

ENVIRONMENTAL AND SOCIAL RISK SCREENING PROCEDURE		Page 1 de 5	
Code: DO 08 Aprobal date: Jun-2-2016 Effective date: Abr-7-2017	Scope: All AVINA Prepared by: Risk Committee Approved by: Board of Directors		

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1. INTRODUCTION AND PURPOSE

Fundación Avina’s mission is to impact sustainable development by creating favorable conditions for diverse actors to join forces in contributing to the common good. To achieve its mission, Avina develops programs and projects which promote a prosperous, integrated and democratic Latin America, which is inspired by its diversity, built in solidarity by its citizens, and known globally for its own model of sustainable and inclusive development.

In the analysis, approval and monitoring of its projects, Avina applies an institutional risk protocol to ensure that risks of an institutional nature are properly identified and mitigated / managed. This protocol defines risks as “any and all potential or verified situations which threaten the reputation or capacity of Fundación Avina to achieve its institutional objectives.”

As an organization whose mission is to promote sustainable development, Fundación Avina explicitly seeks to improve the environmental and social conditions of the communities and ecosystems where it operates throughout Latin America. Nevertheless, this environmental and social risk screening procedure has been developed to ensure that projects the foundation supports do not inadvertently lead to adverse environmental and/or social risks or impacts.

It is important to note that the present procedure serves as a corollary to our institutional risk protocol and guides the identification and evaluation of environmental and social risks, which are then managed in accordance with the principles and guidelines set forth in the institutional risk protocol itself. In other words, this procedure does not replace Avina’s institutional risk protocol nor should it be used in isolation. Rather, it serves as a complementary tool to strengthen our overall risk management practices.

This procedure has been developed considering the current practices of reference institutions in similar fields, including the Inter-American Development Bank, the United Nations Development

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Program, the United Nations Environment program, the Green Climate Fund, the International Finance Corporation (IFC) of the World Bank Group, and the Latin American Development Bank (CAF).

2. ENVIRONMENTAL AND SOCIAL RISK SCREENING PROCEDURE

The Environmental and Social Risk Screening applies to all projects financed by Avina with a duration of 12 months or longer and/or an amount over US\$ 50,000, or any project whose actions may generate negative impacts regardless of amount or duration. The procedure should be applied while projects are under evaluation and should take into account the following basic considerations:

- a. Is there any negative / non-intended projected impact on the local environment and populations?
- b. Are there any potential environmental and social risks?
- c. If yes, what is the significance of such risks (low, medium, high)?
- d. How can the risk/s be monitored and mitigated?
- e. Who should be involved in the mitigation and monitoring plan?

During the project design phase, allied organization and the program team responsible for proposing the project must identify potentially negative environmental and social impacts which may arise by completing the **Environmental and Social Risk Screening Checklist (see below)**. The completed checklist and corresponding analysis are registered in the organization's internal CRM system, including an initial version of a contingency plan as necessary. Depending on the environmental or social risks identified during this phase, Avina may decide not to continue with the project.

During the project implementation phase, any risks identified during the design phase together with their corresponding mitigation or management plans are incorporated into the implementation plans for the project. During project implementation, each programmatic team is responsible for ongoing contextual analysis, monitoring of identified risks and/or identification of new risks as the project evolves, and discussion with Avina's Risk Management Committee. Identified risks are mapped and monitored continuously, and a mitigation plan is developed for each one. External support is sought as needed, and depending on the risk classification an internal ad hoc committee may be convened. Ongoing evaluations of all risks are conducted on a monthly and quarterly basis, with results shared throughout the organization and reported to Fundación Avina's Board of Directors.

In the project evaluation phase, a comparative analysis will be conducted to verify that no additional risks to those identified during the design phase were manifested. If additional risks

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arose during project implementation, these are assessed for their learning potential for Avina as an organization.

3. TYPES OF ENVIRONMENTAL AND SOCIAL RISK COVERED BY THIS PROCEDURE

This procedure considers and seeks to identify and mitigate environmental and social risks in the areas represented by the eight Performance Standards used by the Green Climate Fund and the International Finance Corporation (IFC) as follows:

- PS1: Assessment and management of environmental and social risks and impacts
- PS2: Labor and working conditions
- PS3: Resource efficiency and pollution prevention
- PS4: Community health, safety and security
- PS5: Land acquisition and involuntary resettlement
- PS6: Biodiversity conservation and sustainable management of living natural resources
- PS7: Indigenous peoples
- PS8: Cultural heritage

The screening checklist presented below includes questions which aim to identify and assess the level of significance of risks associated with each of the above.

4. ENVIRONMENTAL AND SOCIAL RISK CLASSIFICATION

Based on Avina's close collaboration with project allies in the field and the information collected through the screening checklist, an Environmental and Social Risk Classification is adopted for each project over 12 months and USD \$50,000 according to its probability and potential severity as follows:

Low E&S Risk: Projects which represent minimal or no adverse risks/impacts to society or the environment. For these projects, no specific procedures are required. The risk is monitored by the program team as part of its ongoing follow-up with project allies. (Note: For Avina, a classification of low risk would be consistent with Risk Category C of the Green Climate Fund.)

Medium E&S Risk: Projects with risks of medium probability of occurrence and/or severity of impact, meaning potential adverse risks and impacts on human populations and/or the environment are possible but are not likely to be significant and can easily be mitigated through a mitigation plan. For this level, Avina's Risk Management Committee is involved to be sure that an appropriate risk mitigation plan is developed. Implementation is led by

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the Risk Management Committee, and the risk may be downgraded (or upgraded) depending on how implementation of the mitigation plan evolves.

High E&S Risk: Projects with environmental and/or social risks which are considered of high significance, irreversible or which generate concern in the local community linked to the project. This level of risk requires an additional level of institutional approval in order for the project to be supported. For this level of risk which is the most serious, the Board of Directors, Executive Division, and Risk Management Committee (RMC) are all involved, and an ad hoc committee is also convened to support risk mitigation. A risk mitigation strategy and contingency plan are developed and overall responsibility for their implementation is led by the RMC. If the risk is deemed so serious that it could affect the normal functioning of Fundación Avina in a given country or program or could cause serious reputational risk to Fundación Avina, the Presidency, Executive Division and Board of Directors are involved in the contingency plan implemented by the RMC.

Fundación Avina will evaluate any E&S risk included in a funding proposal in order to determine the possibility to mitigate such risk. If any mitigation action/plan can be taken, the proposal would not be approved by Fundación Avina.

5. CHECKLIST FOR ENVIRONMENTAL AND SOCIAL RISK SCREENING

As an organization whose mission is to promote sustainable development, Fundación Avina explicitly seeks to improve the environmental and social conditions of the communities and ecosystems where it operates throughout Latin America. Nevertheless, this environmental and social risk screening checklist has been developed to ensure that projects the foundation supports do not lead to adverse environmental and/or social risks or impacts. It models two checklists developed for similar purposes and used by the United Nations Environment Program (UNEP) and United Nations Development Program (UNDP).

The checklist, which applies to all projects with duration of 12 months or greater and amounts of USD \$50,000 or greater, or any project whose actions may generate negative impacts regardless of amount or duration, is to be used as follows:

- 1) The allied organization that will receive funds for the proposed project is responsible for completing the checklist together with the corresponding Avina program officer.
- 2) The checklist must be completed during project development to aid the identification of possible risks and activities to be included in the project proposal and plan.
- 3) The completed checklist must be submitted with the project proposal and budget for evaluation by Avina in deciding whether to approve the project.

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- 4) The checklist will be used by Avina in determining the Environmental and Social Risk Level for the proposed project.
- 5) The checklist and corresponding mitigation plans will be reviewed by Avina with the ally at least annually, and any changes to responses and/or risk updates must be reported to Avina by the ally during the periodic narrative reports required over the life of the project.

Upon completing the checklist, one should take into account any temporary and permanent impacts over the short- and long-term. The following list contains criteria to be assessed for potential impact: LOW, MEDIUM, and HIGH:

ENVIRONMENTAL RISKS

1. Ecological damage and impact on biodiversity.
2. Pollution to the air, ground, water, or oceans.
3. Increased production of any type of waste.
4. Deforestation, changes in land use, or loss of habitat.
5. Increased demand for nonrenewable energies.
6. Use of technologies that are controversial and unfavorable to the environment.

SOCIAL RISKS

1. Noncompliance with national and international labor standards established by the ILO.
2. Damage to traditional lifestyles, beliefs, and culture of indigenous peoples.
3. Dissolution of the equal participation of disadvantaged groups.
4. Impacts on the health and safety of communities associated with transportation, storage, use, or disposal of toxic or hazardous materials.
5. Deterioration of sites, structures, and objects of historical, cultural, artistic or religious value.
6. Elimination of role and leadership of different local actors in building the development of their communities.