



# Module 5

GCF REQUIREMENTS AND ENVIRONMENTAL and SOCIAL MANAGEMENT PLAN

MAIA C ROSSI

# Meet The Trainer

## MAIA C ROSSI

Maia is a sustainability professional with extensive technical expertise, a wide experience and a focus on climate change and climate finance. With a long track record in managing high-profile projects from initiation to final delivery, she is recognised for assessing climate change, environmental, socio-economic and gender impacts of large-scale development projects, design and carry out stakeholder engagement activities and managing and mentoring cross-functional teams across industries and geographies.

During her career, Maia has worked with numerous governments and companies from a variety of sectors including government agencies, intergovernmental organisations, financial services, development institutions and IFC bank, mining, oil and gas and construction across the world and in very diverse country contexts such as the UK, US, UE, the middle East and in most of the African countries.

*She is currently a PhD candidate at the Business School of the University of Bath (UK). Her research project studies the intersection between the effect of climate change on organisations and careers and focuses on risks and opportunities of transition to lower carbon economy*

LINKEDIN <https://www.linkedin.com/in/maiarossi/>





# Agenda

**Quiz time!**

**Takeaways and recap last session:**

**ESS Fundamentals**

ESG

Equator Principles

IFC Performance Standards

GCF ESS

**Module 5**

GCF Environmental and Social Framework: ES Policy and ESS

Project classification

GCF Requirement for accreditation

ES Project screening



# Takeaways and Recap from Module 3



# Quiz time!

All questions could have multiple correct answers!





# Test your knowledge! 1/10

How does the ESG Rating could be defined?

**A. Risks rating = Exposure \* Probability**

**Exposure** =vulnerability to ESG risks depend on sector and company

**Probability of risks**= Probability of risk events to happen

**B. Risks rating = Exposure \* Management**

**Exposure** =vulnerability to ESG risks depend on sector and company

**Management of risks**= risk mitigation actions depend on company only

**C. Risks rating = Magnitude \* Probability**

**Magnitude** =magnitude of ESG risks consequences depend on sector and company

**Probability of risks**= Probability of risk events to happen



# Test your knowledge! 2/10

**Which of these categories fall under Governance area of ESG?**

- A. Corporate Social Responsibility Strategy
- B. Community Relations
- C. Workforce wellbeing
- D. Balanced composition of board (gender, inclusion)



# Test your knowledge! 3/10

**Which of these categories fall under Social area of ESG?**

- A. Human rights
- B. Community Relations
- C. Workforce wellbeing
- D. Balanced composition of board (gender, inclusion)





# Test your knowledge! 4/10

**Which of these are among the 10 Equator Principles?**

- A. Human rights and Labour standards
- B. E&S assessment
- C. Review and categorisation



# Test your knowledge! 5/10

**Which of these are among the 8 IFC Performance Standards?**

- A. Labour Standards
- B. Risk management
- C. Stakeholder engagement



# Test your knowledge! 6/10

**What is a possible definition for environmental and social safeguards?**

- A. Environmental and social risk management framework
- B. A company ensemble of standards, policies, procedures, frameworks, systems, set of rules or regulations develop **to identify, assess, manage their environmental and social risks.**
- C. A set of standards for a company's operations that socially conscious investors use to screen potential investments and company use to identify and manage their non-financial risks





# Test your knowledge! 7/10

**What set of standards the GCF has adopted ad interim for its ESS?**

- A. Equator Principles
- B. IFC Performance Standards
- C. UN SDGs



# Test your knowledge! 8/10

**Which of these principles belong to IFC PS 4, Community Health safety and security?**

- A. Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms.
- B. Avoid, minimize or reduce project-related pollution.
- C. To safeguard personnel and property in accordance with relevant human rights principles.



# Test your knowledge! 9/10

**Which of these principles belong to IFC PS5: Land acquisition and involuntary resettlement?**

- A. Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms.
- B. Sustainable and culturally appropriate development benefits and opportunities
- C. Improve or restore livelihoods and standards of living.





# Test your knowledge! 10/10

**Which of these belongs to the 8 IFC PSs?**

- A. Labour Standards
- B. Gender Equality
- C. Responsible Consumption
- D. Resource Efficiency

# Answers and Recap

# The acronym feast: ESG, ESS, EPs, IFC PSs



**ESG**  
**Environmental, Social and  
Governance**

**ESS**  
**Environmental and  
Social Safeguards**

**EPs**  
**Equator  
Principles**

**IFC PSs**  
**Performance  
Standards**





# Test your knowledge! 1/10

**How does the ESG Rating could be assigned?**

**A. Risks rating = Exposure \* Probability**

**Exposure** =vulnerability to ESG risks depend on sector and company

**Probability of risks**= Probability of risk events to happen

**B. Risks rating = Exposure \* Management**

**Exposure** =vulnerability to ESG risks depend on sector and company

**Management of risks**= risk mitigation actions depend on company only

**C. Risks rating = Magnitude \* Probability**

**Magnitude** =magnitude of ESG risks consequences depend on sector and company

**Probability of risks**= Probability of risk events to happen

# ESG Definition

Develop, apply ESG  
framework/Rate  
ESG risks



## Environmental, Social and Governance

*Environmental, social, and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments and company use to identify and manage their non-financial risks.*

<https://www.investopedia.com/terms/e/environmental-social-and-governance-esg-criteria.asp>

## ESG Risk Rating

<https://www.sustainalytics.com/corporate-solutions/esg-risk-ratings>

**ESG risks rating = Exposure \* Management**

**Exposure** =vulnerability to ESG risks depend on sector and company

**Management of risks**= risk mitigation actions depend on company only

Unmanaged (residual) risks are then scored



# Test your knowledge! 2/10

**Which of these categories fall under Governance area?**

- A. Corporate Social Responsibility Strategy
- B. Community Relations
- C. Workforce wellbeing
- D. Balanced composition of board (gender, inclusion)



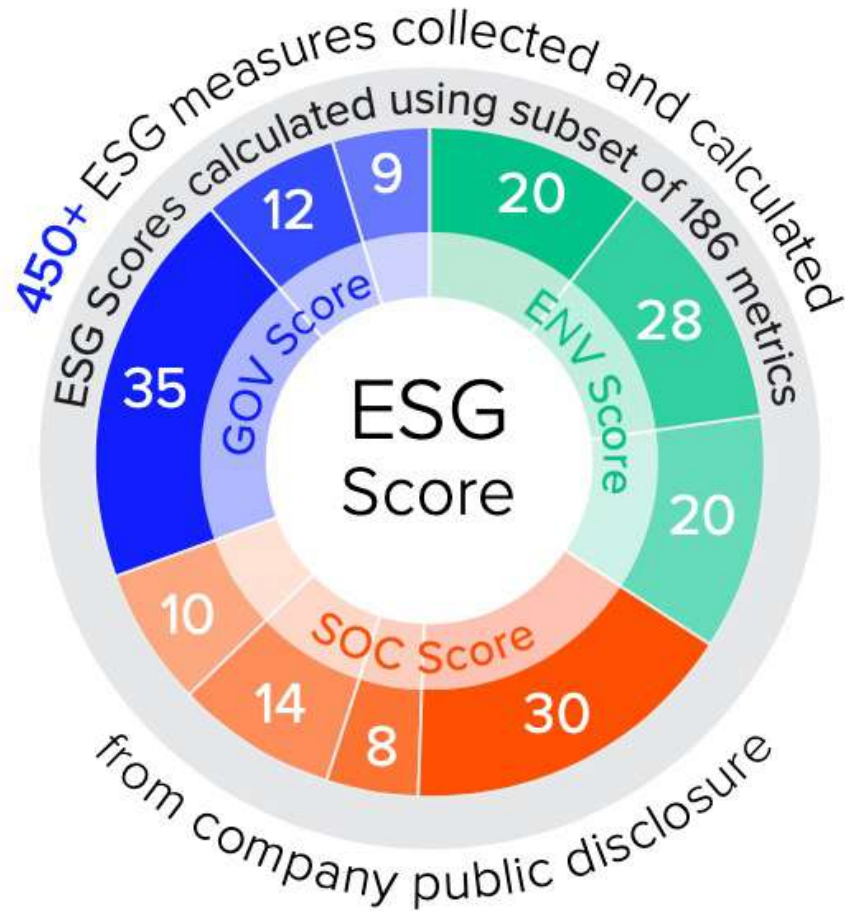


# Test your knowledge! 3/10

**Which of these categories fall under Social area of ESG (multiple answers)?**

- A. Human rights
- B. Community Relations
- C. Workforce wellbeing
- D. Balanced composition of board (gender, inclusion)

# ESG – example of rating



- Environmental
  - Resource use
  - Emissions
  - Innovation
- Social
  - Workforce
  - Human rights
  - Community
  - Product responsibility
- Governance
  - Management
  - Shareholders
  - CSR strategy

Category definitions are available in [Appendix F](#).

Source:  
<https://www.refinitiv.com/en>

# ESG – example of rating



## Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score   Category	Score   Category	Score   Category	
Resource Use	8.0 High	44.9 Average	5.1 Medium	18.7%
Corporate Governance	9.0 High	51.2 Average	4.4 Medium	16.0%
Land Use and Biodiversity	7.0 Medium	40.8 Average	4.1 Medium	15.1%
Carbon -Own Operations	6.0 Medium	48.3 Average	3.7 Low	13.4%
Land Use and Biodiversity -Supply Chain	3.6 Low	29.8 Average	2.7 Low	10.0%
Community Relations	6.0 Medium	75.0 Strong	2.0 Negligible	7.1%
Human Capital	4.0 Medium	63.4 Strong	1.6 Negligible	5.8%
E&S Impact of Products and Services	3.0 Low	47.5 Average	1.6 Negligible	5.7%
Human Rights -Supply Chain	2.4 Low	57.5 Strong	1.3 Negligible	4.7%
Business Ethics	3.0 Low	73.7 Strong	0.9 Negligible	3.3%
Human Rights	7.0 Medium	100.0 Strong	0.0 Negligible	0.0%
<b>Overall</b>	<b>59.0 High</b>	<b>58.5 Strong</b>	<b>27.4 Medium</b>	<b>100.0%</b>

Source:  
<https://www.sustainalytics.com>

# EPs Definition



## Equator Principles

Before:

The **Equator Principles** is a **risk management framework**, adopted by financial institutions, for determining, assessing and managing **environmental and social risk** in project finance. ([from the EP website](#))

2021

**A financial industry benchmark (meaning standard) for determining, assessing and managing environmental and social risk in projects**

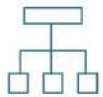
<https://equator-principles.com/about-the-equator-principles/>

# The 10 EPs

Adopt or  
apply EPs



## OVERVIEW OF THE 10 EQUATOR PRINCIPLES



Principle 1

**Review & Categorisation**



Principle 2

**E&S Assessment**



Principle 3

**Applicable E&S  
Standards**



Principle 4

**E&S Management  
System & EP Action Plan**



Principle 5

**Stakeholder  
Engagement**



Principle 6

**Grievance Mechanism**



Principle 7

**Independent Review**



Principle 8

**Covenants**



Principle 9

**Independent Monitoring  
& Reporting**



Principle 10

**Reporting &  
Transparency**





# Test your knowledge! 4/10

**Which of these are among the 10 Equator Principles?**

- A. Human rights
- B. E&S assessment
- C. Review and categorisation

# IFC PSs Definition



## International Finance Corporation

## Environmental and Social Performance Standards

IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks.

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



*Creating Markets, Creating Opportunities*

# The IFC PSs

Apply ESS



**Risk Management**

A white icon of a clipboard with a checklist and a pencil, set against a red background with a large number '1'.

**Labor**

A white icon of a hard hat, set against a yellow background with a large number '2'.

**Resource Efficiency**

A white icon of a factory with smoke coming from a chimney, set against a grey background with a large number '3'.

**Community**

A white icon of two hands holding three houses, set against a dark blue background with a large number '4'.

**Land Resettlement**

A white icon of an excavator next to a house, set against a green background with a large number '5'.

**Biodiversity**

A white icon of a sea turtle, set against a teal background with a large number '6'.

**Indigenous People**

A white icon of two stylized indigenous people, set against a brown background with a large number '7'.

**Cultural Heritage**

A white icon of a classical column, set against an orange background with a large number '8'.



# Test your knowledge! 5/10

**Which of these are among the 8 IFC Performance Standards (multiple answers)?**

- A. Labour Standards
- B. Risk management
- C. Stakeholder engagement



# Test your knowledge! 6/10

**What is a possible definition for environmental and social safeguards?**

- A. Environmental and social risk management framework (EP)
- B. A company ensemble of standards, policies, procedures, frameworks, systems, set of rules or regulations develop **to identify, assess, manage their environmental and social risks.**
- C. A set of standards for a company's operations that socially conscious investors use to screen potential investments and company use to identify and manage their non-financial risks (ESG)



# ESS Definition



## Environmental AND Social Safeguards

*A company ensemble of standards, policies, procedures, frameworks, systems, set of rules or regulations develop **to identify, assess, manage their environmental and social risks.***

*(df Maia Rossi)*

They could also be referred to:

Environmental and Social Standards

<https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>

Environmental and Social Framework

[https://wwf.panda.org/wwf\\_news/?351401/WWFs-Environmental-and-Social-Safeguards-Framework](https://wwf.panda.org/wwf_news/?351401/WWFs-Environmental-and-Social-Safeguards-Framework)

<https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>

# GCF ESS



The interim (*temporary*) Environmental and Social Safeguards of the GCF are the International Finance Corporation's Environmental and Social Performance Standards.

## UPDATE

*As part of the process to develop its own Environmental and Social Safeguards (ESS), the GCF has disseminated a [Call for Public Inputs](#), with the deadline of 2 December 2021.*

<https://www.greenclimate.fund/projects/safeguards/ess>



# Test your knowledge! 7/10

**What set of standards the GCF has adopted ad interim for its ESS?**

- A. Equator Principles
- B. IFC Performance Standards**
- C. UN SDGs



# PS1: Assessment and management of environmental and social risks and impacts



- (a) Identify funding proposal's environmental and social risks and impacts;
- (b) Adopt mitigation hierarchy: anticipate, avoid; minimize; compensate or offset;
- (c) Improve performance through an environmental and social management system;
- (d) Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms.



## PS2: Labour and working conditions

- (a) Fair treatment, non-discrimination, equal opportunity;
- (b) Good worker–management relationship;
- (c) Comply with national employment and labour laws;
- (d) Protect workers, in particular those in vulnerable categories;
- (e) Promote safety and health;
- (f) Avoid use of forced labour or child labour.







# PS3: Resource efficiency and pollution prevention

- (a) Avoid, minimize or reduce project-related pollution;
- (b) More sustainable use of resources, including energy and water;
- (c) Reduced project-related greenhouse gas emissions.





# PS4: Community health, safety and security

- a) To anticipate and avoid adverse impacts on the health and safety of the affected community;
- b) To safeguard personnel and property in accordance with relevant human rights principles.





# Test your knowledge! 8/10

**Which of these principles belong to IFC PS 4, Community Health safety and security?**

- A. Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms.
- B. Avoid, minimize or reduce project-related pollution.
- C. To safeguard personnel and property in accordance with relevant human rights principles.

# PS5: Land acquisition and involuntary resettlement



- a) Avoid/minimize adverse social and economic impacts from land acquisition or restrictions on land use:
  - I. Avoid/minimize displacement;
  - II. Provide alternative project designs;
  - III. Avoid forced eviction.
- b) Improve or restore livelihoods and standards of living;
- c) Improve living conditions among displaced persons by providing:
  - I. Adequate housing;
  - II. Security of tenure.





# Test your knowledge! 9/10

**Which of these principles belong to IFC PS5: Land acquisition and involuntary resettlement?**

- A. Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms.
- B. Sustainable and culturally appropriate development benefits and opportunities
- C. Improve or restore livelihoods and standards of living.





# PS6: Biodiversity conservation and sustainable management of living natural resources

- a) Protection and conservation of biodiversity;
- b) Maintenance of benefits from ecosystem services;
- c) Promotion of sustainable management of living natural resources;
- d) Integration of conservation needs and development priorities.





# PS7: Indigenous peoples

- a) Ensure full respect for indigenous peoples
  - i. Human rights, dignity, aspirations;
  - ii. Livelihoods;
  - iii. Culture, knowledge, practices;
- b) Avoid/minimize adverse impacts;
- c) Sustainable and culturally appropriate development benefits and opportunities;
- d) Free, prior and informed consent in certain circumstances.





# PS8: Cultural heritage

- (a) Protection and preservation of cultural heritage;
- (b) Promotion of equitable sharing of cultural heritage benefits.





# SUSTAINABLE DEVELOPMENT GOALS





# Test your knowledge! 10/10

**Which of these belongs to the 8 IFC PSs?**

A. Labour Standards

B. Gender Equality

C. Responsible Consumption

D. Resource Efficiency



**BREAK**



## GCF Environmental and Social Framework:

- ✓ Policy and ESS
- ✓ Project classification
- ✓ GCF Requirement for accreditation
- ✓ ES Project screening





# GCF Environmental and Social Framework



1. Environmental and Social Policy  
<https://www.greenclimate.fund/sites/default/files/document/environment-social-policy.pdf>
2. Interim environmental and social safeguards of the Fund [Performance standards of the International Finance Corporation]  
<https://www.greenclimate.fund/projects/safeguards/ess>

# GCF ES policy



1. Intro & Definitions

2. Objectives and Scope

3. Guiding Principles

4. Roles and Responsibilities

5. General requirements for environmental and social risk management

- Environmental and social management system
- **Screening and risk categories**
- Environmental and social due diligence
- Environmental and social assessment
- Environmental and social management plan
- Operational changes
- Monitoring and reporting

6. Information disclosure, stakeholder engagement, and grievance redress



# GCF ES policy vs ESS

‘The Environmental and Social Policy articulates how GCF integrates environmental and social considerations into its decision making and operations to effectively manage environmental and social risks and impacts and improve outcomes.’

‘The environmental and social management system of the accredited entities will be in accordance with the requirements of the GCF ESS standards.’

# GCF ES risk categorisation



**The GCF environmental and social safeguards system is based on project ESS risk categorisation.**

**Category A.** Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;

**Category B.** Activities with potential limited adverse environmental and/or social risks and impacts that, individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and

**Category C.** Activities with minimal or no adverse environmental and/or social risks and/or impacts.

# Group Exercise



1. Based on the brief description, assign a category to each of the following projects:
  1. Training on ESS and capacity development of a AE;
  2. Household-level facilities and production within an already built-up area and with no additional footprint;
  3. A project to reduce greenhouse gas emissions by enhancing carbon sequestration through the introduction of sustainable forest management;
  4. A small-scale rural and urban community-based projects, rural energy;
  5. A project which aims to install an 85 km double-track, electric light rail transit system which will be powered by more than 98 percent renewable electricity;
  6. An initiative which enhances the resilience and productivity of crops, and increase agricultural competitiveness and household incomes in the targeted provinces. It will address each stage of the agricultural value chain.
  7. A project which aims to increase water security and strengthen communities' resilience to climate change. It will involve integrated water resources management and investment in water supply infrastructure in four vulnerable counties.
2. Discuss with your group
3. Share in plenary

# Group Exercise



1. Based on assign a category to each of the following projects:
  1. [Capacity development](#) (c)
  2. [Household-level facilities and production within an already built-up area and with no additional footprint](#) (c)
  3. [A project to reduce greenhouse gas emissions by enhancing carbon sequestration through the introduction of sustainable forest management](#) (B)
  4. [A Small-scale rural and urban community-based projects, rural energy.](#) (c)
  5. [This project aims to install an 85 km double-track, electric light rail transit system which will be powered by more than 98 percent renewable electricity.](#) (A)
  6. [This initiative targets four agricultural value chains. It will enhance the resilience and productivity of crops, and increase agricultural competitiveness and household incomes in the targeted provinces. It will address each stage of the agricultural value chain](#) (B)
  7. [A project which aims to increase water security and strengthen communities' resilience to climate change. It will involve integrated water resources management and investment in water supply infrastructure in four vulnerable counties](#) (B)
2. Discuss with your group
3. Share in plenary

# GCF Requirements: Accreditation



#	Content of Accreditation Section
1	Background and contact information of the applicant entity
2	Information on the ways in which the institution and its intended projects/programs will contribute to furthering the objectives of the Green Climate Fund
3	Information on the scope of intended projects/programs and estimated contribution requested for an individual project or activity within a program
4	Basic fiduciary criteria
5	Applicable specialized fiduciary criteria (project management; grant award)
6	<b>Environmental and social safeguards (ESS)</b>
7	<b>Gender</b>





# ES Requirements: Accreditation

## SECTION VI: Environmental and social safeguards

### 6. Environmental and Social Management System (ESMS)

#### 6.1 Policy

#### 6.2 Identification of Risks and Impacts

#### 6.3 Management Program

#### 6.4 Organizational Capacity and Competency

#### 6.5 Monitoring and Review

#### 6.6 External Communications

<https://www.greenclimate.fund/document/accreditation-application-form>

# ES requirements, different levels



## **Strategic level (entity level):**

### **ES requirements for Accreditation**

A ES MANAGEMENT SYSTEM MUST EXIST  
CAPACITY – TRACK RECORD – MANAGEMENT SYSTEM  
PEOPLE - EXPERIENCE - DOCUMENTATION

## **Screening level (entity, project level, design phase):**

### **ES requirement for project screening**

A ES SCREENING MUST BE IN APPLIED

## **Operative (entity w/third party, project level, operative phase):**

### **ES requirement for managing the projects**

A MANAGEMENT SYSTEM MUST BE APPLIED

# ES Requirements: Project Screening



## **Simplified Approval Process (SAP)**

Guidelines for the Environmental and Social Screening of Activities Proposed under the Simplified Approval Process

<https://www.greenclimate.fund/sites/default/files/document/guidelines-guidelines-environmental-and-social-screening-activities-proposed-under-simplified.pdf>

Sustainability guidance note: screening and categorizing GCF-financed activities

<https://www.greenclimate.fund/document/sustainability-guidance-note-screening-and-categorizing-gcf-financed-activities>

