consultation, responses to points raised by stakeholders and reporting on progress.

### ***Stakeholder engagement at subproject-level***

FI and NFI intermediaries are required to conduct stakeholder engagement at the level of the individual subproject. Stakeholder engagement in this context refers to an ongoing process that may involve stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and reporting to affected communities. The nature, frequency, and level of effort of stakeholder engagement vary considerably according to the subproject's risks and adverse impacts, and the subproject's phase of development. This typically includes stakeholder analysis and engagement planning, disclosure, and dissemination of relevant information about the subproject operations, public consultations and stakeholder participation and establishment of effective grievance mechanisms (which are culturally appropriate and transparent). A Stakeholder Engagement Plan template for subprojects has been included in Appendix 13 (Stakeholder Engagement Plan for subprojects).

### ***Engaging with affected communities***

During each stakeholder engagement for the respective programme/project, periodic reports will be compiled for affected communities. Such reports will outline progress with the implementation of the project Action Plans on issues that involve ongoing risks or impacts to affected communities and on issues that the consultation process or grievance mechanism has identified as a concern to those communities. How such reports are to be distributed will be agreed upon at the start of the process with the relevant affected communities.

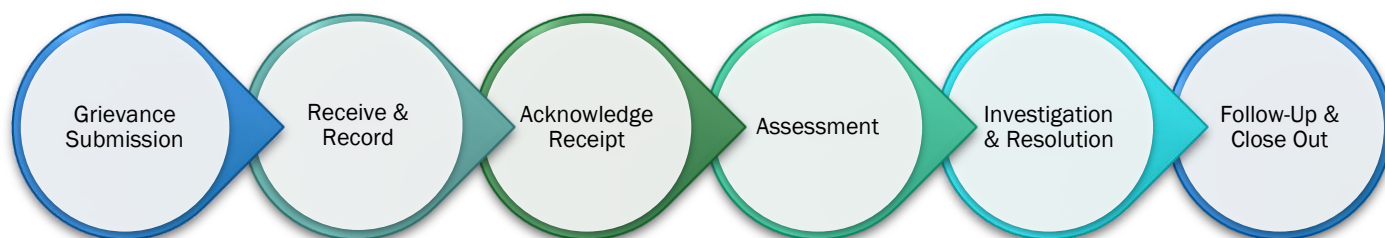
### ***Information disclosure***

For every Category B subproject, BGB will disclose the ESIA and E&S Management Plan for the specific subproject at least 30 days in advance of the decision to approve financing of the subproject. The documentation will be provided in English and will be accessible through BGB's website as well as in locations which are available and accessible for affected people.

### ***Grievance mechanism***

Concerning external communication mechanisms, an important mechanism that will be implemented and maintained is a grievance mechanism, at BGB, financial intermediaries and subproject levels. This will support the process to effectively identify, receive, register, screen and evaluate, track, and formally address complaints or feedback from external stakeholders regarding BGB business activities and/or subproject activities. The mechanism will facilitate the resolution of grievances promptly through an accessible, fair, transparent, and constructive process. It will also be culturally appropriate and readily accessible, at no cost to the affected communities, and without retribution to the individuals, groups, or communities that raised issues or concerns.

The BGB Grievance Mechanism procedure ensures that formal records are kept, appropriate responses and reporting of grievances to relevant BGB Staff and investors, if required. For every grievance received, BGB shall assess the relevance and/or severity of the grievance submitted and determine the level of response necessary, if any, to achieve a fair resolution. The process outlined in Figure 5--1 will be followed, which is explained in further detail in the BGB Grievance Redress Mechanism (refer to Appendix 14).



**Figure 5--1: BGB's formal grievance mechanism process**

### **Borrower level**

A borrower-level grievance mechanism will include but not be limited to the following elements:

- Borrowers will require an established and operational, accessible and inclusive survivor-centred, SEAH relevant and gender-responsive grievance redress mechanism that:
  - Includes stakeholder guidance to identify existing and potential local SEAH to enable effective redress of the matter.
  - Enables consultations with women leaders and those working with adolescent girls and boys and other at-risk groups should be prioritized to enable understanding of SEA/SH risks and trends in the community.
  - Monitors SEAH and GBV indicators to track possible risks or challenges.
  - Offers various methods to lodge complaints including online email, letters or in-person.
  - Provides confidentiality/anonymity to a complainant or a representative if requested by the complainant.
  - Addresses concerns promptly and effectively at no cost and without retribution.
  - Handles grievances in a culturally appropriate, discreet, objective, transparent, sensitive and responsive manner.
  - Is a source of continuous learning through active feedback seeking, pattern identification of human rights impacts, the identification of barriers to remedy and regular performance tracking.
- Different ways in which vulnerable people can submit their grievances, taking into account language barriers/limitations and the need for anonymity if a complainant fears retaliation or submission by an authorized representative or civil society organization;
- Provision to keep complainants' identities confidential, especially in instances where the complainants fear retaliation;
- Provision for interpretation/translation to overcome language barriers/limitations;
- A log where grievances are registered in writing and maintained as a publicly available database. The database should include information about the complaint and the resolution of the complaint, including the remedy provided, taking into consideration that complainants' identities can be kept anonymous if requested;
- Publicly advertised procedures, identifying the means for submitting grievances, setting out the length of time users can expect to wait for acknowledgement, response, and resolution of their grievances, descriptions of the transparency of the procedures, and the governing and decision-making structures;

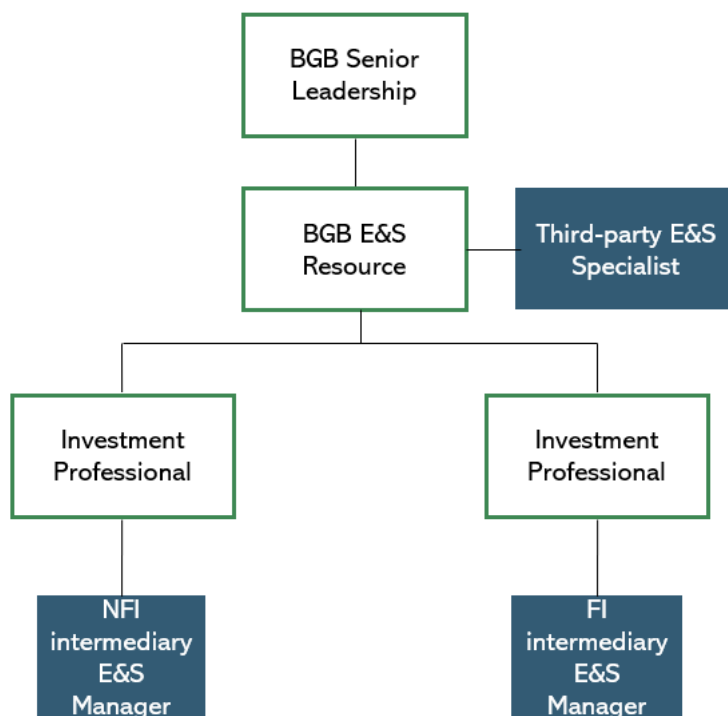
- An appeal process to which unsatisfied grievances may be referred when the resolution of grievance has not been achieved;
- Measures in place to protect complainants from retaliation.

The responsibility for establishing and maintaining the grievance mechanism will be with the subproject owner. BGB will, where feasible, provide support to intermediaries in setting up their grievance mechanism. The subproject owner will be responsible for meeting with local/stakeholders affected by the subproject to explain and discuss the different reporting mechanisms and processes that the stakeholders agree on the selected methods that are the most appropriate. The details of the discussion will be recorded and included in the stakeholder meeting summary. A central telephone and email address will be provided that will facilitate complaints and ensure that they are shared by the appropriate persons overseeing the matter. The emails and phone calls received will be treated as confidential. The subproject owner will be required to maintain a log that contains:

- Date of the complaint.
- Name of the aggrieved party and any affiliation/organization.
- Contact details of the aggrieved party.
- Category of the complaint (environmental, social, government, other).
- If the complaint is an appeal to a previous result of handling the complaint.
- Recommended investigation of the issue.
- Closing date and information provided to the aggrieved party.
- Record the result of the investigation in the Excel file, including a summary of the action taken or justification for not taking action and the date of response to the party aggrieved.
- The subproject owner will acknowledge the complaint in writing in a timely manner and report back to the bank on the next steps. Complaint investigations may vary depending on the nature of the complaint, but every effort should be made to ensure that complaints are dealt with promptly. Most investigations should not last longer than 90 days. The content of the complaint registers and the management of these must respect the confidentiality of the aggrieved party to the extent possible, and there should be no retaliation against aggrieved parties or complainants. In some cases, it may be appropriate for the subproject owner to continue to involve the aggrieved party during the investigation of the complaint. This could take place by inviting the aggrieved party to a meeting, a conference call, or committing more in writing. Any ongoing engagement with the aggrieved party must be noted in the register of complaints. The grievance mechanism and its associated log are sources of continuous learning that must be yielded:
  - Proactively seek feedback from rights holders and relevant stakeholders at complaint close. At regular intervals, thereafter, critically evaluate the human rights impacts of remedial outcomes from specific grievance processes, and ways that they could be improved;
  - Maintain a functioning log on frequency, patterns and causes of grievances, which can be disaggregated (i) to show patterns of use by different genders and stakeholder groups, and (ii) to assist with the identification of barriers to access and their causes, particularly barriers due to gender-based discrimination and those facing rights holders who may be at heightened risk of vulnerability or marginalization;
  - Establish systems to track the performance and effectiveness of the mechanism's management and the grievance handling process;
  - Draw from the findings from the above activities to develop and implement strategies to improve the effectiveness of the mechanism and its management.

## 6 Roles and responsibilities

The implementation of BGB's E&S Policy and associated ESMS requires the appointment of competent E&S resources and functions with sufficient capacity to drive E&S efforts within the organisation and its investment portfolio. All BGB investment team members will be given **E&S Management** training on a regular basis to ensure that there is a solid understanding of the requirements of BGB's **E&S Policy**. Team members will also be taught skills on how to determine the key competencies of a borrower to be able to deliver on these multidisciplinary prerequisites. Please refer to the figure below for BGB's E&S organizational chart.



### 6.1 BGB SENIOR LEADERSHIP

Overall responsibility and accountability for the execution of the BGB's E&S Policy and associated ESMS lie with BGB Senior Leadership Team. Senior Leadership Team have the obligation to, but not limited to:

- Ensure the E&S Policy always reflects BGB's values, business strategy and investment strategy.
- Ensure the ESMS is implemented in accordance with Bank's investment mandate and investors' requirements.
- Ensure that required capacity (internal staff or external expertise) is available to effectively oversee and implement the requirements of the ESMS, including appointing a competent and dedicated E&S resource.
- Review internal capacity on an ongoing basis.
- Drive a purposeful E&S culture across BGB.

### 6.2 DEDICATED BGB E&S RESOURCES / INTERNAL SPECIALIST

Dedicated E&S resource(s) is responsible for the day-to-day implementation and management of the BGB ESMS. This individual shall hold a senior position in the business and have access to necessary resources, whether budgetary or allocation of staff time, to ensure that the necessary capacity (internal staff or external expertise) is available to effectively oversee and implement the requirements of the ESMS. These duties are as follows, but are not limited to:



- Actively engage with investment teams during the pre- and post-transaction stages to ensure that E&S factors are being considered in accordance with the ESMS, including the use of procedures, checklists and templates.
- Ensure that all transaction decisions are supported by appropriate E&S documentation and represent E&S matters at key decision gates along the transaction process.
- Ensure the appointment of qualified external E&S specialists, as and when required;
- Establish sound relationships and collaborative engagement with borrower E&S point of contacts (i.e., E&S Manager, E&S Officers or alike)).
- Obtain timely (as prescribed in legal agreements) and robust E&S data from borrowers to review, collate and aggregate to assess ongoing E&S performance, at both individual borrower and portfolio levels.
- Appropriately manage and address any significant E&S incidents arising across the portfolio and escalate these matters to Senior Leadership (and Investors, where applicable).
- Produce relevant E&S disclosures for internal and external use (including distribution to investors).
- Be the point person for fielding all questions and answers (Q&A) regarding E&S performance and plans.

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## 6.3 BGB INVESTMENT PROFESSIONALS

BGB investment professionals/analysts are responsible for, but not limited to:

- Adhere to BGB's E&S requirements in all business activities;
- Produce and/or review pre-investment E&S deliverables and outputs;
- Ensure all investment decisions consider E&S factors and are supported by appropriate documentation;
- Ensure legal and investment documents include BGB's E&S requirements and appropriate provisions and clauses; and
- Remain up to date on transaction E&S performance including any E&S issues and infringements, new risk exposures, etc.

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## 6.4 BORROWER E&S RESPONSIBLE PERSON

The responsible person for E&S matters at the borrower will be responsible for the following, but not limited to:

- Act as the main point of contact on all E&S aspects for BGB;
- Maintain sound and appropriate E&S policies, systems and processes, with proper document control and storage, in accordance with BGB's E&S requirements;
- Ensure the business remains in compliance with applicable national legislation and prescribed BGB E&S requirements.
- Ensure that E&S risks and areas of non-conformance are identified, and receive suitable attention to be appropriately managed and resolved in a timely manner.
- Implement E&S action plan items and remedial actions, set as part of the BGB's E&S Due Diligence process and/or other monitoring activities;
- Document and report serious incidents, issues and/or infringements to BGB using the prescribed Major Incident Reporting Form (or similar);
- Collect and collate E&S data into regular E&S reports, and submit to BGB on a quarterly/annual basis, using the prescribed formats (or similar);
- Record and manage any grievances related to E&S aspects including immediately notifying relevant internal personnel and BGB; and

- Ensure staff members are regularly trained on E&S issues as they related to the business's activities and the implementation of the ESMS.

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## 6.5 THIRD PARTY / IN-COUNTRY EXPERTS

BGB will appoint third-party E&S specialists/experts to support various E&S efforts, as and when required. This may include, but is not limited to:

- Conduct E&S Due Diligence assessments;
- Review, update and maintain the BGB E&S Policy and / or associated ESMS;
- Assist with investigations into significant incidents occurring at projects;
- Support training and capacity building on E&S at both BGB and borrower level; and
- Supervise and support ongoing E&S monitoring and reporting activities of transactions.

## 7 E&S training and capacity building

BGB will provide appropriate E&S training and capacity building to staff members and to intermediaries annually, on a need-by-need basis, to support the effective implementation and management of the ESMS and ensure personnel are equipped with the necessary skills and expertise to effectively identify, evaluate, and manage E&S risks and impacts. This will involve conducting an annual review of BGB's internal training requirements and current skills and competencies and defining what training is needed to address any existing gaps identified. The findings will be compiled into an annual E&S training plan, including necessary resources (e.g., budget for external service providers, etc) and timelines, and provided to the Senior Leadership Team for their consideration and approval.

## 8 Periodic ESMS performance review

On a biennial/triennial basis (as deemed necessary), BGB will conduct a periodic review of its E&S efforts to assess the adequacy, effectiveness, and performance of the ESMS and ensure that the ESMS remains up to date with emerging E&S trends, best practice and the organisation's growth. The success of the periodic reviews is conditional on appropriate records and documentation of E&S-related activities and initiatives being stored and filed (e.g., records of all E&S processes and outputs for every transaction and any challenges encountered).

**This review shall focus on the following key elements, but is not limited to:**

- Assess the BGB E&S Policy against any organisational changes and/or BGB's investment strategy, investment portfolio, investor requirements and/or relevant emerging best practices and norms;
- Evaluate the adequacy and performance of internal resources against their assigned E&S roles and responsibilities, including engagement with the ESMS (e.g., actively engaging with screening outputs, due diligence reports, committee materials, legal agreements and monitoring and reporting materials, etc.);
- Source and review feedback from various teams covering challenges faced when implementing the ESMS, recommended areas of improvement, success stories, etc., to derive lessons learnt and improve the effectiveness of the ESMS;
- Assess the extent to which E&S requirements and commitments are being met and the degree to which E&S efforts are contributing to operational performance;
- Define appropriate corrective measures to address any gaps, limitations and improvement areas with the ESMS;
- Determine necessary resources to implement any corrective measures to address any limitations or gaps identified. This may include additional training and awareness raising; improving the oversight of the components and procedures; inclusion of E&S performance into staff members' personal objectives; improved E&S procedures, tools, and templates, use of external specialists to advise the team; peer-to-peer learning within and across teams, etc.
- Investigate global trends and competitors' approaches to E&S.

**An unplanned periodic review may be triggered by any changes in shareholder agreements; any failures to appropriately manage E&S risks and/or any changes in BGB's policies/investment strategy. Investors and borrowers, as relevant, will be informed of any significant changes to the BGB E&S Policy and ESMS.**

## 9 Appendices

**The following appendices are attached to this ESMS Manual.**

- Appendix 1: BGB E&S Exclusion List
- Appendix 2: BGB Eligibility List
- Appendix 3: Outline of typical ESMS for FI and NFI
- Appendix 4: E&S Screening Checklist
- Appendix 5: Initial Investment Committee Decision Meeting Paper
- Appendix 6: E&S Due Diligence Checklist
- Appendix 7: External E&S Due Diligence Terms of Reference
- Appendix 8: E&S Due Diligence Report Template
- Appendix 9: Final Investment Committee Decision Meeting Paper
- Appendix 10: Green Climate Fund Subproject Disclosure Report
- Appendix 11: E&S Clauses Guidance Note
- Appendix 12: Annual and Quarterly Monitoring Reports Templates
- Appendix 13: Major Incident Reporting Form for Subprojects
- Appendix 14: Stakeholder Engagement Plan Template for Subprojects
- Appendix 15: Grievance Redress Mechanism (BGB, Intermediary and sub-project level)
- Appendix 16: Chance Finds Procedure
- Appendix 17: Land Acquisition and Resettlement Action Framework.
- Appendix 18: Potential Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) Report Template
- Appendix 19: E&S Impact assessment – Table of contents
- Appendix 20: E&S Audit Report – Table of contents