



**CLIMATE FUND MANAGERS B.V.  
RESPONSIBLE INVESTMENT POLICY  
("THE POLICY")**

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RESPONSIBLE PERSON	Head of ESG
APPROVED BY	CFM SB & CFM MB

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# **1. POLICY FRAMEWORK**

All capitalized terms not otherwise defined shall have the meaning as reflected in Annexure A – Definitions.

All references to Articles relate to the CFM Articles of Association and all references to Clauses refers to the CFM Members' Agreement.

## **1.1. INTRODUCTION**

CFM was established by FMO and InfraWorks to act as the initiator, developer and as manager of specialist climate focused investment vehicles.

For each of CFM, FMO and InfraWorks to successfully achieve their respective objectives it is essential that an operating environment exists which support the fulfilment of obligations of a statutory, contractual, and social nature, maintains a reputation for integrity and fair dealing, and which builds and maintains confidence of Investors, shareholders, members and other stakeholders. T

o this end, the CFM Board has implemented the CFM Policies, which include the Responsible Investment Policy (this Policy). This Policy (and its appendices) must be read in conjunction with the other CFM Policies and any accompanying manuals, processes and procedures as listed in the CFM process register.

## **1.2. SCOPE AND PURPOSE OF THIS POLICY**

This Policy sets out CFM's commitments for responsible investment in relation to health, safety, social and environmental governance (hereafter referred to as "E&S"). The requirements of this Policy must be implemented in the daily operations of CFM. This Policy must be adhered to and applies to all CFM Staff (for the avoidance of doubt, this includes the CFM MB and SB) and to all CFM's activities whether regulated or not.

## **1.3. RESPONSIBLE PERSONS**

Primary responsibility for CFM's Policies and related processes rests with the CFM MB.

## **1.4. NON-COMPLIANCE WITH THIS POLICY**

CFM holds CFM Staff accountable for their actions. It is the responsibility of each and every CFM Staff member to be informed about the requirements of the Policy and to ask questions if clarification is required. Failure to comply with the Policy is treated seriously and may result in disciplinary action, up to and including dismissal.

A breach of this Policy must be reported per the incident reporting process outlined in the CFM Code of Conduct Policy.

## **1.5. ADOPTION AND REVIEW OF THE POLICY**

This Policy and other CFM policies and procedures will, as outlined in the AOIC, be reviewed annually and updated where appropriate.

## **1.6. TRAINING AND AWARENESS**

The CFM MB, through Human Resources will ensure that CFM Staff are made aware/ receive training on any material changes made to this Policy or the policies, procedures and any accompanying manuals referred to in this Policy.

## **1.7. RECORD KEEPING**

CFM Staff will maintain systems and records to ensure ongoing integrity of this Policy and associated processes. The Code of Conduct further notes the requirement for CFM to record and securely retain all relevant information regarding its activities for the required minimum period.

## **2. COMMITMENTS TO RESPONSIBLE INVESTMENT**

The following policy commitments shall be adopted and adhered to throughout the CFM organisation and shall be communicated to all staff working for and on behalf of the company. A copy of the policy will be displayed at all CFM offices. It is the responsibility of every individual working for and on behalf of CFM to adhere to these commitments. CFM commits to:

- a) Adopting governance and management arrangements so that environmental and social impacts and risks associated with the activities of CFM can be managed in an appropriate, accountable and transparent manner.

- b) Avoiding and otherwise seeking to minimise and mitigate the impacts of its activities on communities and the environment through the implementation of an environmental and social management system.
- c) Contributing to climate change adaptation and mitigation and managing business impacts through substantial reduction in the use of fossil fuels; control of emissions of greenhouse gases, and energy conservation.
- d) Respecting at all times the human rights of all individuals including all those that work for and on behalf of CFM and those who may be affected by CFM and its Managed Vehicles.
- e) Mainstreaming gender equality throughout the organisation and in relation to the Managed Vehicles.
- f) Protecting the labour and working conditions of all those working on behalf of and for CFM and the Project Companies and the health, safety and security of project-affected communities.
- g) Promoting positive social and environmental impacts and opportunities through the Managed Funds.
- h) Conducting ongoing monitoring and reporting of the environmental and social performance and impacts of the Managed Vehicles.
- i) Undertaking routine evaluations of the impact of the Managed Vehicles and the Project Companies.
- j) Making timely disclosures of information relating to the Managed Vehicles in accordance with legal and investor requirements.

In order to achieve these outcomes, CFM is committed to complying with all legislation and other applicable E&S requirements for all investments. Good international industry practices and standards for Environment and Social Management<sup>1</sup> form the basis for our management framework.

### **3. POLICY ARRANGEMENTS**

CFM recognises that embedding these commitments in all activities requires visible leadership, allocation of resources and supporting actions. The arrangements described below provide an overview of how each commitment will be adopted into business practices

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<sup>1</sup> Equator Principles III; International Finance Corporation (IFC) Performance Standards 2012 on Environmental and Social Sustainability

and processes.

### **3.1 ENVIRONMENTAL AND SOCIAL GOVERNANCE**

*Policy Commitment: Adopting governance and management arrangements so that environmental and social impacts and risks associated with the activities of CFM can be managed in an appropriate, accountable and transparent manner.*

In accordance with the Responsible Investment Code, CFM has established necessary arrangements for the proactive leadership, accountability and ownership of E&S governance of the activities of the Fund Manager and the Project Companies. Resources for ensuring the ongoing function and effectiveness of these arrangements are reviewed on a periodic basis and at least once annually as part of the budget review cycle.

CFM has an established in-house team responsible for implementing and managing the arrangements required to fulfil the responsible investment commitments detailed in this Policy. The team is represented at senior management level on the Executive Committee and reports directly to the CFM Management Board. These governance arrangements are also described in CFM's E&S Management System ("ESMS"). Relevant training and support will be provided to all CFM employees involved in the investment process to enable them to work in accordance with the requirements of the ESMS and this Policy.

All Project Companies are required to appoint personnel (with relevant qualifications, experience and capacity) and provide the necessary resources to effectively manage and implement all E&S requirements applicable to the Projects. Such personnel may be appointed as employees of the Project Company or may be retained on an outsourced basis. All Project Companies will be overseen by a Management Board at which the Managed Vehicle is represented to ensure that the Projects are managed in an appropriate, accountable and transparent manner.

### **3.2 ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT**

*Policy Commitment: Avoiding and otherwise seeking to minimise and mitigate the impacts of its activities on communities and the environment through the implementation of an environmental and social management system.*

In accordance with the Responsible Investment Code, CFM has established an ESMS which describes the principles and undertakings for effective management of E&S impacts and risks associated with the Managed Vehicles. The ESMS has been developed in accordance with

the requirements described in IFC Performance Standard (PS) 1 and other international standards including ISO 14001 and ISO 45001. The ESMS provides an outline of the arrangements to be adopted by the Manager for the effective identification, evaluation and management of E&S risks and impacts associated with investments of the Managed Vehicles. It also describes the E&S safeguards that need to be adopted by the Project Companies.

CFM also requires all Project Companies to establish a Project ESMS which details the arrangements for implementing all CFM safeguard requirements as well as all requirements detailed in the Project Company's E&S Management Plan ("ESMP"), Stakeholder Engagement Plan ("SEP"), and all other applicable management plans. Such arrangements will be relevant to, and commensurate with the risks and impacts identified during the due diligence process and any E&S impact assessment or other studies. In the design and implementation of management and mitigation measures,

Project Companies are expected to manage the E&S impacts and risks of their activities in accordance with good international industry practices and standards including the IFC PS and the general and sector-specific IFC/World Bank EHS Guidelines.

### 3.3 CLIMATE CHANGE

*Policy Commitment: Contributing to climate change adaptation and mitigation and managing business impacts through seeking to minimize use of fossil fuels; control of emissions of greenhouse gases, and energy conservation.*

Through the investments of the Managed Vehicles, CFM is committed to addressing climate change through mitigation and adaptation.

CFM is also committed to managing its own contribution to climate change by minimising where possible emissions of greenhouse gases<sup>2</sup>, and requires all Project Companies to make the same commitment. Management of the climate change impacts of the business and the Project Companies will be achieved through implementation of alternative and technically and financially feasible and cost-effective options. This includes (but is not limited to):

- Adoption of renewable or low carbon energy sources.
- Energy efficiency and conservation improvements.
- Resource efficiency (including reduction, reuse and recycling of waste materials).

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<sup>2</sup> This includes the six GHGs of most concern to the United Nations Framework Convention on Climate Change which are: (i) carbon dioxide (CO<sub>2</sub>); (ii) methane (CH<sub>4</sub>); (iii) nitrous oxide (N<sub>2</sub>O); (iv) hydrofluorocarbons (HFCs); (v) perfluorocarbons (PFCs) (vi) sulphur hexafluoride (SF<sub>6</sub>)

- Substitution of harmful chemicals with less harmful alternatives (e.g. use of office cleaning products free from Volatile Organic Compounds (“VOCs”).
- Use of refrigerants in air conditioning units that do not contain HFCs or have high global warming potential.
- Management and operation of office buildings and equipment in an energy efficient manner.

CFM recognises that the single largest emission of greenhouse gases arises from the business travel undertaken by staff in the conduct of business activities, including conducting visits to assets throughout the investment lifecycle. Where possible, CFM strives to reduce the need to travel, for example through use of video conferencing and use of drone technology for site surveys. CFM also offsets its business-related travel emissions through partnerships with carbon neutral organisations.

### 3.4 HUMAN RIGHTS

*Policy Commitment: Respecting at all times the human rights of all individuals including all those that work for or on behalf of CFM and those who may be affected by CFM and its Managed Vehicles.*

CFM is committed to respecting human rights in all aspects in all business activities both as a corporate organisation and through its Managed Vehicles and to operating in accordance with all (international) legal requirements and agreements, including the ILO Core Conventions and the United Nations Guiding Principles (UNGP) on Business and Human Rights.

CFM has a [DRAFT] Human Rights Position Statement which details the Company's underpinning commitments relating to human rights. Arrangements for human rights are implemented via the ESMS and CFM policies including the Human Resources Policy, the Code of Conduct, and the Gender Policy.

Grievance mechanisms must be provided to provide all stakeholders with a facility for raising concerns, complaints, grievances and other feedback. CFM operates an internal grievance mechanism available to all employees of the Fund Manager and this is described in the Human Resources Policy. An external grievance mechanism is provided for external stakeholders on the CFM website and this is described in CFM's ESMS.

All Project Companies are required to incorporate and embrace the arrangements detailed in CFM's ESMS for respecting human rights. The arrangements adopted by the Project Company shall be documented in the Project's ESMS. Through the implementation of Community Development Programmes, Project Companies shall deliver positive impacts that enable people to fulfil their human rights.

All Project Companies are required to implement grievance mechanisms for Project Company workers and for project affected communities. All grievance mechanisms must be designed and operated in accordance with the Effectiveness Criteria detailed in Principle 31 of the United Nations ("UN") Guiding Principles ("GP").

### 3.5 GENDER EQUALITY

*Policy Commitment: Mainstreaming gender equality throughout the organisation and in relation to the Managed Vehicles.*

CFM recognises that the impact of climate change is experienced differently and more severely by women than by men, and existing gender inequalities are likely to be exacerbated by climate change. This is due to the complex interplay of gender norms and unequal access to resources and decision-making between women and men<sup>3</sup>. Evidence shows the value of gender equality and women's empowerment for achieving progress on other development outcomes<sup>4</sup>.

To respond to these challenges, CFM has established commitments with regards gender equality and women's economic empowerment, along with arrangements for implementation which are described in the CFM Gender Policy. All Project Companies are required to adhere to the Gender Policy and to commit to adopting a gender-responsive approach in all Project activities and in internal organisation. These combined efforts will contribute to UN Sustainable Development Goal ("SDG") 5 to achieve gender equality and women's empowerment.

### 3.6 PROTECTING PEOPLE

*Policy Commitment: Protecting the labour and working conditions of all those working on behalf of and for CFM and the health, safety and security of project-affected communities.*

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<sup>3</sup> UN Women (2016) Leveraging co-benefits between gender equality and climate action for sustainable development - Mainstreaming Gender Considerations in Climate Change Projects.

<sup>4</sup> Ibid.

In addition to complying with local legal requirements, CFM in all its activities and the activities of the CFM Managed Vehicles and Project Companies will be managed in accordance with international standards for labour and working conditions. These international standards include the International Finance Corporation Performance Standard 2 for Labour and Working Conditions (“IFC PS 2”), the International Labour Organization (“ILO”) Core Labour Standards<sup>5</sup> (as expressed in the eight fundamental conventions<sup>6</sup> listed below), the ILO Basic Terms and Conditions of Work, and the UN Guiding Principles on Business and Human Rights<sup>7</sup>.

The arrangements designed to ensure CFM will comply with legal and international standards are described in the Global Human Resources Management Policy. The commitments made by Project Companies are documented in the Health, Safety, Social and Environmental Policy (“HSSE”) which is implemented by all Project Companies as part of the governance framework.

### **3.7 COMMUNITY DEVELOPMENT: DELIVERING POSITIVE IMPACT**

*Policy Commitment: Promoting positive social and environmental impacts and opportunities through the Managed Funds.*

In accordance with the Responsible Investment Code, CFM has established a documented process for identifying and promoting positive E&S impacts (referred to as ‘community development’) within the communities in which the Managed Vehicles are invested. This process for community development is described in CFM’s ESMS and associated procedure. A needs-based community development programme will be developed by CFM on behalf of the Managed Vehicles for all investments, and handed over to the Project Companies once established. All Project Companies are required to shall achieve net positive impact through the implementation and maintenance of the Community Development Programme.

### **3.8 MONITORING AND REPORTING**

*Policy Commitment: Conducting ongoing monitoring and reporting of the environmental and*

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<sup>5</sup> International labour standards are legal instruments drawn up by the ILO’s constituents (governments, employers, and workers) and setting out basic principles and rights at work. They are either conventions, which are legally binding international treaties that may be ratified by member states, or recommendations, which serve as non-binding guidelines.

<sup>6</sup> The ILO’s Governing Body has identified eight conventions as “fundamental”, covering subjects that are considered as fundamental principles and rights at work.

<sup>7</sup> The United Nations Guiding Principles on Business and Human Rights is an instrument consisting of 31 principles implementing the United Nations ‘Protect, Respect and Remedy’ framework on this issue of human rights and transnational corporations and other business enterprises.

*social performance and impacts of the Managed Vehicles.*

In accordance with the reporting requirements detailed in the Responsible Investment Code as well as the specific requirements of individual investors, CFM has established arrangements for the monitoring and reporting of the performance of the Managed Vehicles and the Project Companies. The arrangements for monitoring and reporting of E&S performance of Project Companies is detailed in the CFM ESMS, along with the along with the requirements relating to notification of accidents and incidents. The reporting content and frequency will differ for projects at different stages of the investment lifecycle. Performance and impact data is reported in the quarterly and annual report submitted to the Investors.

Specific requirements relating to the reporting of Fund impact data are contained in a documented procedure for impact reporting. This procedure describes the use of the FMO Energy Impact Scoring Tool (EIST) and the USAID Clear Tool.

### **3.9 IMPACT EVALUATIONS**

*Policy Commitment: Undertaking routine evaluations of the impact of the Managed Vehicles and the Project Companies.*

CFM has committed to conducting periodic evaluations of Projects into which the Managed Vehicles are invested. Additionally, thematic studies may be conducted on an *ad hoc* basis. These evaluations differ in scope, design and implementation.

Responsibility for implementing and managing evaluation activities lies with the Environmental and Social Governance Team (ESG) team. The ESG team is responsible for commissioning assessments of the socio-economic and sustainability impact of the Managed Vehicles through monitoring and evaluation activities and policy development.

In order to comply with the Green Climate Fund (GCF) evaluation policy requirements, CFM will include evaluations for all GCF-funded projects and will commission effectiveness studies at two points in time e.g. during midline and at the end of the project/financing. CFM will share the reports internally and will disclose the full evaluation reports with FMO as the GCF accredited entity and with the GCF Secretariat. CFM may also share the full report with other stakeholders (investors) upon their request and the formal approval of FMO. In the case of external publication, findings are published as anonymized summary of the study,

as the full report may contain sensitive financial information.

CFM follows the DAC<sup>8</sup> standards for evaluation, including Principle 16: "*Impartiality and independence will best be achieved by separating the evaluation function from the line management responsible for planning and managing development assistance*". In order to provide an impartial and independent evaluation, the ESG Team will appoint external assessors to conduct the monitoring and evaluation.

A documented Evaluations Procedure has been established which describes the process for conducting evaluations.

### 3.10 INFORMATION DISCLOSURE

*Policy Commitment: Making timely disclosures of information relating to the Managed Vehicles in accordance with legal and investor requirements.*

In accordance with the GCF Information Disclosure Policy, CFM makes *ex ante* public disclosures for projects in GCF countries<sup>1</sup> proposed for CEF investment and which will draw on GCF funds. The projects to which this requirement relates are those that have been assigned an E&S Risk Category A or B (including both B+ and B). The E&S risk categories are detailed in CFM's ESMS along with the process for determining the relevant risk category. The two GCF required disclosure categories are referred to as (i) GCF Category A and (ii) GCF Category B. Disclosures will not be made for projects receiving funding from GCF which have been classified as Category C.

CFM also discloses projects that will not benefit from GCF funding, but which have been assigned to an A or B E&S risk category, referred to as non-GCF projects. CFM may also make disclosures relating to investments in accordance with other investor requirements.

CFM may share the results of the evaluations reports internally and externally. Evaluations of the government funds' investments are shared with the Project Companies, the CIO Investors/Donors (including the Dutch government) and the corresponding teams across CFM. Externally, and where the full report may contain sensitive financial information, findings may be published in the form of an anonymized summary. Evaluation reports can be found on CFM's website.

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<sup>8</sup> Development Assistance Committee from the Organisation for Economic Co-operation and Development (OECD)

CFM has established a Disclosures Procedure which describes the arrangements and process for disclosures.

Project Companies are required to conduct disclosures in accordance with requirements specified in the Project HSSE Policy which is included in the governance pack prepared by the Managed Vehicles for implementation by the Project Companies. Project Company disclosures include performance monitoring reports submitted to CFM, as well as publication of information on Project Company websites. Prior to posting of any information on the Project Company website, approval must be sought from and granted in writing by the Project Company Board, at which the Managed Vehicle will be represented.