



ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

Peruvian Amazon Eco Bio Business Facility -EBBF

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1. Glossary

The definition of the terms used in this manual are established in the Law of the National System of Environmental Impact Assessment (SEIA) approved by Supreme Decree No. 019-2009-MINAM, as well as in environmental policies and social (PAS) of Profonampe. It is important to mention that according to article 34 of the SEIA Law, any reference to the environmental impact in the SEIA framework includes the social impacts related to the implementation of the project.

The terms used in the ESMS are detailed below:

- **Competent authority:** State entity at the national, regional or local level, which in accordance with its powers and as provided by its specific regulations, exercises powers in environmental matters, natural resources, biological diversity, population, human health, climatic factors, heritage historical and cultural, protected natural areas, evaluation and environmental control and other matters associated with the SEIA; without assuming functions and powers fulfilled by other levels of government.
- **Biological diversity:** It is the variability of living organisms from any source including, among others, terrestrial and marine ecosystems and other aquatic ecosystems, as well as the ecological complexes of which they are part. It also includes diversity within the species, between species and within ecosystems and their relationship with others, in accordance with the Convention on Biological Diversity.
- **Environmental impact:** Positive or negative alteration of one or more of the components of the environment, caused by the action of a project.
- **Cumulative impacts:** Impact on the environment caused by projects developed or by taking place in a space of common influence, which can have a synergistic effect. Cumulative impacts can be the result of minor actions seen individually, but significant as a whole.
- **Significant negative environmental impact:** Those environmental impacts or alterations that occur in one, several or all of the factors that make up the environment, as a result of the execution of projects or activities with characteristics, scope or location with certain particularities. The identification and assessment of these negative environmental impacts require an in-depth qualitative and quantitative analysis, as well as an Environmental Management Strategy that includes preventive, corrective and mitigation measures.
- **Direct impacts:** Effects caused by human action on the components of the environment, with direct influence on them, defining their cause-effect relationship.
- **Indirect impacts:** Effects caused by human action on the components of the environment, from the occurrence of others with which they are interrelated or sequential.
- **Synergistic impacts:** Environmental effect or alteration that occurs as a consequence of various actions, and whose final incidence is greater than the sum of the partial impacts.
- **Mitigation:** Measures or activities aimed at mitigating or minimizing the negative impacts that a project can generate on the environment.
- **Environmental Management Plan:** Instrument to reestablish the prevention, control, minimization, correction and recovery measures of the potential environmental impacts that the projects could originate in its development.

- Environmental risk: Probability of occurrence of damage or effect on ecosystems or the environment derived from a natural, anthropogenic or technological phenomenon.

2. Introduction

Peru has experienced strong economic growth in recent years, reducing poverty from 56 percent to 22 percent between 2005 and 2018¹. However, the pace of progress significantly slowed down during the past five years as the global commodities boom retreated. As a result, in 2019 the country's poverty rate showed a 1 percent increase in the number of people living below the poverty threshold². In fact, despite its upper-middle-income status, inequality remains high and poverty is concentrated among rural, indigenous populations, who are also the most affected by climate change. In the absence of sufficient climate change mitigation and adaptation actions³, the Government of Peru estimates economic losses between 7.3 to 8.6 percent of the country's annual GDP between 2016 and 2050⁴.

Peru's deforestation rate is accelerating. The National Strategy for Forests and Climate Change (ENBCC, Peru's REDD+ strategy) identifies three main drivers of deforestation: (i) expansion of the agriculture frontier, (ii) illicit timber extraction and (iii) expansion of infrastructure and extractive industries.

The expansion of the agriculture frontier, mainly by small-scale farmers, is a key driver of deforestation. This is fueled by multiple factors, including low productivity of farming practices, lack of mechanization, scarce availability of technical assistance, increasing poverty levels and migration to the Amazon region. These factors coupled with the booming demand for specific agriculture commodities (e.g. coffee and cocoa) place increased pressure on the Amazon forest. Low crop yield productivity leaves clearing of land as the only means to increase farmers production. Given the current context, agriculture enterprises are unlikely to escape this situation due to a chronic lack of private investments and limited knowledge of sustainable use of forest resources.

Poorly planned infrastructure and illicit activities, mostly illegal gold mining and coca cultivation, are some of the main drivers of deforestation. Sociocultural factors, such as low environmental awareness and lack of technical knowledge for sustainable use of forest resources is forcing a growing number of Peruvian rural communities into these activities. Illegal gold mining has been an increasing driver of deforestation, due to increasing poverty and gold price in international markets. Weak forest governance is another key culprit of growing deforestation rates, mostly due to lack of control and enforcement of laws at the regional/subnational levels, lack of appropriate measuring and monitoring tools, and poor interagency coordination.

The Amazon Eco Bio Business Facility (EBBF)'s purpose results an effective climate change mitigation outcomes by investing in eco bio businesses (EBBs) supporting the sustainable management and conservation of Peruvian forests. Therefore, the proposed project contributes to shifting the current

¹ <https://www.macrotrends.net/countries/PER/peru/poverty-rate>

² <https://www.reuters.com/article/us-peru-poverty/peru-poverty-rate-rises-for-first-time-in-16-years-government-idUSKBN1HV2L2#:~:text=Some%206.9%20million%20Peruvians%20now,to%20some%2010%20million%20people>.

³ Please see Annex B, which details major REDD+ financing to date and existing gaps.

⁴ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Peru%20First/INDC%20Per%C3%BA%20castellano.pdf>

development pathway towards a more sustainable use of forest resources and reverse the country's deforestation trend.

EBBs are mentioned extensively in Peru's NDC strategy for both adaptation and mitigation targets across the forestry, agriculture and fisheries sectors. The Government of Peru defines EBBs as "economic activities devoted to the production of goods and services deriving from the sustainable use of biodiversity, or that seek to mitigate negative environmental impacts through the integration of sustainable environmental, social and economic practices that contribute to the conservation of natural ecosystems"⁵.

Peru's NDC and Biocommerce National Strategy and Action Plan 20255 prioritize the promotion and scale up of private and public EBBs to promote forest conservation and restoration in order to meet mitigation targets, and to increase the contribution of the forestry sector to the country's GDP to the benefit of vulnerable and rural communities.

The analysis of 945 EBBs provides some insights about their structure and challenges⁶. The average EBB employs 138 workers and contributes to the sustainable management of 5,549 hectares of land and forest. These EBBs reported as main products and services the following: alpaca and vicuña, coffee and cocoa, andean grains, recycling and waste management, sustainable tourism, among others.

Despite growing interest in EBBs, several significant barriers hinder the establishment and scale-up of successful EBBs such as entrepreneurial and management skills, especially for women, innovation and technology, access to market, and access to finance. In addition, these types of projects could have risks for the population, especially for women and the indigenous communities, such as the concentration of power and representation functions in decision-making bodies by men, which discourages the participation of women and the identification of their needs. Also, difficulties for women to enter the labor market in adequate and equal conditions, which will generate an unequal use of the benefits of the projects and scarce information on the situation of women in the forestry sector and eco and bio-business, which makes it difficult to make decisions and design differentiated actions.

The implementation of eco-bio businesses also have environmental risks related to the sustainable use of biodiversity such as the extraction of natural resources beyond its sustainable renewal, and the impacts in the execution of the activities like increased liquid and solid waste or increased use of fossil fuels.

The Amazon Eco Bio Business Facility will provide technical and financial support to EBBs to promote the shift to sustainable agriculture and cattle ranching practices (ENBCC AE.2) contributing to increasing the value of standing forests through the establishment and scale-up of financially viable forest-based businesses (ENBCC AE.1).

The safeguard policies of the Amazon Eco Bio Business Facility (EBBF) based on the "Equator Principles", the Green Climate Fund's Environmental and Social Safeguards and PROFONANPE's Environmental and

⁵ <https://consultasenlinea.mincetur.gob.pe/DocumentosNormativos/Publico/Imagen.aspx?ITEM=132856>

⁶ Ministry of Environment (2017) Plan de acción sectorial de Econegocios.

Social Policy with the aim of guaranteeing that social and environmental issues be fully considered in the financing of projects managed by the EBBF.

Under such safeguards, the EBBF commit to provide grants and repayable grants only to those programs and / or projects whose executors can demonstrate their ability and willingness to comply with all the processes that ensure that they are carried out with environmental and social responsibility, guaranteeing in this way the sustainability of investments in both aspects.

Within the framework of this sustainability approach, the EBBF adopts a set of environmental, social and gender policies (safeguards), which aim to) avoid, mitigate and manage the possible adverse environmental and social risks and impacts that may arise during the implementation of its programs and projects, and b) improve the environmental and social benefits and opportunities for the local populations involved.

These systems are the result of Profonanpe's experience with the different international cooperation organizations that have financed the implementation of programs and projects for the conservation of biological diversity and sustainable development in the country.

This manual is a tool for internal use by the EBBF staff for the implementation, monitoring and evaluation of EBBF's environmental, social and gender policies, in the projects it manages. This conceptualizes environmental, social and gender policies, establishes the guidelines for the identification of the policies that will be activated in the projects, and describes the procedure for monitoring and evaluating them.

Responsibility for the implementation of the ESMS

The EBBF's Facility Management Unit (FMU) is the body responsible for ensuring compliance with the ESMS, as well as for the correct application of this manual.

The FMU may update the manual when it deems appropriate, with prior approval from the Amazon Eco Bio Business Facility Program Administration Council.

The social & gender specialist will be under the supervision of the Project Manager, and will carry out the following functions:

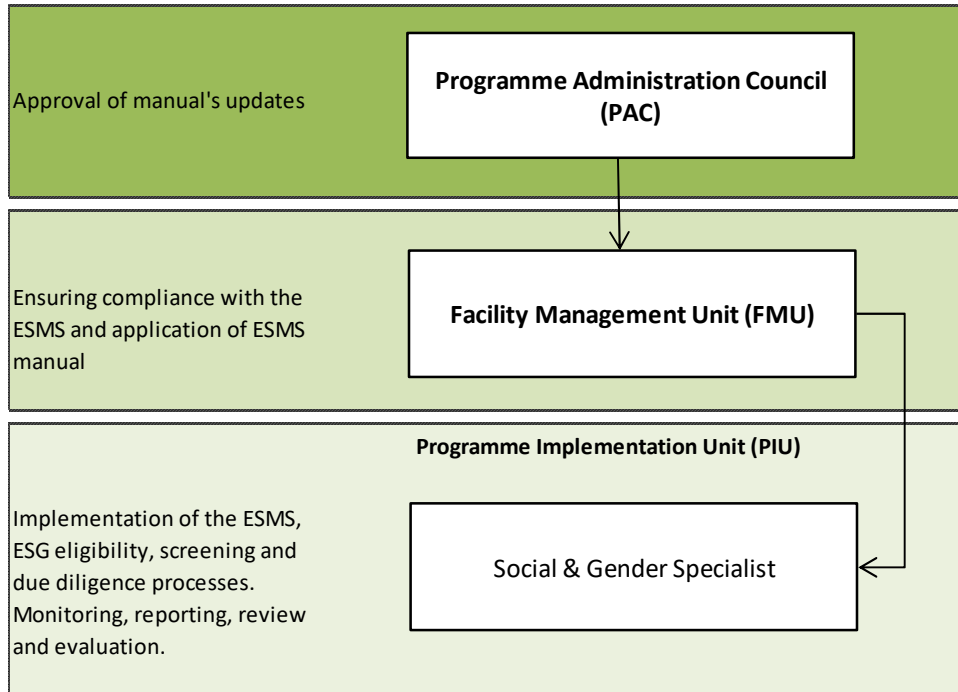
- Implementation of the Social Management System (ESMS).
- Implementation of the ESG eligibility, screening and due diligence processes.
- Provide technical assistance to the FMU and the portfolio projects regarding gender and indigenous people policies.

Provide training and technical assistance to EBBF's Portfolio Companies to make the gender assessment, the gender action plan and in the areas where indigenous people are involving, the Indigenous peoples plan.

Provide training and technical assistance to EBBF's Portfolio Companies to compliance the activities of gender action plan and in the areas where indigenous people are involving, the Indigenous peoples plan.

- Monitoring, reporting, review and evaluation processes of the safeguard policies including gender and indigenous people policies.
- Elaborating the annual report regarding status of fulfillment safeguard policies gender and indigenous people policies.

Institutional arrangement relationship for ESMS



3. CHAPTER I: Environmental and Social Policy

Purpose and Scope

1. The Amazon Eco Bio Business Facility (the Facility) is committed to actively promote sustainable development in the full range of its activities and investments. The Facility recognizes the environmental and social functions of property, forest resources and forest-related ecosystem services. Through providing finance to sustainable forest operations with sound governance

systems, the Facility aims to integrate forest resources effectively into sustainable economic development.

2. In this Policy the term Portfolio Company refers to the organization in which the Facility's resources are invested in.
3. This Policy outlines the environmental, social and governance (ESG) principles and commitments that underpin the Facility's activities. All further ESG guidelines, requirements and procedures on Facility and Portfolio Company level shall be developed accordingly.

Principles

4. The Facility promotes an integrated approach to nature conservation and social development, aligning eco bio business operations to applicable national nature conservation and social development laws, wider landscape approaches, strategic planning processes and land use plans.
5. The Facility applies a precautionary approach to the conservation, management and sustainable use of living natural resources by investing in Portfolio Companies that include measures to safeguard and, where feasible, enhance habitats and the biodiversity they support.
6. The Facility applies the principle of the mitigation hierarchy, seeking to avoid, and where this is not possible, minimize adverse impacts and enhance positive effects on the environment and affected stakeholders, so as to contribute to the avoidance of any deterioration in the quality of human life, the environment and any net loss of biodiversity and ecosystems.
7. The Facility promotes the efficient use of natural resources, the adoption of environmental and social safeguards, and the reduction of emissions of greenhouse gases.
8. The Facility recognizes the importance of addressing the causes and the consequences of climate change in Peru by developing mitigation measures.
9. The Facility recognizes the responsibility of business to respect human rights and seeks to avoid infringement on the human rights of others and address adverse human rights impacts that financed business operations may cause or contribute to.
10. The Facility seeks to apply the principles of fair treatment, non-discrimination and equal opportunity for employees and contractors on Facility and Portfolio Company level by complying with the International Labour Organisation Fundamental Conventions.

Environmental and Social Policy

Based on the experience acquired by Profonampe, the EBBF defines safeguards as a set of environmental, social and policies (ESP) that seek to:

- Avoid, correct, mitigate and manage the possible adverse environmental and social risks and impacts that may arise during the implementation of its investee projects,
- Improve the environmental and social benefits and opportunities for the local populations involved.

In this sense, the EBBF's ESP adopts Profonampe's eleven (11) Environmental and Social Policies that must be addressed as an essential requirement in the design and implementation of the EBBF's Portfolio Companies. These policies are the following:

➤ ESP 1. Assessment and management of environmental and social impacts and risks

The Portfolio Companies managed by the Facility are essentially and by design, environmentally and socially sustainable. To guarantee this sustainability, during its design and implementation, all must adequately identify and evaluate the possible environmental and social risks and negative impacts on the

environment, cultural heritage, people's health, lifestyles and the rights of indigenous peoples and local communities, in accordance with the criteria of environmental protection, established by Law of the National System of Environmental Impact Assessment (Law No. 27446) and its Regulations (Supreme Decree No. 019-2009-MINAM). Likewise, the potentially affected actors (men and women) in the implementation of the program / project must be identified.

The main objectives of ESP 1 are:

- (1) Identify the Facility level and Portfolio Company level environmental and social impacts and risks.
- (2) Establish an efficient and effective plan for managing previously identified environmental and social impacts and risks to avoid and / or mitigate them.
- (3) Establish responsibilities for managing, monitoring and evaluating environmental and social impacts and risks.
- (4) Guarantee that affected communities have adequate access to information during all phases of the project cycle.
- (5) Ensure that complaints and suggestions from the affected population are addressed.
- (6) Ensure that the gender approach is taken into account during all phases of the program.

➤ **ESP 2. Compliance with national laws and regulations**

The Facility demands unrestricted respect for the existing environmental, social and labor regulations in Peru from the Portfolio Companies it manages. It also requires respect for human rights, with special attention to the rights of children and adolescents.

The main objectives of ESP 2 are:

- (1) To ensure compliance with national legislation and international commitments derived from agreements, conventions, etc.
- (2) Establish the necessary procedures to ensure compliance by Portfolio Companies.

➤ **ESP 3. Conservation of biological diversity**

Conservation of biological diversity is an opportunity to achieve social and economic objectives that benefit Peru's population. In this sense, the Facility is committed to select and manage Portfolio Companies contributing to the conservation and improvement of biological diversity, seeking social and economic development, without causing adverse damage to natural resources.

The main objectives of ESP 3 are:

- (1) Conserve ecosystems, biological diversity, species and genes.
- (2) Maintain and improve ecosystem services.
- (3) Promote the sustainable management of natural resources through practices that align with the Sustainable Development Goals (SDGs)⁷.

Nota:

⁷ <http://www.undp.org/content/undp/es/home/sustainable-development-goals.html>

The Facility does not operate directly, nor through its Portfolio Companies, in areas of fragile ecosystems as defined by General Environmental Law and Law No. 29895. The Facility does not support the conversion of natural ecosystems that may generate the loss of biological diversity or promote the introduction of invasive alien species.

➤ **ESP 4. Climate change**

The Facility seeks to link the objectives of conservation of biological diversity with those of mitigation to climate change. Therefore, in its operations it prioritizes Portfolio Companies that are aligned with national climate change objectives and priorities, that contribute to the reduction of greenhouse gases (GHG).

The main objectives of ESP 4 are:

- (1) Guarantee low-carbon development in activities related to the conservation of biological diversity.
- (2) Contribute to reducing vulnerability and increasing the adaptability and resilience of ecosystems and populations to climate change.

➤ **ESP 5. Pollution prevention**

The economic activities carried out in rural areas have the potential to generate and / or contribute to the increase of air, water and soil contamination, thus affecting the ecosystems and the health of the people of the neighboring populations. The use of pesticides, in agricultural activities, hazardous and non-hazardous solid and / or gaseous residues derived from economic activities of an industrial nature, are some of the examples.

The EBBF requires its Portfolio Companies to consider specific measures to prevent contamination that could be generated by the implementation of their activities. This implies the use of clean technologies and the development of good practices for the management of solid, liquid or gaseous waste that could be generated.

The main objective of ESP 5 is:

-) Avoid or minimize possible air, water and soil contamination in the areas of intervention.

➤ **ESP 6. Involvement and participation of actors**

The Facility promotes and applies participatory management through the intervention of local populations in decision-making during the different stages of the project cycle (design, planning, execution, monitoring and evaluation). In this way, it fosters appropriation, empowerment and capacity building, thus generating the sustainability of the Portfolio Companies it manages.

The main objectives of ESP 6 are:

- (1) Ensure the full and effective participation of the populations linked to the project.
- (2) Establish effective and inclusive means of involvement of the actors linked to the project

➤ **ESP 7. Gender approach**

The Facility promotes equal opportunities and rights for women, and it implements a gender approach in decision making process. EBBF Portfolio Companies must seek to promote the participation of women in all aspects of project implementation and generate equal opportunities and equitable power relations to close the gender gaps.

The main objectives of ESP 7 are:

- (1) Ensure the mainstreaming of the gender approach in Portfolio Companies.
- (2) Establish effective and inclusive means for the full and effective participation of women in projects implementation.

➤ **ESP 8. Indigenous and Native Peoples**

The Facility is committed to building a democratic and peaceful coexistence, promoting the recognition and valorization of cultural diversity. The Facility's Portfolio Companies must demonstrate an intercultural approach through the incorporation of the different culture and needs of indigenous or native populations through the recognition of their right to self-determination, their lands, resources and territories, traditional life and culture.

The Portfolio Companies must go through an adequate identification of the possibly affected populations; in the same way, they must go through an informative process during all its stages that ensure the participation of indigenous or native peoples. This will allow the Portfolio Companies to be developed in dialogue with these populations in such a way that their contributions allow the mitigation of possible impacts and risks that affect their rights.

The main objectives of ESP 8 are:

- (1) Avoid any damage or negative impact that Portfolio Companies may cause to indigenous or native peoples.
- (2) Promote the benefits and opportunities of sustainable development for indigenous or native peoples.
- (3) Ensure the full and effective participation of indigenous or native peoples, through appropriate cultural practices.

➤ **ESP 9. Cultural Heritage**

The Facility recognizes and respects the Cultural Heritage of Peru for its importance, value and meaning for the country's identity and as the axis of its social and economic development.

The main objectives of ESP 9 are:

- (1) Avoid any damage or negative affectation on the cultural heritage derived from the management of the Portfolio Companies.
- (2) Promote the equitable exchange of benefits from the use of cultural heritage.

➤ **ESP 10. Involuntary resettlement and / or restriction on the use of renewable natural resources**

The Facility prioritizes Portfolio Companies that promote the sustainable use of natural resources by local populations. The Facility does not support companies or projects that may entail risks of physical and / or economic displacement of indigenous and local communities or cause restriction of access to protected areas or areas and / or use of natural resources.

The Facility does not manage programs / projects that generate the involuntary resettlement of populations.

The main objectives of ESP 10 are:

- (1) Anticipate and avoid involuntary resettlement or restriction of the use of natural resources derived from the implementation of the Portfolio Companies.
- (2) Mitigate adverse social and environmental impacts derived from the restriction of use of resources, which have been identified as unavoidable when implementing the program.
- (3) Consider improving the means and quality of life conditions of rural and indigenous populations.

➤ **ESP 11. Job safety**

The Facility ensures that its staff, and the staff of Portfolio Companies and their direct counterparts⁸, implement adequate occupational safety conditions to prevent accidents, injuries and illnesses.

This ESP concerns the risk to the security of personnel and Portfolio Company teams, caused by chemical, physical or biological agents during the course of project activities, as well as environmental and social conditions that may pose a risk to the physical and psychological integrity of these.

The main objective of ESP 11 is:

- (1) Anticipate and avoid any risk derived from the execution of the Facility and Portfolio Companies that may negatively affect its personnel, project teams and their counterparts.

⁸ Third parties receiving financing and / or technical support from the Facility

4. CHAPTER II: ESG Requirements and Standards

All of the EBBF operations and Portfolio Companies shall comply with the following requirements and standards.

General Integrity and Good Governance

Identification of final beneficiaries

The Facility seeks to promote transparency of ownership and control. Accordingly, the Facility shall not enter into new investments whenever it is suspected or where there are substantiated allegations, that opaque corporate structures or corporate vehicles are being used to hide beneficial ownership. As part of the Due Diligence the Project Implementation Unit will identify the final beneficiary ownership of the potential Portfolio Company.

Integrity Clearance

Widely accepted and internationally recognized “black lists” will be consulted to verify whether the proposed persons, or entities or their management or shareholders, appear on any of them. If during the Due Diligence process of an investment opportunity integrity red-flags are identified but cannot not be confirmed due to insufficient reliable evidence during the assessment, an additional background check may be commissioned to an independent specialized company. Background checks shall review the potential Portfolio Company’s and its officers’ current and past compliance with the integrity principles of the Facility and its level of involvement in activities included in the Excluded Investments List (see *Annex 4: Exclusion List*).

Excluded Investments List

During the Due Diligence of an investment opportunity the FMU and PIU teams will assess whether it is in line with the investment criteria and ESMS of the Facility. A main tool at this stage is the Exclusion List (see *Annex 4: Exclusion List*) of the Facility which lists activities excluded to be financed by the Facility. If a potential investment opportunity includes any of the businesses or activities included in the list the investment process may not proceed.

Conviction or serious criminal offences

Conviction of a serious crime of the potential Portfolio Company and/or any member of its management or executive board is a reason to turn down an investment opportunity. As a general principle, in the case of an on-going serious criminal investigation or where someone has been indicted, the Facility shall not enter into the relationship until the investigation is either dropped or a decision is made whether to prosecute. In the context of an already on-going investment by the Facility, the FMU shall review and analyze the potential impact of situations in which a criminal investigation is opened, or a criminal prosecution is initiated, or a criminal conviction is handed down, immediately upon receipt of the respective information. The same process applies if Portfolio Companies are subject to investigations or sanctions by regulatory bodies.

Links to organized crime

The Facility shall not proceed with an investment where evidence points to involvement with any of the following activities:

- Organized crime or associations with organized criminal groups or criminals;
- Participation in money laundering or terrorist financing operations;

- Association with acts of violence or threats thereof.

Anti-money laundering and counter terrorism finance

The Facility shall evaluate internal policies and controls in place at the potential Portfolio Company to avoid being used as a platform for any money laundering and/or terrorism financing scheme and the level of compliance of such policies and controls with local and international standards.

Compliance with current tax practices

The Facility shall not proceed with an investment where there is evidence of on-going illegal tax activities. In case the legality of the practices may not be clear or may be considered marginal, It is for the FMU to decide, taking account of exceptional circumstances (e.g. the practice is “condoned” by local authorities or is in line with generally accepted international practice) whether it can accept a period of uncertainty or minor non-compliance where it is confident that the legal and reputational risk is low.

Involvement in questionable business practices

In addition to the cases described above, the Facility shall avoid entering an investment at a potential Portfolio Company where there is evidence of involvement in poor, questionable or dubious business practices. Examples of such practices might include, but are not limited to, systematic abuse of information asymmetries between the potential Portfolio Company and its clients, remuneration of some staff deemed excessive given the size and profitability of the potential Portfolio Company, existence of dubious investment vehicles totally or partially owned by the potential Portfolio Company, allegations of involvement in corruption practices. Evidence found by the FMU leading to suspicion of a Portfolio Company or potential Portfolio Company involvement in such practices shall be immediately communicated to the Project Administration Council.

Environmental and Social Standards

ESK Key Performance Indicators

Through investments in sustainable plantation forestry projects, the Facility aims at creating a wide range of positive environmental and social impacts. In order to measure its environmental and social performance, the Facility has defined five Key Performance Indicators (KPIs) that reflect direct impacts of Facility operations and can be measured in a transparent and simple manner.

The five ESG KPIs include:

- Employment generated by the investments of the Facility;
- Tonnes of CO₂ reduced or avoided from forest and land under sustainable management;
- Hectares of land or forests under improved and effective management;
- Number of females and males benefitting from the project activities;
- Number of indigenous people benefitting from project activities.

International Environmental and Social Standards

All ES related assessments, monitoring and reporting processes are based on Profonampe’s Environmental and Social Policy, the IFC Performance Standards and the GCF Environmental and Social Safeguards. Annex 21 of Profonampe’s Operational Manual for the implementation of its E&S Policy provides a comprehensive comparison between Profonampe’s ESPs, IFC Performance standards and other international financial institutions. To ensure Portfolio Companies compliance to relevant standards, the

ESG Checklist and the *ESG Due Diligence Report* have been developed including all relevant aspects. Hence, evaluations will follow the structure and wording of the IFC Performance Standards.

5. CHAPTER III: ESMS Operational Guidelines

INTRODUCTION

The Principles and Commitments stated in the Environmental and Social Policy included in Chapter I are a cornerstone of all business operations of the Facility. Compliance with the E&S Policy will be achieved through an Environmental and Social Management System (ESMS) implemented at two levels:

-) **ESMS at Portfolio Companies:** Portfolio Companies will be required to adhere to the ESP requirements of the Facility. Each Portfolio Company will establish and maintain its own ESMS to assess, address and monitor ESG risks and impacts of company operations in line with the Facility requirements.
-) **ESMS at Facility level:** The Facility Management Unit (FMU) will establish and maintain the Facility's ESMS to assess, oversee and support the management of ESG matters by the Portfolio Companies, as well as oversee ESG matters at overall Portfolio level.

These Operational Guidelines aim to provide the information needed to support the implementation and operationalization the ESMS. They are based on the IFC Policy and Performance Standards on Social and Environmental Sustainability, its Guidance Notes, GCF Environmental and Social Safeguards and Profonape's Environmental and Social Policy.

These Operational Guidelines are structured as follows:

- Section 1 provides an overview of the ESMS at the Facility level, describing the methods used throughout the investment lifecycle to assess, plan, implement, monitor and review the ESG performance of Portfolio Companies and their business plans against set standards.
- Section 2 provides an overview of the ESMS at the Portfolio Company level which represents an overarching requirement that shall define the framework to manage all environmental and social matters in a structured way throughout the project cycle
- Section 3 presents the resources allocated on Facility level to conduct all ESG related activities. It also gives an overview of the expected resources that Portfolio Companies will have to allocate to ESG matters.
- Section 4 describes the monitoring and reporting system set up by the Facility to monitor the ESG performance of Portfolio Companies and report to its investors.

Section 1: ESMS Management at the Facility Level

The ESMS of the Facility considers environmental and social requirements and governance and integrity standards from the initial phase of the investment process and throughout the investment lifetime. The integration of ESG into each step of the investment process is presented in the figure below and detailed in the following sections.

Figure 1 ESG considerations during the investment process

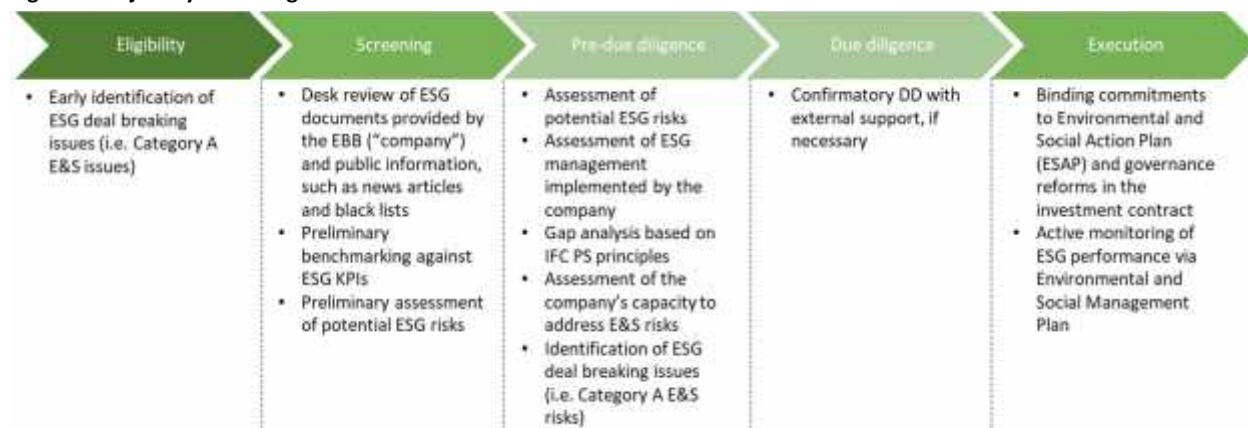


Section 1.1: ESG considerations during the investment process

During the investment process, the Facility will assess the ESG risks associated with the potential Portfolio Company and the foreseen project to be developed with the Facility investment, as well as the capacity of the potential Portfolio Company to address them. For the assessment, potential Portfolio Companies are required to present a business plan which outlines the foreseen project that the Facility investment will finance. The project includes all the future activities, operations and subprojects that are foreseen. In greenfield projects, the assessment will focus on the risks of planned operations and the measures foreseen by the Portfolio Companies to assess, manage and mitigate such risks. In brownfield projects, the assessment will as well consider the ESG performance of the Portfolio Company in their existing operations.

ESG considerations at the different stages of the investment process can be visualized as follows:

Figure 2 Project Cycle Management of E&S risks



1.1.1 Eligibility and Screening

Each potential Portfolio Company will be assigned a deal manager, a member of the Project Implementation Unit (PIU) who will be responsible for coordinating and overseeing the assessment and for communicating with the potential Portfolio Company.

During eligibility and screening the deal manager will assess general information about the potential Portfolio Company and the foreseen project. The **ESG assessment** shall encompass a review of public information to reveal any environmental, social, business integrity or legal controversy related to the potential Portfolio Company. For example, news articles will be searched through, and internationally recognized “black lists” that identify criminal offenders and sanctions will be checked as part of the Integrity Clearance procedure. This evaluation will be enhanced and triangulated by any additional information or documentation provided by the potential Portfolio Company (e.g. policies, management plans, reports, etc.) that are relevant to its ESG performance.

At this stage, the *ESG Checklist* (Annex 1: ESG Screening Checklist) will serve the deal manager as guidance to identify deal breaking issues and potential risks associated with the potential Portfolio Company and the foreseen project, and get an overview of the ESG performance of the potential Portfolio Company.

1.1.2 ESG Due Diligence

The main tool to assess the ESG risks associated with a potential Portfolio Company and its foreseen activities and compliance to ESG standards is the **ESG Due Diligence (ESG DD)** process. The *ESG Checklist* will be completed with detailed information on the ESG performance of the company and potential ESG risks associated to the foreseen activities. If no deal breaking issues or major concerns are identified during this initial assessment, the project prequalifies, and the Facility Management Unit will assign an ESG specialist to conduct the ESG DD study including site visits, if necessary.

The ESG specialist will be granted full independency to perform an objective ESG DD study. The deal manager will provide the ESG specialist with the information gathered through the *ESG Checklist* and communicate any ESG related concerns that have been identified during the first site visit. The *ESG Checklist* will include a risk categorization of the project as:

-) Category A: Potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
-) Category B: 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.
-) Category C: Minimal or no adverse environmental or social risks and/or impacts.

Only Portfolio Companies falling under Category B and C will be considered for further assessment in line with Profononpe’s GCF accreditation conditions.

The *ESG Checklist* will help the ESG specialist to identify major risk areas that require special attention in the DD and ES requirements that are commensurate with the risk category. For instance, category B projects will require a simplified and fit for purpose ESIA and ESMP. Category C projects will not require any specialized assessments.

The ESG specialist will conduct an ESG assessment and provide a gap analysis between the ESG performance of the potential Portfolio Company in its current operations, but also in regards to the planned activities that are included in the business plan and intended to be undertaken, by comparing those to the Facility requirements. This will be carried out mainly through documentation review, site visits and interviews with relevant stakeholders.

The resulting information will be compiled, analyzed and presented following the structure and guidance of the IFC Performance Standards, including but not limited to the ESG risks and opportunities of the potential Portfolio Company and foreseen activities and its capacity to address those risks internally or with external support. The *ESG Due Diligence Report* (Annex 2: Environmental and Social Due Diligence Report)() will provide all the information needed to understand environmental and social risks in order to take an investment decision, and to identify ESG reforms considered necessary to comply with the Facility requirements and policies (see *Environmental and Social Policy*). The ability and willingness of the potential Portfolio Company to undertake such reforms, corrective measures and improvements in a reasonable timeframe and the related allocation of resources to do so shall be assessed by the Facility Management Unit and be considered for the investment decision.

1.1.3 Binding commitment on Environmental and Social Action Plan

If the Facility Management Unit decide to carry on with the investment, the ESG reforms considered necessary during the ESG DD will be formulated into an **Environmental and Social Action Plan (ESAP)**. The ESAP will be formulated in negotiation with the senior management of the Portfolio Company, and will include identified priority ESG concerns, risk levels, actions required, delegated responsibilities, implementation timeline and costs involved. Furthermore, the ESAP will clearly delineate the monitoring processes that shall be undertaken by the Portfolio Company (see Annex 3: Outline of Environmental and Social Action Plan & Annex 5: Outline of Environmental and Social Management Plan).

The investment contract between the Facility and the Portfolio Company will explicitly include the commitment of the Portfolio Company to implement the ESAP, meet reporting duties, and assume ESG related costs, as well as the implications of a breach of ESG requirements. The ESAP will be part of the contract as well, imposing a legally binding commitment to adhere to ESG reforms, including serious consequences for breaching such commitments. The FMU shall clearly communicate ESG requirements to the senior management of the Portfolio Company and its wider implications. Any additional risks, challenges and expectations on both sides shall be clarified at this stage.

Section 1.2: ESG Considerations during running investment

After investment, the Portfolio Company starts implementing the agreed business plan, i.e. the project that has been agreed as part of such plan and as assessed as part of the DD process of the Facility. The Portfolio Company will as well implement the reforms that have been identified as necessary to fully comply with the ESG requirements of the Facility, in a timely and appropriate manner as detailed in the ESAP.

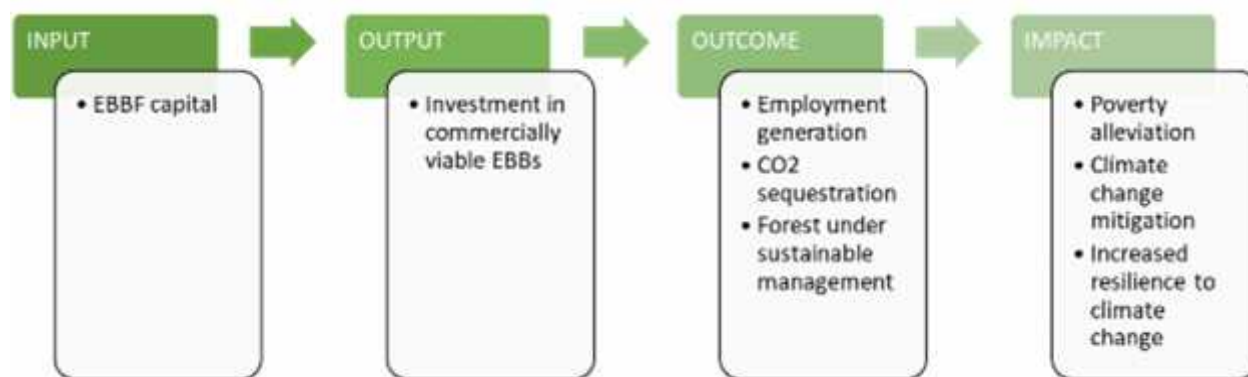
The adherence to such business plan is part of the legal obligations of the Portfolio Company, and therefore, the Portfolio Company may not proceed with any material changes to the business plan without receiving explicit consent from the Facility. Should there be significant changes to such business plan, e.g. new or significantly revised subprojects, then, the Portfolio Company is required to conduct the necessary environmental and social assessments and provide the outcome for the Facility to consider in order to decide whether or not the Portfolio Company may proceed with such subproject, and whether or not such new or significantly revised subproject requires amendments to the Portfolio Company's ESAP. The environmental and social assessment of subprojects needs to follow the Facility ESG requirements (see *Environmental and Social Policy*).

During a running investment, the engagement of the Facility with its Portfolio Companies will aim at ensuring responsible business operations and increasing the Portfolio Companies' awareness and knowledge regarding ESG issues through:

- Monitoring and reporting;
- Active support and backstopping;
- Exercising voting rights to promote ESG issues.

Monitoring and reporting is one of the major tasks at this stage. As activities of the Portfolio Company are expected to have positive effects on local people, their environment and the climate, stringent monitoring and reporting is necessary to ensure that project implementation actually leads to such positive impacts. Therefore, the Facility will document and promote ESG measures by applying a pragmatic monitoring approach in accordance with the CDC toolkit⁹, as shown in the figure below.

Figure 3 Impact chain of the Facility's ESG monitoring system (Source: CDC)



Further details on the monitoring and reporting system are provided in Section 4. Monitoring and Reporting.

Section 1.3: ESG Considerations during divestment process

To ensure the sustainability of environmental and social standards after exit the Facility will carry out a reputation check on the potential co-investor and the exit process may not proceed if there is evidence that the potential investor is or has been involved in business practices listed in the Facility's Excluded Investments List. During exit negotiations, the FMU will to the extent possible, propose to select a new investor that ensures the continuity of high ESG standards.

Section 2. ESMS Management at the Portfolio Company level

Portfolio Companies will be required to establish an ESMS in accordance to IFC Performance Standard 1 – *Assessment and Management of Environmental and Social Risks and Impacts*. This represents an overarching requirement that shall define the framework to manage all environmental and social matters in a structured way throughout the project cycle and thus shall support continuous compliance to all of the Facility's ESG policies and requirements.

⁹ CDC (2018). Toolkit on ESG for fund managers. Available at: https://assets.cdcgroup.com/wp-content/uploads/2018/09/08155015/CDC_Toolkit_on_ESG_for_Fund_Managers_2010.pdf

Figure 4 ESMS According to IFC Performance Standards



Portfolio Companies will be required to set in place a management system that establishes procedures and tools, and allocates appropriate resources to guarantee the effective implementation of environmental and social requirements. The system shall ensure the involvement of all relevant stakeholders and include all environmental and social requirements. Portfolio Companies shall make sure that the system functions in a dynamic and continuous process, ensuring an effective learning and improvement cycle. The ESMS shall at least consist of the following four components:

- **Environmental and Social Policy:** Portfolio Companies shall formulate an Environmental and Social Policy that integrates nature conservation, biodiversity protection and social safeguard components with productive objectives, and that is compatible to the Facility’s E&S Policy and ESG Requirements. The Environmental and Social Policy reflects the commitment of the Portfolio Company with sustainable development and provides a framework for the environmental and social management on company level. Therefore, it shall be officially endorsed by the senior management of the Portfolio Company and appropriately communicated internally and externally.
- **Environmental and Social Management Plan (ESMP):** The management plan must be consistent with the company’s ESG Policy and provide mitigation and performance improvements to address identified risks and impacts, which may consist of a set of operational documents and procedures.
- **Organizational Capacity:** The Portfolio Company shall establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. Key environmental and social responsibilities should be well defined and communicated to the relevant personnel, and the human and financial resources provided shall be sufficient to achieve

the Facility's ESG requirements on an ongoing basis. Furthermore, the personnel should possess the knowledge, skills and experience to implement the specific measures and actions required under the ESMS.

- **Stakeholder Engagement:** Stakeholder engagement is 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 may vary considerably according to the project's risks and adverse impacts, and the project's phase of development. Furthermore, effective grievance mechanisms should be developed with culturally appropriate and transparent procedures.
- **Monitoring and Review:** Portfolio Companies shall set in place systems to monitor and assess environmental and social matters. The Portfolio Company shall establish clear indicators that allow for an in-depth analysis against set environmental and social goals formulated in the ESAP and reflect its Environmental and Social Policy. Results of the monitoring system shall be carefully analyzed and reported on, and shall be subject to periodic verification, revision and reporting by the Facility Management Team.

Section 3. Allocation of Resources, Organizational Capacity and Responsibilities

Section 3.1: On Facility Level

To ensure the implementation of the ESMS, the PIU includes one designated person responsible for ESG matters. Over the investment period, the human resources dedicated to ESG matters will increase progressively according to the needs, as new Portfolio Companies engage with the Facility. At the end of the investment period, the PIU will include one person fully and exclusively dedicated ESG matters. The ESG expert of the project Implementation Unit will be responsible for overseeing all ESG related processes described in the sections above, namely:

- Executing the ESG DD process and the ESAP;
- Keeping the overview of the Portfolio Company's ESG performance against set indicators and ensuring appropriate backstopping and support is provided in case of difficulties or extraordinary events;
- Monitoring and reporting to the investors (see *Section 4. Monitoring and Reporting*);
- Ensuring that ESG matters are included during the investor's check.

All resources associated to the ESG screening and DD process, which includes the assessment of environmental and social risks that is necessary to make an investment decision, will be covered by the Facility. The actual implementation and monitoring of measures and reforms needed to fulfil and maintain the ESG standards will be introduced by the Portfolio Company. The Facility will facilitate and supervise that all necessary measures are conducted in line with the Facility requirements. In cases when extraordinary measures call for additional studies conducted by external experts due to a serious concerns of the ESG risk profile or performance by a Portfolio Company or there is reasonable doubt for high risk activities, the Facility may provide resources needed for an independent review.

Section 3.2: On Portfolio Company Level

Depending on the results of the ESG DD and the gaps identified between current company practices and the compliance with the Facility's ESG requirements, the Portfolio Company is expected to allocate realistic budgets and human and financial resources to ESG matters. As a minimum requirement, following roles shall be fulfilled in every Portfolio Company:

- **ESG Coordination:** Planning and coordinating ESG measures, monitoring and overseeing ESG performance and compliance with the Facility’s ESG requirements, communicating with and reporting to the FMU and PIU teams.
- **Environmental Management:** Managing environmental risks, ensuring compliance with local legislation and the Facility’s requirements regarding environmental performance.
- **Health & Safety Management:** Managing social risks related to labour associated to the company’s direct and subcontracted personnel involved in EBB operations, ensuring the implementation of security measures and fair and healthy working conditions.
- **Community Relations:** Managing social risks related to relevant stakeholders, particularly local communities living in or adjacent to the EBB area of operations. This includes stakeholder engagement, communication, grievance mechanisms and disclosure

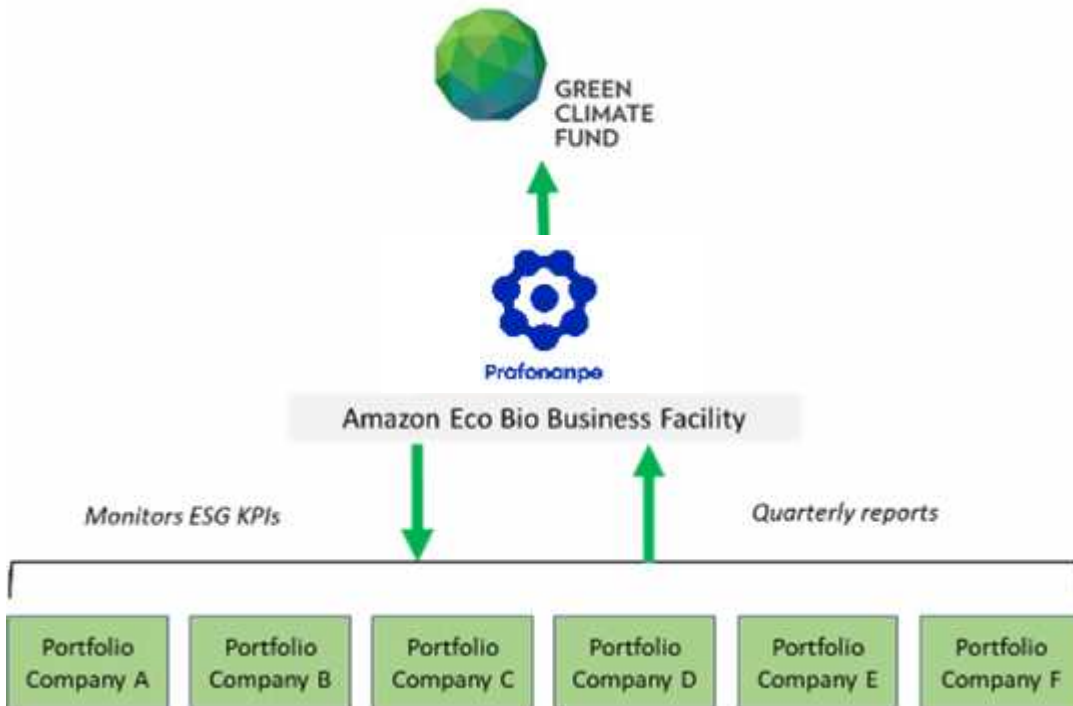
The above roles may fall on one or more of the EBBF staff. The amount of personnel dedicated to the roles described above may vary considerably according to the Portfolio Company’s risks and adverse impacts, and its phase of development. However, these roles shall be fulfilled to the extent that ensures the implementation and maintenance of the Facility’s ESG requirements.

Section 4. Monitoring and Reporting

4.1 Process overview

The Facility will implement an ESG monitoring and reporting process in two levels. Portfolio Companies will monitor project activities and report to the Facility Management Unit. The FMU will in turn collect the data from Portfolio Companies and report in an aggregated form to the GCF.

Figure 5 Two-level monitoring and reporting process



4.2 Portfolio Company Level

The Portfolio Company will be held responsible to continuously monitor the ESG performance of its operations. The Portfolio Company will report periodically to the Facility on a defined set of indicators. In most cases report templates will consist of a simple table that shall be completed with the defined indicators and updated on a quarterly basis, and a section where additional observations can be described. This approach is considered to lower transaction costs and efforts for internal reporting while at the same time encouraging close follow-up of ESG matters.

The specific set indicators and frequency of reports will be defined case by case, but will in most cases include:

-) Quarterly reports (unaudited) which will be delivered no later than 60 calendar days after the end of each quarter and include:
 - o A summary of the company's shareholders
 - o A cash flow statement and balance sheet of the company (unaudited)
 - o A summary of key developments in the preceding quarter (e.g. drawdowns, investments, sales, hiring)
 - o Report against the company's own Environmental and Social Monitoring Plan
 - o Relevant update on social and environmental issues
-) Annual report (audited) which will be delivered four months after the end of each fiscal year and include an audited report of:
 - o A year-to-date cash flow statement of the company as of the end of such fiscal year;
 - o A balance sheet of the company as of the end of such fiscal year
 - o A year-to-date income statement of the company for such fiscal year
 - o Report against the company's own Environmental and Social Monitoring Plan
 - o Relevant update on social and environmental issues

The Facility Management Unit will support the Portfolio Companies to reach set ESG goals and introduce and enhance the monitoring and reporting process if difficulties arise that prevent the Portfolio Company from delivering according to the agreement. In addition to standard reports, Portfolio Companies will be required to immediately report to the Facility in case of extraordinary events, such as any changes in the scope of the project that entail new ESG risks or opportunities, any serious incidents, or any breach of the ESG requirements. In such cases, additional site visits may be necessary to assess the situation through interviews with management, employees, contractors and affected communities, through relevant environmental checks, and reviews of company records. Furthermore, independent verifications by specialist consultants will be considered only in cases of serious ESG related incidents or reasonable doubt of serious infringements.

4.3 Facility Level

The Facility will report regularly and in a transparent manner about activities, results, and challenges of its business operations in line with its vision and mission. ESG issues shall be reported in depth to the GCF and other investors at least once a year mainly through the Annual ES Report. In addition, Profonanpe's Annual Sustainability Report will be publicly disclosed to report to all stakeholders. Annual reports will present information on the ESG management at Facility level, as well as key information on Portfolio Companies. The FMU will be responsible for reporting progress to the GCF against the ESG KPIs according to the methodology described in the Facility's Funding Proposal.

The five ESG KPIs include:

- Employment generated by the investments of the Facility;
- Tonnes of CO₂ reduced or avoided from forest and land under sustainable management;
- Hectares of land or forests under improved and effective management;
- Number of females and males benefitting from the projects activities;
- Number of indigenous people benefitting from the project activities

6. Annex

Annex 1: ESG Screening Checklist

Objectives

- Provide relevant information for a preliminary assessment of potential ESG risks;
- Gather available documents and information on current ESG management;
- Identify to the extent possible any deal breaking issues at an early stage;
- Guide and inform the on-site due diligence process.

This list is not exhaustive, and further issues are considered as identified on a case by case basis.

General information on the potential Portfolio Company

Company Name	
First year of activity	
Location of intervention	
Target total area of intervention	
Volume of investment requested	S/ US\$
Project implementation period	
Project description	

ESG Screening Questionnaire

Risks foreseen relevant to the following category:	Yes	No	Likelihood ¹⁰	Impact ¹¹	Comments
Community, Land Resettlement, Indigenous People and Cultural Heritage					
IFC – PS 4,5,7 and 8					
Profonampe – ESP 6, 7, 8, 11					
Can the project activities impact local and indigenous communities? How far away and how many? Are these identified by the company?					
Can the EBB impact the main livelihoods of local and indigenous communities					
Are communities dependent on the resources and land managed by the company?					
Can the EBB impact the status of community customary rights over resources?					

¹⁰ <https://www.greenclimate.fund/documents/20182/319135/1.7 - Environmental and Social Safeguards.pdf/e4419923-4c2d-450c-a714-0d4ad3cc77e6>

¹¹ http://www.profonampe.org.pe/sites/default/files/2017-11/PAS%20PROFONANPE%20BOCETO%20ESPANOL_FINAL.pdf

Does the company have an existing relation with the local community?					
Company implements a Stakeholder Engagement Plan?					
Company employs participatory, fair and transparent decision-making processes? Evidence of FPIC from indigenous peoples? How is this recorded / documented?					
Any resettlements or (unresolvable) conflicts with communities, particularly in the last 5 years?					
Operations create noise, dust, vibration, shadow, etc. to an extent that could affect local communities?					
Operations create solid, liquid or any other type of waste that could affect local communities?					
Project activities significantly increase transport and heavy vehicles in the area? Could this affect local infrastructure? Schools, hospitals, relocation of bridges, etc.					
Project activities can reduce communities' access to resources?					
Cultural sites on the project area or surroundings? Are these considered in the HCV process? Cultural sites could be cemeteries, places of worship, holy sites or trees, etc.					
Social impacts of company operations are monitored over time? Communities have an opportunity to discuss E&S performance with the company?					
Grievance mechanism operational and policy / processes developed to handle grievances?					
Security guards employed? Trained in the Voluntary Principles on Security and Human Rights?					
Labour Conditions					
IFC – PS 2					
Profonanpe – ESP 1, 11					
Number of workers and origin: local or non-local					

% of the workforce that is direct and contracted					
Awareness / information available regarding contractor's labour practice					
Is there any evidence or reasonable doubt of child labour or forced labour?					
Do workers live in the working place?					
Are operations mostly manual or mechanized? Do workers have adequate training and equipment?					
Did any serious accident happen in the last 5 years? Is there evidence of serious accident records?					
Resource Efficiency and Biodiversity					
IFC – PS 3, 6					
Profonampe – ESP 3, 4, 5					
Status of the company regarding main environmental requirements					
Project activities can lead to forest land use change or loss of forest cover?					
Project activities can negatively affect the biodiversity or natural habitat of the area of intervention?					
Is there a land use planning process? Is there a target conservation area? Does it cover at least 5% of the area?					
Natural biophysical conditions and baseline conditions / studies conducted incl. status prior to activities					
Degradation of peatlands?					
Land with conservation / protected areas status (IUCN PA categories) in the vicinity (distance)?					
HCVA assessment completed? If no: Likelihood and size of HCVs in the management units or the vicinity					
Information on flora and fauna, particularly endangered species					
Critical habitat within management unit identified?					
Other conditions that pose significant environmental risk (natural or other conditions)) Soil / erosion) Pests and diseases) Water) Other					

Land tenure					
IFC – PS 5					
Profonanpe – ESP 8					
Land use strategy foreseen by the company: Purchase / lease land from communities / large private owners Land concentrated in one property / distributed among more properties					
Share of the target production area already secured					
Tenure status of the area currently controlled by the company					
Any easements on the land? By whom?					
Information on conflicts over land tenure in current and target areas					
Company follows UN FAO VGGT if applicable?					
Organization and Governance					
IFC – PS 1					
Profonanpe – ESP 1					
Senior management aware of main ESG issues?					
Company ESG Policy endorsed by senior management?					
Is there a responsible for ESG?					
Are personnel assigned specific responsibility for different ESG aspects? Health and safety, community relations, etc. Are these staff suitably qualified to manage E&S risks?					
ESMS developed?					
Company has conducted an ESIA? Is this publicly available? (if applicable)					
Company commits to the Facility’s ESG requirements?					
Company operations exclude all activities on the Facility’s Exclusion List?					
Company complies with local and national laws and regulations?					
Company adheres to					

international conventions?					
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Risk Category Assigned (A / B / C)	
Brief Justification (max. 300 words):	<p>Refer to the following risks:</p> <ul style="list-style-type: none"> • Region with no precedents of this type of project • Unclear tenure rights and/or evidence of conflicts regarding land tenure • Local or indigenous communities in or surrounding the managed area • Natural environment close to the project area is HCV, critical habitat, protected area • Endangered or endemic species in the area • Other significant environmental risk due to local conditions (soil, water, waste, pesticide) • High share of sub-contracted personnel • High historical accident / incident rate up to date or one major accident / incident • Weak institutional framework and law enforcements regarding labor and environment

Documents received / information used for the E&S Screening

Projects marked with * are compulsory

Document	y/n	Specifications
Land titles / leasing contracts*		
Business Plan*		
Feasibility Studies*		
E&S Policy / ESMS*		
Forest Management Plan (if applicable)		
Policy / Action Plan		
Human Resource Policy*		
Health and Safety Plan / Procedures		
E&S Monitoring Procedures*		
List of workers and specifications*		
Registry of accidents*		
Fire prevention plan / other emergency plans		
EIA / ESIA / ESMP / Action Plan*		
Stakeholder Engagement Plan*		
Grievance Mechanism*		
Environmental Permits*		
E&S Monitoring & Review Plan*		
Company / Project website		
Press & media / articles		
Satellite pictures		

Approval

Deal Manager: Project Implementation Unit	Name: Title: Signature:
Date of assessment:	
Person in charge of approval: Facility Management Unit	Name: Title: Signature:
Date of approval:	

Key definitions and methodology to establish the significance of the risk of a project

E&S Screening provides a preliminary assessment of the importance / significance of environmental and social risks and impacts based on two criteria: (1) the probability of occurrence of risks and impacts (expected, highly probable, moderately probable, little probable and improbable); and (2) the severity of such risks and impacts if they occur (critical, severe, moderate, minor, insignificant). The significance value will be derived from the combination of the two criteria.

Screening allows assigning the category of environmental and social risk of a project / subproject or activity, that is, if it is high, moderate or light risk. The GCF risk categories are as follows:

Categoría	Descripción
A	Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
B	Business activities 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.
C	Business activities with minimal or no adverse environmental or social risks and/or impacts.

Probability of risk occurrence

Classification	Probability
5	Expected
4	Highly probable
3	Moderately probable
2	Unlikely
1	Improbable

Severity of risk

Severity	Classification	Description
Critical	5	Significant adverse impacts on communities and / or the environment. Adverse impacts over large areas (e.g. large geographic area, often outside the project scope, affecting a significant number of people, with transboundary impacts, cumulative impacts) and often long-term and irreversible; affecting areas of high sensitivity value and biodiversity conservation; adverse impacts on the rights, lands, resources and territories of indigenous peoples; they involve significant displacement or resettlement (more than 200 people); and can lead to major social conflicts
Severe	4	Adverse impacts on people and / or the environment of medium to large magnitude. Less spatial and temporal extension than the critical level risks and impacts. Risks and impacts are considered predictable, mostly temporary and reversible.
Moderate	3	Risks and impacts considered moderate to low magnitude. Impacts are limited in scale (site-specific) and duration (temporal), they can be avoided, managed and / or mitigated with relatively simple and generally accepted measures.
Minor	2	Minimal risks and impacts in terms of magnitude (for example, small affected area, small-scale activities, very low number of people affected) and duration (short, for example, only during the construction phase), and risks and impacts can easily avoided, managed and mitigated.
Insignificant	1	Negligible or no risks and impacts on communities, individuals and / or the environment.

Value of the significance or importance of the risk

Severity of Impact (1-5)	Probability of risk occurrence (1-5)				
	1	2	3	4	5
5	A	A	A	A	A
4	B	B	B	A	A
3	C	C	B	B	B
2	C	C	C	C	B
1	C	C	C	C	C

Annex 2: Environmental and Social Due Diligence Report

1. Introduction

-) Short description of ESG process: dates and visits, experts involved
-) List of reviewed documents (attachment)
-) List of interview persons (attachment)
-) Mention any limitations to the DD process
-) Relevant standards that were assessed or are applicable

Standards / requirements	Applicable	Assessed
IFC Performance standards		
Exclusion list		
ILO Fundamental Conventions		
FAO VGGT		
Other		

2. Risk categorization

-) Short information on the ESG risk profile of the project at hand when considering project type, size and location.
-) Project categorization according to IFC guidelines: A, B, or C with short justification.

Risk category

- Category A: Potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented
- Category B: 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
- Category C: Minimal or no adverse environmental or social risks and/or impacts

Justification / Main risks identified

Brief justification of risk categorization and risks identified

3. Compliance with applicable local and international laws

Legislation	Issuing authority	Approval	Issuing date	Expiring date	Comments

4. Compliance with environmental and social requirements

Assessment of environmental and social risks following the structure of the IFC Performance Standards, and compliance to additional ES requirements of the Facility

4.1 PS1: Assessment and Management of Environmental and Social Risks and Impacts

Main aspects	Assessment			Comments
	weak	medium	strong	
ES Policy				
Identification of ES risks and impacts				
Management program / ESMS				
Organizational capacity and competencies				
Emergency preparedness and response				
Monitoring System				
Stakeholders engagement				
External communication				
Main aspects				
Grievances mechanism for affected communities				
Reporting and disclosure				

ESMS

- Describe which mechanisms are already in place and which are in process to be implemented.
- Documentation available: ES Policy, ES risk and impact assessment, management programs and monitoring system.
- Endorsement by senior management and communication to staff.

Organizational capacity to implement the ESMS

- Senior and staff roles and responsibilities, with emphasis on the thematic areas of coordination, environmental management, health and safety and community relations.

Stakeholder engagement

- Describe the procedures for identification of and engagement with affected communities and indigenous peoples.

External communication and grievance mechanisms

- Describe the system in place to communicate with relevant stakeholders, particularly with affected communities and indigenous peoples.
- Describe and assess grievance mechanisms in place.

Reporting and disclosure

- Describe the reporting system, frequency and kind of information reported.

4.2 PS2: Labour and Working Conditions

Main aspects	Assessment			Comments
	weak	medium	strong	
Human Resources Policies				
Working conditions and terms of employment				
Labour grievances mechanism				
Child labour				
Forced labour				
Occupational health and safety				
Management of contractors				
Control over primary supply chains				

Human resources policies and working relations

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

Occupational health and safety

- Characteristics of working conditions: harvest operations, use heavy machinery, use and management of pesticides.
- Which necessary precautions are in place: trainings, EPI, signalisation, emergency plans? Which are not considered?
- Is there a health and safety plan in place?
- What kind of accidents and incidents have been registered and given due follow up?

4.3 PS3: Resources Efficiency and Pollution Prevention

Main aspects	Assessment			Comments
	weak	medium	strong	
Resources efficiency				
Pollution prevention				
Pesticide use and management				

Environmental impacts

- Which potential impacts have been identified and included in the ESMS? Have any potential impacts not been considered?
- Is there an appropriate management system in place for waste, water and emissions?

Use of chemicals

- Is there a plan for the safe use of chemicals, including application, storage and disposition?
- Are any pesticides and chemicals being used that are subject to international ban?

4.4 PS4: Community Health, Safety and Security

Main aspects	Assessment			Comments
	weak	medium	strong	
Community health and safety general requirements: - Dust / air - Noise - Vibration - Shadow / visual impacts				
Infrastructure and equipment design and safety				
Traffic and transportation				
Ecosystem services / natural resources issues				
Exposure to hazardous materials				
Exposure to disease				
Emergency preparedness and response				
Site security and security personnel				

Community health and safety

- Which main health and safety aspects have been identified (noise, dust, accidents, hazardous materials, water pollution) that could affect communities? Are any aspects not been considered?
- Are adequate mitigation measures in place and included in the ESMS?
- Are adequate grievance mechanisms in place?

Security personnel

- In case the company hired security personnel, are safeguards in place to minimize potential risk towards people outside the project area?
- Are they trained in the Voluntary Principles on Security and Human Rights?

4.5 PS5: Land Acquisition and Involuntary Resettlement

Main aspects	Assessment			Comments
	weak	medium	strong	
Project design				
Compensation and benefits for displaced communities				
Community engagement				
Grievance mechanism				
Resettlement / livelihood restoration planning and implementation				
Physical displacement				
Economic displacement				
Private sector responsibilities under government-managed resettlement				

Conflicts over land tenure and displacement

- Are there any conflicts over land tenure?
- Is the project designed to avoid or minimize physical and/or economic displacement?
- If displacement is unavoidable, are resettlement or livelihood restoration plans in place? Is the process participative and does the company offer appropriate compensation?

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Main aspects	Assessment			Comments
	weak	medium	strong	
Habitat <ul style="list-style-type: none"> - Natural habitat - Critical habitat - Legally protected area - Invasive alien species 				
Land use design and planning respecting biodiversity				
Identification of risks and impacts on biodiversity				
Application of the mitigation hierarchy				

Land use plan, conversion of natural forests and HCV assessment

- Describe land use of the project.
- Project is located on:
 - Modified habitat: XX ha
 - Natural habitat: XX ha
 - Critical habitat: XX ha
 - Legally protected area: XX ha
- Is there evidence that the project caused conversion of natural forests or foreseen project activities involving conversion of natural forests?
- Is there a target conservation area?
- Have HCV areas been identified in the project area? Has the assessment been approved by local stakeholders? Are there mitigation measures in place and are these monitored?

Risk assessment and mitigation hierarchy

- Are these risks included in the ESMS according to the scope and scale of the project and the biological value of the area in which it is located?
- Are mitigation measures in place according to the mitigation hierarchy principle, particularly regarding impacts on biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation and invasive species?
- Are differing values attached to biodiversity and ecosystem services by affected communities taken into account?

4.7 PS7: Indigenous People

Main aspects	Assessment			Comments
	weak	medium	strong	
Avoidance of adverse impacts				
Risks and impact assessment <ul style="list-style-type: none"> - Impact on traditional or customary lands - Relocation from traditional or customary lands 				
Design and implementation of mitigation measures				
Principles of Free Prior and Informed Consent				
Compensation and benefits sharing mechanisms				

Indigenous peoples

- How were indigenous peoples included in the risk assessment analysis?
- What traditional and customary rights were identified in the process? Were cultural sites considered in the assessment?
- Are the principles of FPIC met?
- Are appropriate mitigation measures in place? Are they compensated?

4.8 PS8: Cultural Heritage

Main aspects	Assessment			Comments
	weak	medium	strong	
Project design to avoid impacts on cultural heritage <ul style="list-style-type: none"> - Consultation and community access 				
Appropriate mitigation measures in place if applicable				

Cultural heritage identification

- Which cultural heritage sites did the company identify?
- Are chance find procedures in place, when applicable? Is this aspect considered in the ESMS?
- Are appropriate mitigation measures related to cultural heritage in place?

Summary of main findings and gap analysis

Summarize the most important and relevant aspects of the assessment, combining main risks with an assessment of the management set in place to respond to these risks. Then describe main gaps and the current capacity and willingness of the company to address them.

Main risks identified	Management capacities in place	Gaps and weaknesses	Capacity to address gaps and weaknesses

Vote and suggested ESAP measures

- Statement of decision if this project can be supported from an environmental and social point of view. In case deficiencies have been detected, decision can be linked to actions to be taken.
- Define necessary actions to be taken by the company to address risks and gaps identified. To the extent possible, these should include clear timelines, responsibilities, completion indicators and to the extent possible, estimated costs.

Approval

ESG Specialist: Project Implementation Unit	Name: Title: Signature:
Date of assessment:	
Person in charge of approval: Facility Management Unit	Name: Title: Signature:
Date of approval:	

Annex 3: Outline of Environmental and Social Action Plan

Item No.	Task / Corrective Action	Purpose of Action	Source of Requirement	Responsibility	Deliverable and Measure(s) of progress/success	Timeframe

Approval

ESG Specialist: Project Implementation Unit	Name: Title: Signature:
Date of assessment:	
Person in charge of approval: Facility Management Unit	Name: Title: Signature:
Date of approval:	

Annex 4: Exclusion List

The Facility will not invest in companies which benefit from and/or which business revenue derives from:

1. Production or activities involving harmful or exploitative forms of forced labour¹² / harmful child labour¹³;
2. Production or trade in any product or activity deemed illegal under Peru laws or regulations or international conventions and agreements;
3. Any business relating to pornography or prostitution;
4. Production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES);
5. Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCB¹⁴;
6. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
7. Unsustainable fishing methods (i.e. drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing);
8. Production, use of or trade in pharmaceuticals, pesticides / herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans;
9. Destruction of Critical Habitats¹⁵;
10. Tobacco, if it forms a substantial part of a project's primary financed business activities;
11. Live animals for scientific and experimental purposes, including the breeding of these animals;
12. Ammunition and weapons, military / police equipment or infrastructure;
13. Gambling, casinos and equivalent enterprises;
14. Commercial concessions over, and logging on tropical natural forest; conversion of natural forest to a plantation;

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

¹³ "Harmful child labour" means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, moral or social development. In addition, any labour that is performed by a person which has not yet reached the age of 15 is considered to be harmful, unless the local legislation specifies compulsory school attendance or the minimum age for working to be higher; in such cases, the higher age will be applied for defining harmful child labour.

¹⁴ PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985

¹⁵ "Critical Habitat" is a subset of both natural and modified habitat that deserves particular attention. Critical Habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union ("IUCN") classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are affiliated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary forest or forests of high conservation value shall be considered Critical Habitats.

15. Purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to clear cutting and / or degradation of tropical natural forests or high nature value forest;
16. New palm oil plantations.

Annex 5: Outline of Environmental and Social Management Plan

An environmental and social management plan (ESMP) consists of the mitigation, monitoring and institutional measures and the actions to be taken during implementation and operation to eliminate adverse environmental and social impacts or reduce them to acceptable levels. The ESMP may be part of a broader plan must address the following aspects:

(a) **Mitigation.** Identifies feasible and effective measures that when implemented may reduce potentially significant adverse environmental and social impacts to acceptable levels. Specifically, the ESMP: (i) identifies and summarizes all anticipated adverse and positive environmental and social impacts (including those involving indigenous people or involuntary resettlement); (ii) describes in detail the mitigation measures for each, including the type of impact to which it relates and the conditions under which it is required (e.g. continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; (iii) estimates any potential environmental and social impacts of these measures; and (iv) provides linkage with any other mitigation plans (e.g. for involuntary resettlement, Indigenous Peoples, or cultural property) required for the project.

(b) **Monitoring.** Includes details of the environmental and social monitoring during project implementation. Provides information on the expected environmental and social outcomes, risks and impacts of the project and how the effectiveness of the mitigation measures are assessed. Such information enables the evaluation of the success of mitigation and allows corrective action to be taken when needed.

(c) **Capacity development and training.** If necessary, the ESMP recommends the establishment or further development of responsible units or institutions and the training of personnel to allow implementation of ESIA and ESMP recommendations. Specifically, the ESMP provides a specific description of institutional arrangements for activities designed to build the capacity of the implementing institutions.

(d) **Implementation arrangements.** Describes how the ESMP will be implemented including the roles and responsibilities related to the measures identified in the ESMP.

(e) **Implementation schedule and cost estimates.** The ESMP provides an implementation schedule for measures that must be carried out as part of the project and the capital and recurrent cost estimates and sources of funds for implementing and monitoring the ESMP.

(f) **Stakeholder engagement plan.** The ESMP will include plan for engaging the communities and stakeholders throughout the life of the project. This will also include strategies and mechanism for external communication, information disclosure and reporting to the communities.

(g) **Grievance redress mechanism.** The ESMP will also describe the project level grievance redress mechanism, its processes for receiving and resolving grievances, and reporting to the communities and stakeholders.

Annex 6: Risks and mitigation measures

Risk	Mitigation Measure(s)	Category	Probability	Impact
<p>Risk factor 1 In forest-based investments, inadequate planning and implementation of silvicultural and agroforestry measures, as well as the occurrence of pests and disease, can result in poor growth and quality of timber and non-timber products. The occurrence of such events may lead to the underperformance of investments in forest-based projects with negative impact on the debt repayment capacity of the project and its ability to attract external investors.</p>	<p>The EBBF's investment screening process shall prioritize projects adopting international best practices for silvicultural and agroforestry practices. Selected projects shall have the capacity to implement best practices from the planning phase, with proper selection of species for the given site conditions, definition of operations for selected species and production targets, and acquisition of high-quality planting materials; and continues throughout the production cycle through timely implementation of silvicultural and agroforestry operations, conducted by skilled staff. Proper project selection aimed at identifying companies with adequate planning and implementation capacity will minimize deviations from the plan of plantation performance and will reduce the vulnerability of plantations against any pests and disease. In addition, eligible expenses of EBBF grants shall include pest and disease management programs, including preventive measures such as species diversification. Finally, plantation investments will be strictly monitored by the FMU to identify deviations from the original plan and develop mitigation measures.</p>	<p>Technical and operational</p>	<p>Medium</p>	<p>Medium</p>
<p>Risk factor 2</p>	<p>Management practices such as species diversification and good-quality management</p>	<p>Technical and operational</p>	<p>Low</p>	<p>Medium</p>

<p>External natural shocks such as calamities, floods, storms and wildfires can have negative impacts on the performance of forest-based businesses and thereby on the financial performance of the EBBF's investments. Such events can weaken investee projects making them more vulnerable against future events and result in irreversible financial losses.</p>	<p>practices can reduce the vulnerability of forest-based projects against extreme climate events that might occur in Peru, thus reducing any negative impacts on their performance. Fire events need special consideration in plantation investments. Forest fires can cause the loss of significant planted areas and in some cases, they are the result of social conflicts and agricultural practices in surrounding areas, since fire is a common practice used to prepare agricultural and pasture land. Investee projects will require to implement proper fire management strategies, focusing on preventive measures and contingency plans. Fire prevention measures shall be integrated in the investee project's technical operations, by ensuring an adequate level of diversification and avoiding large areas of homogenous vegetation, as well as conducting maintenance operations in a timely manner. The risk of fire events will be managed as well through proactive social strategies, targeting cooperation and aligning interests with local communities, through employment generation, enhancement of livelihoods and promotion of out-grower schemes, as well as fire awareness campaigns.</p>			
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<p>Risk factor 3</p> <p>Sudden changes in the demand for the services and products of eco bio businesses, namely a decrease in volumes and product prices, can compromise the financial performance of EBBF investments.</p>	<p>Global trends indicate a reverse trajectory with a growing demand for EBBs' products and services. Population growth and economic development, together with increasing visibility of forest-based products, suggest that favorable market conditions will persist. The EBBF will prioritize investment in EBBs with products and services in growing demand from both domestic and international markets. EBBF will seek an adequate level of diversification in its portfolio in terms of products, services, geographies, export markets and target customers.</p>	<p>Technical and operational</p>	<p>Low</p>	<p>Medium</p>
<p>Risk factor 4</p> <p><u>Expropriation</u> Expropriation or other such political risk event is considered extremely unlikely</p> <p><u>Corruption</u> PROFONANPE will implement an absolute zero tolerance to corruption.</p> <p><u>Legal risks</u> Inadequacy of local regulatory environment</p>	<p>Political risks can, to an extent, be mitigated by making sure that the projects are implemented in a transparent manner and making sure that the local stakeholders (from grassroots level to local and national government level) are appropriately informed and heard of throughout the implementation process. In addition, the mitigation measures include local participation schemes, integration of neighboring communities as well as good cooperation with the local administration. PROFONANPE has a complete and extensive understanding of Peru's regulatory environment. Regardless of level of regulation, PROFONANPE's projects will be implemented following the highest industry standards, including those related to environmental and social aspects of the projects.</p>	<p>Other</p>	<p>Low</p>	<p>Medium</p>

<p>Risk factor 5 Insufficient co-ordination and/or co-operation between Executive Entities (MINAM and PROFONANPE) resulting in project implementation delays.</p>	<p>MINAM and PROFONANPE have a long track record of working closely to deliver complex project and projects. The project Administration Council (PAC) will consist of representatives from both organizations to ensure effective coordination, communication and management. The PAC will also be responsible to identify and monitor project -level risks and suggest corrective actions.</p>	<p>Governance</p>	<p>Low</p>	<p>Medium</p>
<p>Risk factor 6 Political shifts could reduce the national government's interest in channeling resources to eco bio businesses and potentially change incentives to promote carbon intensive investments. From the project 's perspective, this could imply a reduction in cooperation and protracted bureaucratic processes that might delay the implementation of REDD+ measures.</p>	<p>The project 's development objective is framed in Peru's long-term planning and strategy document which shelters the project from changes in the national political landscape. The Ministry of Environment, which is the Executing Entity under the proposed project , is the main decision making body responsible for the development and implementation of REDD+ measures.</p>	<p>Technical and operational</p>	<p>Medium</p>	<p>Low</p>
<p>Risk factor 7 Shifting political priorities and changes in the government administration could hinder REDD+ policy that is both directly related to slowing down deforestation in the country and indirectly related to deforestation as enabling conditions for the bio eco businesses facility (Component 2).</p>	<p>Establish REDD+ policies as part of specific rules, regulations and or plans that are formally approved by competent authorities, with clear mandates for future administrations. Also, plan for schemes that ensure the financial self-sustainability of these measures.</p>	<p>Governance</p>	<p>Low</p>	<p>Low</p>

<p>Risk factor 8 COVID-19 pandemic caused significant disruptions in the implementation of projects across the country. The Government of Peru mandated a country-wide lockdown from March to July. As the country is slowly reopening its economy, uncertainties remain with regards to a possible second wave of cases. Should the number of cases continue to climb during the project implementation period, this might cause delays and disruptions to the launch and implementation of the project's activities.</p>	<p>PROFONANPE and MINAM are fully equipped to work remotely. Awareness raising and capacity building activities can be conducted via webinars and online training modules.</p>	<p>Technical and operational</p>	<p>Low</p>	<p>Medium</p>
<p>Risk factor 9 Concentration of power and representation functions in decision-making bodies by men, which discourages the participation of women and the identification of their needs.</p>	<p>The leadership of women in the EBBs should be promoted, through quotas for the eligibility of enterprises led by women, and through the presence and active representation of women in the spaces for dialogue and coordination that are established with local actors during the implementation of the EBBF.</p>	<p>Social</p>	<p>Medium</p>	<p>Medium</p>
<p>Risk factor 10 Difficulties for women to enter the labor market in adequate and equal conditions, which will generate an unequal use of the benefits of the project.</p>	<p>Training programs for women that respond to their particular needs, as well as their availability of schedules, learning modes, considering the need for interpreters and / or translators, for which pertinent methodologies must be developed according to each case.</p>	<p>Social</p>	<p>High</p>	<p>Medium</p>
<p>Risk factor 11 Possibility of neglecting cases of violence against women, which can generate difficulties in relations with local actors.</p>	<p>Implement a system to address complaints, claims, suggestions and complaints from a gender perspective.</p>	<p>Social</p>	<p>Medium</p>	<p>Medium</p>

<p>Risk factor 12 Scarce information on the situation of women in the forestry sector and in eco and bio businesses, which hinders decision-making and the design of differentiated actions.</p>	<p>Carry out a specific evaluation of the situation and main needs of women associated with the local project, understanding the gaps they have in access to resources, the activities they carry out and the limitations they face.</p>	<p>Social</p>	<p>High</p>	<p>Medium</p>
<p>Risk factor 13 Changes in the internal dynamics of indigenous institutions (associated with the exercise of power) are caused by economic income and the information provided by the project.</p>	<p>Permanent process of disclosure of information about the project, especially in relation to the progress of the EBBFs</p>	<p>Social</p>	<p>Low</p>	<p>High</p>
<p>Risk factor 14 Loss of ancestral traditions in the production process due to the incorporation of new technologies.</p>	<p>Ensure the preservation of ancestral practices in the production process.</p>	<p>Social</p>	<p>Low</p>	<p>High</p>

Annex 7: Profonampe’s ESPs, IFC Performance standards and other international financial institutions

PROFONANPE’s PAS	IFC/GCF Performance Standards ¹⁶	IDB Operational Policies (2016-2017)	WB Environmental and Social Standards (2018)	Environmental and Social Policies FA	IDB Operational Policies
PAS 1. Evaluation and management of environmental and social impacts and risks of programs and / or projects	Performance Standard 1: Evaluation and management of environmental and social impacts and risks of programs / projects	OP/BP 4.01 Environmental evaluation	Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	Evaluation of compliance with the 15 principles of the Fund through the Environmental and Social Management System of the Implementation Entity	Policy Environment 703.
PAS 2. Compliance with the Law		OP/BP 4.01 Environmental Assessment OP/BP 4.04 Natural Habitats OP/BP 4.36 Forests OP/BP 4.10 Indigenous Peoples OP/BP 4.12 Involuntary Resettlement		Compliance with the Law	

¹⁶ GCF IPP: <https://www.greenclimate.fund/sites/default/files/document/gcf-policy-pol-tica-de-pueblos-ind-genas.pdf>

IFC PS7: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps7

PROFONANPE's PAS	IFC/GCF Performance Standards¹⁶	IDB Operational Policies (2016-2017)	WB Environmental and Social Standards (2018)	Environmental and Social Policies FA	IDB Operational Policies
PAS 3. Conservation of biological diversity	Performance Standard 6: Conservation of Biodiversity and Sustainable Management of Living Natural Resources	OP/BP 4.04 Natural Habitats OP/BP 4.36 Forests	Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	<ul style="list-style-type: none">) Protection of natural habitats) Conservation of biological diversity) Land and Soil Conservation) Climate change 	
PAS 4. Climate change	Performance Standard 3: Resource Efficiency and Pollution Prevention	OP/BP 4.36 Forests	Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and management.	Climate change	
PAS 5. Pollution prevention	Performance Standard 3: Resource Efficiency and Pollution Prevention		Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and management	<ul style="list-style-type: none">) Pollution prevention and resource efficiency) Land and soil conservation 	
PAS 6. Stakeholder involvement and participation			Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure	<ul style="list-style-type: none">) Access and equity marginalized and vulnerable groups) Involuntary resettlement 	
PAS 7. Gender Approach		OP/BP 4.20 Gender and Development		Gender Equity and Empowerment of Women	Policy 761. Gender equality in development
PAS 8. Indigenous or native peoples	Performance Standard 7: Indigenous Peoples	OP/BP 4.10 Indigenous Peoples	Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	<ul style="list-style-type: none">) Access and equity) Indigenous peoples 	Policy 765. Indigenous peoples
PAS 9. Cultural and natural heritage	Performance Standard 8: Cultural Heritage		Environmental and Social Standard 8: Cultural Heritage	Cultural Heritage	

PROFONANPE's PAS	IFC/GCF Performance Standards¹⁶	IDB Operational Policies (2016-2017)	WB Environmental and Social Standards (2018)	Environmental and Social Policies FA	IDB Operational Policies
PAS 10. Restriction of access and/or use of natural resources and	Performance Standard 5: Land Acquisition and Involuntary Resettlement	OP/BP 4.12	Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement) Involuntary resettlement) Land and soil conservation	Policy 710. Involuntary Resettlement
PAS 11. Occupational safety	Performance Standard 2: Work and Working Conditions Performance Standard 4: Community Health and Safety		Environmental and Social Standard 2: Labor and Working Conditions. Environmental and Social Standard 4: Community Health and Safety) Public health) Fundamental labor rights	

Annex 8: Environmental and Social Management System Outline ¹⁷ for Portfolio Companies

- I. Introduction
- II. Objectives and principles: An environmental and social policy that sets out the objectives, scope, principles
- III. Scope and roles: Responsibilities and general requirements to effectively manage environmental and social risks and impacts and improve outcomes. The policy presents the commitments of the GCF and articulates the principles to which the GCF will hold itself accountable.
- IV. Performance, standards and norms applicable
- V. Evaluation of environmental social risks and impacts: It is required that all potential environmental and social risks and impacts from GCF-financed activities are identified, assessed and addressed through appropriately scaled management. It is necessary to collect and present information about gender gaps and the presence of indigenous people.
- VI. Mitigation measurement: Description of the mitigation measures that avoid, and where avoidance is not possible, minimize and mitigate residual impacts.
- VII. Supervision, monitoring and reporting. It must include indicators to evaluate the compliance of mitigation measurements.
- VIII. Annex
Company stakeholder engagement plan: Stakeholder engagement that delivers the meaningful and active participation of GCF stakeholders, including national designated authorities and focal points and civil society organizations. Such participation requires that activities are implemented in a manner that recognizes and considers the views of the various stakeholders, including vulnerable groups and individuals (including women, children and people with disabilities, and people marginalized by virtue of their sexual orientation and gender identity), indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by GCF-financed activities. This engagement supports the independent Redress Mechanism (IRM) of the GCF and the grievance mechanisms of accredited entities that function as a forum for people affected or potentially affected by GCF-financed activities to seek redress.

¹⁷ GREEN CLIMATE FUND (2017). *Environmental and social management system*. Available in: <https://www.greenclimate.fund/sites/default/files/document/gcf-2017-inf02.pdf>.

Annex 9: Indigenous Peoples Planning Framework (IPPF)

OBJECTIVES AND PRINCIPLES

General purpose

Prevent and mitigate or minimize negative impacts and risks that arise as a consequence of the implementation of the project in an area with the presence of indigenous peoples, appropriately and equitably compensating for such impacts when avoiding them is not possible.¹⁸

Specific objectives

-) Provide a framework that allows the timely identification of indigenous peoples located within the scope of the project, as well as possible impacts on their rights.
-) Establish the guidelines to guarantee the free and informed consent of the indigenous peoples located in the project's sphere of influence.
-) Ensure the permanent participation of indigenous peoples located in the project's sphere of influence, through accessible and pertinent mechanisms.

Principles

The principles that govern this Framework are those of the application of free and informed consent, respect for the rights of indigenous peoples to their territories and resources, and voluntary isolation, as well as the recognition of their human and collective rights, the recognition of their traditional knowledge and subsistence systems, and of their self-government systems.

STRATEGIC GUIDELINES

In the case of the departments that are within the scope of the project, it was found that there is mainly an Andean indigenous population, especially in the regions of Puno (51.2%) and Cusco (42.8%), while the Amazonian indigenous population is fundamentally in Loreto (50.7%) and Amazonas (34.3%).

Table N° 01: Andean and Amazon indigenous population, according to EBBF scope

Department	Andean indigenous population	%	Amazonian indigenous population	%
Total	1,673,251	100.0	102,064	100.0
Amazonas	8,641	0.5	34,958	34.3
Cusco	716,013	42.8	6,969	6.8
Loreto	18,632	1.1	51,722	50.7
Madre de Dios	38,745	2.3	3,494	3.4
Puno	857,312	51.2	157	0.2

¹⁸ At any stage of the project indigenous people may access the GCF IRM and Indigenous Specialist.

Department	Andean indigenous population	%	Amazonian indigenous population	%
San Martín	33,908	2.0	4,764	4.7

Source: INEI (2018). *La autoidentificación étnica: Población indígena y afroperuana. Censos Nacionales 2017*. Lima: INEI.

Since the EBBF is a Category B project, that is, the possible adverse social risks and impacts are limited and easily reversible through mitigation measures. For this reason, it is considered that the main risk is associated with the little participation that indigenous peoples from the spheres of influence could have in the project, generating possible resistance and conflicts within the local communities, making the intervention unsustainable.

In this sense, a set of strategic guidelines based on the GCF indigenous people's policy are presented, which will serve as guidelines for the companies in the portfolio to ensure the participation of local communities that are part of an indigenous or native people.

Identification of actors

During the identification of actors, a mapping should be carried out as indicated in the SEP, that is, through participatory workshops with local communities, or through interviews with key actors, such as representatives or community authorities. Within these groups, indigenous peoples will be considered those who self-identify as such, being able to complement the information with official secondary sources such as the Database of Indigenous Peoples (<https://bdpi.cultura.gob.pe/>), or by calling on indigenous peoples' organizations recognized as national in scope by the Peruvian State, including two women's organizations¹⁹.

The planning framework will be applied in areas where the presence of communities and / or people belonging to an indigenous or native people is identified, even when they have lost their collective attachment to different ancestral territories that are in the scope of the project due to forced separation, conflicts, resettlements, natural disasters, dispossession, or the incorporation of said territories into urban areas. Nor is the legal possession or titling of the territories a condition, or being part of an economically or socially vulnerable group, although this situation does allow the design of different mitigation strategies, according to each case.

Divuligation

Once the indigenous communities that may be affected by the project have been identified, whether they be positive or negative impacts, the project will be disseminated among these groups, providing all the information on the impacts and risks identified, as well as the mitigation measures contemplated. , for

¹⁹ They are (7) organizations of national representation: Asociación Interétnica de Desarrollo de la Selva Peruana - AIDSESP, Confederación Campesina del Perú - CCP, Confederación de Nacionalidades Amazónicas del Perú - CONAP, Organización Nacional de Mujeres Indígenas Andinas y Amazónicas del Perú - ONAMIAP, Unión Nacional de Comunidades Aymaras - UNCA, Federación Nacional de Mujeres Campesinas, Artesanas, Indígenas, Nativas y Asalariadas del Perú - FENMUCARINAP, Confederación Nacional Agraria - CNA.

which permanent dissemination activities will be carried out such as work meetings, informative talks, preparation of communication material, among other dissemination activities. These activities will be carried out no less than 30 calendar days in advance, counted from the beginning of the Due Diligence process.

In order to guarantee full understanding of the characteristics of the project and its possible impacts on the local level, when required, we will try to have interpreters in native languages during meetings or informative talks, and with translators to prepare dissemination materials. , which should take into account the local context of the communities and their predominant forms of communication.

During this stage, those responsible for the activities must record the participation events that take place, providing information disaggregated by gender, and trying to have minutes or other equivalent documents in case commitments or agreements are made between the Project Management Unit and the communal authorities.

Free and informed consent

Groups belonging to an indigenous people will be consulted about the project, seeking their free and informed consent, and allowing them to incorporate their own perspective into the project, whenever possible. The consent process must take into account the same aspects as in the consultation with the social actors of the SEP, ensuring at all times that the information provided is culturally relevant.

In cases where it is necessary to carry out this process virtually, it should be coordinated with local and communal authorities to hold virtual sessions that guarantee the presence of community representatives, for which the following will be considered:

- The connectivity resources (internet, equipment, etc.) must be provided by the project.
- Informational materials must be sent in advance.
- The people of the community who participate must do so in conditions that allow them to comply with the health protocols required by the State.
- The presence of a facilitator with experience in dealing with indigenous peoples should be sought.
- Meetings should be recorded, and attendance records and minutes with formal agreements should be kept.
- Meetings for free and informed consent should be repeated to ensure greater participation.

A fundamental aspect to carry out this stage in the best way is to provide the information about the project in an ideal way, avoiding generating expectations that cannot be satisfied, or that are not related to the purpose of the project. Similarly, by its nature, free and informed consent is not equivalent to a prior consultation process, which is carried out solely by the Peruvian State in accordance with Law No. 29785 and its regulations, when its administrative or legislative measures affect the collective rights of indigenous peoples.

Complaints and claims mechanism

The mechanism for complaints, claims, suggestions and complaints will have the same characteristics as that presented in the GAP and the SEP, although in the case of a community belonging to an indigenous

people, the communal authorities will be incorporated into the process of attention. In this sense, we have the following:

Step 1: Publicizing of the grievance mechanism

The mechanism must be introduced to affected communities. It is important to take in consideration how and when will be introduced to the communities, which must be in line with the cultural characteristics and the accessibility factors.

Step N° 2: Reviewing, tracking and investigating

The mechanism is activated when the Apu, or the equivalent communal authority, receives a complaint, query, suggestion or complaint related to the implementation of the project. If possible, the Apu registers the request in his notebook or personal notebook in which he writes down the affairs of the community, taking note of the date of the person who made the complaint (names and surnames), a brief description of what said person and his signature. The grievances will need to undergo some degree of review and investigation, depending on the type of grievance, the complexity and clarity of circumstances.

Step N° 3 Attention in the first instance by the communal authority

The Apu may resolve the case directly, when it considers that it is a simple matter such as a query, information it can provide itself, or if it is the case of a suggestion to the project, it may take up to 7 calendar days to provide an answer. The Apu will communicate the query or suggestion received to the portfolio company, through the means of its preference, who in turn will record it in the format indicated by the manual or operating document of the mechanism.

In addition to the Apu, the person responsible for the eco and bio business in the field can receive queries, complaints, suggestions or reports when they are in the communities. In this case, the information will be provided to the person responsible for the portfolio company, so that they can register it and coordinate their attention with the Apu.

In the case of a complaint, claim or complaint that the Apu cannot resolve directly, proceed with step 2.

Step N° 4: Attention in the first instance by the portfolio company

When it comes to requests in which the person responsible for the portfolio company is required to intervene directly, the Apu must communicate with him or her either by telephone, via high-frequency radio or travel from their community to meet with them, as long as when the complaint coincides with any of the trips made by the Apu as part of its work as a representative of the community.

Once the person in charge has become aware of the request, they have a period of 30 calendar days to resolve locally, together with the project team.

Step N° 5: Attention in second instance

In case the person does not agree with the final result, the person responsible for the portfolio company will communicate the case to the Project Management Unit, an instance that, through its Implementation

Unit, must resolve in the most appropriate way the case. If necessary, the Implementation Unit will send the social and gender specialist to travel to the community.

Once in the field, the specialist must meet with the Apu and the representative of the portfolio company, to coordinate a resolution, taking concrete and satisfactory measures for the interested party. If necessary, the presence of interpreters of the native language of Apu should be considered for the meeting.

The final resolution must be made in a maximum of 10 calendar days, counted from the notification to the Management Unit, with the possibility of extending the term for 10 additional calendar days, if the presence of the social specialist in the field is required.

Annex 10a. Social Monitoring Template

The companies in the portfolio must present to the Project Management Unit an annual report on compliance with social and gender safeguards, which must contain at least the following:

i. Presentation

The reporting period and a brief description of the contents will be included

ii. Mitigation activities carried out

The details of the mitigation activities carried out will be presented, according to the risks and impacts identified during the reference period. If quantitative information is presented, it must be disaggregated by gender

iii. Status of complaints and claims

The cases presented through the channel of complaints, claims, suggestions and complaints will be presented, according to type of request, status of care, gender module, among other requirements and formats established in the mechanism's operating document. Also, the dissemination, awareness-raising and prevention activities carried out to promote the use of the mechanism and participation among the actors involved with the project will be reported

iv. Level of compliance with the indicators

The accumulated progress will be presented for each of the indicators of the project management documents (GAP, SEP and ESMS), for each of the proposed mitigation measures. The information must be presented disaggregated by gender, as indicated in each of the social risk management matrices.

v. Conclusions and recommendations

The main conclusions about the activities carried out, the progress in meeting the indicators, and the main bottlenecks identified to comply with the social management goals of the project will be presented, providing recommendations for their solution

vi. Annexes

Verification means, such as minutes, event registration, formats, photographs, dissemination materials, among other requirements set forth in the project management documents and operational manuals, will be included as annexes.

Annex 10b. Environmental Monitoring Template

The companies in the portfolio must submit to the Project Management Unit an annual report on compliance with environmental safeguards, which must contain at least the following:

i. Presentation

The objectives of the report, the period to which it corresponds, and the main results found are presented.

ii. Methodology

The methodology and models for the identification and measurement of risks and environmental impacts are presented, as well as the performance standards and norms considered according to the objectives and / or components of the program.

iii. Results

The following results are presented:

- a) The evaluation of compliance with the performance standards and norms applicable to the program. It is recommended to develop a checklist to facilitate the presentation of the results on this point.
- b) The characterization of the main impacts and the evaluation of the types of affectation for each environmental component for each level of project results.
- c) Identification of program activities that can potentially cause negative impacts, as well as those that positively impact ecosystems related to the program areas.
- d) The quantification of environmental risks and negative impacts, according to the proposed measurement methodology. Also, threats or external negative factors that can be identified in the project areas should be included.
- e) Mitigation measures to reduce the impact of negative environmental risks, as well as a definition of the indicators and means of verification for their follow-up and monitoring.
- f) The progress status of each of the indicators.

iv. Conclusions and recommendations

The main conclusions on the evaluation of performance standards and norms, the identification and evaluation of impacts, the quantification of negative risks and environmental impacts, and the status of the progress of the indicators of the mitigation measures are presented.

v. Annexes

The means of verification of the indicators and other relevant information on the results of the report are presented.

Annex 11: Programming and Budget

No	Activities	Target	Amount	Cost \$	Total Cost \$	Year										Total
						1	2	3	4	5	6	7	8	9	10	
Stakeholder engagement plan implementation																
1	Consultations with the stakeholders of each EBB	40 consultation process	40	1,810	72,400	14,480	14,480	14,480	14,480	14,480						72,400
ESMS implementation																
2	Operational Document (Guide) management instruments for SGSA	1 document	1	2,778	2,778	2,778										2,778
3	Design of a monitoring and follow-up system.	1 document	1	2,500	2,500	2,500										2,500
4	Training on a gender approach for specialists from the Implementation Unit and other management units involved in the EBBF.	10 training	10	1,042	10,420	1,042	1042	1042	1042	1042	1,042	1042	1042	1042	1042	10,420
Gender plan implementation																
1	Social & Gender Specialist	1 specialist	1	38,522		38,522	38,522	38,522	38,522	38,522	38,522	38,522	38,522	38,522	38,522	358,588.2
TOTAL						90,668	85,390	85,390	85,390	85,390	39,630	39,630	39,630	39,630	39,630	473,390

Annex 12: ESIA Outline

The ESIA is a comprehensive document describing a project's potential environmental and social risks and impacts, which is developed based on key process elements generally consisting of:

- (i) initial screening of the project and scoping of the assessment process;
- (ii) examination of alternatives;
- (iii) stakeholder identification (focusing on those directly affected and other stakeholders) and gathering of environmental and social baseline data;
- (iv) review policy, legal/regulatory and institutional framework
- (v) impact identification, prediction and analysis;
- (vi) generation of mitigation or management measures and actions;
- (vii) evaluation of the significance of impacts and evaluation of residual impacts;
- (viii) documenting the assessment process