Environmental and Social (ES) Policy

This document will be updated periodically as required.

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Related documents	Catalytic Exclusion List (ESMS Annex 1); Whistleblower Policy; initiative-level Impact Frameworks and Gender Policies

PURPOSE AND SCOPE

This Policy sets out the commitment of the Catalytic Finance Foundation (Catalytic) to manage the environmental and social (ES) risks of the activities it supports. It has been mandated by the Board and is the highest-level ES document of the Foundation. The Policy sets out what Catalytic commits to, while the Environmental and Social Management System (ESMS) presents how those commitments are achieved.

Scope

The Policy applies to Catalytic's own operations and personnel; to all three of its core services — incubating tailor-made financial solutions, technical assistance, and capital acceleration; and to every initiative, fund, project and investment that Catalytic originates, designs, finances, advises on or supervises, at each stage of the activity cycle. Catalytic requires the entities it finances or supports — including funds and other financial intermediaries, investee companies, project sponsors, and their contractors and primary suppliers — to operate consistently with this Policy, and gives effect to that requirement through screening, due diligence, legal agreements and monitoring.

Relationship with the ESMS

Catalytic's ES framework operates in three tiers, all mandated by the Board and approved by the Chief Executive Officer (CEO). This Policy establishes institutional commitment, the standards that apply, and the lines of accountability. The organisational ESMS sets out the Foundation-wide procedures, roles and templates that implement this Policy. Initiative-level ESMSs adapt that framework to a specific mandate, sector, geography and donor. No initiative, fund, investment or activity may apply standards weaker than those set out in this Policy or in the organisational ESMS, and where an initiative requirement, donor requirement, host-country law or international standard is more stringent, the more stringent requirement applies.

OUR COMMITMENT

Catalytic exists to move capital towards outcomes that markets do not yet finance. That purpose is not served if the activities it supports cause harm to people or to the environment. Catalytic therefore treats ES risk management not as a compliance overlay but as part of how it assesses whether an activity is worth doing at all.

Principles

Catalytic seeks to prevent adverse impacts and to deliver measurable environmental, social and climate benefits. In line with the mitigation hierarchy, where adverse impacts are possible, they are anticipated and avoided; where avoidance is not possible, they are minimised; where residual impacts remain, they are mitigated or restored; and only as a last resort are they compensated or offset. Requirements, assessment effort and oversight are proportionate to the nature, scale and risk of the activity and to Catalytic's role in it. Catalytic respects internationally recognised human rights, requires that people in vulnerable or marginalised situations are identified and engaged rather than overlooked, and holds that affected people are entitled to timely information about activities that affect them and to a route for raising concerns that produces a response.

Commitments

In delivering this Policy, Catalytic commits to:

- Comply with applicable law in each host country and, where the standards below are more stringent, apply the higher standard;
- Maintain, implement and continuously improve a documented ESMS that gives effect to this Policy;
- Screen every prospective activity against the Catalytic Exclusion List and decline any activity involving an excluded activity;
- Assess and categorise ES risks and impacts before making a commitment, and manage them throughout the activity cycle;
- Engage stakeholders meaningfully, disclose ES information, and maintain a grievance mechanism accessible to project-affected people and communities;
- Maintain zero tolerance for sexual exploitation, abuse and sexual harassment, for forced and child labour, for fraud, corruption and other prohibited practices, and for retaliation against any person who raises an ES concern in good faith;
- Allocate adequate budget, resources and competent personnel to ES management, and preserve the independence of the ES function from business and origination considerations; and
- Monitor ES performance, report on it annually to the Board, and improve this Policy and the ESMS in light of experience, incidents, grievances and evolving standards.

STANDARDS WE APPLY

IFC Performance Standards

The IFC Performance Standards on Environmental and Social Sustainability are Catalytic's primary reference framework, and have been adopted by the Green Climate Fund (GCF) as its interim ES safeguards standards. All eight are considered for every activity, at a level of detail proportionate to risk:

- PS1: Assessment and Management of Environmental and Social Risks and Impacts
- PS2: Labour and Working Conditions
- PS3: Resource Efficiency and Pollution Prevention
- PS4: Community Health, Safety and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS7: Indigenous Peoples
- PS8: Cultural Heritage

The Performance Standards are applied together with the IFC Guidance Notes, the World Bank Group Environmental, Health and Safety Guidelines, and good international industry practice.

Other applicable standards

Catalytic-supported activities are also required to align with:

- The GCF Environmental and Social Policy and the GCF policies on gender, Indigenous Peoples, information disclosure, sexual exploitation, abuse and harassment, and prohibited practices — applied to GCF-financed activities, and more widely as good practice;
- The eight fundamental conventions of the International Labour Organization and applicable national labour law;
- The International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights;
- The national environmental, social, labour, health and safety law of each host country; and
- Relevant international agreements, including the Paris Agreement and the Convention on Biological Diversity.

Catalytic additionally recognises the Equator Principles, the UN Global Compact and the UN Principles for Responsible Investment. Where two or more applicable requirements differ, the most stringent applies. Catalytic monitors changes to the GCF and IFC frameworks and updates the ESMS so that the applicable standards remain current.

RISK APPETITE, EXCLUSIONS AND FUND INVESTMENTS

Exclusion List

Catalytic maintains an Exclusion List, set out in the ESMS, which is consistent with the exclusion lists of the IFC and other development finance institutions. It is applied at the earliest stage of screening, and any activity involving an excluded activity is declined. Initiatives and funds may extend the Exclusion List but may not narrow it, and no exception may be granted to it.

Risk categorisation

Catalytic applies the IFC risk categories to every prospective activity: Category A (high risk — activities with potential significant adverse ES risks or impacts that are diverse, irreversible or unprecedented), Category B (medium risk — limited adverse risks or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation), and Category C (low risk — minimal or no adverse risks or impacts). Assessment, management and disclosure requirements are proportionate to the category assigned.

Catalytic initiatives generally exclude Category A activities and focus on Categories B and C. A Category A activity may be supported only as an exception decided under the Governance and Oversight section below, where comprehensive safeguards are demonstrably in place and the Board is notified, and never where it would exceed the risk category for which Catalytic is accredited or mandated by the relevant donor. Catalytic generally avoids activities raising significant concerns under IFC PS5 to PS8 — involuntary resettlement, significant biodiversity loss, adverse impacts on Indigenous Peoples, and impacts on cultural heritage.

Fund and intermediated investments

Investment in and through funds and other financial intermediaries is central to Catalytic's business. Before any such commitment, an Environmental and Social Due Diligence (ESDD) is prepared assessing the adequacy of the fund's ESMS, its ES governance and accountable resourcing, its screening and risk categorisation practice, its stakeholder engagement and grievance arrangements, and its ES monitoring, reporting and verification. Catalytic assigns the fund investment a risk category of A, B or C based on the ES risk profile of the underlying portfolio, and may commission an independent review of the ESDD and proposed action plan where the risk, complexity or materiality of the investment warrants it.

Catalytic requires each fund or intermediary to maintain an ESMS commensurate with its portfolio. At a minimum this must apply an exclusion list; apply the IFC Category A, B and C classification to its own investments, with defined minimum due diligence, assessment triggers and monitoring intensity for each category; assign named accountability for ESMS implementation; operate a grievance mechanism; and report ES performance to Catalytic[1]. Reliance on investee self-declaration alone is not sufficient: the fund must maintain a defined process for validating the completeness, consistency and accuracy of the ES information it reports.

Where a fund's system does not yet meet these requirements, or where this Policy requires a gender action plan or other management action for an initiative or investment, the gaps or required actions are recorded in an Environmental and Social Action Plan (ESAP) with time-bound actions, assigned responsibilities and success indicators. The ESAP is agreed before commitment where feasible, and otherwise finalised as a time-bound condition, and reflected in the legal agreements as conditions of investment, disbursement conditions or covenants, as appropriate to the significance of each gap or action, and its implementation is monitored as part of ongoing supervision.

WHAT WE REQUIRE OF THE ACTIVITIES WE SUPPORT

The requirements below apply across the activity cycle and are implemented, at a level of detail proportionate to risk, through screening, assessment, management plans, action plans, contractual conditions and monitoring as set out in the ESMS.

Labour, working conditions and occupational health and safety

Catalytic requires fair treatment, non-discrimination and equal opportunity for all workers, including direct, contracted and supply-chain workers; compliance with the ILO fundamental conventions and national labour law; respect for freedom of association; and the prohibition of forced labour, of child labour, and of any hazardous work by persons under 18 years old. Safe and healthy working conditions and occupational health and safety arrangements proportionate to the hazards present are required, together with the recording and reporting of workplace incidents, including fatalities and lost-time incidents. No supported activity is exempt from occupational health and safety requirements.

Community health and safety, and emergency preparedness

Activities must avoid or minimise risks to the health, safety and security of affected communities, including risks arising from infrastructure, hazardous materials, traffic, water quality and the conduct of security personnel. Proportionate to risk, each activity must identify credible emergency and accident scenarios, including those arising from natural hazards and climate-related events; maintain and periodically test an emergency preparedness and response plan covering responsibilities, resources, communication and evacuation; coordinate with local authorities, emergency services and affected communities; and notify Catalytic of any significant ES, health or safety incident, including any fatality, within three days. Donors are notified of such issues as required under initiative-level agreements.

Gender equality, inclusion and safeguarding

Catalytic is committed to gender equality and the empowerment of women and girls. It requires gender analysis at initiative level and, where risk or opportunity warrants, at activity level; consultation that enables women to participate meaningfully; equal access to employment, training and benefits, and equal pay for work of equal value; and sex-disaggregated monitoring data. Gender action is treated as a standard performance indicator across the portfolio: every initiative and investment Catalytic finances or supports is required to have a gender action plan, proportionate to its scale and risk category, recorded and agreed as an ESAP item and tracked through the life of the investment.

The same expectation of identification, engagement and non-exclusion applies to other groups facing heightened vulnerability, including children and young people, older persons, persons with disabilities,

[1] Catalytic's ESMS uses the IFC Category A, B and C classification only. Where a donor or accreditation framework applies dedicated financial intermediary categories to intermediated exposures — for example the Green Climate Fund categories I-1 (high risk), I-2 (medium risk) and I-3 (minimal or no risk) — Catalytic maps the category it has assigned to the relevant fund investment onto those categories for that donor's screening, disclosure and reporting purposes, applying the equivalent requirements without altering the classification used in the ESMS.

migrants and displaced persons, and people marginalised on the basis of ethnicity, language, religion, sexual orientation or gender identity.

Catalytic maintains zero tolerance for sexual exploitation, sexual abuse and sexual harassment by its own personnel and by those of any entity it finances or supports. SEAH risk must be assessed during screening and due diligence and mitigated before commitment; codes of conduct must be in place; reporting channels must be accessible, confidential and free of cost to affected people, survivors and workers; reports must be handled on a survivor-centred basis with protection from retaliation and reported promptly to Catalytic and, for GCF-financed activities, to the GCF; and substantiated SEAH is grounds for contractual remedy up to termination of support.

Indigenous Peoples, land and cultural heritage

Catalytic respects the rights, dignity, aspirations, culture and livelihoods of Indigenous Peoples. Activities must identify whether Indigenous Peoples are present in, or collectively attached to, the area of influence, and engage through culturally appropriate, good-faith processes with legitimate representative bodies. Where the circumstances set out in IFC PS7 arise, Free, Prior and Informed Consent must be obtained and documented; where it cannot be established through a credible process, Catalytic does not support the activity. Catalytic seeks to avoid physical and economic displacement and generally declines activities requiring involuntary resettlement; forced eviction is prohibited. Where land acquisition or restriction on land use arises, legitimate tenure must be demonstrated and any resettlement or livelihood restoration must comply with IFC PS5. Activities must identify and protect tangible and intangible cultural heritage and apply a chance-finds procedure.

Environment, biodiversity, resource efficiency and climate

Catalytic requires application of the mitigation hierarchy to impacts on habitats and ecosystem services, with no net loss of biodiversity in natural habitats and net gains in critical habitats, protection of threatened species, control of invasive species, and sustainable management of living natural resources within a projects area of influence. Activities must prevent or minimise pollution, manage hazardous materials and waste responsibly, and use energy, water and raw materials efficiently. Screening and due diligence must address climate risk, including physical climate risk to operations as well as the activity's own greenhouse gas emissions, and activities are expected to incorporate adaptation and resilience measures where relevant, proportionate to the risk.

TRANSPARENCY, ENGAGEMENT AND GRIEVANCE REDRESS

Stakeholder engagement

Catalytic requires meaningful stakeholder engagement throughout the activity cycle: identification and analysis of affected people and other interested parties; consultation free of manipulation, coercion, intimidation and external cost; engagement that begins early enough to influence design and continues through implementation; methods that are culturally appropriate, gender-responsive and accessible to people in vulnerable situations; documentation in a Stakeholder Engagement Plan; and feedback to stakeholders on how their views were taken into account.

Information disclosure

Catalytic discloses ES information proactively, in languages, formats and locations accessible to affected people, subject only to narrowly applied exceptions for personal data, legally privileged material and genuinely commercially confidential information. This Policy, the organisational ESMS and a summary of annual ES performance are published on Catalytic's website. For GCF-financed activities, Catalytic discloses the applicable ES assessment documentation on its website, in locations convenient to affected people, and to the GCF, in accordance with the GCF Information Disclosure Policy — at least 120 days before the decision of Catalytic or of the GCF Board, whichever is earlier, for Category A activities, and at least 30 days before that decision for Category B activities. For a fund or intermediated investment, the applicable period follows the category assigned to that investment.

Grievance redress

Catalytic maintains a grievance mechanism accessible to project-affected people and communities as well as to workers and other stakeholders. It is publicly signposted, free of charge, available anonymously and in relevant local languages, and is presented separately from Catalytic's internal whistleblowing arrangements. Grievances are acknowledged in writing, logged, investigated by a person without a conflict of interest, and resolved within the timeframes set out in the ESMS, with the outcome and reasons communicated to the complainant and a route of appeal available. Grievance mechanisms must also be maintained at fund and activity level. Use of Catalytic's mechanism does not limit any person's right to pursue judicial or administrative remedies or, for GCF-financed activities, to bring a complaint to the GCF Independent Redress Mechanism. Retaliation against a person who raises a concern in good faith is prohibited.

GOVERNANCE AND OVERSIGHT

The Board

The Board of the Catalytic Finance Foundation is the Foundation's highest decision-making body and holds ultimate responsibility for ensuring the Foundation manages its environmental and social risks. By mandating this Policy, the Board requires that Catalytic identify, assess, manage and monitor environmental and social risks and impacts, and establishes the Environmental and Social Management System as the framework through which this Policy is implemented across the Foundation, adequately resourced and kept current. Responsibility for the content, approval, maintenance and periodic review of this Policy and the ESMS rests with the CEO. The Board's mandate establishes this Policy and the ESMS and the obligation to operate them; it does not entail Board approval or review of either document.

The Board meets regularly and considers environmental and social matters at its meetings where these are relevant to the Foundation's activities and decisions. It receives the annual ES performance report and discusses ES performance, capacity and resourcing. It is informed, for information, of material amendments to the ESMS, of any exception granted under this Policy, of any Category A exposure, of any serious ES incident, of any allegation of sexual exploitation, abuse or harassment, and of any formal dissent recorded by the Head of Impact. Where the Board considers that ES performance, capacity or resourcing is inadequate, it directs the CEO to remedy it.

Management and the ES function

The CEO is accountable to the Board for implementation of this Policy, approves this Policy and the ESMS and material amendments to them, and ensures that adequate budget, resources and competent personnel are in place. The Head of Impact leads implementation of the ESMS, oversees screening, categorisation, due diligence and disclosure, manages the grievance function and ES records, and reports to the CEO and annually to the Board. Investment Committees must consider ES due diligence and categorisation in every decision, approve action-plan conditions and confirm they are reflected in legal agreements, and decline any activity that cannot meet this Policy.

The judgement of the ES function is independent of business considerations. The Head of Impact does not report to, and is not remunerated by reference to, origination or transaction outcomes; has direct access to the CEO and, on ES matters, to the Board; and may require additional assessment, recommend conditions, or recommend that an activity be declined. Where an ES recommendation is not followed, the Head of Impact may record a formal written dissent, which is included in the papers of the deciding body and reported to the Board. Monitoring is carried out separately from origination. Catalytic allocates an ES budget annually, maintains at least one dedicated and appropriately qualified ES specialist, retains access to external specialists where in-house capacity is insufficient, and trains relevant staff on appointment and periodically thereafter.

Exceptions

Exceptions to this Policy are granted only in defined circumstances. A request must be made in writing setting out the provision concerned, the rationale and the compensating measures proposed; the Head of Impact reviews it and records an opinion, including any dissent; the CEO decides; and the exception must be time-bound, recorded in a register, reported to the Board at its next meeting and disclosed in the annual ES performance report. No person may decide an exception relating to an assessment they prepared. No exception may be granted to the Exclusion List, to the prohibition on sexual exploitation, abuse and harassment or on retaliation, to the requirement for Free, Prior and Informed Consent, to the prohibition on forced labour, child labour and forced eviction, or to any requirement of applicable law.

MONITORING, REVIEW AND AMENDMENT

Monitoring and reporting

Catalytic monitors ES performance proportionately to risk, through review of reports from funds, investees and project owners, tracking of action-plan implementation, site visits, and third-party audits or independent reviews where warranted. The annual ES performance report covers implementation of the ESMS, portfolio ES performance, incidents, grievances received and their resolution, exceptions granted, and improvements made or planned; it is approved by the CEO, submitted to the Board, and published in summary form.

Non-compliance

Where a supported activity does not comply with this Policy, Catalytic requires a time-bound corrective action plan and monitors its implementation. Where non-compliance is material or is not remedied, Catalytic exercises the remedies available in the relevant legal agreement, which may include withholding disbursement, suspending support or terminating the agreement. Non-compliance by Catalytic personnel is a disciplinary matter.

Review and amendment

The Board considers this Policy at least every three years, and earlier where a material change occurs in Catalytic's services, risk profile, regulatory environment or applicable standards, or where the annual management review, an incident or a donor requirement indicates that amendment is needed. The Head of Impact proposes amendments through the CEO; amendments are approved by the CEO and recorded in the document control table. Approved changes are communicated to staff and initiative leads and reflected in the ESMS and initiative-level ESMSs.