

Environmental & Social Safeguards Policy

Version no.	Last modified by	Date	Approved by	Date
1.0	Céline Bonnenfant	28/03/2024	Nicolas Pascal	06/04/2024

Table of content

ABBREVIATIONS	4
Introduction	5
Purpose and scope.....	7
Presentation of Blue finance’s activities and goals.....	8
CRITERIA FOR CHOOSING PROJECTS	8
Marine Protected Areas (MPAs)	8
Reef-positive businesses	10
BLUE FINANCE’S THEORY OF CHANGE (TOC)	10
Problem Statement	10
Main Drivers	10
Pathway to Change	11
Logic of the intervention.....	11
POSITIVE IMPACT METRICS FOR MPAS	12
EXCLUDED ACTIVITIES	13
Governance and accountability.....	15
MANAGEMENT TEAM	15
PROJECT MANAGERS	15
INTERNAL AND/OR EXTERNAL OVERSIGHT	16
GRIEVANCE MECHANISMS	16
Grievance resolution process.....	17
Proactive approach to grievances.....	18
Informing stakeholders about the grievance system.....	19
Blue finance’s Environmental and Social guiding principles	20
HUMAN RIGHTS	20
GENDER EQUALITY & WOMEN EMPOWERMENT	20
STAKEHOLDER ENGAGEMENT	22
FREE, PRIOR AND INFORMED CONSENT	22
CULTURAL HERITAGE	23
RIGHTS OF INDIGENOUS PEOPLES	23
LAND ACQUISITION AND RESETTLEMENT	23
COMMUNITY AND PROJECT PERSONNEL HEALTH AND SAFETY	24
LABOUR CONDITIONS/STANDARDS	24
BIODIVERSITY AND USE OF NATURAL RESOURCES	25

POLLUTION PREVENTION, RESOURCE EFFICIENCY AND CLIMATE CHANGE	25
Environmental and Social (E&S) Risk management methodology	26
IDENTIFICATION OF RISKS	26
Direct and indirect E&S risks	26
Screening procedure	27
Exemptions	27
Environmental and Social Impact Assessment	27
ASSESSMENT OF E&S RISK LEVEL	28
Likelihood of risk	28
Consequence of impact	29
Significance of risk	30
Project's overall risk level	31
RISK TREATMENT	32
Types of risk treatment	32
Design of the Environmental and Social Action Plan (ESAP)	32
Alternative scenario	32
MONITORING AND INTERNAL REVIEW	33
Monitoring procedure	33
Reporting	33
Internal review	34

ABBREVIATIONS

Bf	Blue finance
ESS	Environmental and Social Standards
ESG	Environmental, Social and Governance
E&S	Environmental & Social
ESAP	Environmental and Social Action Plan
ESIA	Environmental and Social Impact Assessment
IUCN	International Union for the Conservation of Nature
IFC	International Finance Corporation
UNDP	United Nations Development Programme

INTRODUCTION

Blue finance aims to achieve positive conservation and social outcomes, including benefits for communities that depend on natural resources. However, unwanted negative environmental and social impacts may occur when projects are implemented. Within the context of its mission, Blue finance intends to ensure that appropriate measures are taken to avoid or minimise principal adverse environmental and social impacts while stimulating positive impacts.

To put this into practice, Blue finance has established an Environmental and Social Standards (ESS) Policy. This document presents the Environmental and Social (E&S) principles that Blue finance abides by as well as the systematic steps and operational tools for managing the E&S performance and risks of projects implemented or supported by Blue finance.

The system allows Blue finance to screen potential projects for negative environmental or social impacts and develop suitable measures to avoid, minimise, or compensate for these impacts. It also ensures that the implementation and effectiveness of mitigation measures are monitored and that any impacts arising during execution of the project are addressed.

Blue Finance's action is guided by 11 ESS that reflect key E&S areas and issues and determines the minimum requirements for Blue Finance projects. These principles and standards draw from and consolidate objectives of the Convention on Biological Diversity as well as other relevant international conventions and agreements on environmental and social issues including:

- i. the Universal Declaration on Human Rights;
- ii. the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work;
- iii. the UN Guiding Principles on Business and Human Rights;
- iv. the United Nations Declaration of the Rights of Indigenous Peoples;
- the OECD Guidelines for Multinational Enterprises

Given the nature of the projects invested in (investees), which are all non-governmental organisations or SMEs, Blue finance has assessed that the OECD Guidelines for Multinational Enterprises are not directly applicable to its operations. Nonetheless, Blue finance considers the underlying principles covered by such framework by assessing all underlying projects and investees against good governance practices alongside environmental and social aspects.

This policy has also been influenced by policies and guidelines from other organisations such as the International Union for the Conservation of Nature (IUCN), the International Finance Corporation (IFC), the World Bank, Conservational International and the United Nations Development Programme (UNDP).

Finally, to be aligned with market best practices, Blue Finance s “Principal Adverse Impact” as an adverse impact of investment decisions (i) on climate, or on other environment-related sustainability factors, and (ii) on social, employee, human rights, anti-corruption or anti-bribery sustainability factors, as measured by specific indicators outlined in Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing the SFDR with regard to regulatory technical standards, as may be amended from time to time.

PURPOSE AND SCOPE

This policy provides a description of the E&S standards at the core of Blue finance action, as well as of the processes in place to ensure that E&S topics are duly addressed and managed as part of Blue finance's activities. This policy is intended to be a "living document" in the form that it is periodically edited and updated to reflect rising topics and issues, as well as latest experiences and learnings from ongoing projects.

This policy is applicable for all projects implemented and/or managed directly or indirectly by Blue finance. The projects can currently be divided into two main types (see 3.1):

- Management/co-management of a Marine Protected Area (MPA) or a network of MPAs
- Implementation and management/co-management of local reef-positive businesses

Furthermore, this policy is applicable to all subsidiaries and structures involved in the co-management of MPAs or local reef-positive businesses with Blue finance. Key partners are also expected to comply with this policy at all times.

The policy is the general framework for ESS performance and risk management in the organisation. Combined with a number of Blue finance's policies, procedures and guidelines, it drives the overall performance and risk management approach and practice at all levels of the organisation. Key policies, procedures and guidelines are:

- Human Resources Policy and Procedures Manual
- Code of Conduct for child protection
- Code of Conduct
- Governance Policy and Manual
- Anti-fraud & Corruption Policy
- Anti-Money Laundering / Combating the Financing of Terrorism Policy and Manual
- Project Monitoring & Evaluation Framework
- Administration Policy and Manual
- Monitoring and Evaluation Framework
- Chance Find Procedure
- Stakeholder Engagement Plan Template

PRESENTATION OF BLUE FINANCE'S ACTIVITIES AND GOALS

Blue finance mission is to regenerate vital coral reef ecosystems, safeguard marine biodiversity, protect threatened species and enhance the lives of local communities. This is done by working with Governments and partners to build and manage self-sustaining Marine Protected Areas (MPAs) and create innovative reef-positive businesses in the Blue Economy. This allows Blue finance to aid in poverty alleviation and enable the MPAs to generate long-term income. Blue finance combines a passion for people and a commitment to conservation with business smarts, employing a social enterprise approach that safeguards marine biodiversity.

Criteria for choosing projects

Marine Protected Areas (MPAs)

Blue finance, together with local partners, manages 60 MPAs in four MPA networks in the Philippines, Indonesia, Zanzibar and Belize.

Blue finance, in order to choose which MPAs to manage, assesses whether they can achieve the following expected impacts and implement related measures:

- Control of destructive fishing practices

Focus is made on controlling destructive and illegal fishing practices on coral reef fish species through enhanced law enforcement, long term community engagement programmes and development of new jobs for fishing communities in and around the MPAs.

- Recovery of overfished reef species

Blue finance develops incentives for small-scale fishers to pursue sustainable practices via micro-credit and fishery supply chain improvement. Blue finance fights the disappearance of emblematic and keystone species through development of aquaculture hatcheries.

- Protecting sea turtles

Blue finance is dedicated to safeguarding sea turtles (endangered and vulnerable species). By preserving critical habitats (such as nesting sites), reducing poaching and spreading awareness, Blue finance is promoting biodiversity conservation and contributing to the broader conservation efforts outlined in the SDGs.

- Reducing bycatch of protected species (sharks, rays, mammals, turtles,...)

Blue finance helps reduce bycatch of protected species by controlling destructive and illegal fishing practices, promoting sustainable fishing methods, and working with local fishing communities.

- Reduction of land-based pollution

Blue finance shares the deep concern around plastic pollution. Blue finance improves the enforcement of illegal activity through engaging communities and working with our own programmes and innovative companies to support mitigation mechanisms and solutions responsibly.

- Sustainable tourism

Through its eco-tourism division, Blue finance introduces responsible eco-tourism practices with sustainable code of conducts, experiences for the conscious traveler and education programmes known as BlueTalks.

- Reduction of physical destruction on coral reefs

Coral-reef care is critical, and reefs are the axis around which all Blue finance's work evolves. Blue finance creates permanent moorings to protect them and drive coral reef protection awareness through marine conservation education for scholars, residents, and visitors.

- Preserving Mangrove from deforestation due to coastal urban development

Mangrove forests serve as natural carbon sinks that contribute to climate change mitigation. Blue finance's blue-economy businesses are focused on preserving mangrove forests and encouraging protection thereof through businesses that require mangroves to thrive. Blue finance also introduces, drives and supports programmes and educational campaigns.

- Creation of jobs and livelihoods for coastal fisher households

Blue finance improves livelihoods for coastal fisher households through the creation of jobs in its MPAs, resource monitoring, and training programs, with a specific focus on empowering women and girls.

Blue finance creates direct jobs with fishers becoming staff of the MPAs and staff of the different reef-positive businesses .

Blue finance improves livelihoods for coastal fisher households through supporting small and medium enterprises in the Blue economy and providing training programs, with a specific focus on empowering women and girls.

- Reducing poverty (SDG 1)

The increased fisheries production in Blue finance's MPAs provides essential protein and income generation to traditional as well as non-traditional areas.

- Increasing climate change resilience and contributing to climate mitigation (SDG 13)

By enhancing the health of natural coastal and marine ecosystems, which act as carbon sinks, Blue finance's work protects coastal communities from the impacts of extreme weather events caused by climate change and contributes to climate change mitigation.

Reef-positive businesses

Blue finance is currently developing or supporting reef-positive businesses in the Blue Economy in and around the MPAs under its management. Each business reduces specific drivers of coral reef ecosystem degradation, alleviates poverty and generates long-term income for MPAs. A critical part of each project is the inclusion of communities in participatory management.

Beyond improving MPA effectiveness through investment returns from dividends, each of the reef positive businesses must reduce specific drivers of coral reef ecosystem degradation. The specific drivers addressed are:

- i. Reduction of overfishing of specific reef species through development of aquaculture hatcheries for mangrove crabs, endangered sea cucumber and groupers;
- ii. Reduction of overfishing of reef species through development of incentives for small-scale fishers for sustainable practices via micro-credit and fishery supply chain improvement ;
- iii. More Sustainable tourism (avoiding overcrowding, anchor damage, etc.) through responsible eco-tourism companies with sustainable code of conducts
- iv. Reduction of negative impacts on coral reef use through awareness and marine conservation education for scholars, residents and visitors in the visitor center.

Blue finance's Theory of Change (TOC)

"The Programme", in the following section, refers to Blue finance mission to participate in the sustainable management of coral and coastal ecosystems. In practice one programme is generally linked with one MPA & one country of operations.

Problem Statement

Coral reefs face extinction as climate change impacts accelerate and marine conservation initiatives are not attracting impact capital at the same pace as the rest of the impact investment market.

Main Drivers

- a. Immediate drivers – Unsustainable and damaging practices by communities and businesses (overfishing, coastal development, agricultural run-off, pollution, etc.)
- b. Underlying drivers – Climate change leading to extensive coral bleaching

c. Structural drivers – Shortage of investment-ready projects, weak local capacities, high perceived risk of investing in blue natural capital, lack of knowledge of the market, all of which lead to high interest rates.

Pathway to Change

IF the programme deploys grants to build the capacities of local conservation actors and the local private sector, THEN Marine Protected Areas will have the resources and skills to become effectively managed and financially sustainable.

IF bankable interventions for investment are created for MPAs and IF the programme co-funds early-stage investments and structures guarantees and concessional loans with third parties, THEN there will be private sector investment in MPAs, businesses and financial instruments that address the drivers of coral reef degradation and provide blue economy livelihoods opportunities for local communities.

IF the drivers of coral reef degradation are addressed, THEN coral reef ecosystems will be healthier and more resilient to the impacts of climate change, and the communities that rely on them will have sustainable income-generating economic opportunities.

Logic of the intervention

The programme will target the bottlenecks that hinder private investment in reef-positive initiatives such as MPAs. The programme will prepare and design MPA projects that are investment grade, implement and manage those bankable projects, fundraise, train, and establish a robust M&E framework to monitor impact.

The programme is structured around the following interventions:

a. Structuring of co-management special purpose entities (SPEs) that will protect, manage and monitor networks of Marine Protected Areas (MPAs) on behalf of Governments in priority coral reef sites. Co-management is based on long-term management lease for a network of MPAs signed with local governments.

b. Establishment of a development facility managed by business developers with support from with UN Agencies, Development Financial Institutions and Foundations to construct MPA projects with high quality environmental, social and financial design, and develop reef-positive businesses supporting the MPA networks. Due to limited self-financing capacities, and the insufficiency of public funding, MPAs often lack the resources to adequately protect, manage and improve coral reef ecosystems. To address this, the MPAs will generate revenues to fund their management by:

- catalyzing direct income from MPA fees, MPA visitor center and blue carbon credits and,
- receiving indirect revenues through investment returns, dividends and fees from reef-positive businesses in and around the MPAs.

Blue finance (with co-development partners) currently have different interventions in their pipeline, but projects require assistance to prepare investment transactions to meet investor's requirements and to develop sustainable business models balanced with positive impacts on reef systems and local communities. The development facility will design and structure a portfolio of co-managed bankable MPAs and reef-positive investments that will benefit MPAs and which are attractive for the private investment window of reef-focused blended finance vehicles such as GFCR. Reef positive businesses include nature-based ecotourism, aquaculture of overfished reef fishes, fishery supply chains and micro-finance for fisher communities. The development facility will design and fundraise for MPA blended finance investment facilities mixing grants, junior debt, senior debt and guarantees for the projects. The development facility will implement an M&E framework to measure the socio-economic, management and ecological impacts of project activities. The M&E framework will be harmonized with the GFCR Investment Principles and M&E Strategy to ensure the fund-level indicators are captured.

c. Creation of MPA blended finance investment facilities to leverage private investment for the pipeline deal and mixing grants, junior debt, senior debt and guarantees for the MPAs. Partners are developing investment grade businesses in eco-tourism, sustainable aquaculture and fisheries. The programme will help leverage the commercial investment capital by providing grant funding for early-stage capital expenditures and local organizational support. The programme will increase positive impacts and reduce commercial and ESG risk of the bankable projects.

Positive impact metrics for MPAs

As mentioned, Blue finance projects aim to mitigate biodiversity loss, leading to ecological and societal improvements. The focus is primarily on coral reefs, but also includes mangrove forests and seagrass beds. Blue finance seeks to reverse biodiversity loss, through its interventions and measure the impact. While ecosystems themselves, and the linking of conservation action to biodiversity improvements is complex, Blue finance monitors and reports on six metrics that can provide clear positive impact linked to specific conservation measures.

The six impact metrics are divided into Biodiversity, Management, Livelihoods and Blue Carbon and allow for sensible indications of change within coral reef ecosystems and during investor timeframes (5 to 10 years). They target improvements to biodiversity, management effectiveness, livelihoods and the capture of blue carbon, which collectively signal better health of the ecosystem.

Target outcomes	Metrics	Target Y10
Biodiversity		
Total coral reef regenerated	Hectares of protected areas with high management effectiveness (MEAT) score	2.000.000
Species recovery	Increase in fish biomass compared to 2022	+10%
Carbon		
CO2e sequestered	Tonnes of Co2e sequestered by mangroves forests restored and conserved	1.500.000
People		
Improved catch by small fisheries	Increase for fish productivity compared to 2022. Measured through catch per unit effort (CPUE)	+10%
Job creation	Full-time equivalent employment offered in the MPAs and the social enterprises	1.000
Livelihood enhanced	Number of people with increased income and/or nutrition	50.000

Excluded activities

Blue finance will not support projects that intentionally degrade the natural environment, or involve the production of, or trade in, any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans.

In addition, Blue finance will not support any activities, which are included in the International Finance Corporation's excluded activities list. These are:

- Production or trade in weapons and munitions;
- Production or trade in alcoholic beverages (excluding beer and wine), and/or production or trade in tobacco;
- Trade in wildlife or wildlife products regulated under CITES;
- Production or trade in radioactive materials;
- Production or trade in or use of unbonded asbestos fibres;
- Purchase of logging equipment for use in primary tropical moist forest;
- Production or trade in pharmaceuticals subject to international phase outs or bans;
- Production or trade in pesticides/herbicides subject to international phase outs or bans;
- Drift net fishing in the marine environment;

- Physical displacement of people (relocation or loss of shelter), neither involuntary (where people may not be able to refuse) nor forced;
- Contact with indigenous peoples living in voluntary isolation;
- Use and/or procurement of pesticides and hazardous materials that are unlawful under national or international laws, the generation of wastes and effluents, and emissions of short- and long-lived climate pollutants;
- Removal, alteration or disturbance of any non-replicable or critical cultural heritage, or the use of any intangible cultural heritage without the Free, Prior and Informed Consent of the communities who it belongs to; or,
- Introduction of species outside their natural range (non-indigenous) that can potentially develop invasive characteristics and become harmful to the environment.

GOVERNANCE AND ACCOUNTABILITY

Governance and Accountability is a core pillar of the ESS Policy. This section describes the roles and responsibilities in place to ensure accountability and achievement of the overall E&S performance goals as set by Blue finance in this policy.

There are several levels of responsibility involved in the assessment and management of E&S performance and risks of projects.

Management team

Blue finance's management team has the responsibility to:

- Set the Standards and Guidelines that must be complied with at project level;
- Ensure that project managers can apply the requirements of this policy by:
 - o Considering their E&S capacities (willingness, technical capacities, previous experience);
 - o Integrating E&S management clauses in the contractual documentation with project managers (when external to Blue finance);
 - o Requiring E&S screening and assessment as part of the project design;
 - o Raising awareness on E&S topics by addressing them in meetings between Blue finance's management team and project managers and in the form of trainings based on real cases encountered in projects;
 - o Integrating E&S criteria in the project monitoring process;
 - o Providing guidance regarding conducting E&S Assessments and development and implementation of suitable management measures.
- Monitor to what extent E&S risks and impacts are correctly assessed by project managers at the planning/proposal stage and that subsequent E&S management activities are implemented as per this policy;
- Monitor the Environmental and Social Action Plan (ESAP) implementation during all stages of the projects;
- Consolidate reporting on Policy implementation;
- Collect feedback to adapt the requirements of this policy.

Project Managers

Project managers can be part of the Blue finance organisation or of one of its subsidiaries (e.g.: MPA manager, local reef-positive business manager, country director). They can also be key partners in charge of the implementation and co-management of the project.

Project managers have the overall responsibility for E&S assessment and management during the preparation and implementation phase of the project.

The responsibility of the project manager is to:

- Follow the Blue finance ESS policy and related procedures and to manage the implementation of their approved Project ESAP;
- Require an Environmental and Social Impact Assessment to be completed when deemed necessary;
- Implement all the management measures and mitigation activities aimed at reducing the negative impacts of the project to acceptable levels and enhancing any positive impacts;
- Ensure compliance with all relevant national legislation and alignment with international good practice
- Implement the monitoring programmes required to verify that the management measures outlined in the Project ESAP are achieving their expected results. Internal evaluations will be carried out by the project manager or their team on the field on an annual basis;
- Conduct public consultation activities necessary to support the implementation of the ESAP and to disclose relevant project information to different stakeholders, taking into account data protection regulations;
- Work closely with the host country(ies) government and third-party organisations to initiate necessary capacity building and community development actions;
- Projects shall include clear responsibilities, expertise and resources for the application of the Blue finance Policy, which may include an E&S coordinator, E&S expertise commensurate with the nature and significance of the risks and impacts identified, and adequate financial resources for effective E&S assessment and management.
- Report to Blue finance management team on all relevant E&S topics, including serious incidents;
- Report to Blue finance on grievances and complaints issued by the public or other relevant stakeholders of the respective project.

Internal and/or external oversight

In addition to the roles described above, Blue finance has implemented an Oversight team which responsibility is to review policy compliance as well as the efficiency, effectiveness and accuracy of processes and controls in place on an ongoing basis.

In case it is deemed necessary by Blue finance management team, an external auditor or other regulatory authorities may supplement the Oversight team by providing independent assurance and/or assessments on strategic, operational and compliance objectives.

Grievance mechanisms

Blue finance grievance mechanism addresses stakeholders' complaints related to issues where projects have failed to respect the ESS Policy's principles, standards, and procedures.

The aim of the grievance mechanism is to provide people or communities fearing or suffering adverse impacts from a project with the assurance that they will be heard and assisted in a timely manner.

Each grievance case is reviewed to understand whether a potential breach of the policy’s principles, standards or procedures has occurred. A process identifies the root causes of the subject of the grievance and ensures that issues of non-compliance with the policy are corrected; some cases may also require remedial actions to redress potential harm or preventive measures to avoid repetition of non-compliance.

Grievance resolution process

Resolution of complaints should be sought at the lowest possible level.

The best approach to resolving grievances involves the project management team and the affected party reviewing the conflict and deciding together on a way forward that advances their mutual interests. This reflects the fact that local and country authorities often have better information on and understanding of the causes of disputes arising from project implementation.

If interaction with project managers has not been successful, concern should be addressed to the Blue finance Country Head by email.

The email should include the following information (in any language):

- complainant’s name, address, telephone number, fax number and email address and valid proof of representation if the complaint is filled by the representative of a legal person/entity;
- description of the project or programme concerned;
- the harm that is, or may result from failures to respect Blue finance ESS Policy’s principles, standards, or procedures;
- the principle, standard, or procedure (if known) allegedly breached;
- list of supporting documents and attachments, as appropriate.

In the table below are the Country heads’ contact information

a) Blue Alliance Marine Protected Areas Headquarters / FRANCE

Name	Position	Phone number	Email
Angelique Brathwaite	Science Director	+33 6 73 27 68 54	angieb@bluealliance.earth
Célia Mercadal	Finance Director	+33 7 81 42 30 48	celiam@bluealliance.earth

b) Blue Alliance Philippines , PHILIPPINES

Name	Position	Phone number	Email
------	----------	--------------	-------

Denmark Recamara	Science Manager	+63 917 621 2478	drecamara@bluealliance-mpa.org
Bonifacio Tobias	MPA Director	+63 917 152 2300	btobias@bluealliance-mpa.org

c) Kwanini Foundation & Blue Alliance PECCA, TANZANIA

Name	Position	Phone number	Email
Suleiman Kombo Ali	MPA Operations Manager	+255 774 184 354	sali@bluealliance.earth
Arnaud Gotanegre	Chief Operations Officer	+351 910 514 538	arnaudg@bluealliance.earth

d) Tompotika Foundation & Blue Alliance Banggai, INDONESIA

Name	Position	Phone number	Email
Hero Oholiun	MPA Manager	+62 812 1951 4198	heroo@bluealliance.earth
Marian Azna Doucet	MPA Manager	+62 812 1952 3656	MarianD@bluealliance.earth

Complaint can also be submitted through Blue finance website. A complaint form is available on the [contact webpage](#).

Proactive approach to grievances

The best approach is to proactively prevent grievances from building up. Stakeholder engagement during the design phase is critical as well as regular stakeholder contact and consultation during the implementation. Maintaining a constructive relationship with stakeholders helps the project managers identify and anticipate potential issues early.

If a grievance arises the project managers should involve the affected parties in ‘deciding together’ how to resolve the issue.

If the issue cannot be solved between the two parties, an intermediate step might be to ask a local, respected individual to assume the role of an ombudsperson. Involving a person who is respected and trusted by the affected parties can be an effective and unthreatening way for communities and project management to resolve differences.

It is often good practice, as a preventive measure, to identify, together with involved stakeholders, an ombudsperson at the start of the project.

This and any other measures aimed at tailoring the grievance mechanism to the socio-cultural specificities of the project context might be described in the project's ESAP.

Informing stakeholders about the grievance system

For the grievance mechanism to be effective and accessible, the project managers must inform all relevant project stakeholders of the existence of the grievance mechanism. This should ideally be done during the project design phase but no later than within the first quarter of project implementation.

Stakeholders need to know the issues eligible for the grievance mechanism, the grievance resolution process, contact information and the mechanism for complaint submission. The information should be delivered in a culturally appropriate form assuring that all relevant groups are reached, including women, indigenous people and vulnerable groups.

It can be communicated verbally (in consultation meetings or through media/radio) or in writing. It is good practice to delineate the communication methods used in the project's ESAP.

BLUE FINANCE'S ENVIRONMENTAL AND SOCIAL GUIDING PRINCIPLES

Blue finance's ESS Policy is guided by 11 principles that provide high-level governance for Blue finance projects. The role of the policy is to check the adherence of the design of Blue finance or key partners' projects to these principles. The principles also guide the implementation of ESAP or other activities such as impact assessments.

Human rights

This principle implies the promotion of 'conservation with justice'. It recognises that activities and projects related to conservation can have both positive and negative impacts on human rights and that the pursuit of conservation goals can contribute positively to the realisation of many fundamental human rights such as those related to access to water, health, food and shelter.

Blue finance projects must show full respect for all fundamental human rights including social, economic and cultural rights, and should not contribute directly or indirectly to a deterioration of people's livelihoods. Communities linked to areas and resources where projects take place should not be worse off as a result of these interventions.

This principle also implies that equality and non-discrimination should be assured: all individuals are equal as human beings by virtue of the inherent dignity of each person and are thus entitled to human rights without discrimination of any kind, including by race, colour, sex, age, language, religion, political or other opinion, national or social origin, disability, property, birth or other status.

Gender Equality & women empowerment

Gender equality and women empowerment are integral to the achievement of Blue finance mission and fundamental to realising human rights and social justice. Blue finance's commitment to gender equality and women empowerment is ensured by prioritising gender-responsive measures throughout Blue finance's activities and assessing the potential implications, benefits and risks for women and men of any planned action. Blue finance principles are described in the Human Resources Policy and Procedures Manual, in particular the following obligations:

" 11. Equal Employment Opportunity (EEO) and Anti Bullying

This policy applies to all staff including contractors and covers all work-related functions and activities including external training courses sponsored by Blue finance. It also applies for all recruitment, selection and promotion decisions.

The objective of Blue finance's Equal Opportunity Policy is to improve business success by:

- *attracting and retaining the best possible employees*

- *providing a safe, respectful and flexible work environment*
- *delivering our services in a safe, respectful and reasonably flexible way*

11.1. *Discrimination, Sexual Harassment and Bullying*

Blue Finance is committed to upholding the highest standards of integrity, accountability, and ethics in all aspects of our work, particularly in the realm of Protection against Sexual Exploitation and Abuse (PSEA). In alignment with this commitment, we hereby formally endorse and accept the standards as set forth in the United Nations Secretary-General's Bulletin ST/SGB/2003/13, titled "Special measures for protection from sexual exploitation and sexual abuse."

For the purposes of this policy, the following definitions apply:

- *Discrimination*
Direct discrimination occurs when someone is treated unfavorably because of a personal characteristic that is protected under Victorian law.
Indirect Discrimination occurs when a rule seems neutral, but has a discriminatory impact on certain people. For example a minimum height requirement of 6 foot for a particular job might be applied equally to men and women, but would indirectly discriminate on the basis of sex, as women tend to be shorter than men.
- *Sexual harassment*
Sexual harassment includes unwelcome conduct of a sexual nature in circumstances in which it could reasonably be expected to make a person feel offended, humiliated or intimidated.
- *Bullying*
Workplace bullying may include behavior that is directed toward an employee, or group of employees, that creates a risk to health and safety e.g. physical and/or verbal abuse, excluding or isolating individuals; or giving impossible tasks.

11.2. *Equal Employment Opportunity (EEO)*

Blue finance provides equal opportunity in employment to people without discrimination based on personal characteristics. This includes:

- *age*
- *breastfeeding*
- *career status*
- *disability*
- *employment activity*
- *gender identity*
- *industrial activity*
- *lawful sexual activity*
- *marital status*
- *parental status*

- *personal association with someone having any of these characteristics*
- *physical features*
- *political activity/belief*
- *pregnancy*
- *race*
- *religious activity/belief*
- *sex*
- *sexual orientation*

Any employee found to have contravened this policy will be subject to disciplinary action, which may include dismissal as outlined in the complaint procedure below.

Employees must report any behavior that constitutes sexual harassment, bullying or discrimination to their manager. Employees will not be victimized or treated unfairly for raising an issue or making a complaint.”

(Extract from the Blue finance Human Resources Policy and Procedures Manual).

Stakeholder engagement

Meaningful, effective and informed participation of stakeholders in the development and implementation of projects is an essential principle of Blue finance’s project management practice, and it particularly relevant in the case of marine protected areas management practice.

Engaging stakeholders as early as possible is important to understand their views and interests, establish a constructive relationship with relevant parties and enable stakeholders to take ownership of the project. Meaningful participation in the formulation and implementation of a project must be seen as a genuine right of individuals and communities whose lives might be affected, positively or negatively, by the project.

Therefore, the Policy requires that a stakeholder engagement plan is carried out for every project undertaken by Blue finance or key partners. The stakeholder engagement plan should ensure at the very least that: stakeholders’ concerns are captured and potential risks are adequately identified; groups and peoples whose lives might be affected by the project are properly consulted to verify and assess the significance of any impacts; affected groups and communities participate in the development of mitigation measures, in decision making regarding their operationalisation, and in monitoring their implementation; groups and communities have access to all relevant information in a timely manner and in the appropriate language and channels of communication.

Free, Prior and Informed Consent

Free, prior and informed consent (FPIC) is the right of a party with legitimate rights to their lands, territories and resources to freely grant authorisation to another party, within existing legal frameworks (including customary law), for the execution of certain activity that implies access to, and use of, tangible or intangible resources of the party granting authorisation, or that may affect such

lands, territories and resources. Often used in the context of indigenous peoples, FPIC applies also more broadly to other rights-holders such as local communities.

More concretely FPIC applies whenever Blue finance's project activities: take place on lands, waters, or territories of indigenous peoples or other communities with legal (including customary) rights and entitlements to such lands, waters, or territories; may have negative economic, social, cultural or environmental impacts on indigenous peoples; involve the use of traditional knowledge of indigenous peoples or other local communities; or promote the development and generation of social or economic benefits from cultural heritage sites or resources to which communities have legal (including customary) rights.

Cultural heritage

Cultural heritage is defined as tangible, movable or immovable cultural resources or natural features of historical, cultural, spiritual or symbolic value. Blue finance recognizes the importance of cultural heritage and aims to ensure it is protected through the course of its project activities.

Blue finance thus strives to protect cultural heritage from adverse impacts and supports its preservation and commits to promoting the equitable sharing of benefits from the use of cultural heritage.

In order to ensure compliance with this principle, Blue finance designs its projects so they would avoid significance impacts to cultural heritage and has also established a chance find procedures which will be applied in the event that cultural heritage is subsequently discovered.

Rights of Indigenous Peoples

Indigenous Peoples are defined as social groups with identities that are distinct from mainstream groups in national societies. Blue finance recognizes that they are often among the most marginalized and vulnerable segments of the population.

Blue finance is therefore committed to fully respecting indigenous peoples' social and cultural identity, customs and institutions and ensure that projects do not negatively impact their rights and livelihoods.

Land acquisition and resettlement

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) as a result of project-related land acquisition 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.

Blue finance strives to design projects that would avoid negative impacts on the rights and livelihoods of peoples due to land acquisition or restrictions on land use. However, when avoidance is not possible, Blue finance is committed to minimizing the adverse social and economic impacts by carefully planning and implementing appropriate measures to mitigate these impacts.

Community and project personnel health and safety

Blue finance is committed to creating a working environment that protects the health, safety and well-being of all. Nothing should be done that may put anyone in danger or at the risk of harm and business needs or strategic initiatives should not be put above the health and well-being of people. This includes the threat of unplanned disruptions or crises impacting business activities, processes and / or people – regardless of the reason.

Furthermore, Blue finance recognizes that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. It is thus Blue finance's responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project-related activities, with particular attention to vulnerable groups.

Labour conditions/standards

Blue finance recognizes that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers, in accordance with ILO Declaration on Fundamental Principles and Rights (adopted in 1998), namely:

- i. freedom of association and the effective recognition of the right to collective bargaining;
- ii. the elimination of all forms of forced or compulsory labour;
- iii. the effective abolition of child labour;
- iv. the elimination of discrimination in respect of employment and occupation; and
- v. a safe and healthy working environment.

Blue finance also recognizes that its workforce is a valuable asset, and that a sound worker-management relationship is a key ingredient in the sustainability of its activities. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention and can jeopardize a project.

Blue finance is hence committed to attracting and retaining people from different backgrounds, regardless of status, ethnicity, gender, gender identity, gender expression, nationality, age, ability, sexual orientation, or religion. The company's culture is based on welcoming, respecting and valuing all team members, and creating an environment where everyone has the opportunity to succeed. Discrimination, bullying or harassment of any kind is not tolerated and team members are encouraged to speak up and escalate any concerns without fear of retaliation.

Blue finance's commitment also encompasses the protection of all its workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain.

Furthermore, Blue finance is committed to complying with national employment and labour laws as well as international conventions and instruments such as those of the International Labour Organization and the United Nations, and therefore forbids the use of forced and child labour.

Biodiversity and use of natural resources

Protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development and is at the core of Blue finance's DNA.

Since its creation, Blue finance's commitment has been to work towards the protection and conservation of biodiversity and the promotion of sustainable management of natural resources through the adoption of practices that integrate conservation needs and development priorities.

Blue finance therefore conducts its activities, including project-related activities, in a manner that ensures the sustainable management and mitigation of possible impacts on biodiversity and ecosystems.

Pollution prevention, resource efficiency and climate change

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. There is also a growing global consensus that the current and projected atmospheric concentration of greenhouse gases (GHG) threatens the public health and welfare of current and future generations.

Blue finance is thus committed to considering, throughout a project lifecycle, the ambient conditions and to applying technically and financially feasible resource efficiency and pollution prevention principles and techniques that are best suited to avoid or minimize adverse impacts on human health and the environment. Blue finance shall also promote more sustainable use of resources, including energy and water and shall strive to reduce project-related GHG emissions.

ENVIRONMENTAL AND SOCIAL (E&S) RISK MANAGEMENT METHODOLOGY

A key principle of the E&S risk management process is incorporating E&S concerns raised by stakeholders as an intrinsic part of project cycle management. Each step of the project life cycle provides opportunities to address E&S requirements to achieve good E&S performance in Blue finance projects.

The identification of potential E&S impacts or concerns is guided by Blue finance's principles that reflect key issues at the heart of its approach.

Identification of risks

Direct and indirect E&S risks

Risk identification process is broad and should cover a wide range of potential environmental and social risks. The main risk areas covered are directly linked to Blue finance's guiding principles. In addition, according to the project, other categories of environmental, social or societal risks may be identified (eg. Animal welfare in the case of an aquaculture project).

Risk identification should also consider direct and indirect risks or adverse impacts. Within the indirect risks, we can list induced impacts, cumulative impacts and impacts of associated facilities/activities.

Direct impacts are impacts that occur in the primary project site(s) and related facilities during the project (contemporaneously).

Induced impacts are impacts on areas and communities from unplanned but predictable activities or developments induced/enabled by the project (incl. impacts that might occur later or in different locations)

Cumulative impacts are project's impacts added to impacts from past, current, predictable (reasonably foreseen) future developments.

Impacts of associated facilities/activities are impacts caused by facilities/activities which are directly in the project's scope, but the project's viability and existence depend on this.

As the definition for indirect impacts implies, the risk identification process should therefore consider not only impacts occurring at the project site, but also impacts within the project's wider area of influence, including transboundary impacts, and impacts that may be triggered after project implementation.

Finally, environmental and social risks should be confused with other internal risks (such as operational or financial risks) or external risks (such as political risks) which are important for project delivery, but not included in this policy.

Screening procedure

Screening a project for possible environmental and social impacts is systematic and is to be done at the end of the concept stage before the final concept is approved and project design is finalized.

The purpose of the screening is to understand whether a project might pose risks that could give rise to any negative social or environmental impacts, to establish the project's risk level and - if risks have been identified - to determine the appropriate type and level of assessment needed to ascertain the extent of the risks.

The screening is based on the project concept and its description of the physical, biological, socio-cultural, economic and governance context of the project. It also takes into consideration stakeholder and situation analysis.

The screening is being conducted by the project management team with the support of Blue finance's team members with prior experience in environmental and social risk management.

It is crucial to understand the limitation of the screening process as it happens at an early stage of project design and the information available may not allow a judgment on all criteria.

Exemptions

Projects that consist solely of any of the following functions or activities will be exempt from the screening requirements of this ESMS (as outlined and further detailed below):

- Preparation and dissemination of knowledge products;
- Organisation of capacity building activities, such as workshops and trainings;
- Strengthening capacities of partners to participate in national and international policy processes;
- Partnership coordination and management of networks; and/or, /regional/national activities (e.g. activities such as knowledge management, inter- governmental processes) with no field-level activities.

The exemption criteria only apply when they make up the entire scope of the project. During the concept note stage/initial screening, it shall be determined if a project is exempt from the full ESMS screening requirements

Environmental and Social Impact Assessment

In some cases, and for some projects, an Environmental and Social Impact Assessment (ESIA) is prepared.

An ESIA is a comprehensive and more in-depth (compared to the screening presented in the previous section) process for analysing environmental and social impacts with a dedicated methodology for stakeholder consultation; it encompasses an analysis of the policy, legal, and administrative framework; stakeholder identification and analysis; collection of environmental and social baseline data; impact prediction and assessment; analysis of alternatives; and development of an environmental and social management plan.

When an ESIA is needed, Blue finance will hire an external expert to carry out the assessment.

Cases when an ESIA is needed:

- Local legislation requires it;
- The project involves civil works and infrastructure construction, such as the construction of ecotourism facilities and aquaculture processing facilities;
- The estimated project budget is over EUR 1 million;
- At the end of the screening procedure, the overall risk level of the project is considered high (as per the risk significance assessment procedure described in the following section)

Assessment of E&S risk level

A project can bear several environmental and social risks as described above. Each one of these risks needs to be assessed individually according to a set methodology in order to determine the overall risk rating of a project. Each E&S risk will have to be addressed according to its significance, and the overall project risk rating could also trigger the implementation of some specific procedures.

E&S risk significance is composed of two components which are:

- Likelihood of environmental and social risks and impacts
- Consequence of environmental and social risks and impacts on stakeholders
-

Likelihood of risk

Likelihood is based on two factors:

- An estimation on how common the risk or its impact is, done by looking either at the same project (continuation of past activities), or at similar projects or initiatives. This could include the number of similar incidents in a given time period and should therefore be based on available historical data, forecasting data and trend analyses.
- Stakeholder perspective on the likelihood of a risk or impact occurring, as they are knowledgeable of their context, including the ecological and social dynamics. They are therefore well placed to judge if something might happen.

Several degrees of likelihood can then be identified, according to a 5-point scale, which follow the following guiding criteria:

Risk/impact	Very unlikely to occur (1)	Not expected to occur (2)	Likely - could occur (3)	Almost certain - known to occur (4)	Common occurrence (5)
Description	There are no known past incidents and stakeholders consulted indicated that it is very unlikely to occur.	There is one known past incident and stakeholders consulted indicated that it is either very unlikely to occur or not expected to occur.	There are several past incidents (between 1 to 10) and stakeholders consulted indicated that it is either not expected to occur or likely to occur.	There are multiple past incidents (over 10) and stakeholders consulted indicated that it is either likely to occur or almost certain that it will occur.	Incidents are a common occurrence and stakeholders consulted indicated that it is either almost certain that it will occur or that it will be a common occurrence

Consequence of impact

“Consequence” is based on two key components: scale and severity

Other factors may also be taken into consideration when defining the consequence of a risk or impact:

- Sensitivity of the people or environment to the impact in question
- The duration and reversibility of the impact (how long the impact will last for and whether it can be reversed with time)
- The level of stakeholder’s concern about this given impact

“Consequence” is also ranked on a 5-point scale. Expertise and judgment should be used in assigning consequence category and the severity and scale definitions may vary according to the different E&S risks and impacts.

Consequence category	Description
----------------------	-------------

Negligible (1)	Negligible or no adverse impacts on communities, individuals, and/or on the environment.
Minor (2)	Adverse impacts of minor magnitude, very small scale (e.g. very small affected area, very low number of people affected) and only short duration, may be easily avoided, managed, mitigated.
Medium (3)	Adverse impacts of medium magnitude, limited in scale (small area and low number of people affected), limited in duration (temporary), impacts are relatively predictable and can be avoided, managed and/or mitigated with known solutions and straight forward measures.
Major (4)	Adverse impacts on people and/or environment of high magnitude, including large scale and/or spatial extent (large geographic area, large number of people, transboundary impacts), of certain duration but still reversible if sufficient effort is provided for mitigation; receptors are considered sensitive; examples are adverse impacts on areas with high biodiversity value; adverse impacts to lands, resources and territories of indigenous peoples; significant levels of displacement or resettlement with temporary consequences on peoples' livelihood; impacts give rise to social conflicts which are expected to be of limited duration.
Severe (5)	Adverse impacts on people and/or environment of very high magnitude, including very large scale and/or spatial extent (large geographic area, large number of people, transboundary impacts), cumulative, long-term (permanent and irreversible); receptors are considered highly sensitive; examples are severe adverse impacts on areas with high biodiversity value ¹¹ ; severe adverse impacts to lands, resources and territories of indigenous peoples; significant levels of displacement or resettlement with long-term consequences on peoples' livelihood; impacts give rise to severe and cumulative social conflicts with long-term consequences.

Significance of risk

Risk significance is determined by looking at the likelihood and consequence of the risk and its impacts.

		Likelihood				
		Very unlikely to occur (1)	Not expected to occur (2)	Likely could occur (3)	Almost certain - known to occur (4)	Common occurrence (5)
Consequence	Severe (5)	Moderate	Substantial	High	High	High
	Major (4)	Low	Moderate	Substantial	Substantial	High
	Medium (3)	Low	Moderate	Moderate	Moderate	Substantial
	Minor (2)	Low	Low	Moderate	Moderate	Moderate
	Negligible (1)	Low	Low	Low	Low	Low

For each environmental and social risk that has been identified for a given project, management measures need to be considered in order to avoid or minimise that risk. The kind of measure to implement and how rapidly it has to be implemented will depend on the level of significance of said risk. Out of all risks that have been identified and then analyzed, it has to be decided which risks can be accepted and those that should be considered priority for response.

For instance, if a risk has been deemed of low significance, there might not be the need for a management measure, while the identification of high significance risk may lead to the immediate cessation of activities to implement mitigation measures.

Project's overall risk level

According to the risk screening that has been conducted (see previous section), projects are assigned one of three risk levels:

- High-risk project: Projects with the potential to cause high adverse risks and impacts that are diverse, irreversible and unprecedented. These impacts may influence an area broader than the project site or the direct project area and will require specific management measures that go beyond standards solutions.
-
- Moderate-risk project: Projects with moderate to substantial impacts and risks but they are less adverse and fewer in number than those of high-risk projects. Typically, these impacts are site specific, their extent can be determined with a reasonable degree of certainty, few if any of

them are irreversible, and mitigation measures could be readily designed and implemented to successfully address these concerns.

-
- Low-risk projects: Projects that have no or insignificant risks or impacts, and/or when mitigation measures have already been devised as part of the project's activities that appropriately address the risks.

Risk treatment

The purpose of risk treatment is to manage the risk's significance, by addressing either the likelihood or impact or both. For each risk one or more risk treatment measures must be identified. These treatment measures should be summarized in an Environmental and Social Action Plan (ESAP) that would also set the priorities in terms of implementation.

Types of risk treatment

The risk treatment may be of four types: avoid (seeking to eliminate activity that triggers such a risk or avoiding creating impacts from the outset), mitigate (reducing the likelihood and/or impact of the risk below the threshold of acceptability), compensate (offsetting or remedying any residual significant adverse impacts) and tolerate (accepting the risk level).

Projects should follow the mitigation hierarchy, prioritising the avoidance of unnecessary impacts through careful project design.

Where avoidance is not possible, then minimisation and finally compensation should be considered, in that order. Clearly establishing the spatial boundaries and resource use regulations that are required for a particular conservation outcome, can aid with the identification of unnecessary impacts that could be avoided. Compensation measures, such as livelihood restoration programmes, are costly and can create new risks.

Where avoidance and minimisation are feasible, this would always be the preferred option.

Design of the Environmental and Social Action Plan (ESAP)

The ESAP is the main output of the E&S screening procedure and/or ESIA process. It is a strategy for managing risks and mitigating impacts. It describes the set of mitigation measures identified together with an implementation schedule, required resources and responsibilities.

The ESAP is important because it also allows for implementation to be tracked as the project progresses.

Alternative scenario

Alternative scenarios are not systematically included in an ESAP but are evaluated when an ESIA is being conducted.

Furthermore, as per the mitigation sequence presented in the previous section, avoidance measures will always be preferred, particularly in the case of a risk with a highly significant impact. It therefore entails to consider alternative options.

Monitoring and internal review

Once corrective measures have been developed and integrated into project design, implementation begins. This includes monitoring and reporting, which are critical to ensure compliance with the Environmental and Social action plan as the project is being implemented.

Monitoring procedure

Monitoring is to verify that the mitigation measures specified in the ESAP are being implemented as planned and to provide evidence that these mitigation measures are successful in avoiding or mitigating negative impacts.

Monitoring also includes regular screening of the project context to identify potential new environmental or social risks that might have come up and which would require risk management.

To facilitate and document ESAP monitoring, Blue finance strives to track progress in the implementation of mitigation measures using a three-point ranking scale: on track, slightly delayed, delayed/ constraints encountered. This is generally done annually. Furthermore, Blue finance also monitors the apparent effectiveness of the implemented measures. In case effectiveness is not up to expectations or implementation is being regularly delayed, new mitigation measures may be considered.

ESAP monitoring is integrated, when possible, in the overall project monitoring process because synergies may exist and some indicators developed for project results monitoring might also be used as evidence for verifying effectiveness of mitigation measures.

Monitoring is usually conducted and/or supervised by the project management team but external expertise as well as local communities' representatives may also be solicited.

Reporting

Blue finance publishes, on the company's website and on an annual basis, impact and activity reports per country of presence. These reports include updates on the conservation projects and other related projects taking place in the country.

In addition, for high-risk projects, monitoring reports may be made available on the company's website or at request. Updates shall be on an annual basis.

Internal review

On semi-annual basis, there are on-site visits by the Blue finance central Management team. During those visits, they may decide to review the correct implementation of the mitigation measures presented in the ESAP.