ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT

PROCEDIMIENTO

CODE PR

PREPARED BY:

REVIEWED BY:

APPROVED BY:

EFFECTIVE DATE:

Our Mission

"Operating from the global south, we foster collaborative processes to drive systemic changes for human dignity and planetary care.."

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1-DOCUMENT TYPE

INTERNAL PROCEDURE: Derived from PG Risk Management.

2-BACKGROUND

In order to fulfill its mission, Avina develops programs and projects to promote sustainable development. In the analysis, approval and monitoring of these projects, Fundación Avina is subject to the General Risk Management Policy, among other regulations, to ensure that all institutional risks may be detected, mitigated and channeled correctly.

This purpose of this document is to serve as an instrument to guarantee that the projects supported by Fundación Avina do not lead to unintentional adverse environmental or social impacts or risks.

This procedure was developed based on the current practices of leading institutions in related fields, including the Inter-American Development Bank, the United Nations Development Programme, the United Nations Environment Programme, the Green Climate Fund, the International Financial Corporation (IFC) of the World Bank Group and the Development Bank of Latin America and the Caribbean.

3-OBJECTIVE

The objective of this procedure is to guide Avina's employees in identifying and evaluating environmental and social risks. This risks are then managed in line with the principles and guidelines provided in the General Risk Management Policy, serving as a complementary tool to strengthen and guide general risk management practices.

4-SCOPE

This policy applies to all Avina employees at different levels and in various roles they may perform. It also applies to individual allies and consultants who act on behalf of Avina. This process operates across the whole institution.

5-DEFINITIONS AND ABBREVIATIONS

Risk: is any situation threatening the reputation or the ability of the organization to meet its institutional objectives.

ESR: Environmental and Social risk.

CGR (Spanish acronym): Risk Management Committee.

6-DEVELOPMENT

6.1 PROCEDURE FOR ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT

6.1.1 Implementation

The environmental and social risk assessment applies to:

- Projects financed by Fundación Avina with a minimum duration of *12 months and valued at over USD 50,000.*
- Projects that carry out actions which may generate negative impacts, regardless of the amount or term of the project.

6.1.2 Phases of the Project – Risk Assessment

The following considerations should be taken into account in risk assessment:

- Are there any anticipated negative/unintended impacts on the environment and local population?
- Are there potential environmental and social risks?

- If yes, what is the magnitude of those risks (low, moderate, high)?
- How can they be monitored and mitigated?
- Who should be involved in the risk mitigation and monitoring plan?

1. ***Project Design Phase:*** The ally organization and the Fundación Avina program team who are in charge of leading the project, must identify the potential adverse environmental and social impacts that could arise from the project. For this, they must complete the Environmental and Social Risk Assessment Checklist, attached in section *6.4* of this document.

The completed checklist is then entered into the organization's internal management system - CRM (Spanish acronym) with the corresponding analysis, including a preliminary contingency plan if necessary. Subject to the environmental or social risks identified during this phase, Fundación Avina may decide not to continue the project.

2. ***Project Implementation Phase:*** The risks identified in the design phase must be incorporated into the plans for the project, with the corresponding mitigation or management plans. During the implementation of the project, each program team is responsible for conducting an ongoing context analysis, monitoring the identified risks and identifying new ones as the project progresses, in deliberation with the Fundación Avina Risk Management Committee.

There is continuous monitoring of the identified risks, based on the mitigation plan developed for each risk. If necessary, external support will be sought, and depending on the risk classification, a special committee may be established. Additionally, continuous assessments of all risks are conducted on a monthly and quarterly basis. The assessment results are reported to the Board of Directors of Fundación Avina and disseminated throughout the organization.

3. ***Project Evaluation Phase:*** A comparative analysis is carried out to make sure no other related risks have emerged during the design phase.

4. ***Project Implementation Phase:*** Any additional risks emerging during the project implementation phase will be assessed, in order to strengthen institutional learning.

6.2 TYPES OF RISK

This procedure takes into account and seeks to identify and mitigate socio-environmental risks in the areas represented by the eight Performance Standards (PS) used by the Green Climate Fund and the International Finance Corporation (IFC), namely:

- 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.

6.3 RISK CLASSIFICATION

Fundación Avina classifies risks according to *their probability of occurrence* and their *potential severity.* Based on this criterion, Environmental and Social Risks (ESR) for projects with a duration exceeding 12 months and an investment of more than USD 50,000, can be considered at the following Risk levels:

LOW MODERATE HIGH

LOW ESR:

Projects with minimal or non-adverse risk/impact on society or the environment.

- These projects do not require specific procedures.
- A program team is in charge of risk monitoring, as part of continuous tracking with those responsible for the project. (*Clarification:* For Fundación Avina, the low-risk classification would correspond to Risk Category C of the Green Climate Fund.)

MODERATE ESR:

Projects with a risk rating of medium probability of occurrence or moderate severity of impact, or both. It means that potential adverse risks and impacts on human population or the environment could exist, but would not be significant and they could be easily reduced by implementing a mitigation plan.

- Fundación Avina's *Risk Management Committee* needs to be involved for this risk level, to guarantee the development of an appropriate risk mitigation plan.
- The Risk Management Committee leads the implementation of the plan, and the risk category may be downgraded or upgraded, depending on how the mitigation plan's implementation evolves.

HIGH ESR:

Environmental or social risks ranked as great magnitude, irreversible or cause for concern in the local community associated with the project.

- This risk level requires an additional level of institutional approval to secure support for the project.
- Due to the seriousness of this level of risk the *Board of Directors, Executive Director and Risk Management Committee (CGR)* engage, creating an ad-hoc committee to support risk mitigation.
- A risk mitigation strategy and contingency plan are developed, and the CGR takes overall responsibility for its implementation.
- If the risk is perceived to be severe enough to affect Fundación Avina's normal operations in any given country or program, or that it could seriously jeopardize Fundación Avina's reputation, *the President, the Executive Director and the Board of Directors must engage in the contingency plan implemented by the CGR*.

For any level of ESR identified in a funding proposal, Fundación Avina will conduct the corresponding analysis to establish the possibility of effective risk mitigation. If this is not possible, Fundación Avina will NOT fund the proposal.

6.4 ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT CHECKLIST

The assessment checklist presented below includes questions aimed at identifying and assessing the level of seriousness of the risks related to each of these standards.

Accordingly, we are adopting two checklists developed for similar purposes and used by the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP).

Using the checklist

1. The ally organization who will receive the funds for the proposed project is responsible for completing the checklist together with the relevant Avina program officer.
2. The checklist should be completed during the program development phase, to help identify potential risks and activities which are relevant to include in the project plan and proposal.
3. The completed checklist should be submitted along with the project proposal and budget for evaluation by Avina for approval or non-approval of the project.
4. Fundación Avina will use the checklist to determine the Environmental and Social Risk Level of the proposed project.
5. Fundación Avina and the ally will review the checklist and corresponding mitigation plans at least once a year. Additionally, the ally shall inform of any changes to their answers or risk updates in the periodic narrative reports required during the duration of the project.

When completing the checklist, consideration should be given to: *temporary, permanent, short-term and long-term impacts.*

6.5 ENVIRONMENTAL AND SOCIAL RISK EVENTS

ENVIRONMENTAL RISKS

1. Ecological damage and impact on biological diversity.
2. Atmosphere, soil, water or sea pollution.

3. Increased waste production of any kind.
4. Deforestation, changes in land use or loss of habitat.
5. Increased demand for non-renewable energy.
6. Use of controversial and environmentally unfavorable technologies.

SOCIAL RISKS

1. Non-compliance with national and international labor laws established by ILO.
2. Damage to the traditional lifestyles, beliefs and culture of indigenous peoples.
3. Elimination of parity for disadvantaged groups.
4. Impact of the transportation, storage, use or disposal of hazardous or toxic materials on the health and safety of communities.
5. Deterioration of sites, structures, and objects of historical, cultural, artistic or religious value.
6. Elimination the role and leadership of local stakeholders in the development of their communities.

7-RESPONSIBILITIES

Program Team:

- Identify potential emerging adverse environmental and social impacts.
- Complete the Environmental and Social Risk Assessment Checklist.
- Record the checklist in the organization's internal management system - CRM with the corresponding analysis, including a preliminary contingency plan if necessary.
- Responsible for conducting an ongoing context analysis, monitor flagged risks, and detecting new risks as the project progresses.

Risk Management Committee

- At moderate risk levels, is responsible for guaranteeing the development of an adequate risk mitigation plan.
- Lead plan implementation, and may downgrade or upgrade the risk category depending on how the mitigation plan's implementation evolves.

- At high risk levels, is responsible for developing a risk mitigation strategy and contingency plan, and takes the overall responsibility for its implementation.

8-RELATED DOCUMENTS

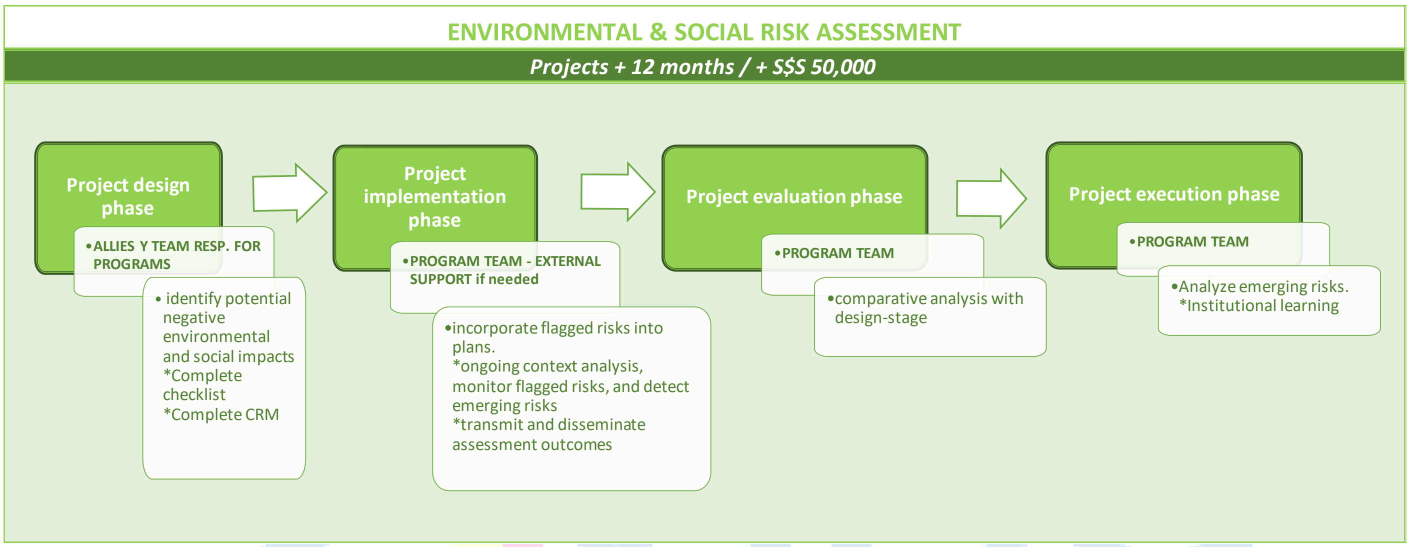
This procedure is linked to:

- PG Risk Management

This procedure is linked to the following internal use tools/forms:

- CRM - Risks checklist
- Risk Matrix

9-GRAPHIC SUMMARY



RISK RANKING SUMMARY

RISK LO

1-Risk to-/impact on society or environment is minimal or non-adverse

2-No specific procedures required

3-Risk is monitored by program team

RISK MODERAT

1-Medium probability of occurrence or moderate impact

2-Risk Management Committee engages

3-Risk Management Committee takes lead in plan implementation

RISK HIG

1-Environmental or social risks ranked high or irreversible, or cause for concern in project-target community

2-Additional level of institutional approval required to secure support for the project

3-Board of Directors, Executive Director and Risk Management Committee engage, creating ad-hoc risk mitigation support group