



# **Environmental and Social (E&S) Policy**

## Section 1: E&S policy

### Introduction

Omnivore invests in Indian startups developing breakthrough technologies for food, agriculture, and the rural economy.

### E&S Risks in the Context of Indian Agriculture

The agricultural economy of India presents unique challenges with respect to E&S.

1. A significant percentage of India's indigenous people (Scheduled Tribes) are smallholder farmers.
2. As India urbanises and industrialises, the acquisition of agricultural land is increasing.
3. 49% of India's population works in agriculture, with significant participation by women and landless laborers.
4. Indian agriculture has endemic on-farm safety issues.
5. Use of natural resources, notably groundwater and soil, are barely regulated.
6. Use of fossil fuels and electricity is often subsidised
7. Improper pesticide usage and resultant residues create potential health risks for farmers and consumers.
8. Complex & scattered supply chains exacerbate many of these challenges and make the delivery of interventions harder to navigate.

### E&S Risks in the Context of Omnivore's Investment Thesis

Omnivore portfolio investments tend to have the following characteristics:

1. They are always early stage companies.
2. They have a technology focus, usually digital.
3. They have small teams at the time of investment.
4. Manufacturing operations, if any, remain small scale.
5. Business models are typically B2B.

Omnivore never invests in extractive industries, plantations, or large industrial operations. Portfolio investments are not permitted to purchase land. To this extent, Omnivore's portfolio companies wouldn't typically be exposed to many of the risks that typical PE fund's portfolio companies would be exposed to.

## Exclusion List

Omnivore will not invest any company engaged in any activity, production, use of, trade in, distribution of or involving:

1. Forced labor<sup>1</sup> or child labor<sup>2</sup>
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  1. Ozone depleting substances, PCB's (Polychlorinated Biphenyl's) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
  2. Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
  3. Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction<sup>3</sup> of High Conservation Value areas<sup>4</sup>
5. Radioactive materials<sup>5</sup> and unbounded asbestos fibres
6. Construction of new and extension of any existing coal fired thermal power plants
7. Pornography and/or prostitution.
8. Racist and/or anti-democratic media
9. Weapons and munitions
10. In the event that any of these following products form a substantial<sup>6</sup> part of a project's primary financed business activities:
  1. Alcohol beverages (except beer and wine);

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<sup>1</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>2</sup> Persons may only be employed if they are at least 15 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

<sup>3</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>4</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).

<sup>5</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

<sup>6</sup> For portfolio companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions (banks), "substantial" means more than 10% of their underlying portfolio.

2. Tobacco; or
3. Gambling, casinos and equivalent enterprises

## Omnivore's Core E&S Principles

Omnivore has based its approach to E&S on the tenants of the “**IFC Performance Standards on Environmental and Social Sustainability, 2012**” and the “**World Bank EHS Guidelines**” available online at:

[https://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS\\_English\\_2012\\_Full-Documents.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/115482804a0255db96fbffd1a5d13d27/PS_English_2012_Full-Documents.pdf?MOD=AJPERES) &

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/ehs-guidelines](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines)

All Portfolio Investments are required to work towards meeting the “**IFC Performance Standards on Environmental and Social Sustainability**”. Specific E&S principles that are of utmost importance are highlighted below and compliance with these principles is non-negotiable for Portfolio Investments.

A summary of the “**IFC Performance Standards on Environmental and Social Sustainability, 2012**” is available in the Annexure.

An E&S assessment of potential Portfolio Investments will be made prior to the execution of the investment and shortfalls and gaps identified in the context of the E&S principles articulated below, and the measures required to address or correct them, shall be captured in an ‘E&S Action Plan. This E&S Action Plan shall be a legally binding part of the definitive documents used to execute the transaction.

When two or more laws, standards, covenants or requirements are applicable when considering compliance with an E&S standard, it shall be required that the most stringent of the applicable laws, standards, covenants or requirements be complied with. When there is ambiguity as to which laws, standards, covenants or requirements constitutes proper compliance, Omnivore's E&S Officer must be consulted. Failure to consult with Omnivore's E&S Officer shall not excuse improper E&S compliance.

The principles laid out below shall collectively be known as Omnivore's “E&S Requirements”.

## E&S Management System

All portfolio investments shall implement a management system, commensurate with the scale and significance of the E&S issues, that ensures a systematic approach to E&S risk assessment and management. The management system should define policies and

procedures which will apply to the business, and organisational arrangements to ensure effective implementation, as well as monitoring and reporting<sup>7</sup>.

## Labour, Health and, Safety

In the context of Labour, Health, and Safety, all portfolio investments shall ensure compliance with the following international conventions without fail, and shall pass legally binding resolutions to this effect:

1. ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
2. ILO Convention 98 on the Right to Organize and Collective Bargaining
3. ILO Convention 29 on Forced Labor
4. ILO Convention 105 on the Abolition of Forced Labor
5. ILO Convention 138 on Minimum Age (of Employment)
6. ILO Convention 182 on the Worst Forms of Child Labor
7. ILO Convention 100 on Equal Remuneration
8. ILO Convention 111 on Discrimination (Employment and Occupation)
9. UN Convention on the Rights of the Child, Article 32.1
10. UN Convention on the Protection of the Rights of all Migrant Workers and Members of their Families

Additionally, Portfolio Investments will ensure compliance with IFC Performance Standard 2 and Indian labour laws pertaining to labour, remuneration, worker health, and worker safety, including but not limited to the Constitution of the Republic of India and the following Acts of Parliament:

1. Minimum Wages Act 1948
2. Payment of Wages Act 1936
3. Payment of Gratuity Act 1972
4. Payment of Bonus Act 1965
5. Workmen's Compensation Act 1923
6. Factories Act 1948
7. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
8. Unorganised Workers' Social Security Act 2008
9. Maternity Benefit (Amendment) Act, 2017
10. Trade Unions Act 1926
11. Industrial Disputes Act 1947
12. Caste Disabilities Removal Act 1850
13. Equal Remuneration Act 1976
14. Interstate Migrant Workmen Act 1979
15. Bonded Labour System (Abolition) Act 1976

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<sup>7</sup> See IFC Performance Standard 1

Further, Portfolio Investments will provide a grievance mechanism for workers (and their organizations, where they exist), and where appropriate other stakeholders, to raise concerns. The client will inform the workers of the grievance mechanism at the time of recruitment and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned, without any retribution. The mechanism should also allow for anonymous complaints to be raised and addressed. The mechanism should not impede access to other judicial or administrative remedies that might be available under the law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.<sup>8</sup>

## Remuneration

*Portfolio investments shall respect the right of employees to a living wage and ensure the wages for a normal work month, not including overtime, shall always meet at least legal or industry minimum standards, or collective bargaining agreements.*

Wages shall be sufficient to meet the basic needs of employees and to provide some discretionary income. Portfolio investments shall strive towards providing a living wage for their employees, based on local circumstances. All employees shall have contracts in which the rights and responsibilities of both parties are stipulated.<sup>9</sup>

## Freedom of Association & Right to Collective Bargaining

*Portfolio investments shall uphold the freedom of association and the effective recognition of the right to collective bargaining.*

Employees should be able to form and join a workers organisation of their choice and to bargain collectively without fear of intimidation or reprisal, in accordance with Indian law. Portfolio investments shall have in place non-discriminatory policies and procedures with respect to workers organisations, union membership and activities in such areas as applications for employment and decisions on advancement, dismissal or transfer. Intimidation of workers who form or join a collective association is unacceptable.<sup>10</sup>

## Discrimination

*Portfolio Investments will not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements.*

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<sup>8</sup> See IFC Performance Standard 2 and the “Effectiveness Criteria for Non-Judicial Grievance Mechanisms” within the UN

Guiding Principles on Business and Human Rights

([http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf))

<sup>9</sup> Refer IFC Performance Standard 2

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps2](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps2)

<sup>10</sup> [https://www.ifc.org/wps/wcm/connect/0d7a4480498007faa1f7f3336b93d75f/Updated\\_GN2-2012.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/0d7a4480498007faa1f7f3336b93d75f/Updated_GN2-2012.pdf?MOD=AJPERES)

Discrimination in employment and occupation means treating people differently or less favourably because of characteristics that are not related to their merit or the inherent requirements of the job. In Indian law, these characteristics commonly include: race, sex, religion, caste, political opinion, age, disability and HIV/AIDS status unless selectivity concerning worker characteristics furthers established governmental policies which specifically promote greater equality of employment opportunity or relates to the inherent requirements of a job. Discrimination in principle is not acceptable.

## Health & Safety

*Portfolio Investments will provide a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical, biological, and radiological hazards, and specific threats to women.*

This relates to health and safety in the workplace as well as health and safety for communities. Employees should be able to carry out their work without risk to their health or safety.. In addition, company activities, equipment, and infrastructure can increase community exposure to risks and impacts. These risks should also be managed during business activities and stakeholder engagement in line with Good International Industry Practice.<sup>11</sup> Further, Portfolio Investments shall have designated "Emergency Preparedness & Response Officers" and shall charge the aforementioned with the creation of an Emergency Preparedness & Emergency Response Plan".

## Forced Labour & Child Labour

*Portfolio Investments will not employ children in any manner that is economically exploitative or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development.*

*Portfolio Investments will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty.*

Omnivore requires compliance with International Labour Standards on Child labour and in specific with the Minimum Age Convention, 1973 (No. 138) and the Worst Forms of Child Labour Convention, 1999.

Minimum Age Convention, 1973 (No. 138) sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed.

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<sup>11</sup>Refer: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps4](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps4)

Worst Forms of Child Labour Convention, 1999 (No. 182) defines as a "child" a person under 18 years of age. It requires ratifying states to eliminate the worst forms of child labour, including all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict; child prostitution and pornography; using children for illicit activities, in particular for the production and trafficking of drugs; and work which is likely to harm the health, safety or morals of children. The convention requires ratifying states to provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labour and for their rehabilitation and social integration. It also requires states to ensure access to free basic education and, wherever possible and appropriate, vocational training for children removed from the worst forms of child labour.

## Community

### Human Rights

*Omnivore's portfolio investments shall support and respect the protection of internationally proclaimed human rights and make sure they are not party to human rights abuses.*

Portfolio investments shall avoid infringing on the human rights of others and shall address adverse human rights impacts with which they are involved.<sup>12</sup>

### Land Acquisition & Involuntary Resettlement

While unlikely in the context of Omnivore's investments, land acquisition and involuntary resettlement have adverse impacts on communities and persons. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of land acquisition and/or restrictions on land use by a portfolio investment. Land acquisition is acceptable, if it can be demonstrated that involuntary resettlement has not taken place. At least, involuntary resettlement should be avoided and where it is unavoidable, it should be minimised. Resettlement is deemed acceptable if involved parties are informed, consulted, and properly compensated through a process of informed participation of those affected.<sup>13</sup>

### Consumer Health & Safety

*Portfolio investments shall ensure that the goods and services they deliver comply with all agreed upon norms regarding health and safety of customers.*

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<sup>12</sup>Please refer UN Guiding Principles on Human Rights  
[https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>13</sup> Please refer and ensure compliance with IFC Performance Standard 5  
[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps5](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps5)



## Community Health, Safety & Security

*Portfolio investments shall anticipate and avoid adverse impacts on the health and safety of communities affected either directly or indirectly, from both routine and non-routine circumstances.<sup>14</sup>*

*Portfolio investments shall ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the aforementioned communities.*

Omnivore recognizes that company activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration and/or intensification of impacts due to company activities.

## Indigenous People

*Omnivore portfolio investments shall ensure that they establish and maintain an ongoing relationship with any indigenous people affected by their business operations.*

Activities which impact or involve indigenous people are deemed acceptable if these people are properly informed, consulted, compensated (if applicable), and if free, prior and informed consent is obtained for any such activities.<sup>15</sup>

## Environment

*Portfolio Investments will consider ambient conditions and apply technically and financially feasible resource efficiency and pollution prevention principles and techniques that are best suited to avoid, or where avoidance is not possible, minimize adverse impacts on human health and the environment*

## Biodiversity Conservation & Sustainable Resource Management

*Portfolio investments should have an identification process in place to identify direct and indirect business-related impacts on biodiversity and ecosystem services to avoid and minimise these impacts and restore biodiversity and ecosystem services.*

Omnivore requires compliance with IFC Performance Standard 6 which deals with Biodiversity Conservation and Sustainable Management of Living Natural Resources.

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<sup>14</sup> Please refer and ensure compliance with IFC Performance Standard 4  
[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps4](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps4)

<sup>15</sup> Refer and ensure compliance with IFC Performance Standard 7  
[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps7](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps7)

Performance Standard 6 recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development.

Ecosystem services are the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services. Ecosystem services valued by humans are often underpinned by biodiversity. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services.

Portfolio Investments shall consider direct and indirect project-related impacts on biodiversity and ecosystem services and identify any significant residual impacts. This process will consider relevant threats to biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, and pollution. It will also take into account the differing values attached to biodiversity and ecosystem services by Affected Communities and, where appropriate, other stakeholders.

As a matter of priority, the Portfolio Investment shall seek to avoid impacts on biodiversity and ecosystem services. When avoidance of impacts is not possible, measures to minimize impacts and restore biodiversity and ecosystem services should be implemented. Given the complexity in predicting business impacts on biodiversity and ecosystem services over the long term, the Portfolio Investment shall adopt a practice of adaptive management in which the implementation of mitigation and management measures are responsive to changing conditions and the results of monitoring throughout the project's lifecycle.

#### Pollution Prevention & Abatement

*Portfolio Investments shall avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from company activities.*

Omnivore requires compliance with IFC Performance Standard 3 which deals with Pollution Prevention and Abatement.

Portfolio Investments shall take into account the potential impact of their emissions on the ambient conditions (such as ambient air quality) and seek to avoid or minimize these impacts within the context of the nature and significance of pollutants emitted. For small and medium-sized companies with limited potential emissions, this may be achieved through compliance with emissions and effluent standards and the application of other pollution prevention and control approaches. Larger companies with potentially significant emissions and /or high impacts, however, may require impacts on the surrounding environment (i.e., changes in ambient levels) to be monitored, in addition to the implementation of control measures.

## Section 2: Procedures

As a precursor to establishing the relevant E&S procedures that shall be conducted alongside the fund's investment process, it is essential to first familiarise oneself with Omnivore's investment process:

- 1) Initial Screening: Screen against fund mandate, impact mandate and E&S requirements. Potential investee must be developing products, services, or value chains that increase smallholder profitability, increase smallholder sustainability, and/or reduce smallholder uncertainty. High-level team review on investment potential. Internally formulate early-stage impact hypothesis that estimates the nature and scale of impact. Screen against involvement in activities included in the Exclusion List.
- 2) Second Stage Screening: Deal team is assigned. Multiple team members meet the management, conduct company visits, and analyze the potential of the business and its products/services. Deep dive into how potential investee is impacting smallholder farmers. Identify and begin to quantify level of impact across the three drivers from Omnivore's theory of change. Assess management team's buy into impact hypothesis and modify as necessary to reflect on management team views and inputs. Conduct internal E&S risk categorization and assess management team's buy into E&S policy and modify as necessary to reflect on management team views and inputs
- 3) Due Diligence:
  - a. Commercial: Carried out by deal team to verify assumptions made during initial and second stage screening, and to conduct deeper analysis of the company, management, products/services, market potential, competitors, and exit options. No external advisors are used at this point for legal/financial issues. Verify the scale of impact as indicated in the impact hypothesis, further update the impact hypothesis to reflect on ground realities.
  - b. Technical: Deal team, along with external consultants (if required), evaluate the technical aspects of the products/services being developed.
  - c. Impact: Impact Hypothesis is tested by the deal team, along with external consultants (if required). Theory of change and expected impact reach are documented at this point. Key impact metrics for future tracking are set and documented.
  - d. E&S: A thorough independent E&S assessment of the company by an E&S expert. Risk areas are identified. An itemized Action Plan is generated for easy actioning. More serious issues are flagged for inclusion in conditions precedent or subsequent to deal execution. Issues beyond remedy are brought to the notice of the IC and may constitute cause for abandoning the

deal. E&S risks that are inherent to the company's business model are identified, key performance indicators (KPIs<sup>16</sup>) are chosen to measure the manifestation of identified risks, the presence of systems to generate chosen KPIs is verified, and KPIs that don't have the requisite systems to generate them are earmarked for system creation.

- e. Business Integrity: Omnivore also engages a reputable law firm and accounting firm as a part of its pre-investment due diligence in order to assess Business Integrity risks.
- 4) Investment Committee - First Review: Investment memorandum from deal team, including impact metrics and the third party E&S assessment report, is submitted to IC. Company management presents to IC. IC responds with questions, comments, and key areas of concern, to be resolved in the next stage of due diligence.
- 5) Term Sheet Drafting: Deal is structured, valuation is agreed upon, and core legal and contractual provisions are settled, culminating in the signing of a term sheet. E&S terms for inclusion in definitive documents are introduced here and signed off on.
- 6) External Due Diligence: Review of business integrity and governance related issues including, accounting, financial, compliance, regulatory, legal, conducted primarily by outside lawyers, accountants, and consultants. Risk areas are identified. Most open issues are resolved, while others become conditions precedent and conditions subsequent in the legal documents.
- 7) Drafting of Legal Documents: Deal team, company, and the respective lawyers work together to negotiate and draft (based on the term sheet) the Shareholder Agreement (SHA), Share Subscription Agreement, Employment Agreements, and Company Resolutions. The E&S Action Plan is incorporated into the definitive documents.
- 8) Assuming everything is in order, IC approves transaction, documents are signed, and funds are wired.
- 9) Post investment – Closure of issues listed as Conditions Subsequent to the transaction. Ongoing monitoring, reporting, value addition for commercial, impact related, and E&S related issues and KPIs. Annual financial audits, impact assessments and E&S audits are conducted.

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<sup>16</sup> KPIs refer to key risk metrics that point towards the E&S performance of a company. Systems in must be in place at the company level to generate these metrics regularly and accurately.

## Pre-Investment

Investment Process	Required E&S Procedure	Key Stakeholders	Output	Reference Document
Primary Screening	Screen for involvement in activities included in Exclusion List (See E&S Policy)	Deal Principal	Clear statement in Primary Screening report that company is not involved in activities listed in the exclusion list	Exclusion List: E&S Policy
Secondary Screening	E&S risk categorization	Deal Principal	Completed E&S Risks Categorization Form	Annexure 1: E&S Risk Categorization Form
Due Diligence	<ol style="list-style-type: none"> <li>1. In depth E&amp;S diligence by third party E&amp;S expert</li> <li>2. Creation of E&amp;S Action Plan</li> <li>3. Identification of key on going risks that are inherent to the business</li> <li>4. Identification of relevant KPIs that points to the specified risk(s)</li> <li>5. Verification of the company's systems and their ability to obtain the relevant KPI</li> <li>6. Require the building of a system to obtain or assess the relevant KPI if it doesn't exist</li> </ol>	Third Party E&S Expert, Deal Principal, MIS Officer	E&S Diligence Report	E&S Policy to form reference framework for consultants.

	7. Establishing a variance tolerance for the KPI beyond which action is taken or the risk is flagged.			
IC Approval	Assessment of E&S diligence report and subsequent approval or rejection of the transaction	Omnivore Investment Committee	Investment Committee meeting minutes	E&S Policy
Term Sheet Drafting	E&S terms for inclusion in definitive documents included in term sheet	Deal Principal	Signed Term Sheet	Annexure 2: E&S Terms For Inclusion In Definitive Agreements
Drafting of Legal Documents	<ol style="list-style-type: none"> <li>1. E&amp;S terms for inclusion in definitive documents included in definitive documents.</li> <li>2. E&amp;S Action Plan included in definitive documents</li> </ol>	Deal Principal	Signed Share Holder Agreement	Annexure 2: E&S Terms For Inclusion In Definitive Agreements

## Post Investment

Investment Process	Required E&S Procedure	Key Stakeholder	Output	Reference Document
Adoption of E&S Action Plan and commitment towards corrective measures	<ol style="list-style-type: none"> <li>1. E&amp;S Action Plan and suggested means to address gaps adopted formally by Company board.</li> <li>2. E&amp;S Risk related KPIs included in Monthly MIS.</li> </ol>	Omnivore Board Member & Company Board	<ol style="list-style-type: none"> <li>1. Company board resolution</li> <li>2. Monthly MIS.</li> </ol>	E&S Due Diligence Report

Annual E&S Audit	<ol style="list-style-type: none"> <li>1. In depth E&amp;S diligence by third party E&amp;S expert, benchmarking of E&amp;S related progress against original Action Plan conducted during diligence</li> <li>2. KPIs of ongoing risks are reviewed and modified or added to.</li> </ol>	Third Party E&S Expert, Omnivore Board Member	E&S Audit Report	E&S Policy, and E&S Due Diligence Report to form reference framework for consultants.
Ongoing E&S Monitoring by Company Board	<ol style="list-style-type: none"> <li>1. Monthly company board review of E&amp;S Action Plan and suggested means to address gaps, incident reporting</li> <li>2. Monthly review of E&amp;S risk related KPIs identified during diligence</li> </ol>	Omnivore Board Member, MIS Officer & Company Board	Company board meeting minutes	E&S Due Diligence Report, Annexure 3: Serious Incident Reporting
Ongoing E&S Monitoring by Omnivore Team (Internal)	<ol style="list-style-type: none"> <li>1. Monthly Omnivore Team review of E&amp;S Action Plan and suggested means to address gaps, incident reporting</li> <li>2. Monthly review of E&amp;S risk related KPIs identified during diligence</li> </ol>	Omnivore Board Member, MIS Officer	Monthly Team meeting minutes	E&S Due Diligence Report
E&S Status Review on Exit	<ol style="list-style-type: none"> <li>1. Summary of value addition during investment holding period to be prepared and filed.</li> <li>2. Any outstanding issues known at the time of exit to be communicated to Advisory Board and UBO.</li> </ol>	Omnivore Board Member, E&S Officer, E&S Manager	Correspondence	Latest E&S Audit Report

## Annexure: IFC Performance Standards

Omnivore has adopted the IFC Performance Standards (contained herein below) as published by the IFC on 1 January 2012 and shall apply these Standards for the duration of the Fund life, unless there are material changes which shall be addressed at the time and with the advisement of the Fund's advisory board.

Omnivore requires Portfolio Investment to meet or exceed the Performance Standards (contained herein below).

When locally enforceable regulations differ from the levels and measures presented here, portfolio investments are expected to achieve whichever is more stringent. If less stringent levels or measures are appropriate in view of specific company circumstances, a full and detailed justification for any proposed alternatives is needed as part of the site-specific environmental assessment. This justification should demonstrate that the choice for any alternate performance levels is protective of human health and the environment.

### ***Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts***

#### ***Introduction***

Performance Standard 1 underscores the importance of managing environmental and social performance throughout the life of a company. An effective Environmental and Social Management System (ESMS) is a dynamic and continuous process initiated and supported by management, and involves engagement between the clients, its workers, local communities directly affected by the company (the Affected Communities) and, where appropriate, other stakeholders.<sup>17</sup> Drawing on the elements of the established business management process of “plan, do, check, and act,” the ESMS entails a methodological approach to managing environmental and social risks<sup>18</sup> and impacts<sup>19</sup> in a structured way on an ongoing basis. A good ESMS appropriate to the nature and scale of the company promotes sound and sustainable environmental and social performance, and can lead to improved financial, social, and environmental outcomes.

At times, the assessment and management of certain environmental and social risks and impacts may be the responsibility of the government or other third parties over which the

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<sup>17</sup> Other stakeholders are those not directly affected by the company but that have an interest in it. These could include national and local authorities, neighboring projects, and/or nongovernmental organizations.

<sup>18</sup> Environmental and social risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

<sup>19</sup> Environmental and social impacts refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) impacts on surrounding community and workers, resulting from the business activity to be supported.



client does not have control or influence.<sup>20</sup> Examples of where this may happen include: (i) when early planning decisions are made by the government or third parties which affect the company site selection and/or design; and/or (ii) when specific actions directly related to the company are carried out by the government or third parties such as providing land for a company which may have previously involved the resettlement of communities or individuals and/or leading to loss of biodiversity. While the client cannot control these government or third party actions, an effective ESMS should identify the different entities involved and the roles they play, the corresponding risks they present to the client, and opportunities to collaborate with these third parties in order to help achieve environmental and social outcomes that are consistent with the Performance Standards. In addition, this Performance Standard supports the use of an effective grievance mechanism that can facilitate early indication of, and prompt remediation for those who believe that they have been harmed by a client's actions.

Business should respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to. Each of the Performance Standards has elements related to human rights dimensions that a company may face in the course of its operations. Due diligence against these Performance Standards will enable the client to address many relevant human rights issues in its company.

### ***Objectives***

- To identify and evaluate environmental and social risks and impacts of the company.
- To adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize,<sup>21</sup> and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities, and the environment.
- To promote improved environmental and social performance of clients through the effective use of management systems.
- To ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately.
- To promote and provide means for adequate engagement with Affected Communities throughout the company cycle on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.

### ***Performance Standard 2: Labor and Working Conditions***

#### ***Introduction***

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<sup>20</sup>Contractors retained by, or acting on behalf of the client(s), are considered to be under direct control of the client and not considered third parties for the purposes of this Performance Standard.

<sup>21</sup>Acceptable options to minimize will vary and include: abate, rectify, repair, and/or restore impacts, as appropriate. The risk and impact mitigation hierarchy is further discussed and specified in the context of Performance Standards 2 through 8, where relevant.

Performance Standard 2 recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental<sup>22</sup> rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient in the sustainability of a COMPANY. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, and can jeopardize a company. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

The requirements set out in this Performance Standard have been in part guided by a number of international conventions and instruments, including those of the International Labour Organization (ILO) and the United Nations (UN).<sup>23</sup>

### **Objectives**

- To promote the fair treatment, non-discrimination, and equal opportunity of workers.
- To establish, maintain, and improve the worker-management relationship.
- To promote compliance with national employment and labour laws.
- To protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain.
- To promote safe and healthy working conditions, and the health of workers.
- To avoid the use of forced labour.

### **Performance Standard 3: Resource Efficiency and Pollution Prevention**

#### **Introduction**

Performance Standard 3 recognizes that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels.<sup>24</sup> There is also a growing global consensus that the current and projected atmospheric

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<sup>22</sup>As guided by the ILO Conventions listed in footnote 2.

<sup>23</sup>These conventions are:

ILO Convention 87 on Freedom of Association and Protection of the Right to Organize

ILO Convention 98 on the Right to Organize and Collective Bargaining

ILO Convention 29 on Forced Labor

ILO Convention 105 on the Abolition of Forced Labor

ILO Convention 138 on Minimum Age (of Employment)

ILO Convention 182 on the Worst Forms of Child Labor

ILO Convention 100 on Equal Remuneration

ILO Convention 111 on Discrimination (Employment and Occupation)

UN Convention on the Rights of the Child, Article 32.1

UN Convention on the Protection of the Rights of all Migrant Workers and Members of their Families

<sup>24</sup>For the purposes of this Performance Standard, the term "pollution" is used to refer to both hazardous and non-hazardous chemical pollutants in the solid, liquid, or gaseous phases, and includes other components such as pests, pathogens, thermal

concentration of greenhouse gases (GHG) threatens the public health and welfare of current and future generations. At the same time, more efficient and effective resource use and pollution prevention<sup>25</sup> and GHG emission avoidance and mitigation technologies and practices have become more accessible and achievable in virtually all parts of the world. These are often implemented through continuous improvement methodologies similar to those used to enhance quality or productivity, which are generally well known to most industrial, agricultural, and service sector companies.

This Performance Standard outlines a project-level approach to resource efficiency and pollution prevention and control in line with internationally disseminated technologies and practices. In addition, this Performance Standard promotes the ability of private sector companies to adopt such technologies and practices as far as their use is feasible in the context of a company that relies on commercially available skills and resources.

### ***Objectives***

- To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from company activities.
- To promote more sustainable use of resources, including energy and water.
- To reduce project-related GHG emissions.

### ***Performance Standard 4: Community Health, Safety and Security***

#### ***Introduction***

Performance Standard 4 recognizes that company activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration and/or intensification of impacts due to company activities. While acknowledging the public authorities' role in promoting the health, safety, and security of the public, this Performance Standard addresses the client's responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from company related-activities, with particular attention to vulnerable groups.

In conflict and post-conflict areas, the level of risks and impacts described in this Performance Standard may be greater. The risks that a company could exacerbate an already sensitive local situation and stress scarce local resources should not be overlooked as it may lead to further conflict.

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discharge to water, GHG emissions, nuisance odors, noise, vibration, radiation, electromagnetic energy, and the creation of potential visual impacts including light.

<sup>25</sup>For the purpose of this Performance Standard, the term "pollution prevention" does not mean absolute elimination of emissions, but the avoidance at source whenever possible, and, if not possible, then subsequent minimization of pollution to the extent that the Performance Standard objectives are satisfied.

## **Objectives**

- To anticipate and avoid adverse impacts on the health and safety of the Affected Community during the company life from both routine and non-routine circumstances.
- To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the Affected Communities.

### ***Performance Standard 5: Land Acquisition and Involuntary Resettlement***

#### ***Introduction***

Performance Standard 5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood<sup>26</sup>) as a result of project-related land acquisition<sup>27</sup> and/or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the Affected Communities and persons, as well as environmental damage and adverse socio-economic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided. However, where involuntary resettlement is unavoidable, it should be minimized and appropriate measures to mitigate adverse impacts on displaced persons and host communities<sup>28</sup> should be carefully planned and implemented. The government often plays a central role in the land acquisition and resettlement process, including the determination of compensation, and is therefore an important third party in many situations. Experience demonstrates that the direct involvement of the client in resettlement activities can result in more cost-effective, efficient, and timely implementation of those activities, as well as in the introduction of innovative approaches to improving the livelihoods of those affected by resettlement.

To help avoid expropriation and eliminate the need to use governmental authority to enforce relocation, clients are encouraged to use negotiated settlements meeting the requirements

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<sup>26</sup>The term “livelihood” refers to the full range of means that individuals, families, and communities utilize to make a living, such as wage-based income, agriculture, fishing, foraging, other natural resource-based livelihoods, petty trade, and bartering.

<sup>27</sup> Land acquisition includes both outright purchases of property and acquisition of access rights, such as easements or rights of way.

<sup>28</sup> A host community is any community receiving displaced persons.

of this Performance Standard, even if they have the legal means to acquire land without the seller's consent.

### **Objectives**

- To avoid, and when avoidance is not possible, minimize displacement by exploring alternative company designs.
- To avoid forced eviction.
- To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost<sup>29</sup> and (ii) ensuring 1 that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.
- To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure<sup>30</sup> at resettlement sites.

### ***Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources***

#### **Introduction**

Performance Standard 6 recognizes that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. The requirements set out in this Performance Standard have been guided by the Convention on Biological Diversity, which defines biodiversity as “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems.”

Ecosystem services are the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.<sup>31</sup>

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<sup>29</sup> Replacement cost is defined as the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. Market value is defined as the value required to allow Affected Communities and persons to replace lost assets with assets of similar value. The valuation method for determining replacement cost should be documented and included in applicable Resettlement and/or Livelihood Restoration plans (see paragraphs 18 and 25).

<sup>30</sup> Security of tenure means that resettled individuals or communities are resettled to a site that they can legally occupy and where they are protected from the risk of eviction.

<sup>31</sup> Examples are as follows: (i) provisioning services may include food, freshwater, timber, fibers, medicinal plants; (ii) regulating services may include surface water purification, carbon storage and sequestration, climate regulation, protection from natural hazards; (iii) cultural services may include natural areas that are sacred sites and areas of importance for recreation and aesthetic enjoyment; and (iv) supporting services may include soil formation, nutrient cycling, primary production.

Ecosystem services valued by humans are often underpinned by biodiversity. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services. This Performance Standard addresses how clients can sustainably manage and mitigate impacts on biodiversity and ecosystem services throughout the project's lifecycle.

### ***Objectives***

- To protect and conserve biodiversity.
- To maintain the benefits from ecosystem services.
- To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities.

### ***Performance Standard 7: Indigenous Peoples***

#### ***Introduction***

Performance Standard 7 recognizes that Indigenous Peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalized and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. Indigenous Peoples are particularly vulnerable if their lands and resources are transformed, encroached upon, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also come under threat. As a consequence, Indigenous Peoples may be more vulnerable to the adverse impacts associated with company development than non-indigenous communities. This vulnerability may include loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and diseases.

Private sector projects can create opportunities for Indigenous Peoples to participate in, and benefit from project-related activities that may help them fulfill their aspiration for economic and social development. Furthermore, Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development. Government often plays a central role in the management of Indigenous Peoples' issues, and clients should collaborate with the responsible authorities in managing the risks and impacts of their activities.<sup>32</sup>

### ***Objectives***

- To ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.

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<sup>32</sup>In addition to meeting the requirements under this Performance Standard, clients must comply with applicable national law, including those laws implementing host country obligations under international law.

- To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts.
- To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner.
- To establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a company throughout the project's life-cycle.
- To ensure the Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples when the circumstances described in this Performance Standard are present.
- To respect and preserve the culture, knowledge, and practices of Indigenous Peoples.

### ***Performance Standard 8: Cultural Heritage***

#### ***Introduction***

Performance Standard 8 recognizes the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this Performance Standard aims to ensure that clients protect cultural heritage in the course of their company activities. In addition, the requirements of this Performance Standard on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

#### ***Objectives***

- To protect cultural heritage from the adverse impacts of company activities and support its preservation.
- To promote the equitable sharing of benefits from the use of cultural heritage in business activities.