

XII. CGIF Environmental and Social Safeguards Policy and Framework¹

A. Policy

1. Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank (ADB) was established to promote economic development and resilience of the financial markets in ASEAN+3 countries through a sustained development of deep and liquid local currency and regional bond markets. This Environmental and Social Safeguards Policy (the “Policy”) has been drafted to ensure that CGIF achieves this objective while promoting environmental and social sustainability of the activities financed with the support of CGIF’s guarantees. The objective of the Policy is to comply in all respects with (i) the requirements for Financial Intermediaries² as detailed in Safeguard Requirements 4 of ADB’s Safeguard Policy Statement 2009, as updated (SPS); and (ii) requirements for the protection of the environment and of Indigenous Peoples, and the sustainable management of involuntary resettlement contained within ADB’s Safeguard Requirements 1-3 as applicable, and this Policy shall be understood and applied accordingly.³

2. Pursuant to the Policy, CGIF will establish and implement comprehensive internal procedures for reviewing, assessing, monitoring, and implementing transactions supporting corporate financing, to ensure compliance with the Policy (the “Environmental and Social Safeguards Framework” or “the Framework”). The Framework requires environmental and social screening, categorization and due diligence procedures, and monitoring processes throughout the life of a transaction in conformity with the principles and requirements embodied in the Policy. CGIF will work with its prospective guaranteed bond issuers (the “Prospective Issuers”) and its outstanding guaranteed bond issuers (the “Outstanding Issuers”) to ensure and enhance effective management of environmental and social risks by:

- (i) ensuring that the Policy is complied with for all guarantees issued;
- (ii) guaranteeing bonds for projects only when the projects are required to be designed, constructed, operated, and maintained in a manner consistent with the Policy;
- (iii) guaranteeing corporate bonds only when the Prospective Issuer is required to implement an environmental and social management system consistent with the Policy;
- (iv) requiring environmental and social risk identification and management to be integrated into the Outstanding Issuers’ internal risk analysis;

¹ This Policy and the Framework apply to all CGIF bond guarantees for which application is made after 1 January 2019. The revised Environmental and Social Safeguards Policy and Framework was endorsed by CGIF’s Board as advised in CGIF’s CEO announcement dated 30 November 2018 and available at www.cgif-abmi.org. Updates to the Policy and Framework may be required from time to time and will be released on CGIFs website promptly following such updates.

² CGIF was established as a Financial Intermediary of ADB as detailed in the Report and Recommendation of the President dated March 2010 and available at <https://www.adb.org/projects/44908-014/main#project-pds>.

³ This Policy will be updated as appropriate, if SPS is updated or if at any time it becomes apparent, as a result of any omission in the Policy, that the Policy does not meet the stated objective.

- (v) actively encouraging and requiring Prospective Issuers and Outstanding Issuers (together, the “Issuers”) to adhere to the Policy;
- (vi) ensuring appropriate consultation and disclosure, as applicable, with stakeholders for all bond guarantees; and
- (vii) promoting bond issuers that provide environmental and social benefits.

3. The Policy and its associated Framework apply to all Outstanding Issuers and Prospective Issuers. CGIF will not issue a guarantee unless the Prospective Issuer has agreed to comply with the Policy and the host country’s social and environmental laws and regulations, including international laws adopted/ratified by the host country. In addition, CGIF will not issue a guarantee if the Prospective Issuer’s activities which are to be financed by the bond are included in ADB’s Prohibited Investment Activities List in its most recent version (“PIAL”).

B. Environmental and Social Safeguards Framework

5. The Environmental and Social Safeguards (ESS) Framework provides the overall requirements and process for CGIF's assessment and management of environmental and social risks associated with Issuers. The Framework describes the work process that will be followed during consideration of each potential bond guarantee.

6. The objectives of the Framework are: (i) to enable CGIF to identify potential adverse environmental and social impacts attributable to activities of Issuers; and (ii) to require Issuers to avoid and, when avoidance is not possible, to minimize and mitigate and/or compensate for adverse impacts on the environment and on affected people.

7. The Framework sets out environmental and social requirements for each of the following distinct modalities:

- (i) Project Bonds ("PBs");⁴
- (ii) Specific purpose Corporate Bonds ("SCBs");⁵
- (iii) General purpose Corporate Bonds ("GCBs");⁶ and
- (iv) Financial Intermediary Bonds.⁷

The activities which are permitted to be financed or refinanced by the proceeds of the relevant bond (as described in footnotes 4 - 7) are the Relevant Business Activities ("RBAs").

⁴ A bond is classified as a Project Bond (PB) if the proceeds of the bond are permitted to be used for the financing or refinancing of a single identified project, including a project which is already under construction or is in operation.

⁵ A bond is classified as a specific purpose Corporate Bond (SCB) if any of the proceeds of the bond are permitted to be used for the financing or refinancing of any activity or activities that could have environmental and/or social implications (other than a single identified project). It includes a bond whose proceeds are permitted to be used for multiple identified projects and includes the financing or refinancing of projects which are already under construction or in operation.

⁶ A bond is classified as a general purpose Corporate Bond (GCB) if all the proceeds of the bond are permitted for uses that are unrelated to any identified project/s or for any activity or activities, which could have environmental and/or social implications. If the proceeds of the bond are permitted to be used for projects or activities which will not be identified until after bond issuance, then CGIF will determine in the light of all the circumstances whether, from an environmental and social perspective, such a bond shall be classified as a SCB or a GCB.

⁷ A bond is classified as a Financial Intermediary Bond if the Issuer is either a bank or a nonbanking financial institution, including mortgage and leasing finance companies and microfinance companies and the proceeds of the bond are for the Issuer to provide financing to another entity.]

1. Safeguards Requirements

8. CGIF will review and evaluate the environmental and social risks associated with each Prospective Issuer and its RBAs by reference to all the following (“Safeguards Requirements”):

- (i) PIAL;
- (ii) Applicable national laws and regulations on environment, involuntary resettlement, land acquisition, indigenous people, physical cultural resources, health and safety of the jurisdictions in which a Prospective Issuer may operate its business relevant to CGIF’s considered guarantee, including international laws adopted/ratified by the host country (“Applicable Laws”);
- (iii) CGIF’s social requirements in relation to the core labor standards, as set out in paragraph 53 below (“Social Requirements”)
- (iv) For PBs and SCBs, Safeguard Requirements 1-3 of the SPS, if the Prospective Issuer has potential significant environmental and/or social impacts, as set out in paragraphs 12- 26 below;
- (v) For GCBs and Financial Intermediary Bonds, Safeguard Requirements 4 of the SPS as set out in paragraphs 27- 43 and 44 - 52 respectively below.

9. Where relevant, an Issuer will be required to demonstrate that the Safeguards Requirements are applied to its contractors. To ensure that such contractors appropriately implement agreed measures, an Issuer will be required to include CGIF’s Safeguards Requirements in bidding documents (where relevant) and civil works contracts.

10. If CGIF cannot reasonably be assured that a Prospective Issuer complies with the Safeguard Requirements, CGIF will, (i) decline to extend a guarantee for bonds issued by such issuer; or (ii) offer a guarantee subject to the condition that the Prospective Issuer shall implement a corrective action plan agreed with CGIF (CAP) prior to CGIF’s guarantee being issued that includes budget and timeline for implementation with respect to the RBAs. If any of the Safeguards Requirements that are covenanted in the legal agreements are found not to be satisfactorily met, CGIF will require the Outstanding Issuer to develop and implement an additional CAP agreed upon with CGIF to rectify such noncompliance.

11. CGIF will engage with each Issuer to ensure that it is, at all times, fully aware of the Safeguards Requirements and of CGIF’s environmental and social due diligence (ESDD) process. The environment and social appraisal will depend on both the transaction modality and categorization, as outlined below.

2. Project bonds

12. CGIF will undertake screening and categorization at the earliest stage of the transaction. The objective of screening and categorization is to: (i) determine the significance of potential impacts or risks to the environment, involuntary resettlement, and Indigenous Peoples; (ii) identify the level of assessment and institutional resources required to address safeguards issues; and (iii) determine the information disclosure and monitoring requirements.

a. Screening

13. CGIF will undertake a preliminary review of the Prospective Issuer to confirm eligibility based on the environmental and social risks of the project.⁸ CGIF will confirm that the project to be supported by the Project Bond has been reviewed against the PIAL. If a prohibited activity is identified, the Prospective Issuer will be advised that the proceeds of the Project Bond cannot be used for the prohibited activity. Compliance with the PIAL will be monitored throughout the bond tenor to confirm that the Project Bond proceeds have not been used to finance or refinance prohibited activities.

14. All transactions will be subject to classification for the purposes of determining the potential environmental and social risks associated with the project. CGIF will utilize the environment, involuntary resettlement, and Indigenous Peoples screening checklists developed by ADB (as updated). For the screening of environment impacts, ADB's sector-specific rapid environmental assessment (REA) checklists (as updated) will be utilized.

15. CGIF will employ a classification system to assess the significance of a project's environmental and social risks. Based on the outcome(s) of the checklists, the Prospective Issuer is assigned a preliminary categorization (A, B or C) for each of the environment, involuntary resettlement and Indigenous Peoples. The Prospective Issuer will be informed of each preliminary categorization and of the compliance requirements, as outlined below.

16. **Environment.** A project's environment category is determined by the category of its most environmentally sensitive component, including direct, indirect, induced and cumulative impacts. Each proposed project is scrutinized as to its type, location, scale, sensitivity and the magnitude of its potential environmental impacts. A proposed project is assigned one of the following categories, depending on the significance of the potential environmental impact:

- Category A projects are likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. The Issuer must comply with (i) Applicable Laws regarding the environmental impacts of the project; and (ii) Safeguard Requirements 1: Environment. An environmental impact assessment (EIA), including an environmental management plan (EMP), is required.
- Category B projects have potential adverse environmental impacts that are less adverse than those of Category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for Category A projects. The Issuer must comply with (i) Applicable Laws regarding the

⁸ CGIF will not guarantee Category A projects that are classified as highly complex and sensitive projects.

environmental impacts of the project; and (ii) any additional requirements as determined by CGIF depending upon the nature of the project and the host country's safeguard system including, as applicable, requirements for consultation with affected people.

- Category C projects are likely to have minimal or no adverse environmental impacts. Environmental implications need to be reviewed and the Issuer must comply with Applicable Laws regarding the environment.

17. **Involuntary resettlement.** A project's involuntary resettlement category is determined by the category of its most sensitive component in terms of involuntary resettlement impacts. The involuntary resettlement impacts of a project are considered significant if 200 or more persons will experience 'major impacts', which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating). A proposed project is assigned one of the following categories depending on the significance of the probable involuntary resettlement impacts:

- Category A projects are likely to have significant involuntary resettlement impacts. The Issuer must comply with (i) Applicable Laws regarding the involuntary resettlement impacts of the project; and (ii) Safeguard Requirements 2: Involuntary Resettlement. A resettlement plan, including assessment of social impacts, is required.
- Category B projects have involuntary resettlement impacts that are not deemed significant. The Issuer must comply with (i) Applicable Laws regarding involuntary resettlement impacts of the project (ii) any additional requirements as determined by CGIF depending upon the nature of the project and the host country's safeguard system including, as applicable, requirements for consultation with affected people.
- Category C projects have no involuntary resettlement impacts. No further action is required except attaining assurance that the project complies with Applicable Laws regarding involuntary resettlement.

18. **Indigenous Peoples.** A project's Indigenous Peoples category is determined by the category of its most sensitive component in terms of impacts on Indigenous Peoples. The significance of impacts of a project on Indigenous Peoples is determined by assessing (i) the magnitude of impact in terms of (a) customary rights of use and access to land and natural resources; (b) socioeconomic status; (c) cultural and communal integrity; (d) health, education, livelihood and social security status; and (e) the recognition of indigenous knowledge; and (ii) the level of vulnerability of the affected Indigenous Peoples community. A proposed project is assigned one of the following categories depending on the significance of the potential impacts on Indigenous Peoples.

- Category A projects are likely to have significant impacts on Indigenous Peoples. The Issuer must comply with (i) Applicable Laws regarding the impacts of the project on Indigenous Peoples; and (ii) Safeguard Requirements 3: Indigenous Peoples. An Indigenous Peoples plan ("IPP"), including assessment of social impacts, is required.
- Category B projects are likely to have limited impacts on Indigenous Peoples. The Issuer must comply with (i) Applicable Laws regarding the impacts of the project on Indigenous Peoples; and (ii) any additional requirements as determined by CGIF depending upon

the nature of the project and the host country's safeguard system including, as applicable, requirements for consultation with affected people.

- Category C projects are not expected to have impacts on Indigenous Peoples. No further action is required except attaining assurance that the project complies with Applicable Laws regarding the impacts of the project on Indigenous Peoples.

b. Appraisal

19. Appraisal of environmental and social risks is integral to CGIF's categorization of a PB and includes the manner in which the Prospective Issuer addresses the Safeguards Requirements. Such ESDD shall include, if the project is already under construction or in operation, an environmental and social compliance audit (ESCA) of such existing project. Through such ESDD, CGIF will confirm that (i) all potential social and environmental impacts of the project have been identified; (ii) effective measures to avoid, minimize, mitigate or compensate for adverse impacts are incorporated into the safeguards documentation and project design; (iii) the Prospective Issuer has the necessary commitment and capacity to adequately manage social and environmental risks in accordance with the Policy and Framework; (iv) the role of third parties is appropriately defined in the applicable safeguards documents; and (v) consultations with affected people are or have been conducted in accordance with ADB's SPS requirements. For Category-A projects where an impact assessment does not already exist, CGIF will work with the Prospective Issuer to prepare these documents in compliance with ADB's Safeguard Requirements 1-3.

20. ESDD will be undertaken for all PBs, regardless of their categorization. The approach to the ESDD will depend on the complexity of the project but may be a desk review for Category-C projects; based on a site visit for Category-B project; and shall be a full-scale review for Category-A projects. CGIF will retain qualified and experienced external experts to assist in its due diligence of Category-A PB and will require use of qualified and experienced external experts to assess PB's classified as Category-B as required. The appraisal for Category-A projects will be undertaken in consultation with ADB. The preliminary categorization given in accordance with the process outlined in paragraph 15 will be confirmed or revised (as appropriate) by CGIF in light of the outcome of the ESDD.

21. If compliance gaps are identified by the ESDD, a CAP will be developed and will define necessary remedial actions, the budget for such actions and the time frame for resolution of noncompliance.

22. When required, CGIF will endeavor to harmonize with co-financiers to adopt a single social and environmental assessment and documentation to satisfy the safeguards principles and requirements of CGIF and the co-financiers. Where the transaction is not processed contemporaneously, opportunities to rely on assessments prepared by other financiers will be explored to the extent that the parties are agreeable and that their assessment(s) is/are determined by CGIF to be equivalent to CGIF's Safeguards Requirements.

c. Legal agreement

23. The legal agreement between the Issuer and CGIF will contain appropriate environmental and social covenants, including in relation to any CAP and the agreed form of monitoring report. It will require the Issuer to be in compliance at all times with the Safeguards Requirements and contain appropriate remedies for CGIF in the event of noncompliance.

d. Disclosure

24. Depending on the classification of a project, environmental and social documentation will be disclosed on CGIF’s website. Disclosure of information will be in a timely manner, in an accessible place and in a form and language(s) understandable to affected people, subject to the exceptions detailed in ADB’s Access to Information Policy, 2018.

Category	Environment	Involuntary resettlement	Indigenous Peoples
A	<ul style="list-style-type: none"> • Draft EIA at least 120 days prior to CGIF Board approval • ESCA (if applicable) at least 120 days prior to CGIF Board approval • ESDD summary and any CAP within 14 days of Project Bond issuance • Final EIA • Environmental and social monitoring reports⁹ 	<ul style="list-style-type: none"> • Draft resettlement plan (“RP”) at least 30 days prior to CGIF Board approval • ESDD summary and any CAP within 14 days of Project Bond issuance • Final RP • Environmental and social monitoring reports 	<ul style="list-style-type: none"> • Draft Indigenous Peoples plan (“IPP”), including the social impact assessment, at least 30 days prior to CGIF Board approval • ESDD summary and any CAP within 14 days of Project Bond issuance • Final IPP • Environmental and social monitoring reports
B	<ul style="list-style-type: none"> • Draft impact assessment at least 30 days prior to CGIF Board approval • Final impact assessment • ESDD summary, ESCA (if applicable) and any CAP within 14 days of Project Bond issuance 	<ul style="list-style-type: none"> • ESDD summary and any CAP within 14 days of Project Bond issuance 	<ul style="list-style-type: none"> • ESDD summary and any CAP within 14 days of Project Bond issuance
C	<ul style="list-style-type: none"> • ESDD summary within 14 days of Project Bond issuance 	<ul style="list-style-type: none"> • ESDD summary within 14 days of Project Bond issuance 	<ul style="list-style-type: none"> • ESDD summary within 14 days of Project Bond issuance

⁹ Frequency of reporting is described in section e Monitoring, below.

e. Monitoring

25. CGIF will require the Outstanding Issuer to: (i) establish and maintain procedures to monitor the progress of implementation of safeguards documents and plans; (ii) verify the compliance with safeguards measures and their progress toward intended outcomes; (iii) document and disclose monitoring results and identify necessary corrective and preventive actions in the periodic monitoring reports; (iv) follow up on these actions to ensure progress toward the required outcomes; (v) for Category-A projects, retain qualified and experienced external experts to verify the Outstanding Issuer's monitoring information; and (vi) submit periodic monitoring reports on safeguard measures as specified in the table above. CGIF will monitor the Outstanding Issuer's compliance with the Safeguards Requirements, including any CAP.

26. The Outstanding Issuer will prepare periodic monitoring reports in a format agreed with CGIF in advance and included in the legal agreement. The Outstanding Issuer may be required by CGIF to retain qualified and experienced external experts to undertake such reporting. For Category-A projects, reporting will be at the minimum on a semi-annual basis during construction and for the duration of such impacts. For other projects, the extent of monitoring and disclosure will be commensurate with the project's risks and impacts. CGIF will monitor the Outstanding Issuer on an ongoing basis throughout the tenor of the Project Bond and associated guarantee.

3. Corporate Bonds

27. The process for screening and appraising environmental and social risks will depend on whether the Corporate Bond is classified as a SCB or a GCB, as determined by CGIF (see footnotes 2 and 3 above).

28. For GCBs, CGIF will consider all sectors/industries in which the Prospective Issuer operates or proposes to operate, including any operations undertaken by its subsidiaries and companies for which it has management control which CGIF determines could have environmental or social impacts.

29. All Corporate Bonds require the Issuer to have an ESMS.

a. Screening

30. CGIF will confirm that the RBAs have been reviewed against ADB's PIAL. If a prohibited activity is identified, the Prospective Issuer will be advised that the proceeds of the Corporate Bond cannot be used for the prohibited activity. Compliance with the PIAL will be monitored throughout the bond tenor to confirm that the proceeds of the Corporate Bond have not been used to finance or refinance prohibited activities.

31. GCBs will be screened and assigned a preliminary categorization as high or low risk, with the categorization depending on the outcome of the screening, taking into account (i) the Prospective Issuer's commitment, capacity and track record of managing environmental and social risks (including its policies on environmental and social issues and commitment to uphold CGIF's Safeguards Requirements); (ii) the level of environmental and social risk associated with the Prospective Issuer's sectors/industries; and (iii) the measures to be taken by the Issuer to reduce such risks. The preliminary categorization will be confirmed or revised (as appropriate) by CGIF based on the outcome of the ESDD.

32. SCBs will be screened and assigned a preliminary categorization in accordance with paragraphs 13- 18 with the category determined by the most conservative category for the RBA. The preliminary categorization will be confirmed or revised (as appropriate) by CGIF based on the outcome of the ESDD.

b. Appraisal

33. For high risk GCBs, the ESDD will review the Prospective Issuer's: (i) ESMS in order to determine its adequacy to manage environmental and social risks; (ii) capacity to manage environmental and social risks; and (iii) track record in managing environmental and social risks based on an assessment of the environmental and social performance of a representative set of past and prospective business activities (including ascertaining whether there are NGO campaigns involving the Prospective Issuer or fines or lawsuits against the Prospective Issuer related to environmental and social matters). The ESDD will include an assessment of any Category-A activities included in the representative set of past and prospective business activities against Safeguard Requirements 1–3. CGIF will retain qualified and experienced external experts to conduct the ESDD. A site visit to the corporate office and a representative sample of business activities will be undertaken.

34. For low risk GCBs, the ESDD will review the Prospective Issuer's (i) ESMS in order to determine its adequacy to manage environmental and social risks; (ii) capacity to manage environmental and social risks; and (iii) track record in managing environmental and social risks (including ascertaining whether there are NGO campaigns involving the Prospective Issuer or fines or lawsuits against the Prospective Issuer related to environmental and social matters).

35. For Category-A SCBs, the ESDD will review the Prospective Issuer's ESMS, capacity and track record in accordance with paragraph 33 and, in addition, include an appraisal of its RBAs in accordance with paragraphs 19 - 22 (with references in such paragraphs to the 'project' being to the RBAs of the same categorization). The ESDD will include an ESCA of outstanding environmental, involuntary resettlement and Indigenous Peoples-related obligations and concerns from preceding activities and will ascertain whether there are any claims or potential claims pending against the Prospective Issuer in connection with the Safeguards Requirements. CGIF will retain qualified and experienced external experts to conduct its due diligence. A site visit to the corporate office and to the site where RBAs will be undertaken. The appraisal of Category-A SCB will be undertaken in consultation with ADB.

36. For Category-B and C SCBs, the ESDD will review the Prospective Issuer's ESMS, capacity and track record in accordance with paragraph 33 and, in addition, include an appraisal of its RBAs in accordance with paragraphs 19 - 22 (with references in such paragraphs to the 'project' being to the RBAs of the same categorization).

37. For GCBs and SCBs where the Prospective Issuer already has an ESMS in place, CGIF shall review the same to determine which elements (if any) should be enhanced or modified to satisfy the requirements of the Safeguards Requirements.

38. The Outstanding Issuer will review and adjust, in a manner acceptable to CGIF, its ESMS from time to time, including when the environmental and social risk profile of its business activities changes significantly.

39. For SCBs and GCBs, if compliance gaps are identified during either the ESDD, including the ESCA, a CAP will be developed that will define necessary remedial actions, the budget for such actions and the time frame for resolution of noncompliance.

c. Legal agreement

40. The legal agreement between the Issuer and CGIF will contain appropriate environmental and social covenants, including in relation to any CAP, and the agreed form of monitoring report. It will require the Issuer to comply at all times with CGIF's Safeguards Requirements and contain appropriate remedies for CGIF in the event of noncompliance.

d. Disclosure

41. Depending on the classification of the Corporate Bond, environmental and social documentation will be disclosed on CGIF's website. Disclosure of information will be in a timely

manner, in an accessible place and in a form and language(s) understandable to affected people, subject to the exceptions detailed in ADB's Access to Information Policy, 2018.

Category	Environment	Involuntary resettlement	Indigenous Peoples
High Risk GCB	<ul style="list-style-type: none"> • ESDD summary • ESCA (if applicable) • Any CAP • Disclosure of EIA, if applicable in the representative set of past and prospective business activities which were the subject of the ESDD all within 14 days of GCB issuance 	<ul style="list-style-type: none"> • ESDD summary • ESCA (if applicable) • Any CAP • Disclosure of RP, if applicable in the representative set of past and prospective business activities which were the subject of the ESDD all within 14 days of GCB issuance 	<ul style="list-style-type: none"> • ESDD summary • ESCA (if applicable) • Any CAP • Disclosure of IPP, if applicable in the representative set of past and prospective business activities which were the subject of the ESDD all within 14 days of GCB issuance
Category-A SCBs	<ul style="list-style-type: none"> • Draft EIA at least 120 days prior to CGIF Board approval • ESDD summary, ESCA (if applicable) and any CAP within 14 days of SCB issuance • Final EIA • Environmental and social monitoring reports¹⁰ 	<ul style="list-style-type: none"> • Draft RP at least 30 days prior to CGIF Board approval • ESDD summary, ESCA (if applicable) and any CAP within 14 days of SCB issuance • Final RP • Environmental and social monitoring reports 	<ul style="list-style-type: none"> • Draft IPP including the social impact assessment, at least 30 days prior to CGIF Board approval • ESDD summary, ESCA (if applicable) and any CAP within 14 days of SCB issuance • Final IPP • Environmental and social monitoring reports
Category-B SCBs	<ul style="list-style-type: none"> • ESDD summary, ESCA (if applicable) and any CAP within 14 days of SCB issuance 	<ul style="list-style-type: none"> • ESDD summary, ESCA (if applicable) and any CAP within 14 days of SCB issuance 	<ul style="list-style-type: none"> • ESDD summary, ESCA (if applicable) and any CAP within 14 days of SCB issuance
Low risk GCB and Category C SCB	<ul style="list-style-type: none"> • ESDD summary within 14 days of Corporate Bond issuance 	<ul style="list-style-type: none"> • ESDD summary within 14 days of Corporate Bond issuance 	<ul style="list-style-type: none"> • ESDD summary within 14 days of Corporate Bond issuance

42. If, under its contractual agreement with CGIF, the Outstanding Issuer is obliged to inform CGIF of a change in the nature of its or its group's business, CGIF will assess whether such change (including any new business area) has additional environmental and/or social risks and whether the Outstanding Issuer should: (i) revise its ESMS as necessary to meet the

¹⁰ Frequency of reporting is described in section e Monitoring, below.

requirements of material consistency; and (ii) take such other actions as deemed appropriate to address any additional, potential adverse impacts.

e. Monitoring

43. The monitoring requirements of paragraphs 25 and 26 will apply. The Outstanding Issuer will prepare periodic performance reports in a format agreed with CGIF and provided in the legal agreement. Issuers in relation to Category-A SCBs will be required by CGIF to retain qualified and experienced external experts to undertake the reporting. For Category-A SCB, reporting will be, at the minimum, on a semi-annual basis during construction and for the duration of such impacts. For the Issuers of all other SCBs, the Outstanding Issuer may be required by CGIF to retain qualified and experienced external experts to undertake such reporting, and the extent of reporting and disclosure will be commensurate with the risks and impacts of the use of proceeds and/or sectors/industries. CGIF will monitor Outstanding Issuers on an ongoing basis throughout the tenor of the bond and guarantee.

4. Financial Intermediaries Bonds

44. The process of screening and appraising for Financial Intermediary Bonds differs according to the inherent environmental and social risks of the portfolio of the financial intermediary (“FI”) Prospective Issuer, following Safeguard Requirement 4 of the SPS.

a. Screening

45. CGIF will confirm that the RBAs of the Prospective Issuer have been reviewed against ADB’s PIAL. If a prohibited activity is identified, the Prospective Issuer will be advised that the proceeds of the Financial Intermediary Bond cannot be used for the prohibited activity. Compliance with the PIAL will be monitored throughout the bond tenor to confirm that the proceeds of the Financial Intermediary Bond have not been used to finance or refinance prohibited activities.

46. The checklist and categorization will be undertaken in accordance with paragraph 31, noting that the categorization will be commensurate with the environmental and social risk profile of the Prospective Issuer’s existing and/or proposed portfolio and will take into account the tenor, type, size and sector exposure of the Prospective Issuer’s portfolio and its capacity to effectively manage the risks. A high or low categorization will be applied.

b. Appraisal

47. For high risk Financial Intermediary Bonds, the appraisal will be undertaken in accordance with paragraph 33. The ESMS will be assessed based on its suitability for the nature and magnitude of environmental and social risks aggregated at the Prospective Issuer’s portfolio level. In addition, CGIF will sample 1 to 3 high risk transactions to undertake a desk review of the Prospective Issuer’s implementation of the ESMS. The appraisal of Category-A portfolios will be undertaken in consultation with ADB.

48. For low risk Financial Intermediary Bonds, an appraisal will be undertaken to in accordance with paragraph 34.

49. If compliance gaps are identified during the ESDD, including any ESCA, a CAP will be developed in accordance with paragraph 21.

c. Legal agreement

50. The legal agreement between the Prospective Issuer and CGIF will contain appropriate environmental and social covenants, including in relation to any CAP and the agreed form of monitoring report. It will require the Prospective Issuer to comply at all times with the Safeguards Requirements and contain appropriate remedies for CGIF in the event of noncompliance.

d. Disclosure

51. A summary of the ESDD (including CAP, if any) will be disclosed on CGIF’s website, subject to the exceptions detailed in ADB’s Access to Information Policy, 2018. Disclosure requirements are in accordance with paragraph 41.

e. Monitoring

52. The monitoring requirements of paragraphs 25 and 26 will apply. The Prospective Issuer's will prepare annual monitoring reports in a format agreed with CGIF and included in the legal agreement. The extent of monitoring and disclosure will be commensurate with the Prospective Issuer's portfolio risk. CGIF will monitor the Prospective Issuer on an ongoing basis throughout the tenor of the bond.

5. Social Requirements

53. For the purposes of this Environmental and Social Safeguards Framework:
- (i) the core labor standards are the elimination of all forms of forced or compulsory labor; the abolition of child labor; elimination of discrimination in respect of employment and occupation; and freedom of association and the effective recognition of the right to collective bargaining, as per the relevant conventions of the International Labor Organization
 - (ii) 'forced labor' means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty; and
 - (iii) 'child labor' means the employment of children whose age is below the statutory minimum age of employment in the relevant country, or employment of children in contravention of International Labor Organization Convention No. 138 'Minimum Age Convention" (www.ilo.org).
54. Each Outstanding Issuer in relation to each of CGIF's investment modalities shall be required to comply with CGIF's Social Requirements i.e. (i) to comply with applicable labor laws in relation to its business; and (ii) to take the following measures to comply with the core labor standards:
- (i) carry out its activities consistent with the intent of ensuring legally permissible equal opportunity, fair treatment and non-discrimination in relation to recruitment and hiring, compensation, working conditions and terms of employment for its workers (including prohibiting any form of discrimination against women during hiring and providing equal work for equal pay for men and women engaged by each Outstanding Issuer);
 - (ii) not restrict its workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment
 - (iii) engage contractors and other providers of goods and services:
 - a. who do not employ child labor or forced labor
 - b. who have appropriate management systems that will allow them to operate in a manner which is consistent with the intent of (i) ensuring legally permissible equal opportunity and fair treatment and non-discrimination for their workers, and (ii) not restricting their workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment
 - c. whose subcontracts contain provisions which are consistent with paragraphs (i) and (ii) above.
55. The Outstanding Issuers shall provide CGIF with an annual report regarding their compliance with the Social Requirements.

6. Abbreviations

ADB	-	Asian Development Bank
ASEAN	-	Association of Southeast Asian Nations
ASEAN+3	-	ASEAN, Japan, the People's Republic of China, and the Republic of Korea
CGIF	-	Credit Guarantee and Investment Fund
CAP	-	corrective action plan
ESCA	-	environmental and social compliance audit
ESDD	-	environmental and social due diligence
ESIA	-	environmental and social impact assessment
ESMP	-	environmental and social management plan
ESMS	-	environment and social management system
ESS	-	environmental and social safeguards
FI	-	financial intermediary
GCB	-	general purpose corporate bond
IEE	-	initial environmental examination
ILO	-	International Labor Organization
IPP	-	Indigenous Peoples plan
NGO	-	nongovernment organization
PB	-	project bond
PIAL	-	prohibited investment activity list
PIP	-	preliminary information pack
RBA	-	relevant business activity
RIA	-	reimbursement and indemnity agreement
RMD	-	risk management department
RP	-	resettlement plan
SCB	-	specific purpose corporate bond
SPS	-	Safeguard Policy Statement (ADB, 2009)
SR	-	safeguard requirements
SU	-	safeguard unit