



Environmental, Social and Governance Management Handbook

TABLE OF CONTENTS

1.	Introduction	1
2.	Environmental, Social and Governance (esg) Policy	1
2.1	Commitment	1
2.2	Scope	1
3.	Goals	1
4.	Roles and Responsibilities.....	2
3.1	ESG Officer	2
3.2	ESG Consultants.....	3
3.3	Transaction Leader.....	3
5.	Applicable ESG Standards	3
6.	Procedures	4
6.1	Screening	4
6.2	Categorization.....	6
6.3	Due diligence – Scope and Level.....	7
6.4	Due diligence – Process.....	7
6.5	Investment negotiation.....	1
6.6	Decision-making.....	2
6.7	On-going monitoring	2
6.8	Exit review.....	5
7.	Information Reporting and Disclosure	5
7.1	Fund Reporting and Disclosure	5
7.2	Portfolio company disclosure and consultation	6
8.	Grievance Management.....	7
8.1	Grievance management of the Fund	7
8.2	Portfolio company grievance management.....	7
9.	Training	7
10.	Review and Continuous Improvement	7
11.	Exhibit A - Templates and Forms	9

Annex

Annex 1. ESG Risk Screening Tool

- 1a. ESG Risk Screening Tool
- 1b. ES Categorization Definitions

Annex 2. Due Diligence Toolkit

- 2a. ES Due Diligence Checklist
- 2b. Approach to Corporate Governance
- 2c. ESG Action Plan Template
- 2d. Terms of Reference for ESDD Consultants
- 2e. ES DD Standards and Deliverables

Annex 3. Investment Decision Toolkit

- 3a. ESG Appraisal Form
- 3b. Guidance for incorporating E&S conditions into legal agreements

Annex 4. Monitoring and Reporting Toolkit

- 4a. ESG Reporting Template for Portfolio Company
- 4b. ES Incident Reporting Template
- 4c. Template for Annual ESG Reporting to LP

Acronyms

Name	Description
AE&SMR	Annual E&S Monitoring Report
AIIB	Asian Infrastructure Investment Bank
CCPEF	CITIC Capital Pan Eurasia Fund
COD	Conditions of Disbursement
EHS	Environmental, Health and Safety
E&S	Environmental and Social
E&SDD	Environmental and Social Due Diligence
ESG	Environmental Social and Governance
IPO	Initial Public Offering
GRM	Grievance Redress Mechanism
LPA	Limited Partnership Agreement
MBO	Management Buy Outs
UN	United Nation



1. INTRODUCTION

This document sets out the framework for the Environmental, Social and Governance (ESG) Management Handbook applicable to all investments of CITIC Capital Pan Eurasia Fund (“CCPEF”, “Fund III” or “the Fund”). In the case of any conflict between the ESG Handbook and the Fund’s Limited Partnership Agreement (LPA), the LPA shall prevail.

2. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

2.1 Commitment

The purpose of this policy is to define CCPEF’s approach to integrating the consideration of environmental, social, and governance (ESG) risks and value creation opportunities into its investments.

CCPEF commits to consider ESG issues in the course of its due diligence and in the monitoring of portfolio investments to the extent reasonably practical under the circumstances, subject, in any event, to the provisions of the Partnership Agreements and the Confidential Private Placement Memorandums of the funds concerned, and to the duty of CCPEF to seek to maximize the returns on investment for all of the partners of CCPEF. In case there are legal/material ESG issues or complaints, CCPEF will either request improvements in line with the applicable ESG standards or will reject the transaction. Materiality of the reputational and major compliance risks will be determined by CCPEF based on its assessment of the various mitigating factors available, its leverage on the company and the representations made by the investee.

The policy was reviewed and approved by the appropriate decision makers. CCPEF will seek to update this policy continually, as appropriate.

2.2 Scope

This policy will apply to all CCPEF investments considered by the relevant Investment Committee following the date hereof, and will be interpreted in accordance with local laws and regulations. In cases where CCPEF determines it has limited ability to conduct diligence or to influence and control the integration of ESG considerations in the investment—for example, in cases where CCPEF is a small minority shareholder, or where other circumstances affect CCPEF’s ability to assess, set, or monitor ESG-related performance goals - it will not necessarily be feasible to implement ESG-related principles. The Fund will not consider either investing or co-investing if required or constrained not to apply its ESG standards as set forth in this policy to a transaction.

The ESG Policy (the “Policy”) will be externally disclosed by presenting a summary on its website, will be enumerated in the legal documentation entered into with portfolio companies and will be verbally communicated to various other stakeholders as appropriate. The Policy shall be known and understood at all levels of CCPEF. It is vital that all employees are conscious of the importance of their responsibility for implementing the Policy, and promptly report all environmental and social (E&S) incidents of a material nature in its investment portfolio to the Fund’s senior management.

3. GOALS

In connection with the Fund and subject to the scope described in Section 2:

1. Assess environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
2. Be accessible to, and engage with, relevant stakeholders directly and/or through representatives of portfolio companies via their respective Fund’s Grievance Management system, as appropriate.
3. Grow and improve the companies in which CCPEF invests for long-term sustainability and to benefit multiple stakeholders, including on environmental, social, and governance issues. To that end, CCPEF will legally require the portfolio companies to uphold applicable ESG standards and work through appropriate governance structures (e.g., board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal

of improving performance and minimizing adverse impacts in these areas.

4. Use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest, and to implement compensation and other policies that align the interests of owners and management.
5. Remain committed to compliance with applicable national, state, and local labor laws in the countries in which the Fund invests; support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, will respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.
6. Encourage strict policies that prohibit bribery and other improper payments to public officials.
7. Respect the human rights of those affected by CCPEF's investment activities and seek to confirm that Fund does not invest in companies that utilize child or forced labor or maintain discriminatory policies.
8. Provide timely information to CCPEF's limited partners on the matters addressed herein, and work to foster transparency about CCPEF's activities.
9. Encourage CCPEF portfolio companies to advance these same principles in a way that is consistent with their fiduciary duties.
10. AIIB ESS or equivalent standards (e.g. IFC Performance Standards) are referenced during due diligence and applicable to all portfolio companies that fall in ES category A and higher-risk category B.

4. ROLES AND RESPONSIBILITIES

CCPEF's investment professionals are primarily responsible for ensuring that the consideration of ESG issues are integrated into private equity investment decisions. An assigned personnel in CCPEF will assume the role of ESG Officer and will ensure that the Fund's operations are in conformance with the ESG policy and responsible for the implementation of ESG Policy in daily business. This individual will have a clear understanding of the Fund's ESG Policy, and will have sufficient relevant experience to effectively perform this role. Where additional subject matter expertise is needed, the Fund will utilize external resources as relevant and necessary.

4.1 ESG Officer

The responsibilities of the ESG Officer include:

1. Assume responsibility for overseeing all ESG matters and ensure resources are made available for the ESG Management System (ESG MS).
2. Review and sign the Fund's Annual ESG Report to investors or similar reports to other stakeholders.
3. Organize annual Fund-wide training for Fund employees on ESG MS.
4. Call for Fund-wide meetings to discuss any policy or investee related ESG issues.
5. Conduct Exclusion List screening, initial screen and categorization for potential investment.
6. Evaluate the necessity of an external ESG consultant for a potential investment falling under ES category A and higher risk category B.
7. Select, notify and coordinate the appropriate ESG consultant for ESG due diligence (ESG DD) and related services.
8. Provide clearance on ESG Conditions of Disbursement (COD) and seek approval from senior management to waive CODs or to add new CODs.
9. During the asset management phase, work actively with the portfolio companies to support their implementation of their ESAPs, including preparation of international standard Environmental and Social Impact Assessments (ESIA), ESMSs, Stakeholder Engagement Plans (SEP) and Emergency Preparedness and Response Plans as required, as well as supporting monitoring and reporting.
10. Notify the senior management of major incidents or complaints and coordinate the Fund's response.
11. Review the ESG MS on an annual basis to determine performance and maintain relevance and suitability for the investments made by the Fund. Feedback from stakeholders (Limited Partners, Investment Committee,

Transaction Leaders and ESG Consultants) will be reviewed to ensure that the ESG MS is an integral part of the investment management process.

12. Communicate to the portfolio company any data deficiencies and/or supplemental actions.
13. Liaise with the CEO and Transaction Leader during the investment process and help communicate ESG DD findings to the Investment Committee.

4.2 ESG Consultants

A list of approved ESG Consultants will be maintained by the ESG Officer. A selection of the approved ESG Consultants will be requested to respond to ESG DD Terms of Reference related to specific investments. The ESG Officer will be responsible for maintaining the list and updating details on a regular basis.

ESG Consultant(s) may also be retained to conduct site visits and prepare supervision reports as required by the Terms of Reference, which could include monitoring Action Plans, conformance with ESG provisions and/or overall investment performance. Consultants may also be engaged to provide input to Annual ESG Reports based on documentation reviews and site visits.

4.3 Transaction Leader

The Transaction Leader plays a key role in managing the relationship with the potential portfolio company during the investment process. The Transaction Leader shall ensure compliance with the Fund's ESG management and attempt to identify and mitigate potential ESG issues related to the Investee.

Amongst others, the Transaction Leader will have the following specific responsibilities:

1. Request sufficient budget to conduct adequate ESG DD.
2. Notify the potential portfolio company of the Fund's ESG MS requirements.
3. Discuss the expectations and requirements of the Fund in terms of its ESG MS.
4. Support the ESG Officer and ESG Consultant in conducting ESG DD.
5. Ensure that all ESG issues identified during due diligence process are effectively communicated to the Investment Committee.
6. Ensure that the necessary legal provisions and CODs required by the Action Plan are incorporated into the transaction documents.
7. Support the ESG Officer to ensure that the investee meets relevant CODs.
8. Support the implementation of the Action Plan.
9. Report any potential ESG issues discovered during visits to portfolio companies to the ESG Officer.
10. Assist the ESG Officer in collecting the relevant data required for ongoing monitoring of the portfolio company.

5. APPLICABLE ESG STANDARDS

In designing and implementing the ESG MS and carrying out its investment activities, and in addition to the environmental, health, safety, and social laws and regulations of the country/ies of operation of the target or portfolio company, the Fund will refer to the relevant requirements as set out in the UN Principles for Responsible Investments, the AIIB's Environmental and Social Policy¹, Environmental and Social Standards (with respect to category A and higher risk category B investments as defined in *Section 6.2*)² and Environmental and Social Exclusion List³, AIIB's Operational

¹ Environmental and Social Policy part of the Environmental and Social Framework of AIIB, amended February 2019, as may be amended from time to time; available at: https://www.aiib.org/en/policies-strategies/_download/environment-framework/20160226043633542.pdf

² Environmental and Social Standards part of the Environmental and Social Framework of AIIB, amended February 2019, as may be amended from time to time; available at: https://www.aiib.org/en/policies-strategies/_download/environment-framework/20160226043633542.pdf

³ Environmental and Social Exclusion List part of the Environmental and Social Framework of AIIB, amended February 2019, as may be amended from time to time; available at: https://www.aiib.org/en/policies-strategies/_download/environment-framework/20160226043633542.pdf

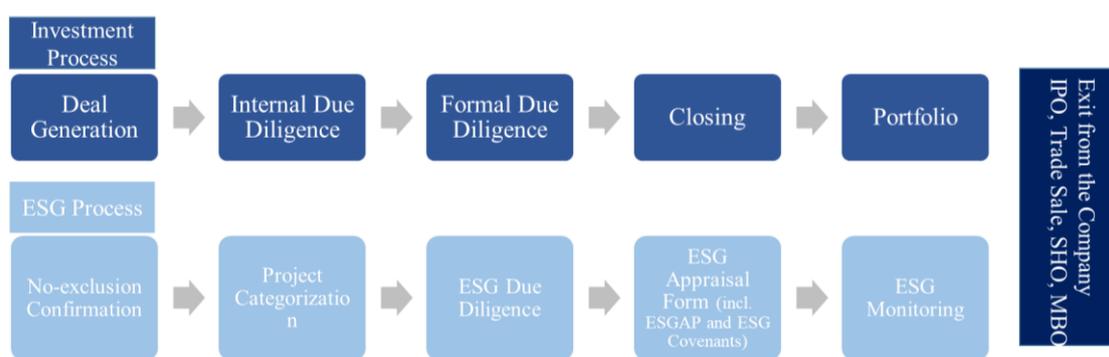
Policy on International Relations, and on business integrity issues, the Policy on Prohibited Practices⁴.

ESG standards will apply in full to the investment process relating to the Fund. In the case where there are co-financiers to any given investment, the Fund will use reasonable efforts to engage with co-financiers on its ESG requirements, assess the alignment amongst co-financiers on key risk management measures and, to the extent such information is available to the Fund, review the co-financiers’ track record in managing ESG issues. The Fund will maintain its ESG standards as outlined in the Policy in all transactions, and seek to collaborate with other investors or, if required, lead on ESG matters, to ensure their applicability to all transactions and portfolio companies. The Fund will not consider either investing or co-investing if required or constrained not to apply its ESG standards as set forth in this policy to a transaction.

6. PROCEDURES

The Fund integrates the consideration and thoughtful management of ESG issues throughout its investment process to all investments of the Fund throughout all stages – from consideration to exit. Figure 1 below illustrates the stages of the Fund’s investment process and the relevant ESG requirements.

Figure 1: ESG Process Flowchart*



* IPO: Initial Public Offering; SHO: Shareholder Buy Out MBO: Management Buy Outs

6.1 Screening

The Fund will not knowingly invest in any target company involved in any of the activities set out on its Environmental and Social Exclusion List as below:

- i. Forced labor⁵ or harmful or exploitative forms of child labor;⁶
- ii. The production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the Project is located, or international conventions and agreements, or subject to international phase out or bans, such as:

⁴ available at: https://www.aiib.org/en/policies-strategies/_download/policy-on-prohibited-practices/policy_on_prohibited_practices.pdf

⁵ Forced labor means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty (including any kind of forced or compulsory labor, such as indentured labor, bonded labor or similar labor-contracting arrangements, or labor by trafficked persons).

⁶ For purposes of this List, harmful or exploitative forms of child labor means the employment of children under the age of 18 for work which by its nature or the circumstances in which it is carried out is likely to jeopardize their health, safety or morals. However, if the laws or regulations of the country in which the Project is located provide, in conformity with the International Labour Organization’s Minimum Age Convention, 1973, that children at least 16 years of age may be employed for such work on condition that their health, safety and morals are fully protected and that they have received adequate specific instruction or vocational training in the relevant branch of activity, then child labor means employment of children for work that does not comply with these laws and regulations.

- Production of, or trade in, products containing polychlorinated biphenyl (PCBs).⁷
 - Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention).⁸
 - Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol).⁹
- iii. Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).¹⁰
 - iv. Trans-boundary movements of waste prohibited under international law (Basel Convention).¹¹
 - v. Production of, or trade in, weapons and munitions, including paramilitary materials.
 - vi. Production of, or trade in, alcoholic beverages, excluding beer and wine.¹²
 - vii. Production of, or trade in, tobacco.¹³
 - viii. Gambling, casinos and equivalent enterprises.¹⁴
 - ix. Production of, trade in, or use of unbonded asbestos fibers.¹⁵
 - x. Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as, Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity.¹⁶
 - xi. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests.

⁷ PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950 to 1985.

⁸ United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard. A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>.

⁹ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized "ozone holes." The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme, <http://www.unep.org/ozone/montreal.shtml>.

¹⁰ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). A list of CITES listed species is available from the CITES secretariat, <http://www.cites.org>.

¹¹ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see <http://www.basel.int>.

¹² This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

¹³ This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

¹⁴ This does not apply to Clients who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

¹⁵ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 percent.

¹⁶ Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention) - <http://www.cms.int/>; Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention) - <http://www.ramsar.org/>; Convention Concerning the Protection of the World Cultural and Natural Heritage - <http://whc.unesco.org/en/conventiontext/>; Convention on Biological Diversity - <https://www.cbd.int/>.

- xii. Production or trade in wood or other forestry products other than from sustainably managed forests.
- xiii. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.
- xiv. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL, SOLAS and Paris MOU).¹⁷

In addition to AIIB's exclusion list adopted above, the Fund will not consider potential investments with any of the following characteristics:

1. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment or technology where the Firm considers the radioactive source to be trivial and or adequately shielded;
2. Drift net fishing in the marine environment using nets in excess of 2.5km in length;
3. Projects or sponsors that are on the mutual debarment list published by the World Bank.
4. Projects that are functionally related to coal:
 - These projects refer specifically to dedicated electricity transmission lines to coal-fired power plants as well as roads, railways and/or ports that aim to service coal-fired power plants and coal mining exclusively.
 - To further determine whether a project is functionally related to coal, refer to AIIB's Environmental and Social Framework, point 34, on Associated Facilities –“Associated facilities are activities that are not included in the description of the Project set out in the agreement governing the Project, but which, following consultation with the Client, the Bank determines are: (a) directly and materially related to the Project; (b) carried out, or planned to be carried out, contemporaneously with the Project; and (c) necessary for the Project to be viable and would not be constructed or expanded if the Project did not exist”.

Pursuant to the written request from AIIB, the Fund shall update the Environmental and Social Exclusion List to reflect any other environmental, social responsibility or corporate governance eligibility criteria adopted by AIIB that are applicable to private equity investments.

With respect to the Fund's investment screening:

1. ESG Officer shall check the investment against the Exclusion List;
2. No Investment Committee meeting for any given deal may be called without a proper no-exclusion confirmation;
3. The Fund shall liaise with AIIB with a project teaser introduction to confirm 1) whether AIIB will exercise its excuse right on the ground of the target's location or sector and 2) whether AIIB agrees with the Fund's no-exclusion determination.

6.2 Categorization

The Fund attributes an ES Category to its investments based on the existing and planned features of its portfolio companies' activities.

Category A: A Project is categorized A when it is likely to have significant adverse environmental and social impacts that are irreversible, cumulative, diverse or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works and may be temporary or permanent in nature.

Category B: A Project is categorized B when it has a limited number of potentially adverse environmental and social impacts; the impacts are not unprecedented; few if any of them are irreversible or cumulative; they are limited to the Project area; and can be successfully managed using good practice in an operational setting. If a Category B Project is

¹⁷ Non-compliance with International Maritime Organisation (IMO) requirements: tankers that do not have all required International Convention for the Prevention of Pollution from Ships (MARPOL) or International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation, International Safety Management Code compliance), tankers banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used.
<http://www.imo.org/About/Conventions/ListOfConventions/Pages/International-Convention-for-the-Prevention-of-Pollution-from-Ships-%28MARPOL%29.aspx>.

expected to have at least one significant adverse environmental or social impact / risk, the Fund considers this Project as a Category B project with substantial E&S risk (aka a “higher risk Category B”).

Category C: A Project is categorized C when it is likely to have minimal or no adverse environmental and social impact.

Higher Risk Projects: activities that may result in (i) involuntary resettlement¹⁸; (ii) risk of adverse impacts on Indigenous People (IP) or vulnerable people¹⁹; (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage; (iv) significant occupational health and safety risks; (v) significant retrenchment, (vi) significant security risks, and/or (vii) significant governance and reputational risks. Such activities would generally be categorized as Category A or in some instance Category B as per AIIB ESF.

The Fund categorizes each transaction to determine the nature and level of the required ESG review, type of information disclosure and stakeholder engagement in accordance with the categorization guidance, sector contextual risks, and initial E&S screening form included in the ESG Risk Screening Tool (see Annex 1a and 1b). Specifically:

1. Transaction Leader shall provide ESG Officer with necessary information for target categorization and screening based on ESG Risk Screening Tool (see Annex 1a and 1b);
2. If necessary and appropriate, Transaction Leader shall help organize interview(s) between ESG Officer and target company representatives to obtain screening information;
3. ESG Officer shall conduct E&S categorization in accordance with the standards set forth in the ESG Risk Screening Tool (see Annex 1b) and shall inform Transaction Leader of the categorization and outcomes of the screening results;
4. Fund shall notify AIIB promptly of deal categorization result and seek no-objection using Exhibit A - email template #1, or such other form as approved by AIIB.

6.3 Due diligence – Scope and Level

CCPEF shall determine the scope and level of ESG due diligence of any investment taking into account its E&S categorization. With respect to any E&S Category A or higher risk Category B transaction, the Fund shall conduct due diligence against standards no less stringent than those set forth in AIIB’s Environmental and Social Standards.

The Fund closely investigates the following issues in particular:

1. Environment: the business’s biodiversity consideration and impacts; critical habitats, natural habitats and protected areas; sustainability and land and water use; pollution prevention; resource efficiency; climate change (including Greenhouse Gas quantification, contribution to climate change adaptation or mitigation, sensitivity to natural hazards, etc.) and other environmental matters;
2. Social matters: vulnerable groups and discrimination; gender; land and natural resource access; cultural resources; safe working conditions and community health and safety; child labor and forced labor; employment conditions and contractor management; and
3. Governance: whether the target company is included on any Sanction List, the business’s corporate structure and governance mechanism; the business’s policies relating to Prohibited Practice such as anti-bribery, anti-terrorism financing and anti-money laundering; the business’s internal control and outside audit measures, transparency and timely disclosure; structure and functioning of the Board of Directors, Shareholder Rights and other governance related matters.

6.4 Due diligence – Process

Any of the following factors discovered during the due diligence process will automatically end a potential deal:

1. Where one or more of the significant ultimate beneficial owners is a Politically Exposed Person;
2. Any evidence of fraud, misuse of funds, corruption, or other illegal activities;
3. Poor environmental and social controls that cannot be remedied in a cost effective and timely fashion;
4. Person(s) involved, or target country, is subject to United Nations and/or Office of Foreign Assets Control of the

¹⁸ Including economic and/or physical displacement.

¹⁹ Vulnerable groups or individuals refer to people who, due to factors beyond their control, may be more likely to be adversely affected by the Sub-project’s environmental or social impacts and may be more limited than others in their ability to claim or take advantage of the Sub-project’s benefits.

U.S. Department of the Treasury sanctions;

5. Other factors that may come up from time to time or as recommended by the LP Advisory Committee.

The in-depth due diligence process may involve both: (1) desk review of the target company's ESG documentation and practices; and (2) field-based review and interviews to provide for a refined understanding of the ESG risks and impacts and support the target company's preparation of a site-specific approach to assessment and management of these risks and impacts in accordance with the applicable standards. See Table 1 below and the Due Diligence Toolkit for further guidance (Annex 2).

1. Transaction Leader and ESG Officer shall discuss, and agree on, the project level diligence arrangement (including the need for a separate corporate governance advisor if an investment target has not reliably demonstrated meeting Level 1 of the Corporate Governance Progression Matrix);
2. ESG Officer and ESG Consultants (if engaged) shall review the applicable E&S instruments²⁰ prepared by the portfolio companies, perform project diligence with the assistance from Transaction Leader and prepare a detailed ESG Due Diligence Report together with an executive summary, an Environmental, Social and Governance Action Plan²¹ determining the gaps with the applicable standards and defining the measures, timeline, resources and indicators to close these, and a concise presentation of key findings and recommended undertakings for consideration in the investment documentation;
3. Transaction Leader shall manage the Fund's transaction counsel or separate corporate governance advisor to carry out the corporate governance review in accordance with the requirements of Corporate Governance Approach (see Annex 2b);
4. Upon the completion of ESG DD, ESG Officer and/or ESG Consultants shall fully explain the key diligence findings and the material aspects of the ESG Action Plan to Transaction Leader with clear, concise and practical suggestions on the negotiation focus.

²⁰ Depending on the nature of the target's business, E&S instruments include, but are not limited to, the following materials relating to the target's business operations: (a) strategic environmental and social impact assessment on a policy, plan or programmatic level; (b) regional or sectoral environmental and social assessments; (c) Environment and Social Impact Assessment (ESIA); (d) Resettlement Action Plan or Resettlement Policy Framework (or both); (e) other specialized studies/plans as applicable (e.g. Biodiversity Action Plan, Gender Action Plan, etc.), and (f) on a specialized basis, a cumulative impact assessment or other assessment instruments. These instruments are complemented by an Environmental and Social Management Plan (ESMP).

²¹ See the ESG Action Plan Template in the Due Diligence Toolkit for further guidance (*Annex 2c*).

Table 1: E&S Due Diligence Requirements by E&S Risk Categorization

	High (Category A and selected Category B) E&S risks	Medium (Category B) E&S risks	Low (Category C) E&S risks
Environmental and social due diligence activities	<p>Benchmark investee performance against the AIIB ESP and ESSs (or equivalent, e.g. IFC Performance Standards). An appropriately experienced external consultant undertakes this activity. Where there are no recent E&S/OHS audits/ESIAs available, the gap analysis can double up as an audit. Otherwise, it can be a simpler review based on previous audits / ESIAs and a shorter site visit.</p> <p>If required (i.e. in the absence of a recent E&S audit (< 2 years); or if investment leads to or includes a greenfield project or a brownfield project with significant changes, a comprehensive social and environmental audit and/or impact assessment (ESIA) is to be undertaken by a qualified external consultant in accordance with the AIIB ESP and ESSs and national legislation; including requisite levels of stakeholder engagement.</p> <p>If issues concerning land acquisition and involuntary resettlement and/or impacts to biodiversity, indigenous peoples and critical cultural heritage are flagged during the categorization process, then the necessary assessments must be undertaken in accordance with the requirements of all AIIB ESP and ESS's.</p> <p>ESDD to include an assessment of investee company's E&S management systems, commitment, capacity and track record and review of information in the public domain to check for any controversy associated with investee company's activities (media, NGO & other stakeholder opinions).</p> <p>Site visit by CCPEF representative and/or qualified expert essential, including visits to interested and directly affected parties.</p> <p>Green House Gases accounting if GHG > 25kt/year annually after investment.</p> <p>Verification of information provided by investee.</p>	<p>A simpler level of DD than Category A as usually not all AIIB ESP and ESSs will be applicable.</p> <p>Use of competent external E&S consultancy firm (advisable to carry out the E&S DD involving some specific features which can have significantly larger adverse social or environmental impacts (e.g. greenfield components, resettlement, impact on biodiversity, indigenous peoples)</p> <p>A more detailed analysis is required of risks identified and where there is no appropriate national legal framework governing the matter concerned, refer to the AIIB ESP and ESSs. Stakeholder engagement to be undertaken if required.</p> <p>Information to be provided primarily by the investee company, facilitated by an ESDD questionnaire (refer to Annex 2a). However, the E&S Officer need to assure themselves that all questions are answered properly to the best of their knowledge. The checklist shall be kept in the files, once the funding is approved, for future reference.</p> <p>Verify information gathered on investee company's E&S management systems, commitment, capacity and track record.</p> <p>Site visit is recommended.</p> <p>If any red flag issues become apparent, further investigations may have to be initiated.</p> <p>Green House Gases accounting if GHG > 25kt/year annually after the investment.</p>	<p>The investee company undertakes a self-assessment and statement of compliance to CCPEF E&S Policy.</p> <p>Cross check and verification by CCPEF Representative that categorization is correct; that there are no significant environmental and social risks and that investee company complies with national law.</p>

	High (Category A and selected Category B) E&S risks	Medium (Category B) E&S risks	Low (Category C) E&S risks
Reference Standards for E&S due diligence	<ol style="list-style-type: none"> 1. National law, 2. AIIB ESP and ESSs, 3. WBG's general and any sector specific EHS guidelines, 4. ILO's fundamental principles and rights at work ratified by the country, and 5. Sector sustainability initiatives; and available sector benchmarks (e.g. energy, water use per unit of production). 	<ol style="list-style-type: none"> 1. National law, and 2. AIIB ESP and ESSs (on best effort basis), 3. WBG's general and any sector specific EHS guidelines, 4. ILO's fundamental principles and rights at work ratified by the country. <p>Sector sustainability initiatives can also be referred to for background information on E&S issues relevant to the sector in which the investee operates.</p>	<ol style="list-style-type: none"> 1. National law, and 2. AIIB ESP and ESSs (on best effort basis), 3. ILO's fundamental principles and rights at work ratified by the country.
Minimum Requirements	<p>Compliance with national laws.</p> <p>Compliance with applicable AIIB ESP and ESSs and E&S guidelines, as well as the ILO fundamental principles and rights at work.</p> <p>Comprehensive action plan detailing measures to address identified risks and impacts and close performance/compliance gaps.</p> <p>E&S and occupational health and safety system (OHS) management systems based on recognized international standards e.g. ISO, OHSAS and local legislation,</p> <p>Appointment of suitably trained environmental, social, health and safety manager(s), as per recommendations of the assessment/audit.</p> <p>Assignment of responsibilities for E&S matters to a member of the board is obligatory.</p> <p>Performance monitoring, reporting and disclosure to affected parties.</p>	<p>Compliance with national laws and the ILO fundamental principles and rights at work ratified by the country.</p> <p>Compliance with applicable AIIB ESP and ESSs and WBG EHS guidelines (on best effort basis), as well as the ILO fundamental principles and rights at work.</p> <p>Action plan detailing measures to address the key areas of concern identified and close performance/ compliance gaps.</p> <p>E&S management system advisable, especially an OHS system where health and safety risks are associated with business.</p> <p>Appointment of (or allocation of responsibility to) suitably trained environmental, social, health and safety manager(s), as per findings of the assessment.</p> <p>Assignment of responsibilities for E&S matters to a member of the board is recommended.</p> <p>Performance monitoring, reporting and disclosure to affected parties.</p>	<p>Compliance with national laws and the ILO fundamental principles and rights at work ratified by the country.</p> <p>Compliance with applicable AIIB ESP and ESSs and WBG EHS guidelines (on best effort basis), as well as the ILO fundamental principles and rights at work.</p> <p>E&S responsibilities allocated to suitable member of staff advisable.</p>

	High (Category A and selected Category B) E&S risks	Medium (Category B) E&S risks	Low (Category C) E&S risks
Output of E&S due diligence activity	<p>Gap analysis report against AIIB ESP and ESSs + ESAP,</p> <p>Requirement to develop ESIA or environmental and social studies where required (i.e. the investment is into a greenfield development and/or expansion),</p> <p>E&S strategy for investee company and Action Plan of prioritized actions developed in consultation with investee company.</p> <p>KPI and proposed format for disclosure including statement on confidentiality issues</p>	<p>Gap analysis report against AIIB ESP and ESSs + ESAP (if necessary)</p> <p>Requirement to develop ESIA or environmental and social studies where required (i.e. by the national law).</p> <p>Report detailing compliance with national E&S laws and summary of investee E&S management capacity.</p> <p>Specific reports where required for identified risks</p> <p>E&S strategy for investee company and Action Plan of prioritized actions developed in consultation with investee company (where needed).</p> <p>KPI and proposed format for disclosure including statement on confidentiality issues</p>	<p>Statement by the investee company detailing compliance with national E&S laws and summary of investee E&S management capacity</p> <p>KPI and proposed format for disclosure including statement on confidentiality issues</p>
Monitoring & reporting requirements for investment period (to be identified as an output of the due diligence activity)	<p>Regular reporting (at least once a quarter and ad hoc in case of special incidents) on E&S mitigation and management performance as determined by E&S strategy for the investee company.</p> <p>Verification of performance monitoring data reported by independent party.</p> <p>Regular environmental and social performance audits recommended.</p>	<p>Regular reporting (at least once a year and ad hoc in case of special incidents) on E&S mitigation and management performance as determined by E&S strategy for the investee company.</p> <p>Auditing of specific high risks identified is recommended.</p>	<p>Report on any changes to the business activities that may change the environmental and social risk profile.</p> <p>Regular reporting (at least once a year and ad hoc in case of special incidents)</p>

- Each categorization exercise is documented.
- Key performance indicators (KPI's) can be used to measure, monitor and evaluate the successful implementation and effectiveness of E&S management and thus provide a means of comparing and ranking E&S performance of assets across the CCPEF portfolio. A collective examination of the KPIs can allow a rapid characterization of the entire portfolio. It is important that KPI's are measurable and trackable so that long-term trends can be established. The suggested E&S indicators including GHG emission, reduction of energy consumption, number of E&S incidents, E&S responsibilities, etc. that CCPEF may apply consistently across its portfolio. The frequency of measurement may vary according to the asset activity but should broadly be collected in monthly (if possible and available), quarterly and annual intervals.

6.5 Investment negotiation

Based on the ESG assessment from the investment team's in-depth due diligence, any key issues in the ESG Action Plan (ESGAP) must be agreed between the Fund and the target company before the Fund commits any investment. The ESGAP will be prepared, outlining the actions required to align the investment with the applicable ESG requirements. The ESGAP will define the actions, deliverables required to verify completion of the actions, their risk rating, and timeline for completion. This ESGAP will be inserted into a formal agreement between the Fund and the portfolio company.

1. Transaction Leader shall coordinate the implementation of pre-signing ESG items such as representations and covenants in definitive agreements with guidance from ESG Officer and/or ESG Consultants (if applicable);
2. The Fund will seek to incorporate the relevant action plan items as closing conditions or the target company's post-investment covenants with a clear timetable;
3. The Fund may also require key management members at the portfolio company to support the target company's fulfilment of its ESG undertakings (e.g. formation of an ESG sub-committee by the portfolio company's Board to address outstanding issues);
4. Transaction Leader shall include the necessary ESG covenants as required by the ESG Action Plan in the main investment agreement(s) with the portfolio companies, as follows:
 - a. for any portfolio company where the Fund will hold a controlling stake, the Fund will require, at a minimum, that such portfolio company adopt ESG requirements no less stringent than that under this policy and to apply those requirements to all activities to be financed with the application of Fund proceeds;
 - b. for any portfolio company where the Fund will not hold a controlling stake:
 - i. where the portfolio company falls into Category B or Category C, it shall remain in compliance with all ESG-related regulatory requirements applicable in the company's jurisdiction(s) of operation and strive to enhance its ESG performance to meet good international industry practice; and
 - ii. where the portfolio company falls into Category A and higher risk Category B, it shall still adopt ESG requirements including AIIB ESSs, which will also be included in the investment documentation.

The Fund will engage early with co-investors and the target company to fulfil its commitments in this policy, accounting for the following considerations:

1. Control scenario: The Fund has the power to direct or cause the direction of the management or policies of the portfolio company through voting power, board representation or contractual arrangement. In such instances, the portfolio company shall be made to adopt the applicable standards within a reasonable agreed timeframe, in a manner proportionate to the ESG risks associated with its operations.
2. Significant influence scenario: The Fund has the power to participate in the financial and operating policy decisions of the portfolio company but has less control than under the "control scenario" to influence those policies. In such instances, the Fund shall make adequate provisions in the investment documentation to (i) require that significant non-compliances with the applicable ESG standards are addressed within a reasonable agreed timeframe, and (ii) seek representation at the portfolio company's Board to further drive the company's alignment with all aspects of the applicable ESG standards through the course of the investment period.
3. Contribution scenario: The Fund offers to contribute to the development of the portfolio company but is not able to participate in the portfolio company's policy decisions. In such instances, the Fund will refrain from engaging in higher risk transactions or investing if binding undertakings to address significant non-compliances with the applicable ESG standards cannot be obtained. In all other cases, the Fund will require that the portfolio company commits to compliance with applicable regulatory requirements and prepares an engagement strategy with the portfolio company's management and other stakeholders to continuously improve ESG performance toward accordance with the applicable ESG standards.

In all instances, the Fund will notify potential investees of its ESG standards and requirements specific to this investment. Following the completion of an investment, the Fund will exert its efforts to influence the portfolio company through engagement with the portfolio company's management, co-investors and relevant stakeholders preferably through the board structure and agenda, or through the promotion of value addition on ESG aspects in other forms of engagement with the portfolio company's management.

6.6 Decision-making

Prior to any investment decision, Transaction Leader shall have arranged for the execution of the ESG Appraisal Form. ESG Officer shall fill and submit (with assistance from ESG Consultants, if needed) the ESG Appraisal Form and Transaction Leader should sign the ESG Appraisal Form and notify AIIB using Section 11 Exhibit A - email template #2.

The Transaction Leader and ESG Officer shall carefully review the ESG Due Diligence Report and the proposed mitigation measures and action plans and may only give approval to the investment if

1. it concludes that the investment does not present any material ESG risk or
2. Transaction Leader and ESG Officer reasonably believes that measures and plans are properly devised to fully address the relevant risk and impacts in accordance with the applicable ESG standards and that the target company and/or its management provides adequate guarantee on the proper implementation of such measures and plans.

The Transaction Leader shall not approve any investment in any company

1. where ESG covenants and ESG risks identified during the ESG DD are not proportionate;
2. where any person appearing on the Sanction List at the time of the investment decision is a director or officer of, or has influence on, the target company and;
3. if the target company is not meeting Level 1 in the Corporate Governance Progression Matrix (see Annex 2b) and the investment agreement does not provide adequate assurance that the target company can be reasonably expected to meet Level 1 requirement following the Fund's investment.

6.7 On-going monitoring

During the investment holding period, CCPEF actively monitors the portfolio company's progress on ESG actions and where there is any particular ESG action plan resulting from the ESG due diligence, the Fund reviews the action plan implementation status with the management of the portfolio company regularly either through formal board updates or through engagement with the Company's management. CCPEF shall require that any expansion of the activities of portfolio companies be conducted in line with the applicable ESG standards, including the preparation of E&S instruments and their disclosure prior to the start of corresponding activities. The Fund will also seek timely information on any significant ESG incident to be provided by portfolio companies in a timely manner of occurrence. A significant ESG incident means one that (1) is established to be in violation of the applicable ESG standards, (2) is reported in local, national or international media, (3) results in or could result in the issuance of a notice from the relevant authorities or (4) has a material effect on the portfolio company's business continuity and performance and could reasonably be expected to lead to failure. See Annex 4b for incident reporting template. Consequently, CCPEF also requests timely reports regarding the tracking and implementation of critical mitigation actions and any significant adverse ESG risks and impacts, either resulting from expansion or new activities of a portfolio company or following the occurrence of a significant ESG incident. The monitoring process may involve consultation with suitably qualified and experienced experts to monitor the implementation if significant risks and impacts are identified.

As the Fund continues to gain more information about the activities and ESG performance of Fund's portfolio companies, it will seek to identify new ESG risks and opportunities on an on-going basis, which may involve periodic site visits and independent ESG audits. If any material issue is identified, the Fund will seek to request the management of the portfolio company to carry out thorough investigations and design and implement remedial measures. The Fund also seeks to request annual reporting on implementation of the ESG Action Plan and other ESG management plans and on ESG performance, including both ESG risk mitigation and value enhancement practices, from its portfolio companies (see Annex 4a for portfolio company reporting template). The Fund will encourage its portfolio companies to conduct annual GHG quantification, in particular for all energy projects and those with Scope 1 and Scope 2 emission over 25,000 tons of CO₂-equivalent per year. The Fund will also encourage its portfolio companies to design strategies to contribute towards Sustainable Development Goals.

During post-investment monitoring, the investment team documents the progress of the action plans, any new risks and impacts identified, improvements in the portfolio company's ESG standards and

1. ESG Officer shall coordinate the verification of the performance of post-closing ESG covenants (if any);
2. ESG Officer shall prepare ESG monitoring questions, and participate in telephone interviews or site visits if necessary;
3. Upon the completion of each post-investment review, ESG Officer shall prepare a monitoring summary, including at least action plan implementation status, new ESG issues (if any) and additional suggestions (if any);

4. ESG Officer shall prepare an annual ESG report of the Fund for LP's review (see Annex 4b for template).

6.8 Selected recommended activities during operation of assets

The following activities are typically carried out during the operation of an asset:

Post close (100 days plan)

Upon completion of a transaction, and entry into the CCPEF portfolio, a number of 'post-close' conditions may have been applied to the asset. During the initial integration of the asset into the CCPEF portfolio, it would be important to track the implementation of these 'post-close' conditions to ensure that they are properly implemented. Such conditions may address the following areas;

- Non-compliance resolution action and monitoring plans;
- Contamination remediation action and monitoring plans;
- Worker and community exposure incident resolution and monitoring plans; and
- Post-close 100-day compliance plan.

It will be important to establish mechanisms so that the progress status of such conditions can be clearly communicated between the asset and CCPEF management.

Additionally, all assets integrated within the CCPEF portfolio may be made aware of their E&S commitments to ensure protection of CCPEF associated compliance status and reputation. Such commitments may include:

- Compliance with E&S regulations;
- Compliance with AIIB ESF and ESS (where applicable);
- Requirement to report material E&S issues to CCPEF;
- A clear ESGAP and budget on E&S issue management;
- Regular reporting on E&S performance to CCPEF;
- CCPEF's right to audit or to require third party audits;
- CCPEF's right to adapt E&S policies; and
- Other reps, warranties and indemnities.

Checklist: Recommended activities immediately post-deal

Activity	Comment
Identify high priority actions that merit inclusion in the 100-day plan, particularly non-compliance with national regulations.	
Collate any additional data that was not available during the due diligence phase to close out any significant outstanding issues.	
Revisit findings of due diligence and action plan. Develop E&S strategy with the investee company to guide implementation and support future E&S initiatives. Agree core E&S KPIs.	
Identify key personnel in CCPEF who will be responsible for overseeing the E&S issues and engaging with the investee company.	
Identify key personnel within the investee company who will manage implementation of E&S strategy and actions.	

6.9 Risk Mitigation during holding period

Upon integration of an asset within the CCPEF portfolio, CCPEF may deem it necessary that the asset should implement a full ESMS. ESMS provide a standardised (and third party certifiable) structure for the control of E&S issues. The ESMS embeds procedures within the management structure of the asset to remedy legacy E&S issues as well as guide day-to-day compliance and industry best practice issues.

The integration of E&S components into a single system of management will allow CCPEF to achieve its objectives efficiently, providing comfort that E&S issues are well controlled and are therefore less likely to give rise to unforeseen material risks to a business.

Three system widely-recognised management systems exist, which subject to the asset activities and types of associated hazards, CCPEF may require the asset to adopt:

1. Environmental Management System - ISO14001
2. Occupational Health and Safety Systems - OHSAS 18001
3. Social Accountability - SA 8000

The fundamental components of these system standards include the following key features:

- E&S Policy - establishing the objectives and framework for the system
- Roles and responsibilities – assigning knowledgeable individuals to own and drive the system.
- Regulatory and E&S aspect analysis - to establish key focus of the system
- Objectives and target setting and action plans – to address significant issues
- Operational procedures - to minimize E&S risks of staff and the community
- Training and communication – to disseminate the system through the company
- Monitoring and annual audit – observation of implementation activities outcomes to check effectiveness and identify areas of non-compliance and improvement.

Checklist: Recommended activities during the investment holding period

Activity	Comment
Oversee the management of E&S issues and implementation of Action Plan.	
Consider the implementation of (certified) management systems or management systems “in line” with certification requirements	
Engage investee company and pursue continuous improvement and potential opportunities.	
Monitor progress. Undertake periodic reporting and consultations with investee company management on E&S matters. Track core KPIs.	
Compile periodic performance reports for: <ul style="list-style-type: none"> ▪ internal use for monitoring company performance; ▪ investors to demonstrate that money is being invested responsibly and in line with their investment policies; and ▪ any other stakeholders for which disclosure of information was identified during the due diligence assessments. 	
Collect E&S performance data that could add value to exit process.	

External Audits

External audits, when required, may be undertaken by a third party entity, such as an E&S consultant. CCPEF may request the portfolio company to undertake external audits in situations where large E&S issues have been previously identified.

External audits provide the benefit of being rigorous and independent and therefore are generally a more accurate reflection of the site. Additionally, third parties often provide additional points of views that may provide fresh alternative approaches to address certain issues.

Internal Self-Assessment Audits

Internal self-assessment audits are a useful tool to ensure that continual effort is applied to the identification and remedy of E&S issues. It is important that the effort applied is consistent in frequency and scope, while allowing flexibility in consideration of the specific nature of the asset operation. Additionally, self-assessment audits, when linked to pre-decided scoring system, can help to track the progress of the asset in meeting the regulatory requirements and international best practice performance as well as help highlight areas of strong performance and areas where improvements are still required.

Furthermore, when a scoring system is applied consistently over the portfolio of assets under management by CCPEF, it allows comparison of E&S compliance status and progress.

6.10 Exit review

Upon exit of each investment, CCPEF reviews the portfolio company’s final ESG status, summarizes its ESG improvements and improves the Fund’s own ESG policies and procedures where appropriate. ESG Officer shall prepare a review memo.

7. INFORMATION REPORTING AND DISCLOSURE**7.1 Fund Reporting and Disclosure**

Disclosure is the key that allows investors to better understand, evaluate and assess potential risk and return, including the potential impact of ESG factors on a company’s performance. Therefore, the Fund seeks to be transparent about its ESG considerations of private equity investments and actively engage relevant stakeholders through the following measures:

1. Establish and report on progress of ESG policies to limited partners for discussion, review and monitoring. The Annual ESG Report will include the following indicative information (where applicable):

- Fund-level environmental and social performance;
 - Description of each Portfolio Company and its progress against the ESAP and other agreed E&S undertaking or plans;
 - Material ESG risks and opportunities tracking;
 - Data on Environmental, Health and Safety (EHS) as collected using Annex 4a, Grievances, Incidents and Unplanned Events;
 - Description on improvement of the corporate governance structure of relevant portfolio companies;
 - Data on any material litigations, show-cause notices and/or regulatory action on the company; and
 - ESG Capacity Building and engagement that has been undertaken by the Fund.
2. Include ESG discussions in the relevant LP Advisory Committee meetings and annual general meetings of the Fund;
 3. Require prospective portfolio companies to ensure that relevant information about their ESG policies is available in a timely and accessible manner;
 4. Disclose appropriate information about the Fund's investments (name, location, contacts and industry of the portfolio company) on the website of the Fund no later than 12 months from financial close, subject to regulatory constraints and commercial sensitivity.

In addition to annual reporting, the Fund Manager will provide succinct updates on higher E&S risk portfolio companies (comprising all Category A and higher risk Category B) with regards to key ESG information on a quarterly basis as part of regular communication with the Limited Partners.

7.2 Portfolio company disclosure and consultation

CCPEF requires portfolio companies to disclose environmental, social and governance information proportional to the environmental and social risks and impacts associated with their activities. Particularly, ESG Officer shall require the portfolio companies to publicly disclose Environmental and Social Impact Assessment and associated approval from competent authorities, if applicable. If no such document is required according to local regulations, the portfolio companies should be required to make objective information about the environmental and social impacts associated with their projects or business activities accessible to interested and affected parties in a timely and understandable manner. For existing operations of the portfolio companies, high-level environmental and social information, or key commitments/high-level summary of the ESG Action Plan shall be disclosed by the Portfolio Company or by the Fund as appropriate. Disclosure of environmental and social assessments and other relevant environmental and social documentation is required for all Higher Risk investments, including all Category A and selected Category B investments.

The ESG Consultants (if engaged) shall understand how the portfolio company engages with its stakeholders (including affected community, responsible governmental agencies, media, non-governmental organizations and its workforce, including employees and contractors, etc.) in relation to their business activities or projects. Consultation shall be carried out in a culturally appropriate manner and documented. If the existing consultation/ stakeholders engagement mechanism is considered insufficient based on ESG Officer's professional judgement, supplementary measures shall be proposed as part of the portfolio company's ESG Action Plan.

7.3 Investee Companies' reporting and disclosure

i. Monitoring Report from Investee Companies

Portfolio companies are required to provide E&S reports according to the following schedule:

- During construction, on a monthly basis for higher risk projects, and on a quarterly basis for other projects.
- For Higher Risk Portfolio Companies: Quarterly updates and comprehensive annual report of E&S performance within 90 days of the end of each financial year.

At a minimum the reports will contain the information in [Annex 4a](#) and may include additional items specific to the E&S performance of the Company.

ii. Incident Reporting

Error! Reference source not found. Portfolio companies are required to report to CCPEF within 24 hours of becoming aware of an E&S incident as defined above. In case of incidents, the company is expected to implement its emergency response plan, undertake root cause analysis and implement follow up actions. **Error! Reference source not found.** 4b provides guidelines on incident reporting.

8. GRIEVANCE MANAGEMENT

8.1 External Communication Mechanism of the Fund

The Fund's External Communication Mechanism (ECM) is a citizen-driven accountability mechanism that responds to grievances and demands for redress by people affected or potentially affected by activities of portfolio companies financed by the Fund.

The name and location of the Fund, information of portfolio companies (including the companies' channel to receive grievances), operating principles of the ECM and an email address as contact information shall be disclosed on the CCPEF/CITIC Capital website²² for stakeholders to give feedback or communicate regarding any ESG issues related to the Fund's investments.

The ESG Officer is responsible to regularly (i.e. weekly) check the grievance collection email box and provide response in discussion with appropriate internal stakeholders within the Fund and relevant portfolio companies in a timely manner (i.e. within 15 working days upon receipt of the grievance).

The Fund's ECM shall indicate upon acknowledging the receipt of a grievance regarding a portfolio company invested in by the Fund in which AIIB has invested that grieving parties, upon exhausting the ECM, can turn to the AIIB's Project-Affected People's Mechanism (PPM)²³.

8.2 Portfolio company grievance management

The Fund requires each controlled portfolio company to establish a Grievance Redress Mechanism (GRM) suitable to the nature of its business to receive and facilitate the resolution of the concerns or complaints of people who believe they have been adversely affected by the environmental or social impacts of the operation of the relevant portfolio company, including employees, contractors and external stakeholders affected by the Portfolio Company's activities. The GRM should be understandable and transparent, and people affected by the project activities should be duly informed regarding such mechanism. The Portfolio Company's GRM shall indicate upon acknowledging the receipt of a grievance that grieving parties, upon exhausting the GRM, can turn to the Fund's External Communication Mechanism or to the AIIB's Project-Affected People's Mechanism (PPM).

9. TRAINING

The Fund seeks advice from external specialists not only in designing the ESG systems and conducting ESG diligence, but also in providing Fund personnel with the necessary training to raise their ESG awareness and improve their ESG diligence and monitoring capabilities. The Fund will also compile case studies in the future to measure the portfolio companies' improvements with the Fund's ESG approach.

10. REVIEW AND CONTINUOUS IMPROVEMENT

The Fund will update this ESG Management Handbook on a periodic basis in order to reflect the following:

²² www.citiccapital.com

²³ The Project-affected People's Mechanism (PPM) has been established by AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level or subproject level GRM or AIIB Management's processes. For information on the PPM, please visit <https://www.aiib.org/en/policies-strategies/operational-policies/policy-on-the-project-affected-mechanism.html>.

1. Modifications in the ESG requirements that make up this Management Handbook (notably, applicable laws, regulations and guidelines on environment, health and safety, social and governance);
2. Incorporation of the reference framework of any limited partner to the Fund, if required and more stringent;
3. Documentation of lessons learnt and/or good practice based on implementation

The revisions will be communicated to the investment professionals of the Fund and to all relevant partners to the Fund after seeking no-objection from relevant limited partners.

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11. EXHIBIT A - TEMPLATES AND FORMS

1	<p>[Categorization notification to AIIB]</p> <p>From: Transaction Leader</p> <p>To: AIIB</p> <p>Mandatory cc: ESG Officer</p> <p>Subject: CCPEF - [Project name] – ESG Categorization</p> <p>Mandatory text:</p> <p>[name of AIIB contact],</p> <p>We are writing to inform you that project [-] of the Fund has been determined as an ES category [-] investment for the following reasons: [basis of categorization].</p> <p>[For category A and category B+ projects only:]</p> <p>As a result of this project being category [A/B+], we will provide you with the project's ESG appraisal form for your review prior to our decision-making IC meeting. Your timely response at that time would be highly appreciated.</p> <p>[For any non-A or B+ project:]</p> <p>We will provide you with the project's ESG appraisal form for your record prior to our decision-making.</p> <p>Project [-] has been determined as [meeting level [-] / [not meeting level 1] of Corporate Governance standards.</p> <p>Please feel free to let us know if you require any additional information.</p> <p>[Optional text]</p>
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2	<p>[Appraisal Form notification to AIIB]</p> <p>From: Transaction Leader</p> <p>To: AIIB</p> <p>cc: ESG Officer</p> <p>Subject: CCPEF - [Project name] – ESG Appraisal Form</p> <p>Mandatory text:</p> <p>[name of AIIB contact],</p> <p>Please find attached for the ESG Appraisal Form relating to the project.</p> <p>[Include this for any category A or B+ project: Please kindly note that we have scheduled a meeting on [date] to review and approve this investment. If you have any concern, please let us know before [date which is 1 business day prior to meeting].]</p> <p>Please feel free to let us know if you require any additional information.</p> <p>[Optional text]</p>
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