



# ESG REQUIREMENTS

MAY 2017

# 1 | INTRODUCTION



Frontier Investment Management (“the Fund Manager”) is a private equity infrastructure fund manager with offices in Copenhagen and East Africa with a unique focus on developing and investing in renewable energy power projects in the less developed emerging markets in Sub-Saharan Africa.

Frontier Investment Management currently manages Frontier Energy I (DI Frontier Market Energy & Carbon Fund K/S) and Frontier Energy II (Frontier Energy II Alpha K/S and Frontier Energy II Beta K/S), and may in future assume management of other Funds. The current investor base includes European and institutional investors and Development Finance Institutions.

For the purposes of this document, the Funds and the Fund Manager are collectively referred to as “Frontier”.

Frontier mainly invests in developing greenfield projects, where the Fund

Manager sets up Portfolio Companies for specific developments or acquires shares or investment rights in Portfolio Companies at an early stage. Nearly all investments are structured in special purpose vehicles with no other activities than the development and implementation of the specific project for which they are established.

This document is intended to lay out the E&S requirements in respect of Frontier’s portfolio companies. At the portfolio company level, Frontier will have varying degrees of legal and operational influence. Nevertheless, each portfolio company is required to have or develop an ESMS, and to the extent possible, Frontier will seek to ensure that the ESMS of the portfolio companies are aligned with that of Frontier. At a minimum, portfolio companies are required to adhere to the tenets of Frontier’s Environmental, Social and Governance (ESG) Requirements.

## 2 | ESG GUIDING PRINCIPLES



An important aspect of Frontier's investment policies is to ensure that all projects are environmentally and socially sustainable. This involves robust requirements to environmental and social standards. Frontier will adhere to the principles and standards in regards to sustainability aspects shown in chapter 3.

Frontier is committed to abide by these standards, principles and conventions, which are collectively referred to in this ESMS as Frontier's ESG Requirements. Frontier's Portfolio Companies are required to comply with Frontier's ESG Requirements.

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**An important aspect of Frontier's investment policies is to ensure that all projects are environmentally and socially sustainable.**

These standards, principles and conventions also form the basis for Frontier's legal obligations with investees and contractors;

provide the basis for developing Terms of Reference for any ESIA or E&S due diligence, and E&S monitoring work that is commissioned by Frontier or its Portfolio Companies / projects; and will be used as the reference standards for any other due diligence or monitoring activities undertaken by Frontier.

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### 3 | PRINCIPLES AND STANDARDS

STANDARD / CONVENTION	DUTIES IMPOSED
UN Global Compact	Commitment to working with the 10 overall principles of Global Compact concerning human rights, labour, environment, and corruption.
UNPRI	Commitment to working actively and openly with environmental, social, and corporate governance issues.
UNGP	Commitment to work according to UNGP on Business and Human Rights
Equator Principles	Adherence to 10 principles for ensuring sustainability in project financing.
IFC Performance Standards	Standards for sustainable business behaviour and to ensure optimal environmental and social performance in portfolio companies.
CDC's Investment Code of Responsible Investing	
EIB Environmental and Social Standards 2013	
Swedfund's Policy for Sustainable Development and Anti-Corruption Policy	
FMO's Environmental, Social & Corporate Governance (ESG) Policy	
IFU's Sustainability Policy	
World Bank EHS Guidelines	Guidelines and standards to ensure optimal practical environmental and social performance in portfolio companies.
ILO Core Conventions	Standards for labour, namely: <i>Freedom of Association and Protection of the Right to Organise Convention</i> , 1948 (No. 87); <i>Right to Organise and Collective Bargaining Convention</i> , 1949 (No. 98); <i>Forced Labour Convention</i> , 1930 (No. 29), <i>Abolition of Forced Labour Convention</i> , 1957 (No. 105); <i>Minimum Age Convention</i> , 1973 (No. 138), <i>Worst Forms of Child Labour Convention</i> , 1999 (No. 182); <i>Equal Remuneration Convention</i> , 1951 (No. 100); <i>Discrimination (Employment and Occupation) Convention</i> , 1958 (No. 111). <i>The ILO Basic Terms and Conditions of Employment</i> refer to: <i>Hours of Work</i> (No. 1) <i>Minimum Wage</i> (No. 26, 131) and <i>Occupational Safety and Health</i> (No. 155).

## 4 | POLICIES



All investment activities will be carried out in adherence to the principles, standards and conventions chapter 3), which will be adjusted to match equity investments as well as project financing.

Frontier's policies have been developed based on guidelines and investment codes of the investors in the Funds as indicated in chapter 3 page 4. Frontier has the following policies which have been developed to guide its investments and the activities associated with its investments, namely:

Environment, Health and  
Safety Policy

Social and Labour Policy

Business Integrity, Anti-Bribery &  
Corruption and Corporate  
Governance Policy

The Business Integrity, Anti-Bribery & Corruption and Corporate Governance Policy is supported by Frontier's Know

Your Customer and Anti Money Laundering Procedures, and Code of Conduct (see Annex C and D, respectively).

Frontier's policies are presented below.

### 4.1 Environment, Health and Safety Policy

Frontier Investment Management and the Funds under its management, hereafter collectively referred to as Frontier, are committed to meeting good international industry practice in environmental health and safety performance through adoption of environmentally sustainable management practices and continuous improvement.

Frontier recognises that it has a responsibility to the natural environment and health and safety to its employees, contractors, portfolio company employees and communities within which it operates, beyond legal and regulatory requirements. We encourage our partners, co-investors, and employees, suppliers and stakeholders of our portfolio companies to do the same.

In pursuit of these commitments we will:

- Strive to exceed and ensure that we meet our commitments to reducing our environmental and health and safety impact;
- Continually improve our environmental and health and safety performance as an integral part of our business strategy and operating methods by carrying out regular evaluations of our performance;
- Ensure that Frontier and all its portfolio companies comply with all relevant and applicable national and international legislations, regulations and conventions on environment, health and safety, as per the Fund's ESG Requirements;
- Ensure that the Fund does not invest in any of the activities on the Fund's Exclusion List;
- Avoid, or where this is not possible, minimise adverse impacts while enhancing positive effects of the activities of its employees and portfolio companies on the natural, physical and social environments, workers, communities and all stakeholders;
- Prevent pollution, reduce waste and minimise and ensure efficient consumption of resources at Frontier as well as in our Portfolio Companies;
- Support the reduction of greenhouse gas emissions from all aspects of the operations of our investments;
- Educate, train and motivate its employees, portfolio company and contractor's employees, to value the natural, physical and social environment in which they work, so that they are able to carry out their duties in an environmentally and socially responsible manner;

- As appropriate, work over time towards international best practice standards for health and safety in line with international occupational health and safety management system specifications, and industry specific international good practice standards related to the safety of product;
- Set objectives and targets that result in continuous improvement of Frontier and its portfolio companies' environmental, health and safety performance.

We will review and update this policy every two years in consultation with our staff and other stakeholders where necessary.

#### **4.2 Social and Labour Policy**

Frontier Investment Management and the Funds under its management, hereafter collectively referred to as Frontier, are committed to meeting good international industry practice in social sustainability.

Frontier recognises that it has a responsibility to the consequences to human populations of any its actions that may interfere in the ways in which people live, work, play, relate to one another, organize to meet their needs and generally cope as members of the society. We will ensure that we meet our commitments in social equity, liveability, health equity, community development, social capital, social support, human rights, labour rights, place making, social responsibility, social justice, cultural competence, community resilience, and human adaptation.

In pursuit of these commitments we will:

- Comply with all relevant and applicable national and international legislations, regulations and conventions on social sustainability;
- Comply with the core labour standards of the International Labour Organization (ILO) viz. the conventions on freedom of association and collective bargaining; forced labour; child labour; and non-discrimination, the treatment of minorities, including indigenous peoples and gender issues; occupational and community health and safety; consultation and public participation; and the United Nations Universal Declaration and Guiding Principles on Business and Human Rights;
- Ensure that all our portfolio projects are aligned to international social impact assessment principles which include but not limited to the precautionary principle, uncertainty principle, intra-generational equity and principle of recognition and preservation of diversity;
- Ensure that the frontier employees, portfolio company employees and contractors are treated fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status;
- Provide for grievance resolution through the Fund's and its Portfolio Companies' grievance redress mechanisms;
- Ensure that stakeholders are engaged in a meaningful dialogue and considered as early as possible in the project assessment process in order to reduce

risks and provide for timely resolution of conflicts.

- Identify potential adverse effects and appropriate mitigating measures through a social impact assessment in cases involving resettlement, critical cultural heritage, indigenous peoples, non-local labour or other issues where the negative impact could be significant and consider social development contributions.

We will review and update this policy every two years in consultation with our staff and other stakeholders where necessary.

#### **4.3 Business Integrity, Anti-Bribery & -Corruption and Corporate Governance Policy**

Frontier Investment Management and the Funds under its management, hereafter collectively referred to as Frontier, are committed to meeting good international industry practice in environmental health and safety performance through adoption the highest standards of business integrity, anti-bribery and corruption and corporate governance (BIABC&CG).

Frontier recognises that it has to ensure that the businesses in which the Fund's capital is invested, exhibit honesty, integrity, fairness, diligence, dependability, truth-telling, and respect in all business dealings. We are committed to promote international best practice in relation to corporate governance in the businesses in which the Fund's capital is invested including the 2015 Organisation for Economic Cooperation and Development (OECD) Principles of Corporate Governance. We encourage our part-

ners, co-investors, and employees, suppliers and stakeholders of our portfolio companies to do the same.

In pursuit of these commitments we will:

- Comply with all applicable laws and international best practice and standards intended to prevent extortion, bribery and financial crime, including, among others, the 2005 UN Anti-Corruption Convention, the 1997 OECD Anti-Bribery Convention and, as relevant, the 2005 Extractive Industries Transparency Initiative ("EITI");
- Not tolerate corruption and bribery in any form among employees of Frontier, the Portfolio Companies and their employees or representatives, including the provision of improper benefits to customers, agents, contractors, suppliers, employers or to government officials;
- Uphold high standards of business integrity and honesty;
- Deal with regulators in an open and co-operative manner;
- Prohibit all employees from making or receiving gifts in the course of business;
- Prohibit the making of payments as improper inducement to confer preferential treatment;
- Prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- Properly record, report and review financial and tax information and anti-corruption matters;
- Promote transparency and accountability grounded in sound business ethics;
- Encourage employees and other whistleblowers who have serious concerns about any aspect of the Fund's

work to come forward and voice those concerns without fear of punishment or unfair treatment, address these concerns and protect those who come forward to report such activities.

- Use information received from its partners only in the best interests of the business relationship and not for personal financial gain by any employee;
- Clearly define our procurement and supplies procedures within the Fund and in all our portfolio companies;
- Clearly define responsibilities, procedures and controls with appropriate checks and balances within the Fund and in all our portfolio company management structures;
- Conduct regular training in anti-corruption matters for relevant staff within the Fund and in all our portfolio companies; and
- Use effective systems of internal control and risk management covering all significant ethical issues including anti-corruption, including the completion of Know Your Customer (KYC) and Anti-Money Laundering (AML) checks in line with the Frontier's KYC and AML procedures when engaging with substantial new project partners.

We will update this policy every two years in consultation with our staff and other stakeholders where necessary.



We refer to our website for more information  
[www.frontier.dk](http://www.frontier.dk)