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<th>Report Title:</th>
<th>Infrastructure Credit Guarantee Company Limited (InfraCredit) Environmental and Social Policy &amp; Guidance Notes</th>
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<tr>
<td>Version No:</td>
<td>Date of Issue</td>
</tr>
<tr>
<td>ESP-DR-1</td>
<td>July 12, 2017</td>
</tr>
<tr>
<td>ESP-DR-2</td>
<td>August 24, 2017</td>
</tr>
<tr>
<td>ESP-FR-1</td>
<td>September 14, 2017</td>
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LIST OF ABBREVIATIONS

CEO  Chief Executive Officer
E&S  Environmental and Social
ESN  Environmental and Social Screening Note
ESDD  Environmental and Social Due Diligence
ESAP  Environmental and Social Action Plan
ESMS  Environmental and Social Management Systems
GHG  Greenhouse Gas
InfraCredit  Infrastructure Credit Guarantee Company Limited
IFC  International Finance Corporation
NESREA  National Environmental Standards and Regulations Enforcement Agency
NBC  New Business Committee
SMART  Specific, Measurable, Achievable, Realistic and Time-bound
1.0 INTRODUCTION

Infrastructure Credit Guarantee Company Limited ("InfraCredit") has prepared this Environmental & Social Policy to guide Directors, senior management and employees in line with InfraCredit’s commitment to promoting sustainable development which contributes to economic growth, social development and environmental conservation.

We believe that sustainable development should be an underlying aim of infrastructure financing and that management of Environmental and Social (E&S) issues is a critical pathway to assuring success in this regard. Along with our commitment to creating value for our investors and stakeholders, we insist upon satisfactory environmental and social performance in all projects/transactions that we guarantee, in line with or superior to international best practice.

InfraCredit will not provide guarantees for transactions that are included on our Exclusion List or which present unacceptable environmental or social risks to InfraCredit or our business partners. We will also ensure that all transactions that we guarantee comply with all applicable national laws and international best practices such as the International Finance Corporation’s (IFC) Performance Standards on Environmental and Social Sustainability and the World Bank’s Environmental, Health and Safety Guidelines.

Where InfraCredit, by nature of a particular transaction’s structure, has limited control in implementing our environmental and social performance evaluation and monitoring procedures, we will rely on other partners’ E&S policies and will encourage the implementation of positive E&S principles throughout the project.

InfraCredit will engage environmental and social performance evaluating procedures from the initial stages of each transaction, while also applying effective E&S management to our own activities. We will continuously seek to improve the efficiency of our E&S performance evaluation and monitoring procedures. A combined effort of internal resources and third-party specialists will be engaged to ensure this goal is achieved.

This E&S Policy (the Policy) has been structured to clearly communicate our E&S commitments, guiding standards, review and management process and provide implementation guidance. It also provides a list of important laws, regulations and standards that are relevant to the Policy. Guidance Notes have been provided as Appendix E to further support InfraCredit personnel and stakeholders in their use, interpretation and implementation of the Policy.


2.0 ENVIRONMENTAL AND SOCIAL GOALS

InfraCredit’s E&S Policy has been developed to achieve the following goals:

i. 
Pursue sustainable development in infrastructure financing;

ii. 
Eliminate and/or minimise environmental and social risks associated with transactions we guarantee;

iii. 
Provide InfraCredit’s Directors, senior management and all employees with guidance and tools for environmental and social risk management in our activities;

iv. 
Engender acceptable environmental and social performance of our clients and their businesses; and

v. 
Monitor and report incidents involving guaranteed companies that could result in reputational damage, scandal, loss of life, material effects on the environment, or a material break of the law, and to promptly promote appropriate corrective actions.

3.0 CORE COMMITMENTS

InfraCredit’s E&S Policies are driven by core commitments to citizenship and attendant global environmental and social issues that are relevant to our business activities. The core commitments that guide E&S Policy are outlined below.

3.1 Regulatory Compliance

InfraCredit believes Responsible Corporate Governance lies at the core of our business activities. It is therefore committed to compliance with all applicable environmental and social laws, regulations and best practices in our guaranteed transactions. We will require that all prospective guaranteed projects/transactions are compliant with applicable laws and regulations.

3.2 Environmental and Social Risk Management

InfraCredit will assess our exposure to environmental and social risks associated with the transactions it guarantees. InfraCredit will diligently review transactions to assess our exposure to environmental and social risks. The outcome of this review will guide the nature, scope and extent of its involvement in each transaction. Our assessment of E&S risk will deploy tools considered appropriate to the specific transaction.

3.3 Climate Change

InfraCredit recognises that climate change is a serious global challenge with impacts that may impede economic, social well-being and development efforts particularly in infrastructure related projects. InfraCredit aims to ensure that the transactions it
guarantees do not contribute to already high levels of greenhouse gas (GHG) emissions in the atmosphere and to support projects that use sustainable alternatives to reduce high emissions levels of GHG in the atmosphere.

3.4 **Biodiversity Conservation**

InfraCredit believes that the earth's biological diversity, which comprises its ecosystems, species and genetic material, is an integral part of human existence. Biodiversity provides substantial economic, cultural, recreational, nutritional and ecological benefits to humanity. The rapid loss of biodiversity worldwide remains one of the major global environmental challenges particularly in developing countries.

InfraCredit is committed to ensuring the transactions it guarantees do not reduce biodiversity value in the environment. InfraCredit will ensure that transactions that have a potential to create biodiversity loss account for biodiversity conservation in their management plans.

3.5 **Human Rights**

InfraCredit will be guided by the International Bill of Human Rights and the conventions of the International Labour Organisation. InfraCredit recognises the responsibility of businesses, governments, transactions and organisations to respect and protect human rights. This translates to ensuring that none of our activities and activities of the transactions they guarantee violate human rights. The operation of an effective grievance mechanism that supports early indication of, and prompt redress of human rights grievances and project related grievances is critical to this commitment.

3.6 **Social Empowerment**

InfraCredit understands the concept of empowerment as a process that provides capacity for individuals, groups and/or communities to gain control of their circumstances and achieve their own goals thereby maximising the quality of their lives. InfraCredit will ensure that the financial guarantees it provides do not exclude individuals, groups or communities from empowering themselves.

3.7 **Full Disclosure and Transparency**

InfraCredit upholds principles of transparency in all of our activities including acting in “utmost good faith” and ensuring timely, regular, reliable and relevant disclosure as we pursue positive environmental and social performance within our organisation.

InfraCredit will provide accurate and timely information regarding our guarantees, investment and advisory activities as well as more general institutional information in
In accordance with our Corporate Governance policies. InfraCredit also recognises the importance of disclosure of information, both for ourselves and our clients, as a means of managing environmental and social risks. InfraCredit is therefore committed to global standards of audit and sustainability reporting.

4.0 GUIDING LAWS, REGULATIONS AND STANDARDS

InfraCredit’s Environmental and Social Policy, its requirements and implementation procedures are guided and driven by our public good initiative, internal risk strategy, and relevant local and international environmental and social laws, regulations and safeguard requirements. Some of these are voluntary while others are statutory.

4.1 Laws of Federal Republic of Nigeria

As a good corporate citizen, InfraCredit will ensure that our activities and transactions it guarantees comply with the requirements and provisions of applicable Nigerian laws, regulations and standards on environmental and social issues. Key Nigerian laws include:

- Environmental Impact Assessment Act (No.86) 1992 and other National Environmental Regulations
- National Environmental Standards and Regulations Enforcement Agency (NESREA) Act (2007) and Regulations
- Nigerian Labour Act (1990)

We will also require that our clients identify and comply with other laws, regulations and standards that apply to their business activities.

4.2 International Environmental and Social Safeguard Requirements

InfraCredit consciously seeks to implement international E&S best practices. Recognising that there is a general convergence around what constitutes such best practices, our E&S Policy draws on and assures our compliance with requirements of:


Although compliance with environmental and social laws, regulations and standards is primarily the responsibility of our clients, we will assess our clients, and require that transactions and companies we guarantee meet applicable local and international E&S best practice requirements.
5.0 TRANSACTION REVIEW

5.1 Exclusion List

Our transaction review process starts with the screening against InfraCredit’s Exclusion List (Appendix A). InfraCredit will not guarantee any transaction engaged in any activity on our Exclusion List. All transactions that are not on InfraCredit’s Exclusion List will be further screened in accordance with additional review processes as outlined in Sections 5.2 to 5.4. InfraCredit’s overall transaction review process is shown in Figure 1 while the E&S review process is shown in Figure 2.

In the event of any unclear interpretations of the Exclusion List (e.g. where project sponsors may not be “substantially involved” in an excluded activity) or should we become aware of any changed circumstances regarding existing guarantees (e.g., client acquisition of an excluded business), senior management will consult with the Board to agree and document the appropriate course of action.

5.2 Initial Environmental and Social Screening

InfraCredit’s Environmental Manager will carry out an Initial Environmental and Social Screening of all projects that are not on our Exclusion List. This initial screening will include initial Project Categorization and identification of applicable IFC Performance Standards. A completed Initial Environmental and Social Screening Form will be submitted for each new project along with other project details where applicable to the New Business Committee (NBC) for review and approval in line with InfraCredit’s project review procedures.

5.2.1 Project/Transaction Categorisation

Prior to making any submission to the New Business Committee, InfraCredit’s Environmental Manager will assign a preliminary categorisation to the potential transaction in terms of environmental and social risk using international best practices. All potential transactions shall be screened and categorised using the following system.

Category "A" (High Impact) Transactions
These are projects considered to have potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

Category “B” (Medium Impact) Transactions
These are projects that have potential limited adverse social or environmental impacts that are few in number, site-specific, largely reversible and readily addressed through mitigation measures.
**Category “C” (Low Impact) Transactions**

Transactions categorised as “C” typically have minimal or no adverse social or environmental impacts.

Transaction categorisation will be handled by adequately trained staff under the supervision of the Environmental Manager using procedures outlined in the Appendix E (E&S Policy Guidance Notes). Where the transaction is Category ‘A’ or ‘B’, the preliminary categorisation must also indicate to the New Business Committee the scope of the ESDD to be conducted for the proposed transaction.

### 5.3 Environmental and Social Due Diligence

Formal ESDD will be carried out on all Category “A” and “B” transactions after approval by the NBC and issuance of the Mandate Letter, while Category “C” transactions will be subject to a limited review by InfraCredit’s Environmental Manager. In all cases, prospective clients shall be required to provide all requested information for review in order to facilitate our screening process and ESDD.

Where InfraCredit assumes the lead role for environmental and social governance, we will undertake or commission a preliminary appraisal of the environmental and social risks of the project proposed for credit enhancement. This appraisal will have regard to the location and nature of the project, its E&S issues including labour issues and community interactions, compliance status / arrangements and where relevant previous developer performance (i.e. a check for potential “red flag” issues).

In the event that another qualified Financing Party in a proposed transaction assumes the lead role in establishing and monitoring environmental and social governance, InfraCredit will actively seek information from such Financing Party and collaborate as appropriate to ensure the adequacy of risk identification and mitigation strategy.

The ESDD will be undertaken by external consultants unless either (i) InfraCredit has sufficient internal capacity and experience to conduct the necessary due diligence or (ii) the due diligence will be undertaken by a qualified guarantor/investor/lender (“Financing Party”) recognised by InfraCredit to have the appropriate internal expertise (e.g. including IFC, World Bank, African Development Bank, Asian Development Bank, EIB, FMO, DEG and Proparco).

The purpose of the ESDD to review and verify the submissions made by the sponsor, assess the transaction’s compliance with applicable environmental and social laws and regulations and highlight key environmental and social risks.

The scope and content of each ESDD will be determined by, and commensurate to the Environmental and Social Risks associated with the specific transaction. InfraCredit will
prepare or procure the Terms of Reference for the ESDD, based upon a review of all applicable documentation and an evaluation of the project against our E&S Policy. Please see Appendix E for typical Terms of Reference for environmental and social due diligence consultants.

ESDD may consist of a desk review, site inspection(s) and/or a detailed audit. The ESDD report will identify any gaps between actual or expected performance and InfraCredit’s E&S Policy and specify requirements/recommendations for addressing such gaps in a timely and effective manner.

Recommendations are likely to cover mitigation actions, management controls, monitoring / reporting routines and institutional arrangements during construction, operation and, as appropriate, closure.

An output of each ESDD will be to provide a SMART (Specific, Measurable, Achievable, Realistic and Time-bound) Environmental and Social Action Plan (ESAP) to address identified E&S risks and areas of non-compliance, clearly setting out measures to be undertaken and responsible authorities. The ESAP and timeline for completion of each action item will be included in the agreements as covenants/conditions to be fulfilled by the transaction sponsor/owner.

InfraCredit will consult, as appropriate, other stakeholders on the draft E&S Action Plan and report it, along with the results of other due diligence (e.g. financial, legal, technical) to the Credit Committee for its approval.

Appendix E provides further information on conducting ESDD for transactions.

5.4 Risk and Credit Committee Review

Upon completion of the ESDD, InfraCredit’s Environmental Manager will update the categorisation of the proposed transaction (if it has changed from the initial screening) and complete an E&S Evaluation Form to be reviewed by the Chief Risk Officer and Credit Committee. The E&S Evaluation Form will highlight key E&S risks identified by the ESDD and recommended conditions for InfraCredit’s Guarantee. In the case of Category “C” transactions, which are typically not subject to ESDD, the key E&S issues will be highlighted by the Environmental Manager. The E&S Evaluation Form will be supported by the ESDD Report. E&S conditions will be clearly stated and articulated for all transactions that are approved by the Credit Committee.
Figure 1: InfraCredit’s Standard Transaction Process
InfraCredit Environmental and Social Policy

Figure 2: InfraCredit’s Environmental and Social Review Process

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<tr>
<th>ROLE DESCRIPTION</th>
<th>RESPONSIBLE PARTIES</th>
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<tr>
<td>• Compile and review relevant information for E &amp; S review</td>
<td>• E&amp;S Manager</td>
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<td>• Transaction Officer</td>
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<tr>
<td>• Screen against InfraCredit’s Exclusion List</td>
<td>• E&amp;S Manager</td>
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<tr>
<td>• Confirm if transaction is eligible</td>
<td></td>
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<tr>
<td>• Apply Categorization process to transaction</td>
<td>• E&amp;S Manager</td>
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<tr>
<td>• Identify the transaction’s key E&amp;S Aspects and possible risks</td>
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<td>• Issue Initial E&amp;S Screening Form</td>
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<td>• Develop ESDD Scope</td>
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<tr>
<td>• Assign ESDD Specialist and Conduct ESDD</td>
<td>• E&amp;S Manager</td>
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<tr>
<td>• Assess if Cat ‘C’ transaction E&amp;S Risks</td>
<td>• External ESDD Specialist</td>
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<tr>
<td>• Issue E&amp;S Evaluation Report</td>
<td></td>
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<tr>
<td>• Review E&amp;S Evaluation Report</td>
<td>• Chief Risk Officer</td>
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<tr>
<td>• Make decision on transaction</td>
<td>• Risk Team</td>
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<tr>
<td>• Prepare E&amp;S Covenants</td>
<td>• Credit Committee</td>
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<tr>
<td>• Finalize E&amp;S Covenants for Guarantee agreement</td>
<td>• E&amp;S Manager</td>
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<tr>
<td>• Prepare post Guarantee monitoring requirements</td>
<td>• Legal department</td>
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<tr>
<td>• ExCo approval of E&amp;S Covenants</td>
<td>• Executive Committee</td>
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<td>• Approve the Guarantee</td>
<td>• Board of Directors</td>
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* Executive Committee
6.0 GUARANTEE CONDITIONS

E&S covenants shall be included in conditions accompanying all transactions approved for InfraCredit’s guarantee. InfraCredit will include clauses in Term Sheets and legal guarantee documentation to ensure that all guaranteed clients continue to maintain acceptable Environmental and Social Management Systems (ESMS) and/or take appropriate steps towards attaining an acceptable ESMS that is commensurate with their operations. Legal documents will generally include covenants to:

i. Conduct their business in accordance with applicable laws and standards relating to Environmental and Social Management and Labour Practices;

ii. Conduct their business in accordance with InfraCredit’s E&S Policy and requirements;

iii. Promote the protection of the environment in which the company operates;

iv. Treat all employees fairly and without any form of discrimination;

v. Ensure that potentially harmful occupational health and safety environmental and social effects are properly assessed, addressed and monitored;

vi. Monitor and report on E&S performance to InfraCredit at least annually in a Monitoring Report prepared by the sponsor, the guarantee beneficiary or an approved independent consultant, using the template for summary reporting shown in Appendix D of this E&S Policy or employing a modified template specific to the transaction that is approved by the E&S Manager. Details of reporting frequency of reporting shall be contained in the guarantee agreements.

The E&S covenants to be included in the guarantee agreements will state conditions precedent to issuance of the guarantee and those subsequent. It will be reviewed and approved by the Environmental Manager and Legal Team.

The Environmental Manager will be available to provide additional technical advice to the Credit Committee or Executive Council prior to and/or during the guarantee issuance process.

Where the effectiveness of the guarantee is conditional on specific actions, InfraCredit will ensure that such actions have been implemented to InfraCredit’s satisfaction prior to financial close of the guarantee. However, in instances where InfraCredit grants waivers and/or extensions of E&S requirements to the guarantee recipient, where such changes will not compromise the realisation of the agreed environmental and social performance of the project, such waivers and/or extensions shall be formally recorded and documented via a Transaction Closing Memo prepared by the Environmental Manager, indicating the state of compliance, additional corrective actions or waiver justification.

Details on E&S conditions templates are provided in the Appendix E.
7.0 MONITORING OF ENVIRONMENTAL AND SOCIAL PERFORMANCE

InfraCredit will continuously monitor the environmental and social performance of transactions it guarantees. As may be necessary, we will deploy a combination of resources to conduct the E&S Monitoring of guaranteed transactions. Resources include our in-house Environmental Manager, E&S Specialists and other transaction personnel. The monitoring will cover key stages of the transactions, such as construction, operation and decommissioning etc. The monitoring scope will be determined by the level of risk associated with the transaction, findings of the ESDD, covenants agreed in the legal guarantee documentation and E&S performance of the client. Monitoring may include site visits and review of key E&S documentation of the client.

At least annually, beneficiaries of InfraCredit guarantees will be required to report on their E&S performance through completion of the annual E&S performance summary form (Appendix D) and/or a more detailed E&S reporting format. Such reports will include a progress statement on implementation of the ESAP. In addition, guarantee beneficiaries are required to ensure timely notification to InfraCredit of any significant E&S incident(s).

Transaction sponsors will also be required to report their progress in complying with the E&S covenants and conditions attached to the guarantee issuance to InfraCredit’s Transaction Officers or responsible personnel. Such report may be separate or included in an encompassing report.

As necessary, InfraCredit will discuss the E&S reports and related documentation with particular reference to any outstanding or potential E&S issues and appropriate additional actions with key stakeholders, the guarantee beneficiary and/or the sponsors. Where InfraCredit deems it appropriate, we will impose further project monitoring and reporting requirements and thereafter review project progress and performance.

Further to any recommendations made by the monitoring and review process, InfraCredit or our consultants will make supervisory visits during construction and at project completion to ensure that all E&S requirements are being or have been implemented. Further supervisory visits may be made during operation involving, as appropriate, external auditors. Supervision reports will be prepared after each such visit.

Additional guidance and templates for monitoring of guaranteed companies are provided in the Guidance Notes (Appendix E).

8.0 NON-COMPLIANCE WITH E&S REQUIREMENTS

In cases of non-compliance with agreed covenants on E&S issues, InfraCredit will promptly agree with the relevant sponsor, or require the relevant client/sponsor to undertake, as
appropriate or necessary in InfraCredit’s reasonable judgment, corrective measures to remedy such inconsistency or breach and diligently pursue the remedies available to InfraCredit under legal agreements with the guarantee recipient.

In the event that such efforts are unsuccessful, within a reasonable time-frame subject to and without prejudice to our obligations under the terms and conditions of guarantee to our clients being irrevocable and unconditional, InfraCredit will: (i) use all commercially reasonable efforts to dispose of the relevant guarantee on commercially reasonable terms; and (ii) exercise such rights and remedies as it may lawfully and prudently be entitled to exercise to terminate our guarantee of the project, in each case of (i) and (ii) above, taking into account commercial practicability and practice, fiduciary responsibilities, and any potential material adverse effect.

9.0 ORGANISATION AND RESPONSIBILITIES

9.1 The Chief Executive Officer

InfraCredit’s Chief Executive Officer (CEO) shall have overall strategic responsibility for implementing this E&S Policy. He or she will be required to lead by example and provide executive oversight for the implementation of the E&S Policy within the firm. The CEO will be required to:

- Gain a fundamental knowledge of E&S issues as relates to InfraCredit’s activities;
- As may be required, set up committees, appoint personnel and engage required resources to drive and coordinate implementation of InfraCredit’s E&S Policy and requirements;
- Oversee the performance of the Environmental Manager and any E&S committees to ensure they meet their terms of reference;
- Ensure that E&S issues and opportunities are given due attention at the NBC, Credit Committee and Board Level within the organisation;
- Call for and review progress reports on E&S performance at InfraCredit;
- Ensure InfraCredit complies with all statutory E&S requirements; and
- Provide regular updates to InfraCredit’s Board on E&S performance.

9.2 Environmental Manager

InfraCredit’s Environmental Manager shall be responsible for the day to day implementation of this Policy and requirements. He or she will have the following key roles and responsibilities:

- Through regular training, gain and maintain a deep knowledge and understanding of E&S issues as relate to InfraCredit’s business activities and those of guaranteed companies anywhere they operate;
- Ensure that all InfraCredit employees are aware of and understand the firm’s E&S policy, procedures and requirements;
- Develop and coordinate annual E&S training programmes for the organisation;
- Provide guidance on E&S issues and opportunities to the firm and our guaranteed companies;
- If applicable, ensure that E&S reports are regularly made available to InfraCredit’s partners;
- Ensure that all potential guarantees are screened against the Exclusion List and assessed for the likely risk category of the guarantee or loan;
- Ensure that due diligence is conducted on all accepted guarantees either by InfraCredit, our consultants or qualified investors such that the E&S risks and impacts associated with any guarantees or specific projects are identified and mitigated in accordance with the InfraCredit E&S Policy;
- Prepare scope of work for E&S due diligence and monitoring of potential transactions and/or existing guarantees;
- Review ESDD and monitoring reports provided by specialists and coordinate their preparation to ensure compliance with international best practices;
- Review and make recommendations on E&S covenants in Guarantee Agreements;
- Ensure that environmental and social requirements are duly defined and communicated to clients and relevant InfraCredit committees in accordance with this E&S Policy;
- Determine the need for, and work closely with external resources engaged by InfraCredit on E&S issues;
- Review guarantee recipients’ annual reports on the implementation of their Action Plans and ensure that any additional conditions required by InfraCredit are duly put into practice in a timely and effective manner;
- Report to InfraCredit’s Board on any deficiencies in respect to any guarantee and provide suitable recommendations to mitigate risks;
- Develop annual plans and budgets for E&S Policy implementation;
- Ensure periodic and regular reporting on InfraCredit’s E&S performance to the firm’s Board of Directors;
- Engage with a variety of stakeholders and specialists as may be required to better understand and manage E&S;
- Work towards ensuring that E&S issues are discussed at the Board and highest level of decision making of guaranteed companies;
- Ensure that InfraCredit’s Directors, senior management and staff are kept up to date in respect of publications and information, including partners’ E&S policies and procedures;
- Make recommendations to InfraCredit’s Chief Executive Officer (CEO) on initiatives and opportunities in support of the firm’s E&S goals and targets; and
- Periodically review and update InfraCredit’s E&S Policy, procedures and requirements as may be needed to ensure compliance with investor and statutory requirements.
In carrying out his/her responsibilities, the Environmental Manager will also be supported by other departments and transaction officers within InfraCredit.

9.3 Specialist Support

As may be required to satisfy our E&S goals, InfraCredit will procure certain specialist environmental and social support from appropriately qualified consultants. The specialists will:

- provide technical, environmental and social risk assessment services;
- provide capacity building and training in relation to E&S issues, especially the IFC Performance Standards and the World Bank's Environmental, Health and Safety Guidelines;
- work with in-house E&S personnel on ESDD and other tasks; and
- help prepare and/or review InfraCredit's Annual E&S Report and provide ongoing support in relation to E&S issues.

As part of monitoring of guarantee recipients, specialists may also be engaged to conduct supervisory visits and prepare or contribute to the preparation of Supervision Reports.

10.0 KEY DOCUMENTS AND REPORTS

A number of reports will be prepared on E&S issues in the course of InfraCredit’s business activities and at various stages of its guaranteeing process. Some of the reports will require E&S Specialist input and/or Transaction Officers’ input. Standard internal documents related to project assessment and monitoring include:

- Initial Environmental and Social Screening Form: This brief note provides the initial E&S risk categorization and applicable IFC performance Standards for prospective guarantees. The note will also contain the scope of the ESDD for category ‘A’ and ‘B’ projects.
- Environmental and Social Evaluation Form: This contains the details of in-house review of project/transactions and/or excerpts from the ESDD reports prepared by E&S specialists.
- Environmental and Social Conditions for Guarantee Agreements: This will contain specific E&S action items that have to be completed either prior to the issuance of the guarantee note or for continued financial guarantee of the transaction.
- Periodic client Supervision Reports: This will contain information on the E&S performance of InfraCredit’s guaranteed transactions to the Board of Directors, Executive Committee and where applicable external partners.

The Environmental Manager will assess each guarantee recipient’s compliance with the E&S Conditions and report to the Executive Committee in periodic performance reports.
An annual report will also be prepared for each project, containing sufficient information to give an outline picture of progress against Action Plans, achievements and problems, while an E&S Close Out Report will be prepared on the expiration of the financial guarantee. The E&S Close Out Report may be in the form of an E&S Audit or Final Supervision Report of the transaction.

Where applicable, the Environmental Manager will be responsible for making periodic reports to the Credit Committee, the Board, investors and external stakeholders on the environmental and social performance of InfraCredit’s portfolio projects. He/she will compile the annual reports from the projects, any independent reviews and any other reports to produce a single report covering InfraCredit’s portfolio of current projects.

The Environmental Manager, with the assistance of InfraCredit’s E&S consultants as appropriate, will seek to draw generic lessons from the experience of implementing E&S standards and will recommend to the Board of InfraCredit any proposed amendments and augmentation to InfraCredit’s E&S Policy.

11.0 CONTINUOUS ENGAGEMENT AND COLLABORATION

We recognise the importance of regular engagement and where applicable, collaboration with key stakeholders as we pursue our E&S goals. As considered appropriate to each one, InfraCredit will therefore seek to engage its key stakeholders, including our clients, partner financial institutions and the general public. We will also collaborate with the various private and public sector stakeholders to promote dialogue on sustainable private sector development.

12.0 ENVIRONMENTAL AND SOCIAL POLICY REVIEW

InfraCredit’s E&S Policy will be reviewed and updated, as considered necessary by the Board, at least annually or following a material change to national laws or international best practice. The review will be jointly conducted by InfraCredit’s in-house Environmental Manager and E&S Specialists. Guarantees issued prior to any changes in our E&S Policy and requirements may not be directly affected by revisions to our E&S Policy, but amendments to guarantee agreements may be agreed in order to comply with statutory requirements or international best practice.
REFERENCES


Environmental Impact Assessment Decree No 86 of 1992 Laws of the Federation of Nigeria


Labour Act Chapter 198 Laws of the Federation of Nigeria (1990)

National Environmental Standards and Regulations Enforcement Agency (ESTABLISHMENT) ACT, 2007

APPENDIX A – INFRA CREDIT’s EXCLUSION LIST

The Exclusion List is the first step in InfraCredit’s E&S Transaction review process. It lists business activities that InfraCredit will NOT guarantee. The excluded business activities are:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES, 1975).
- Production or trade in weapons and munitions.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.⁴
- Gambling, casinos and equivalent enterprises.⁴
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where InfraCredit considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labour²/harmful child labour³.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Businesses/activities involved in pornography.
- Businesses/activities involved in child/women trafficking and prostitution.
- Unauthorised logging or mining activities.

The application of the Exclusion List will take effect upon adoption of this policy. For affected customers on the Exclusion List, the tenor of any existing Guarantee facilities will be honoured but new applications will be subjected to the requirements of this E&S Policy.

¹This does not apply to project sponsors who are not substantially involved in these activities. *Not substantially involved* means that the activity concerned is ancillary to a project sponsor’s primary operations.
²Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
³Harmful child labour means the employment of children that is economically exploitative, or is likely to be hazardous to, or to interfere with, the child’s education, or to be harmful to the child’s health, or physical, mental, spiritual, moral, or social development.
APPENDIX B – POTENTIAL TEXT FOR PRE-GUARANTEE AGREEMENTS

Provisions in the form below should be included within ALL Mandate Letters and letters of interest:

When a project is proposed for finance guarantee, InfraCredit will apply its Environmental and Social Policy and requirements including environmental and social review as an integral part of its overall due diligence. This review will be appropriate to the nature and scale of the guarantee, and commensurate with the level of environmental and social risks and impacts associated with the transaction. The purpose of the review is to ensure that the transactions conform to InfraCredit’s Environmental and Social Policy and requirements.

To conduct its review, InfraCredit may request that project-specific information be provided. This information will be treated in accordance with the terms of this agreement.

InfraCredit does not provide credit enhancement to new business activity that cannot be expected to meet our Environmental and Social Policy over a reasonable period of time. In addition, there are several types of activities that InfraCredit does not provide credit enhancement to. A list of these activities can be found in the InfraCredit “Exclusion List”.
APPENDIX C – IMPORTANT ENVIRONMENTAL AND SOCIAL LAWS, REGULATIONS AND STANDARDS

Nigerian Laws and Regulations

There are a number of Nigerian laws, regulations and standards on environmental and social issues. Applicable ones will depend on the transaction and industry sector. InfraCredit will comply with laws that apply to its business and will require that prospective guaranteed transactions are compliant with applicable laws, regulations and standards.

<table>
<thead>
<tr>
<th>Table A1: Important Nigerian Laws, Standards and Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Law, Regulation or Standard</strong></td>
</tr>
<tr>
<td>Constitution of the Federal Republic of Nigeria (1999)</td>
</tr>
<tr>
<td>Nigerian Labour Act (1990)</td>
</tr>
<tr>
<td>National Environmental Standards and Regulations</td>
</tr>
<tr>
<td>Nigerian Labour Act (1990)</td>
</tr>
<tr>
<td>Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (EGAPSIN, 1991 and 2002) issued by the Department of Petroleum Resources</td>
</tr>
<tr>
<td>Nigeria Electrical Power Sector Reform Act (2005)</td>
</tr>
<tr>
<td>State Laws and Regulations</td>
</tr>
</tbody>
</table>

In-house E&S personnel with the support of Transaction Officers will be required to identify and request for statutory permits and other legal statements that apply to potential projects/transactions at the initial stages of E&S Transaction Review Procedure.

International Environmental and Social Safeguard Requirements

Nigeria is signatory to a number of international laws, treaties and conventions, which impose obligations on the country. Examples include conventions on transborder wastes, climate change, coastal area protection and labour. While these international legal instruments do not
impose any direct requirements on companies operating in adopting countries, the adopting
nations are required to domesticate the laws, which may include key regulations, standards
and/or practices that affect businesses. It is important therefore that business
owners/managers are aware of any such international regulations that apply to their activities.

The IFC Performance Standards

The International Finance Corporation (IFC) is a member of the World Bank Group. It is the
largest global development institution focused on the private sector. As part of its sustainability
framework the IFC issued Performance Standards (PS, 2012) on Environmental and Social
Sustainability. These PS outline client roles and responsibilities for managing their
environmental and social risks in projects that require IFC support. The PS include an
environmental and social categorisation process, which has also been adopted by the Equator
Principles. There are eight PS:

- Performance Standard 1: Assessment and Management of Environmental and Social
  Risks and Impacts
- Performance Standard 2: Labour and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of
  Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

Performance Standard 1 applies to all projects and business activities that have environmental
and social risks and impacts. Virtually all types of business have social risk and impacts.
Depending on the nature of the project or business activity, and circumstances, other
Performance Standards may apply as well. The Performance Standards should be read together
and cross-referenced as needed.

The PS also make references to the World Bank’s Environmental, Health and Safety (EHS)
Guidelines (2007), which provide performance levels, standards, limits and measures that are
normally acceptable to IFC for different industry sectors, and that are generally considered to
be achievable in new facilities at reasonable costs by existing technology. Where there is a
conflict between the requirements of the EHS and host country standards or limits, the IFC
expects the more stringent to apply.

The Environmental Manager will be required to identify and indicate the IFC PS that apply to
individual projects/transactions in InfraCredit’s portfolio. Identification and evaluation of
compliance with the requirements of the applicable PS will be a crucial part of the E&S review
process for credit enhancement applications. ESDD carried out by E&S Specialists will also include an evaluation of the prospective projects/transactions against the IFC PS.

Additional information on the IFC Performance Standards their application and requirements are available at: http://www.ifc.org
APPENDIX D: ANNUAL ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORTING
TEMPLATE FOR GUARANTEED COMPANIES

INFRACREDIT ANNUAL E&S PERFORMANCE REPORTING FORM

1. Name of Firm

2. Summary Description of Business Activities

3. Date of Initial Guarantee

4. Value of Guarantee
   - US$
   - Nigerian Naira

5. Summary Form Completed by:
   - Name:
   - Designation:
   - Date:

6. E&S Category of Transaction (A, B or C)

7. Applicable Performance Standards (provide list)

8. Key E&S Concerns
   (provide summary list of priority Environmental and Social concerns from Environmental and Social Due Diligence or most recent monitoring)

9. Summary of changes to business activities since the last Environmental and Social due diligence or Monitoring

10. Status of ESAP Implementation

<table>
<thead>
<tr>
<th>Performance Standard</th>
<th>No of Action Items from Due Diligence</th>
<th>No of Partially Closed Items</th>
<th>No of Fully Closed Items</th>
<th>No of Open Items</th>
<th>General Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Standard 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Performance Standard 2</td>
<td></td>
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<tr>
<td>Performance Standard 3</td>
<td></td>
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<tr>
<td>Performance Standard 4</td>
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<tr>
<td>Performance Standard 5</td>
<td></td>
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</tr>
<tr>
<td>Performance Standard 6</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Performance Standard 7</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
### Status of Compliance with E&S Covenants

<table>
<thead>
<tr>
<th>Description of Covenant</th>
<th>Compliance Status and Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covenant 1:</td>
<td></td>
</tr>
<tr>
<td>Covenant 2:</td>
<td></td>
</tr>
<tr>
<td>Covenant 3:</td>
<td></td>
</tr>
</tbody>
</table>
ENVIRONMENTAL AND SOCIAL POLICY

GUIDANCE NOTES

SEPTEMBER 1, 2017
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LIST OF ABBREVIATIONS

CEO  Chief Executive Officer
E&S  Environmental and Social
EHS  Environmental, Health and Safety
EIA  Environmental Impact Assessment
ESN  Environmental and Social Screening Note
ESDD  Environmental and Social Due Diligence
ESAP  Environmental and Social Action Plan
ESIA  Environmental and Social Impact Assessment
ESMS  Environmental and Social Management Systems
GHG  Greenhouse Gas
InfraCredit  Infrastructure Credit Guarantee Company Limited
IFC  International Finance Corporation
NESREA  National Environmental Standards and Regulations Enforcement Agency
NBC  New Business Committee
SMART  Specific, Measurable, Achievable, Realistic and Time-bound
1.0 INTRODUCTION

These Guidance Notes provide further assistance to all InfraCredit employees involved in implementing the E&S Policy. The notes are particularly designed to assist the Environmental Manager and Transaction Officers in carrying out initial E&S Categorization, scoping and oversight of Environmental and Social (E&S) Due Diligence as well as other E&S Assessment requirements.

The Guidance Notes provide tools, procedures and reference materials that will help all InfraCredit personnel implement our E&S Policy, including, oversight of external E&S specialists that will be engaged in implementing requirements of the Policy.

2.0 GUIDING LAWS, REGULATIONS AND STANDARDS

InfraCredit’s Environmental and Social Policy, its requirements and implementation procedures are guided and driven by our public good initiative, internal risk strategy, and relevant local and international environmental and social safeguard laws, regulations and standards. Some of which are voluntary while others are statutory.

2.1 Laws of Federal Republic of Nigeria

As a good corporate citizen, InfraCredit will comply with the requirements and provisions of applicable Nigerian laws, regulations and standards on environmental and social issues. Key Nigerian laws include:

- **Constitution of the Federal Republic of Nigeria (1999)**: This provides general legal obligations for citizens and residents of Nigeria.

- **Environmental Impact Assessment Act (No.86) 1992 and other National Environmental Regulations**: The Environmental Impact Assessment Act (EIA Act No. 86, 1992) sets out the procedures and methods to enable the prior consideration of an EIA on certain public or private projects and gives specific powers to FMEnv to facilitate environmental assessments of proposed projects.

The provisions restrict public or private development projects without prior consideration of the environmental impact. Specifically, the public and private sectors of the economy, except where they are exempted pursuant to the Act, are not permitted to undertake or embark on, or authorize projects or activities without prior consideration at an early stage of their environmental effects.

Where the extent, nature or location of a proposed project or activity is such that it is likely to significantly affect the environment, an EIA must be undertaken in accordance with the provisions of the Act. The proponents of
such projects or activities are required before embarking on the proposed project to apply in writing to FMEnv so that an EIA will be undertaken while the project is still being planned.

The Act provides for a fair examination of the EIA of a proposed activity. Specifically, for any EIA submitted by a proponent of an activity, it is required that FMEnv give an opportunity to governmental agencies, members of the public, experts in any relevant discipline, and interested groups to make comments on the EIA of the proposed activity. A period of 30 days is generally required. It also grants the public access to information relating to the EIA and prescribes the minimum level of content for environmental impact assessment. FMEnv is required to give its decision in writing including reasons and provisions, if any, to prevent, reduce, or mitigate damage to the environment.

- **National Environmental Standards and Regulations Enforcement Agency (NESREA) Act (2007) and Regulations**

The National Environment Standards and Regulation Enforcement Agency (NESREA) Act of 2007 is the group of laws and regulations focused on the protection and sustainable development of the environment and its natural resources. Notable sections of the NESREA Act include:

- Section 7 which provides authority to ensure compliance with environmental laws, local and international, on environmental sanitation and pollution prevention and control through monitoring and regulatory measures;
- Section 8(1)(K) which empowers the Agency to make and review regulations on air and water quality, effluent limitations, control of harmful substances and other forms of environmental pollution and sanitation; and
- Section 27 which prohibits, without lawful authority, the discharge of hazardous substances into the environment.

- **Nigerian Labour Act (1990): Labour Act, cap L1, LFN, 2004** – defines the rights and obligations of labour, and regulating most aspects of the relationship between the employer and labour. It mediates the relationship between workers (employees), employers, trade unions and the government.

We will also require that our clients identify and comply with other laws, regulations and standards that apply to their business activities.
2.2  International Environmental and Social Safeguard Requirements

Nigeria is signatory to a number of international laws, treaties and conventions, which impose obligations on the country. Examples include conventions on transborder wastes, climate change, coastal area protection and labour. While these international legal instruments do not impose any direct requirements on companies operating in adopting countries, the adopting nations are required to domesticate the laws, which may include key regulations, standards and or practices that affect businesses. It is important therefore that business owners/managers are aware of any such international regulations that apply to their activities.

2.2.1  The IFC Performance Standards

The International Finance Corporation (IFC) is a member of the World Bank Group. It is the largest global development institution focused on the private sector. As part of its sustainability framework the IFC issued Performance Standards (PS, 2012) on Environmental and Social Sustainability. These PS outline client roles and responsibilities for managing their environmental and social risks in projects that require the IFC support. The PS includes an environmental and social categorization process, which has also been adopted by the Equator Principles. There are eight PS:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

At the initial screening stage of projects, the Environmental Manager will be required to identify and indicate the IFC PS that apply to project. The applicable IFC PS will be further reviewed and as may be necessary, revised by specialists conducting the ESDD.

Evaluation of compliance with the requirements of the applicable PS will be an important part of the E&S review process for all guarantee applications. ESDD carried out by E & S Specialists will also include an evaluation of the prospective projects/transactions against the IFC PS.
Performance Standard 1: Social and Environmental Assessment and Management System

Performance Standard 1 applies to all projects and business activities that have environmental and social risks and impacts. Virtually all types of businesses have some form of environmental and social risk and impacts. Depending on the nature of the project or business activity, and circumstances, other Performance Standards may apply as well. The Performance Standards should be read together and cross-referenced as needed.

PS 1 highlights the importance of managing social and environmental performance throughout the life of a project (any business activity that is subject to assessment and management). An effective social and environmental management system is a dynamic, continuous process initiated by management and involving communication between the client, its workers, and the local communities directly affected by the project (the affected communities).

The PS also make references to the World Bank’s Environmental, Health and Safety (EHS) Guidelines (2007), which provide performance levels, standards, limits and measures that are normally acceptable to IFC for different industries sectors, and that are generally considered to be achievable in new facilities at reasonable costs by existing technology. Where there is a conflict between the requirements of the EHS and host country standards or limits, the IFC expects the more stringent to apply.

The assessment of environmental and social aspects carried under PS 1 determines the applicability of PS 3 to 8.

Performance Standard 2: Labour and Working Conditions

Performance Standard 2 also applies to all projects because all businesses employ labour. The PS essentially seeks to balance the pursuit of economic growth through employment creation and income generation with protection of basic rights of workers. It recognizes that the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient to the sustainability of the enterprise.

The requirements set out in this Performance Standard have been in part guided by a number of international conventions negotiated through the International Labour Organization (ILO) and the United Nations (UN).

3.0 TRANSACTION REVIEW

3.1 Exclusion List

Our transaction review process starts with the screening against InfraCredit’s Exclusion List (Annex I). InfraCredit will not guarantee any transaction engaged in any activity on our Exclusion List. All transactions that are not on InfraCredit’s Exclusion List will be further screened in accordance with additional review processes as outlined in Sections 3.2 to 3.4.

In the event of any unclear interpretations of the Exclusion List (e.g. where project sponsors may not be “substantially involved” in an excluded activity) or should we become aware of any changed circumstances regarding existing guarantees (e.g., client acquisition of an excluded business), senior management will consult with the Board to agree and document the appropriate course of action.

3.2 Initial Environmental and Social Screening

InfraCredit’s Environmental Manager will carry out an Initial Environmental and Social Screening of all projects that are not on our Exclusion List. This initial screening will include Project Categorization and identification of applicable IFC Performance Standards. A completed Initial Environmental and Social Screening Form (Annex II) will be submitted for each new project along with other project details to the New Business Committee (NBC) for review and approval in line with InfraCredit’s project review procedures.

3.2.1 Project/Transaction Categorization

InfraCredit will categorize all potential transactions in terms environmental and social risk using international best practices. Transaction categorisation will be handled by the Environmental Manager and/or adequately trained staff under the supervision of the Environmental Manager. Where the transaction is Category ‘A’ or ‘B’, the preliminary categorisation must also indicate to the New Business Committee the scope of the ESDD to be conducted for the proposed transaction. All potential transactions shall be screened and categorized using the system and process outlined in the following sections.

Category “A” (High Impact) Transactions

These are projects/transactions considered to have potential, significant, adverse, social or environmental impacts that are diverse, irreversible or unprecedented. Effects of Category A projects are typically felt beyond the immediate area around the project site or facilities and often portend several and varied environmental and social risks, including significant supply chain risks, a number of occupational health hazards and
require focused and sustained mitigation measures, some of which may not always effectively mitigate the risk.

Table 1 provides further guidance on risk criteria for project categorization. The criteria are split into two categories, Primary and Secondary. Categorization is performed only with the primary criteria, while applicable secondary risk criteria are noted.

Category A Projects will typically have some or all of the associated Primary Risks summarized under the High-Risk column. A project is Category A if it portends 3 or more of the Primary Risks under the High-Risk column in Table 1.

Category “B” (Medium Impact) Transactions
These are projects/transactions that have potential limited adverse social and/or environmental impacts that are few in number, site-specific, largely reversible and readily addressed through mitigation measures. Environmental and/or Social impacts of Category B projects are generally less adverse than Category “A” type projects or transactions. Category B projects or transactions generally affect a smaller area, have few environmental and social risks and occupational health issues and the associated supply chain risks are generally easier to manage. Risks associated with project-environment interactions are more site specific and in most cases mitigatory measures can be easily designed and implemented.

Category B Projects will typically have some or all of the associated risks summarized under the Moderate Risk column in Table 1. Such projects could also have one or two of the risks under the High-Risk column. A project is Category B if it portends only one or two of either the Primary Risks under the High-Risk column or, 3 or more of the Primary Risks and 3 or more of the Secondary Risks under the Moderate Risk column in Table 1.

Category “C” (Low Impact) Transactions
Transactions categorised as C typically have minimal or no adverse social or environmental impacts. Risks typically associated with Category C projects are summarized under the Low-Risk column in Table 1. A Project is Category C if it portends only one or two of the Primary Risks under the Moderate Risk column and 3 or more of those under the Low Risk criteria in Table 1.

In-house E&S reviews by an adequately trained Environmental Manager will be typically sufficient for projects of this category.
<table>
<thead>
<tr>
<th></th>
<th>High Risk</th>
<th>Moderate Risk</th>
<th>Low Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Primary Risk Criteria</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Effects extend beyond the immediate environment or could affect a large amount of environmental resources</td>
<td>Effects are generally within a few kilometres (1-3km) and generally affects few environmental resources</td>
<td>Effects are localized to the project area and affects very minimal resources (if at all).</td>
</tr>
<tr>
<td>2</td>
<td>Could lead to long term and irreversible impacts on the environment</td>
<td>Could lead to long term but generally reversible impacts</td>
<td>Would not lead to long term or irreversible impacts</td>
</tr>
<tr>
<td>3</td>
<td>There are several potential occupational health risks</td>
<td>Potential occupational health risks are generally few</td>
<td>Potential occupational health risks are minimal</td>
</tr>
<tr>
<td>4</td>
<td>Generates significant amount of hazardous and or toxic wastes</td>
<td>Generates minimal amounts of hazardous or toxic wastes</td>
<td>Will not generate hazardous or toxic wastes</td>
</tr>
<tr>
<td>5</td>
<td>Will partly or significantly interact with sensitive, protected areas, sanctuaries and/or resources</td>
<td>Will rarely or minimally interact with sensitive, protected areas, sanctuaries and/or resources</td>
<td>Will not interact with sensitive, protected areas, sanctuaries and/or resources.</td>
</tr>
<tr>
<td>6</td>
<td>Environmental and social risks are many and varied</td>
<td>Environmental and social risks are generally few and well known</td>
<td>Environmental and social risks are minimal</td>
</tr>
<tr>
<td>7</td>
<td>The use of armed security is expected</td>
<td>The use of armed security is possible</td>
<td>Never or rarely uses armed security</td>
</tr>
<tr>
<td></td>
<td><strong>Secondary Risk Criteria</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Supply chain businesses portends significant risks</td>
<td>Supply chain businesses do not have significant E&amp;S risks</td>
<td>Supply chain businesses portend very minimal E&amp;S risks</td>
</tr>
<tr>
<td>9</td>
<td>There is history of social unrest in the area</td>
<td>There is the potential for social unrest in the area though no history</td>
<td>The potential for social unrest is minimal</td>
</tr>
<tr>
<td>10</td>
<td>Stakeholders have not been identified and engagement is non-existent or weak</td>
<td>Stakeholders have been identified and some engagement is ongoing but needs improvement</td>
<td>Stakeholders have been identified and engagement is good and regular</td>
</tr>
<tr>
<td>11</td>
<td>Some E&amp;S risks may not be easily or readily mitigated</td>
<td>Most E&amp;S risks can be readily mitigated through direct interventions, plans or compensatory mechanisms</td>
<td>All E&amp;S risk can be easily and readily mitigated with basic</td>
</tr>
</tbody>
</table>
Annex IV provides further information on typical projects that fall under Category A, B and C.

### 3.3 Environmental and Social Due Diligence

Formal Environmental and Social Due Diligence (ESDD) will be carried out on all Category “A” and “B” transactions after approval by the NBC and issuance of the Mandate Letter, while Category “C” transactions will be subject to a limited review by InfraCredit’s Environmental Manager. In all cases, prospective clients shall be required to provide all requested information for review in order to facilitate our screening process and ESDD.

Where InfraCredit assumes the lead role for environmental and social governance, we will undertake or commission a preliminary appraisal (initial Environmental and Social Screening) of the environmental and social risks of the project proposed for credit enhancement. This appraisal will have regard to the location and nature of the project, its E&S issues including labour issues and community interactions, compliance status / arrangements and where relevant previous developer performance (i.e. a check for potential “red flag” issues).

In the event that another qualified Financing Party in a proposed transaction assumes the lead role in establishing and monitoring environmental and social governance, InfraCredit will actively seek information from such Financing Party and collaborate as appropriate to ensure the adequacy of risk identification and mitigation strategy.

The ESDD will be undertaken by external consultants unless either (i) InfraCredit has sufficient internal capacity and experience to conduct the necessary due diligence or (ii) the due diligence will be undertaken by a qualified guarantor/investor/lender (“Financing Party”) recognised by InfraCredit to have the appropriate internal expertise (e.g. including IFC, World Bank, African Development Bank, Asian Development Bank, EIB, FMO, DEG and Proparco).
The purpose of the ESDD to review and verify the submissions made by the sponsor, assess the transaction’s compliance with applicable environmental and social laws and regulations and highlight key environmental and social risks.

The scope and content of each ESDD will be determined by, and commensurate to the Environmental and Social Risks associated with the specific transaction. InfraCredit will prepare or procure the Terms of Reference for the ESDD, based upon a review of all applicable documentation and an evaluation of the project against our E&S Policy.

In general, site visits are required when conducting ESDD for Category A and B Projects/transactions. The visits will involve interviews with key client personnel and other stakeholders, and general observations within and around the client’s areas of operation. Visits to more than one site may be required for clients, who have different operational areas.

### 3.3.1 Scope and Content of Environmental and Social Due Diligence Reports

All ESDD to be carried out by external consultants will be based on a pre-determined scope and report format. It is critical that external E&S Specialist follow the scope and report formats closely.

InfraCredit will require that environmental consultants evaluate the Environmental and Social Performance against our guiding regulatory frameworks including applicable statutory laws, standards and guidelines. Broad areas of evaluation are:

- **Environmental Performance**
  - Applicable IFC Performance Standards
  - Environmental and social risks associated with the project/transaction
  - Project owners/sponsors capabilities to identify and manage its own E&S risks and impacts
  - Availability and or adequacy of appropriate procedures and management systems to handle E&S impacts
  - Budget, competence and organizational capacity to implement E&S management
  - Compliance with applicable E&S permit, standards and other regulatory requirements
  - Sanctions for non-compliance with permit requirements
  - Environmental conditions around client’s area of operations

- **Social Performance**
  - Applicable IFC Performance Standards
  - Compliance with applicable labour laws including pension
  - Labour relations including labour manual and grievance mechanism
  - Medical insurance for workforce
The outcome of the ESDD will be presented in a pre-determined format. It will include a SMART (Specific, Measurable, Achievable, Realistic and Time-bound) action plan. The action plan should identify the E & S issue, the applicable IFC PS, the corrective action and estimated time to completion of the action item.

The content of the external consultant’s E&S Due Diligence Report is as follows:

1. Project Description - This should include:
   a. An overview of the company’s general activities and specific project activities
   b. Recent changes in company operations including expansions, reduction in operations, changes in technology or processes, land or other major asset acquisitions
   c. A summary of the sources and types of wastes and emissions
   d. Where applicable, type of technology being used
   e. Where applicable, project implementation stage and activities carried out up to the date of application for InfraCredit’s Guarantee

2. Scope of Review
3. Applicable National/State Environmental and Social Laws and Regulations
4. Applicable IFC Performance Standards and Environment, Safety and Health Guidelines
5. Environmental and Social Categorization and Rationale.
6. Completeness and Adequacy of Documents Submitted
7. Compliance with Applicable National/State Environmental and Social Laws and Regulations (including permit requirements)
8. Compliance with applicable IFC Performance Standards
   a) PS1: Assessment and Management of Environmental and Social Risks and Impacts
   b) PS2: Labor and Working conditions
   c) PS3: Pollution Prevention and Abatement
   d) PS4: Community Health Safety and Security
   e) PS5: Land Acquisition and Involuntary Resettlement
   f) PS6: Biodiversity Conversation and Sustainable Natural Resources Management
   g) PS7: Indigenous Peoples
   h) PS8: Cultural Heritage
9. Other important findings or relevant information (this may be information such as gap analyses of performance against IFC Standards, isolated performance against individual assessment areas and so on)
10. Environmental and Social Action Plan(s)
11. Recommended Environmental and Social Covenants to be included in Legal Agreements
If site visits are carried out, the ESDD Report will also include findings from the visit. In this regard, additional information to be included in the ESDD Report are:

- Dates of visits
- Maps of visited locations and significant outposts
- Key Environmental and Social observations
- Individuals/Persons met/Interviewed
- Photo Logs

### 3.3.2 Environmental Impact Assessment Studies

Although not part of the ESDD Scope of Work, it is expected that proponents/sponsors of Category A projects would have conducted full scale pre-activity environmental assessment (usually referred to as an Environmental Impact Assessment (EIA) or Environmental and Social Impact Assessment (ESIA) study in line with Terms of Reference approved by regulatory authorities. Such environmental assessment studies would review the potential positive and negative impact of the project comparing this with feasible alternatives (including the “without project” scenario), and recommend measures needed to prevent, minimize, mitigate or compensate for the adverse environmental and social risks and improve overall performance. InfraCredit will also require that the EIA is approved by the appropriate regulatory authority in Nigeria and meet the E&S standards of Development Finance Institutions (DFI), who may be involved in the transaction. Compliance ESIA studies that meet requirements of the IFC Performance Standards is often adequate. The ESDD will establish the suitability or otherwise of ESIA Reports for Category A projects or transactions under consideration.

Category B Projects/transactions also require ESIA. However, the scope and approval process of the EIA or ESIA will usually be less involving than for Category A Projects/transactions. The scope and coverage of ESIA studies will also vary from project to project. Approval requirements and DFI standards will largely be the same as for Category A projects/transactions.

### 3.4 Environmental and Social Evaluation Form

Upon completion of the ESDD, InfraCredit’s Environmental Manager will update the categorisation of the proposed transaction (if it has changed from the initial screening) and also complete an E&S Evaluation Form for the Chief Risk Officer and Credit Committee. The E&S Screening Form will highlight key E&S risks identified by the ESDD and recommended conditions for InfraCredit’s Guarantee. In the case of Category “C” transactions, which are typically not subject to ESDD, the key E&S issues will be highlighted by the Environmental Manager. The E&S Evaluation Form will be supported by the ESDD Report. E&S conditions will be clearly stated and articulated for all transactions that are subject to the Credit Committee’s recommendation. The E&S Evaluation Form is provided as Annex III.
4.0 **GUARANTEE CONDITIONS**

E&S covenants shall be included in conditions accompanying all transactions approved for InfraCredit’s guarantee. InfraCredit will include clauses in its legal guarantee documentation to ensure that all guaranteed clients continue to maintain acceptable Environmental and Social Management Systems (ESMS) and/or take appropriate steps towards attaining an acceptable ESMS that is commensurate their operations. Legal documents may include covenants to:

vii. Conduct their business in accordance with applicable laws and standards relating to Environmental and Social Management and Labour Practices;

viii. Conduct their business in accordance with InfraCredit’s E&S Policy and requirements;

ix. Promote the protection of the environment in which the company operates;

x. Treat all employees fairly and without any form of discrimination;

xi. Ensure that potentially harmful occupational health and safety environmental and social effects are properly assessed, addressed and monitored;

xii. Monitor and report E&S performance to InfraCredit periodically. Details of reporting frequency shall be contained in the investment agreement.

The E&S covenants to be included in the guarantee agreement will state conditions precedent to issuance of the guarantee and those subsequent. The covenants will be reviewed and approved by the E&S Manager and Legal Team. Typical texts for Pre-guarantee agreements are provided in Appendix B of the E&S Policy. In addition to this standard text, additional specific E&S requirements may be specified. Such covenants will however be carefully determined and specified to ensure they are:

i. In line with best practice;

ii. Practical and achievable;

iii. Generally affordable; and

iv. Will lead to the desired E&S performance-improvement

5.0 **MONITORING OF ENVIRONMENTAL AND SOCIAL PERFORMANCE**

InfraCredit will continuously monitor the environmental and social performance of transactions it guarantees. As may be necessary, we will deploy a combination of resources to conduct the E&S Monitoring of guaranteed transactions. Resources include our in-house Environmental Manager, E&S Specialists and other transaction personnel. The monitoring will cover key stages of the transactions, such as construction, operation and decommissioning etc. The monitoring scope will be determined by the level of risk associated with the transaction, findings of the ESDD, covenants agreed in the legal guarantee documentation and E&S performance of the client. Monitoring may include site visits and review of key E&S documentation of the client.
At least annually, beneficiaries of InfraCredit guarantees will be required to report on their E&S performance through completion of the annual summary form (Annex V or Appendix D in the E&S Policy) and/or a more detailed E&S reporting format. Such reports will include a progress statement on implementation of the ESAP. In addition, guarantee beneficiaries are required to ensure timely notification to InfraCredit of any significant E&S incident(s).

Transaction sponsors will also be required to report their progress in complying with the E&S covenants and conditions attached to the guarantee issuance to InfraCredit’s Transaction Officers or responsible personnel. Such report may be separate or included in an encompassing report.

As is considered necessary, InfraCredit will discuss the E&S reports and related documentation with particular reference to any outstanding or potential E&S issues and appropriate additional actions with key stakeholders, the guarantee beneficiary and/or the sponsors. Where InfraCredit deems it appropriate, we will impose further project monitoring and reporting requirements and thereafter review project progress and performance.

Further to any recommendations made by the monitoring and review process, InfraCredit or our consultants will make supervisory visits during construction and at project completion to ensure that all E&S requirements are being or have been implemented. Further supervisory visits may be made during operation involving, as appropriate, external auditors. Supervision reports will be prepared after each such visit.

The scope of all specialist (consultant) monitoring of guaranteed companies will be predetermained prior to commencing the monitoring assignment. Generally, E&S monitoring will cover assessment of the guaranteed companies E&S performance and may include specific areas of E&S concerns. The minimum content of E&S monitoring reports is as follows:

- Overview of activities and operations with a focus on changes in operations since the ESDD
- Status of permits and compliance with applicable regulations. New applicable permits as a result of changes in operations should be reviewed as well.
- Compliance with ESAP from the E&S Due Diligence or previous monitoring
- New E&S Aspects and Risks if applicable
- Updated ESAP to address any issues arising from the monitoring.

Where specialist environmental and social monitoring has been procured, our Environmental Manager will complete and submit an E&S Monitoring Form (Annex VI) to our Senior Management. The E&S Monitoring Form will highlight key E&S risks identified from the E&S Monitoring and recommended actions to address areas of concern. The E&S Monitoring Form will be supported by the E&S Monitoring Report.
ANNEX I : INFRA CREDIT’S EXCLUSION LIST

The Exclusion List is the first step in InfraCredit’s E&S Transaction review process. It lists business activities that InfraCredit will NOT guarantee. The excluded business activities are:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES, 1975).
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where InfraCredit considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Businesses/activities involved in pornography.
- Businesses/activities involved in child/women trafficking and prostitution.
- Unauthorised logging or mining activities.

The application of the Exclusion List will take effect upon adoption of this policy. For affected customers on the Exclusion List, the tenor of any existing guarantee facilities will be honoured but new applications will be subjected to the requirements of this E&S Policy.

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4This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor’s primary operations.
5Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
6Harmful 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, spiritual, moral, or social development.
### ANNEX II: INITIAL ENVIRONMENTAL AND SOCIAL SCREENING FORM

#### INFRACREDIT INITIAL ENVIRONMENTAL AND SOCIAL SCREENING FORM

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<tr>
<td>6</td>
<td>Environmental and Social Risk Category of Transaction (A, B or C) and Justification</td>
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<td>Primary Risk Criteria</td>
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<td>Spatial extent of project effects/ quantum of environmental resources affected.</td>
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<td>Duration/reversibility of project impacts on the environment</td>
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<td>Occupational health risks</td>
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<td>Amount of hazardous and or toxic wastes</td>
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<td>Interaction with sensitive, protected areas, sanctuaries and/or resources</td>
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<td>Spectrum and numbers of environmental and social risks</td>
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<td>Use of armed security</td>
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## INFRA CREDIT INITIAL ENVIRONMENTAL AND SOCIAL SCREENING FORM

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<td>History of social unrest</td>
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<td>Stakeholders engagement</td>
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<td>Ease of mitigating E&amp;S risks</td>
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<td>History of E&amp;S performance and compliance</td>
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<tr>
<td>Control of E&amp;S risks</td>
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9. Other general remarks

10. **Summary Scope of Work for Environmental and Social Due Diligence (ESDD)**
## ANNEX II: ENVIRONMENTAL AND SOCIAL EVALUATION FORM

### INFRA CREDIT ENVIRONMENTAL AND SOCIAL EVALUATION FORM

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<td>Revised Environmental and Social Risk Category of Transaction (A, B or C) and Justification</td>
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<td>12</td>
<td>Other general remarks</td>
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</table>
Typical High-Risk (Category A Projects)

- Large dams and reservoirs
- Mining and quarrying
- Forestry and logging (large scale)
- Agro-industries (large scale)
- Industrial plants (large scale)
- Major new industrial estates
- Major oil and gas installations, including major pipelines
- Large ferrous and non-ferrous metal operations
- Large-scale pulp / paper mills
- Large port / harbour developments
- Large thermal power projects
- Large hydropower developments
- Large scale (larger than 50 hectares) real estate projects e.g., housing, mixed use, commercial.
- Large educational institutions (e.g., University complexes)
- Large hospital complexes (e.g., teaching hospital complexes)
- Domestic and hazardous waste disposal operations
- Large-scale tourism developments
- Large-scale transportation projects (airports, highways, motorways, railroads)
- Projects in or near to highly sensitive and high value ecosystems
- Projects with large resettlement components and all projects with potentially major impacts on human populations

Typical Medium-Risk (Category B Projects)

- City hotels, small scales tourism
- General manufacturing
- Small size thermal power plants (e.g., for captive power)
- Micro hydropower plants
- Smaller sized roads (e.g. intracity)
- Real estate developments less than 50 hectares
- Projects not within sensitive areas.

Typical Low-Risk (Category C) Projects

- Establishment of business services industries (business advisors, accountancy auditors, etc.)
- Establishment of restaurants and other food premises
- Education and training
- Broadcasting (TV, radio, satellite)
- Basic health services and family planning
- Retail outlets
- Artisans businesses
**ANNEX V: ANNUAL ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORTING TEMPLATE FOR GUARANTEED COMPANIES**

**INFRACREDIT ANNUAL E&S PERFORMANCE REPORTING FORM**

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<td>8</td>
<td>Applicable Performance Standards (provide list)</td>
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<td>9</td>
<td>Key E&amp;S Concerns</td>
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### Status of Compliance with E&S Covenants

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### ANNEX VI: ENVIRONMENTAL AND SOCIAL MONITORING FORM

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<td>Summary Description of Business Activities</td>
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<td>Changes in Business Activities (if any) since approval of Guarantee of last monitoring</td>
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<td>Date of Approval by New Business Committee</td>
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<td><strong>7</strong></td>
<td>Monitoring Form Completed by: Name: Designation: Date:</td>
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<td>Environmental and Social Monitoring Performed by (name of specialist firm): Date of Completion:</td>
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<td>Environmental and Social Risk Category of Transaction (A, B or C) and Justification at transaction closure</td>
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<td>Performance Standard 8</td>
<td>Yes or No</td>
</tr>
<tr>
<td><strong>12</strong></td>
<td>Key Environmental and Social Arising Issues from Monitoring</td>
</tr>
<tr>
<td></td>
<td>Description</td>
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<tr>
<td>Performance Standard 1</td>
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<td>Performance Standard 6</td>
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<td>Performance Standard 7</td>
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<td>Performance Standard 8</td>
<td></td>
</tr>
<tr>
<td><strong>13</strong></td>
<td>Other General Remarks</td>
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ANNEX VII: USEFUL REFERENCE MATERIALS

**IFC Performance Standards:** [http://www.ifc.org](http://www.ifc.org) – provides IFC's Environmental and Social Performance Framework the Performance Standards and Guidance Notes for using the Performance Standards

**FIRST (Financial Institutions: Resources, Solutions and Tools) for Sustainability** - [https://firstforsustainability.org](https://firstforsustainability.org). A one-stop shop for financial institutions for information learning on benefits of environmental and social risk management and how to identify and take advantage of environmental business opportunities. It provides guidance and tools to understand and manage the risks that environmental and social issues present for financial institutions.

**World Bank Group Environmental Health and Safety Guidelines:** [http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines). These EHS Guidelines contain the performance levels and measures that are normally acceptable to the International Finance Corporation (IFC), and that are generally considered to be achievable in new facilities at reasonable costs by existing technology. For IFC-financed projects, application of the EHS Guidelines to existing facilities may involve the establishment of site-specific targets with an appropriate timetable for achieving them. The environmental assessment process may recommend alternative (higher or lower) levels or measures, which, if acceptable to IFC, become project- or site-specific requirements.

When host country regulations differ from the levels and measures presented in the EHS Guidelines, projects will be required to achieve whichever is more stringent. If less stringent levels or measures than those provided in the EHS Guidelines are appropriate in view of specific project circumstances, a full and detailed justification must be provided for any proposed alternatives through the environmental and social risks and impacts identification and assessment process. This justification must demonstrate that the choice for any alternate performance levels is consistent with the objectives of Performance Standard 3.


The World Bank through the Office of Environmental Affairs developed a series of guidelines to help evaluate the effectiveness and efficiency of control measures for industrial operations.

The guidelines provide several recommended practices and permissible health and safety measures that can be achieved at reasonable cost for several sectors of industry.