

Environmental Social Safeguards (ESS) Management Policy

Infrastructure projects are multi-dimensional and can lead to a range of negative environmental and social impacts if not assessed, managed, and monitored correctly. Catalytic programs strive to be exemplar both on safeguard and mitigation of potential negative externality while delivering positive impact. As such each program of Catalytic operates under the framework of a dedicated Environmental Social Management System (ESMS) to prevent such risks. The general approach is outlined in this document. Catalytic has specialized and dedicated inhouse ES & Impact human resources whose judgment is independent from business considerations. (eg. Today in 2024 Catalytic's Safeguard and Impact Specialist has a B.Sc. in Sustainable Resource Management and a Master of Environmental Science and Management.)

Policy Objective

The objective of this Policy is to ensure that Catalytic projects prevent adverse impacts on the environment and associated communities while maximizing positive outcomes. Catalytic adopts the Gold Standard Safeguarding Principles Assessment to limit or mitigate risk at the project planning stage, as discussed in **Annex 1**.

Environmental Social Management System (ESMS)

Each Catalytic program develops an ESMS framework which is tailored to the specific risks and requirements. The general blueprint for such an ESMS can be found in Annex 2, which was developed for the Subnational Climate Fund (SCF). Moreover, The SCF was also certified by the Gold Standard at a fund level (refer to **Annex 3**). Catalytic will always push for fund-level certification where relevant pushing the industry standard further.

The general components of a program-level ESMS always include:

- Program structure and background.
- ESS Objectives, Policy, guidelines, and responsibilities.
- Project screening and risk categorization.
- Investment due diligence requirements.
- Monitoring, supervision, and reporting.
- Records, documentation, quality control, and annual reports.

The ESMS also includes a range of Annexes specifically relevant to the program, including frameworks and requirements for project exclusion lists, Environmental Social Action Plans (ESAP), stakeholder consultation, grievance mechanisms, ESMP management plans, etc. Please refer to the blueprint ESMS in **Annex 2**, which is compliant with the GCF's Environmental and Social Safeguarding Policies and Procedures (ESSPP), the IFC Performance Standards (PS1-PS8), and Gold Standard and should serve as a minimum blueprint.

Project Screening, Assessment, and Monitoring

When received, the Catalytic team reviews available project information and identifies the likely ES risk category (A, B, or C), and whether any relevant data gaps exist. High-risk projects (A) are

generally excluded under program policy, if not specific safeguards must be taken as described in the dedicated ESMS. Moderate risk projects always require an Environmental Social Impact Assessment (ESIA), by external consultant, which incorporates Gold Standard Safeguarding Principles and Gold Standard Stakeholder Consultation Requirements. For each ESIA, a subsequent management plan is developed (ESMP) to mitigate risks, including Grievance Mechanism. The ESIA process includes the determination of environmental and social baselines, including gender. An example ESIA/ESMP is provided in **Annex 4**. Low risk projects (C) undergo internal Environmental Social Due Diligence (ESDD).

Prior to any investment, an ESDD Disclosure Report is developed for each project including an ES Action Plan (ESAP) to ensure ongoing impact and sustainability. An example ESDD/ESAP is provided in **Annex 5**. All projects must also comply with the program Gender Policy which generally incorporates 2X Criteria.

Post-investment tracking of impact and ESG KPIs is conducted by our team in accordance with program requirements, and Gold Standard impact methodology.