

**Public Institution Organization for Entrepreneurship Development
Chișinău, Moldova**

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE POLICY

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POLICY VERSION

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CHAPTER I. GENERAL PROVISIONS

1.1. The Public Institution "Organization for Entrepreneurship Development" (hereafter referred to as ODA) is a legal entity under public law subordinated to the Ministry of Economic Development and Digitalization with the mission of supporting the development of the entrepreneurial environment, including small and medium-sized enterprises, by promoting entrepreneurial culture, granting of financial and technical assistance, issuing financial and state guarantees and creating business support infrastructure.

1.2. Our aspiration is to act according to the highest standards of integrity and in the best interest of society. We are committed to acting as a responsible partner to all stakeholders and addressing the impact our business operations may have on the environment and society. Our goals are to promote sustainable business, ensure our risk management processes are aligned with industry best practice and increase transparency.

1.3. Expectations of peace and prosperity for people and the planet, now and in the future, led to the adoption in 2015 by all member states of the United Nations of the 2030 Agenda for Sustainable Development, at the heart of which are the Sustainable Development Goals (UN SDG) (<https://www.undp.org/sustainable-development-goals>), which is an urgent call to action by all countries, both developed and developing, in a global partnership. They recognize that eliminating poverty and other deprivation must go hand in hand with strategies that improve health and education, reduce inequality, and boost economic growth – all while addressing global environmental change and working to conserve our common natural heritage.

1.4. The legal status of a public institution imposes an increased responsibility on the way of activity of both ODA, as a legal entity, and its employees and partners, as well as on the efforts made in order to achieve the UN SDG.

1.5. Recognizing the importance of the UN SDGs, ODA is committed to strengthening its efforts and improving environmental, social and governance (ESG) outcomes and disclosures as one of the main tools in achieving the UN SDGs. This commitment is rooted in our desire to develop strong communities, serve our beneficiaries and be the most trusted institution. Integrating ESG principles into all aspects of our work creates long-term value and strengthens the communities where our beneficiaries, employees and other stakeholders live and work. These principles enable us to pursue business opportunities and manage risks associated with addressing societal challenges today and in the future.

1.6. This Environmental, Social and Governance Policy (ESG Policy) summarizes ODA's position on social and environmental issues and is the basis for identifying, assessing, and managing social and environmental risks in relation to our own operations and relationships with stakeholders, especially our beneficiaries, including in the financing of projects and investments. This represents a set of commitments, principles and actions that are carried out in parallel with the existing procedures for managing ODA activity and risks.

1.7. The effective implementation of the ESG Policy will be carried out by qualified personnel who understand the principles of social and environmental risk management.

1.8. Acronyms used in this Policy have the following meanings:

1.8.1. **ODA** – Public Institution "Organization for Entrepreneurship Development";

1.8.2. **ESG** – environmental, social and governance aspects;

1.8.3. **FACEM** – Moldova Entrepreneurship and Economic Growth Fund;

1.8.4. **FGC** – Credit Guarantee Fund;

1.8.5. **FI** – financial institutions (banks, leasing companies, non-bank financing organizations);

1.8.6. **IFO** – international financial organizations;

1.8.7. **ES** – exceptional situation;

1.8.8. **UN SDG** – UN Sustainable Development Goals.

1.9. When drafting this Policy, the provisions of international agreements, legislative and normative acts of the Republic of Moldova, as well as acts of international financial organizations were considered, including:

1.9.1. The Paris Agreement of 12.12.2015 on environmental changes;

1.9.2. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088;

1.9.3. The World Bank's Environmental and Social Standards, applicable to projects financed by International Financial Institutions initiated on or after October 1, 2018;

1.9.4. Labour Code of the Republic of Moldova no. 154 of 28.03.2003;

1.9.5. Law on the protection of the environment no. 1515 of 16.06.1993;

1.9.6. Law on environmental impact assessment no. 86 of 29.05.2014;

1.9.7. Security law and occupational health no. 186 of 10.07.2008;

1.9.8. Law on ensuring equal opportunities between women and men no. 5 of 09.02.2006.

CHAPTER II. SOCIAL AND ENVIRONMENTAL ASPECTS

Section 1. Social and environmental culture

2.1. ESG itself represents a vast set of social, environmental and governance considerations that can influence the institution's ability to achieve its business strategy and bring long-term value to the institution. Even if ESG factors are of a non-financial nature, the way the institution manages them undoubtedly has financially measurable consequences.

2.2. ODA therefore promotes environmentally sound and sustainable development in all its operational, investment and technical cooperation activities, in accordance with its normative acts.

2.3. We believe that social and environmental sustainability is a fundamental aspect of achieving results in line with its transition mandate and we recognize that projects that support social and environmental sustainability are among the priorities our activities.

2.4. By implementing this Policy, ODA will contribute to support entrepreneurship in order to help entrepreneurs add value to their activities, improve long-term sustainability and strengthen their capacity to manage environmental and social aspects.

2.5. All projects financed by ODA will be structured in such a way as to comply with the requirements of this Policy.

2.6. For the purposes of this Policy, unless it expressly states otherwise, "projects financed by ODA" means (i) projects financed directly by ODA, (ii) projects financed by other financial institutions from the financial resources allocated by ODA and (iii) projects financed by other financial institutions under the ODA guarantee.

Section 2. Human rights

2.7. Human rights are fundamental rights that give people the freedom to lead a life of dignity, without fear or deprivation and free to express their independent beliefs. These rights apply equally and universally in all countries. ODA respects and supports the international human rights described in the Universal Declaration of Human Rights, and we recognize our responsibility to respect them.

2.8. We are firmly convinced that activity based on good morals and compliance with unanimously recognized and accepted rules of conduct, the fair treatment of all parties involved and concern for the well-being of future generations, is essential for sustainable development and ODA condemns any actions that attempt this way of activity.

2.9. ODA condemns and will refrain from any actions that can be qualified as bad business practices, such as unfair competition, discretionary favouritism, acts of corruption, unethical behaviour, etc. In this context, ODA will develop internal regulations, through which it will establishing express and clear rules to be followed by all members of the management bodies and employees of ODA with reference to the subjects mentioned above, as well as the consequences of non-compliance.

2.10. Gender equality is also an essential aspect of a market economy and of a modern, properly functioning democratic society. ODA will develop mitigation measures in case of identification of possible disproportionate impacts specific to one or another sex and adverse parties, or beneficiaries of support programs implemented by ODA will be required to promote equal opportunities, especially in relation to access to finance, services, and employment.

2.11. ODA will not directly engage in commercial activities that are known to have elements of human rights abuse and/or where such violations exist. If such violations are observed in existing beneficiaries of support programs implemented by ODA, ODA

will negotiate remedial measures and measures to prevent further violations in the future.

2.12. ODA declares zero tolerance for acts of corruption. Both ODA and the members of the governing bodies and its employees will not undertake actions aimed at obtaining or granting any types of unjustified/undeserved benefits or advantages, which may affect independent and objective thinking in relation to any activity carried out by the institution. ODA encourages all employees, partners and beneficiaries of the support programs implemented by ODA to report any suspicions regarding acts of corruption by ODA representatives or other persons, using any of the means provided in point 6.5 of this Policy. Any such notification will be treated confidentially, and the provisions of points 6.6-6.12 of this Policy will be applied accordingly.

2.13. We aim to respect human rights and expect partners and beneficiaries of ODA-implemented support programmes to do the same, as demonstrated by the proper management of, among other things, labour rights in their own operations (including the firm avoidance of any practice of forced labour and child labour), security and the livelihoods of local communities.

2.14. We expect that our partners and beneficiaries of support programs implemented by ODA:

- 2.14.1. to avoid committing or contributing to human rights violations;
- 2.14.2. to respect the legislation of the Republic of Moldova regarding human rights;
- 2.14.3. identify and manage human rights risks where they are active in countries or regions associated with such risks (such as conflict zones);
- 2.14.4. to be transparent about the (potential) impact on human rights;
- 2.14.5. assess potential human rights risks in their supply chain and use their leverage to address the most affected human rights with their suppliers and customers (while recognizing that managing human rights risks in the supply chain is complex, and the influence compared to the own operations of the partners and beneficiaries of the support programs implemented by ODA is lower);
- 2.14.6. engage with its stakeholders and, proportionate to the scale and impact of their work, allow remedial access where necessary.

Section 3. Working conditions

2.15. Job creation and income generation play an important role in poverty eradication and inclusive economic growth, and promoting strong employee-employer relations by treating employees fairly and providing safe and healthy working conditions will only increase the benefits for all.

2.16. In its relations with its employees, ODA is guided by and respects the provisions of the labour legislation of the Republic of Moldova, including through the development and implementation of internal regulations in the field.

2.17. ODA will pay more attention to employees who belong to vulnerable groups, creating working conditions that consider their needs (flexible or shortened work

schedule, periodic breaks, arranged access space, etc.). For the purposes of this clause, the following are assigned to the "vulnerable group" category: persons with disabilities or who care for or support a person with a disability; people who take care of 3 or more children; people who take care of a child under the age of 3; young people from families with 5 or more children; young people between 18-28 years old who are no longer included in the system of protection of children without families. Through the internal acts of the ODA, other categories of people can be assigned to vulnerable groups.

2.18. No decision regarding the employment or treatment of employees shall be based on personal characteristics unrelated to the requirements inherent in the position (job). The process of recruitment, selection and employment within the ODA shall be based on the principle of equal opportunity and fair treatment, and no discrimination shall be permitted in respect of any aspect of the employment relationship, including but not limited to recruitment and employment, remuneration (including wages and benefits), working conditions, access to professional training and development, promotion, termination of employment or disciplinary procedures.

2.19. Children over the minimum age provided by law, but under the age of 18, may be employed by ODA only if it is not likely to be dangerous or interfere with the child's education and does not harm the child's health (physical, mental), spiritual, moral or social development.

2.20. ODA will establish and maintain a safe working environment so that workplaces, machinery, equipment, and processes under their control are safe and without risk to the health of employees, including by using appropriate measures related to chemical, physical and substance and biological agents, as appropriate.

2.21. At the same time, ODA will take measures to inform and train employees regarding compliance with the requirements of safety and health at work, and will make available to employees, from ODA's account, hygiene means and personal protective equipment, as provided by the applicable legislation. Increased attention will be given to specific groups of employees, such as women, people with special needs, etc. In the context of the recent COVID-19 pandemic crisis and the risk of its recurrence or the emergence of other pandemics, ODA will develop and apply a guide to measures to prevent the spread of COVID-19 at the workplace, as well as to react in case of its intensification or the emergence of new pandemics in the future.

2.22. ODA condemns and does not tolerate any form of harassment, intimidation and/or exploitation of employees, as well as forced labour, as defined by applicable law, and will take measures to prevent, report and resolve them.

2.23. ODA recognizes and respects the right of employees to associate in or join professional organizations, such as trade unions, and in relations with them will be guided by the principle of mutual respect and social partnership.

2.24. ODA encourages its employees to report any violation or suspected violation of its employee rights, including but not limited to improper working conditions, health hazards, discriminatory treatment, harassment, etc., using any of the means provided in point 6.5 of this Policy. Any such notification will be treated confidentially, and the provisions of points 6.6-6.12 of this Policy will be applied accordingly.

Section 4. Safety and health of communities

2.25. As part of its project financing activities, ODA will assess the potential exposure of communities to the risks and impacts of the funded projects, in order to anticipate and avoid the exposure of communities to accidents, diseases, hazardous substances or risks associated with the security personnel involved in the implementation of the project. The notions of "project financing" and "financed projects" will have the same meaning provided in point 2.6. above.

2.26. If, as part of the evaluation process, there is a likelihood of exposure of the public (including employees and their family members) to hazards, especially those that threaten life, ODA will treat them with special care, to avoid or reduce exposure by changing, substituting, or eliminating the conditions or materials that generate the likelihood of danger.

2.27. ODA will develop and implement measures to address exceptional situations (ES) in a coordinated and expeditious manner, to prevent harm to the health and safety of employees and the community, and to minimize, mitigate and/or offset any impacts that may occur. These measures will include, but not be limited to, prevention and response activities, resources, responsibilities, communication with stakeholders, including communities and public institutions. By ES is meant an unforeseen incident, arising from both natural and man-made hazards, usually in the form of fire, natural calamity, explosions, leakage of dangerous or noxious substances, etc.

2.28. As part of its usual activity, ODA will tend to avoid negative impact on cultural heritage. Where impacts cannot be avoided, ODA will identify and implement mitigation measures and communicate effectively with all stakeholders.

Section 5. Environment and natural resources

2.29. Aware of the importance and supporting the effort of the international community in reducing the global warming process, including by adapting and mitigating the risks associated with climate change, ODA will develop and implement feasible measures from a technical and financial point of view, for the efficiency of energy consumption, the rational use of resources natural resources and proper waste management.

2.30. The efficient use of energy resources is an important way to contribute to the operation and sustainable development of ODA. In this sense, ODA will identify and apply energy efficiency measures for the main elements of energy consumption within the organization (buildings, transport, equipment, etc.).

2.31. In the case of financing projects that involve considerable consumption of energy resources, ODA will assess whether the project in question has considered energy efficiency measures and, if necessary, will submit rigorous recommendations.

2.32. Pollution of air, water and soil poses a danger both to the safety and health of people and to the natural environment. Thus, in order to contribute to the reduction of pollution activities, within the financing projects, ODA will assess the impact that the project may have on the environment and, depending on the results of the assessment, will decide on the rationality of the realization of the project or the elaboration and implementation of a plan of mitigation measures. Increased attention will be paid to financing projects of entrepreneurs, whose activity involves the considerable

generation of pollutant emissions, including waste, as well as the use of large quantities of fuels and chemicals.

2.33. ODA will be cautious about the protection, conservation, management, and sustainable use of natural resources and will require that relevant projects include measures to protect and, where possible, enhance ecosystems and the biodiversity they support.

2.34. ODA will, whenever appropriate, engage in innovative investment and technical assistance to support investments that aim to reduce carbon emissions and climate change mitigation and adaptation opportunities, and will identify opportunities to reduce emissions in supported projects. The ODA will also support the beneficiaries of its support programmes implemented by ODA in developing adaptation measures that promote climate resilient investments, including through the development and implementation of concessional financing products/programmes in terms of timing, pricing or other elements, as well as by promoting awareness of the importance of environmental protection issues and the rational use of natural resources in ensuring the sustainable development of society in the context of global environmental change.

Section 6. Procurement Process

2.35. In the process of procurement of goods, works and services, depending on their type, volume and value, ODA will tend to:

2.35.1. when preparing the procurement documentation, include requirements for the disclosure by tenderers of information on the energy performance of the goods, works and services and, where appropriate, their impact on the environment;

2.35.2. when evaluating the offers, consider the aspects of energy efficiency and impact on the environment, which the goods, works and services to be purchased carry;

2.35.3. when selecting the winning tenderer, but before signing the purchase contract, to evaluate the social and environmental risk associated with the bidder.

2.36. The procurement contract signed with the winning tenderer (Partner) will contain the express obligations of the latter:

2.36.1. to have, throughout the duration of the contract, all the necessary documents and permissions for the usual activity of the Partner and the realization of the purchase contract (licenses, authorizations, certificates, etc.);

2.36.2. to act in good faith and with diligence, to comply with the provisions of the applicable legislation regarding labour relations, safety and health at work, the use of dangerous equipment and substances, the protection of the environment;

2.36.3. in the process of making the procurement contract, to attract only workers trained in the field of safety and health at work, as well as fire safety;

2.36.4. to inform ODA within a deadline set by the ODA in each particular case about:

- a) any incident occurred in the process of making the purchase contract, which caused damage to the health and life of people, including the Partner's employees, employees' family members, third parties;
- b) any sanction applied and prescription issued by the competent public authorities regarding the Partner's non-compliance with its obligations related to labour relations, safety and health at work, the use of dangerous equipment and substances, environmental protection.

2.37. In case of non-compliance by the Partner with the obligations set out in point 2.36. above or upon the occurrence of any of the cases mentioned in subsection 2.36.4., depending on the situation produced, its seriousness and the role of the Partner, ODA will decide on the necessary mitigation actions to be undertaken, including it may decide on the termination of relations of business with the Partner and termination of the purchase contract.

Section 7. Governance

2.38. As a public institution, ODA is organized, managed, and audited, as well as carrying out its activity in accordance with the legislation applicable to public institutions, with the particularities expressly provided for in the Statute approved by the Government of the Republic of Moldova.

2.39. At the same time, ODA tends to approve and implement in its activity, as far as the legal framework allows, good practices in the field of governance of financial-banking institutions. In this context, ODA established the Finance and Risk Committee, develops the functions of compliance, risk management and internal audit, and examines the opportunity to establish other specialized committees and new functions.

2.40. Greater attention will be paid to aspects related to (i) decision-making transparency, (ii) professional conduct of members of the management bodies and ODA employees, (iii) relations with affiliated persons, (iv) situations with conflict of interests, (v) management risks, (vi) remuneration practices, (vii) financial discipline and (viii) disclosure of information. For these areas ODA will develop and implement effective internal regulations, as well as ensure periodic review by its Board of how they are implemented and respected.

2.41. With reference to the professional conduct of the members of the management bodies and its employees, ODA declares zero tolerance towards fraud and will take measures to prevent them, including by defining fraud, regulating the order of reporting, finding, investigating, and sanctioning, developing multiple channels of reporting and encouraging employees, partners and beneficiaries of support programs implemented by ODA to report any suspected fraud. Any such notification will be treated confidentially, and the provisions of points 6.6-6.12 of this Policy will be applied accordingly.

Section 8. Stakeholder Involvement

2.42. Permanent dialogue with interested parties, such as public authorities, financiers, beneficiaries of support programs implemented by ODA, employees and society in general is essential for the way we conduct our activity responsibly.

2.43. This dialogue, free of manipulation, interference, coercion, discrimination, and intimidation allows us to:

- 2.43.1. to understand the concerns of stakeholders;
- 2.43.2. to prepare for future potential impacts on our business model caused by local and global trends or regulations;
- 2.43.3. minimize risks and detect business opportunities early;
- 2.43.4. to make informed decisions, for ODA and in relations with the beneficiaries of the support programs implemented by ODA;
- 2.43.5. to take corrective action following suggestions and proposals submitted by interested parties, to define and improve our business standards and commitments;
- 2.43.6. to explain our position on sensitive topics;
- 2.43.7. implement effective interaction and response mechanisms for all stakeholders;
- 2.43.8. to promote mutual learning, by recognizing the complexity of the issues facing business and public authorities.

2.44. The results of the dialogue are found in the management of sustainable development, as well as in the management of social and environmental risk. We are aware that the interests of public authorities, funders, beneficiaries of ODA support programs, employees and the general public are sometimes in conflict and that we must negotiate between these interests, being open to discussion with critical stakeholders and carefully considering and pay attention to their opinion.

2.45. Before a program is launched, it will be subject to public consultation, giving all interested parties access to the necessary information and reasonable time to formulate a reasoned opinion with reference to the proposed program.

2.46. As a rule, the process of involving the interested parties will be carried out through:

- 2.46.1. identification of stakeholders and analysis of their roles and interests, including vulnerable groups;
- 2.46.2. planning how communication will take place, differentiated by each identified stakeholder group and the degree of influence and interest;
- 2.46.3. disclosure of information;
- 2.46.4. stakeholder consultation;
- 2.46.5. reviewing and responding to proposals, comments, and objections;
- 2.46.6. systematizing and reporting the results of engagement activities to the interested parties.

2.47. ODA will provide interested parties, as appropriate, access to the following information as soon as possible before ODA proceeds to approve the program and within a time frame that allows for effective consultation with interested parties on the program:

- 2.47.1. the purpose, nature, and extent of the program;
- 2.47.2. the duration of the proposed program activities;
- 2.47.3. the potential risks and impact of the program on local communities and the proposals to mitigate the negative impact, highlighting the potential risks and impacts that could disproportionately affect vulnerable and disadvantaged groups, and describing the differentiated measures taken to avoid and minimize them;
- 2.47.4. the proposed stakeholder engagement process, highlighting the ways in which stakeholders can participate;
- 2.47.5. the time and place of consultation meetings (if planned) and the process by which they will be notified, summarized, and reported;
- 2.47.6. the process and means by which proposals and objections may be submitted and will be addressed.

2.48. ODA will continue to engage with and provide information to program affected parties and other stakeholders throughout the program's life cycle in a manner appropriate to the nature of their interests and the potential social and environmental risk and impact of the program.

2.49. Information about stakeholder engagement, such as a description of the stakeholders consulted, a summary of the views received and a brief explanation of how they were addressed or the reasons why views were not submitted, will be documented, and disclosed by ODA as part of social and environmental assessment process.

Section 9. Financial intermediaries

2.50. The implementation by ODA of some of its activities/programmes may require the involvement of FI. In this case, the ODA will assess the FI's capacity to manage social and environmental risks and, as appropriate, request the development and maintenance of a social and environmental management system.

2.51. The social and environmental management system of the FI will include at least the following elements:

- 2.51.1. social and environmental policy;
- 2.51.2. well-defined procedures for identifying, assessing, and managing social and environmental risks and impacts of sub-projects;
- 2.51.3. organizational capacity and competence;
- 2.51.4. monitoring and reviewing social and environmental risks of sub-projects and the portfolio;
- 2.51.5. the reporting and external communication mechanism.

2.52. FIs shall periodically review and adjust, in a manner acceptable to ODA, the social and environmental management system, including when the social and environmental risk profile of its portfolio changes significantly.

2.53. ODA will monitor how the FI applies and reviews the social and environmental management system.

CHAPTER III. SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT

Section 1. General Provisions

- 3.1.** Risk management is essential to effectively serve the financial needs of the beneficiaries of the support programs implemented by ODA, while protecting ODA and achieving our strategic objectives.
- 3.2.** This Policy, along with related internal regulations and activities, are intended to prevent unintended or unwanted exposures to legal entities that have an unacceptable level of risk, including social and environmental risks, that could lead to negative impacts on the community or others institutions and reputational damage or financial loss to ODA.
- 3.3.** This involves management oversight, reporting and risk control, including through risk measurement, exposure aggregation and concentration management, scenarios, and stress tests.
- 3.4.** ODA has a low tolerance for reputational risk and therefore tends to conduct its business in a responsible manner.
- 3.5.** ODA Board provides oversight and guidance to executive management in the development and implementation of strategy, risk management and other impactful aspects of ODA's work, including the ESG.
- 3.6.** For effective risk management, ODA will make efforts to develop the risk management function, including through the hiring of qualified personnel and the professional development of employees.
- 3.7.** ODA will develop a system for assessing the social and environmental risk associated with its activity, and will present its results to the ODA Council periodically, but no less often than once a year.
- 3.8.** ODA Executive is responsible for undertaking the necessary actions in order to achieve the provisions of this Policy, in particular for the operation of an effective social and environmental risk management framework in the project financing activity.

Section 2. Analysis and assessment of social and environmental risks within the funding projects

- 3.9.** Funding projects will be subject to a social and environmental assessment to decide whether the project should be funded. The assessment will be appropriate to the nature and size and will include the assessment of possible financial, legal, and reputational and will identify possible social and environmental opportunities. The assessment of social and environmental aspects includes the analysis of three key elements:
- 3.9.1. social and environmental impacts and issues related to the project;
 - 3.9.2. the capacity and commitment of the beneficiary to implement the project, including managing potential environmental and social impacts;
 - 3.9.3. facilities and activities that are associated with the project.

3.10. The beneficiary bears responsibility for the information provided for the purpose of evaluating social and environmental aspects in accordance with this Policy. In the evaluation process, the following shall be done:

- 3.10.1. analyze the information of the beneficiaries;
- 3.10.2. provide guidance to help develop appropriate compliant measures to address social and environmental impacts;
- 3.10.3. help identify opportunities to obtain additional social or environmental benefits, such as solutions for energy efficiency, reducing the consumption of natural resources, etc.

3.11. All projects financed by ODA from the resources provided by IFO are subject to an examination, in accordance with social and environmental requirements and the requirements established by:

- 3.11.1. the legislation national environmental and social aspects;
- 3.11.2. agreements with IFO;
- 3.11.3. internal regulations of the ODA.

3.12. ODA aims to ensure that through its environmental and social assessment and monitoring processes, projects are designed, implemented and operated in accordance with the requirements of applicable legislation and international good practice.

3.13. As a result of the evaluation, ODA can refrain from financing a project for social or environmental reasons. At the same time, ODA will not knowingly finance projects that are included in the List of unfunded domains (List of exclusions), as mentioned in Annex 1 to this Policy.

3.14. The social and environmental risk assessment process of projects proposed for funding will include, as appropriate:

- 3.14.1. verification from the start of the fact, if the activity carried out by the beneficiary is not included in the List of exclusions (Annex 1 to this Policy), and the assignment of the risk class established for the field of activity;
- 3.14.2. verification, including, if necessary, through on-site control, of the compliance of the project proposed for financing with the requirements of the legislation of the Republic of Moldova in the field of environmental protection and social aspects, including verification of the permissive documents for the activity carried out or planned.

3.15. The social and environmental risk assessment will be carried out and documented according to the procedures established in the internal regulations. At the same time, as a result of the social and environmental risk assessment, the beneficiary may be asked to develop and implement an action plan to avoid or minimize the identified risks.

3.16. In order to ensure compliance with the requirements of this Policy by the beneficiaries of the support programs implemented by ODA, all financing contracts concluded with them will contain the responsibilities and obligations of the beneficiary, including:

- 3.16.1. to comply with environmental protection requirements and regarding social aspects;
- 3.16.2. at the first request and without undue delay, to present to ODA any relevant information and documents regarding social and environmental aspects, including copies of permissive acts/ operation authorizations, reports and control acts of the competent authorities;
- 3.16.3. to inform the ODA immediately, but not later than the term provided in the contract, about any incident, accident, or circumstance of a social, work, health, security, or environmental nature, which could have a substantial adverse impact or effect on the implementation or development of the project or activity financed, on the health and life of people, or on the environment, also specifying the measures taken or planned to remove the consequences and preventing similar events in the future;
- 3.16.4. at the request of ODA, to develop the action plan regarding the reduction of social and environmental risks and the presentation of periodic reports regarding its execution.

3.17. Contracts with beneficiaries of support programmes implemented by ODA will also contain sanctions for non-compliance with the obligations and responsibilities referred to in 3.16 above.

CHAPTER IV. MONITORING THE PERFORMANCE OF THE ESG POLICY

4.1. ODA will create a monitoring mechanism for the implementation process of this Policy and the results obtained, applying well-defined measurement indicators, which will be periodically examined by the Executive and ODA Council, including by comparing them with available benchmarks.

4.2. Depending on the results obtained, the evolution of the socio-economic situation and the institutional priorities, corrective actions may be decided, including the modification of this Policy or other acts developed for the purpose of its implementation.

4.3. ODA will also regularly monitor and review the social and environmental performance of funded projects in line with the social and environmental commitments throughout the life of the project. The degree of monitoring will be proportionate to the social and environmental impacts and issues associated with the project.

4.4. The requirements will be evaluated during the monitoring the legislation of the Republic of Moldova in the field of environmental protection and social aspects, including health and safety at work, as well as the implementation progress and effectiveness of corrective action plans to address potential social and environmental risks (if they were provided for in the financing contracts).

4.5. When identifying cases of non-compliance by the beneficiaries of the support programs implemented by ODA with the social and environmental requirements, in the process of monitoring the implementation of the projects, one or more of the following measures will be applied:

- 4.5.1. carrying out the extraordinary analysis of the beneficiary's activity;

- 4.5.2. determining the degree of negative impact on the beneficiary's activity or project implementation;
- 4.5.3. determining the beneficiary's ability to resolve the situation, including taking measures to address the negative effects of violations and generating sufficient cash flow to eliminate possible negative consequences in the future, as well as fulfilling obligations to ODA;
- 4.5.4. the elaboration by the beneficiary of an action plan to reduce social and environmental risks and reporting on its execution;
- 4.5.5. application of contractual sanctions;
- 4.5.6. interaction with competent state bodies;
- 4.5.7. application of such other measures as the ODA deems necessary.

4.6. The social and environmental risk monitoring process for funding from IFO resources will also be carried out considering the requirements of the collaboration agreements concluded with them.

CHAPTER V. REVIEW OF THE ESG POLICY

5.1. In order to update and improve the effectiveness of this Policy, it will be reviewed periodically, but not less frequently than annually. In the process of review, the ESG Policy will be adapted to the requirements of local and international institutions with which the ODA cooperates, as well as to changes in national legislation in the areas of interest covered by this Policy.

5.2. The difficulties encountered in the application of the ESG Policy will be notified and communicated by the ODA specialists, involved in the process of applying its provisions, to the social and environmental coordinator. The social and environmental coordinator will also be responsible for the process of identifying new social and environmental risks, as well as changes in legislation relevant national.

5.3. The data obtained will be systematized, analyzed, and reported to the social and environmental manager, who is responsible for initiating the ESG Policy review process and organizing their implementation, including by informing the people involved.

5.4. ODA encourages its employees to report any issues related to this Policy or any other acts or processes carried out for the purpose of its implementation, using any of the means provided in point 6.5. of this Policy. ODA will treat any such notification with confidentiality, and the provisions of points 6.6.-6.12. of this Policy will be applied accordingly.

CHAPTER VI. TRANSPARENCY AND EXTERNAL COMMUNICATION

6.1. ODA will develop and implement a periodic reporting system regarding its activity, including regarding the implementation of this Policy and will ensure the disclosure of information to the general public, according to internal regulations and the requirements of applicable legislation.

6.2. Collaboration agreements with the IFO may include an obligation for the ODA to prepare and submit specific reports and information related to environmental, social and governance issues.

6.3. ODA will also disclose to the general public and, in the case of cooperative agreements with the IFO and in the order provided therein, report to the IFO any major accident or incident occurring at the ODA or at the recipient of the support program implemented by the ODA.

6.4. Aware of the importance of the proper application of this Policy, ODA encourages all persons, whose rights have been violated by ODA or by the employees, representatives and beneficiaries of the support programs implemented by ODA, either who are aware of the case or have well-founded suspicions about such violations, to notify the ODA as soon as possible.

6.5. The communication may be made with reference to any violation or non-compliance, such as, but not limited to, discriminatory practices, child labour or forced labour, harassment, danger to life and health of persons, fraud, improper use of chemicals, pollution water sources, etc. through:

- 6.5.1. sending or submitting a letter, signed or anonymous, to the official headquarters of the ODA;
- 6.5.2. sending a message to the generic electronic address esg@oda.md ;
- 6.5.3. completing the respective compartment on the institution's website <https://www.oda.md> ;
- 6.5.4. call to the telephone number of the person/subunit designated according to point 6.6. below;
- 6.5.5. verbal communication to ODA employees.

6.6. All communications in question will be received by the person/subunit specially designated by order of the ODA Director, who will be responsible for the registration, recording, and investigating the situation exposed in the communication, as well as preserving the confidentiality of the author of the message.

6.7. If the received message denotes the commission of a crime, ODA will, without delay, transmit the respective information to the criminal investigation bodies.

6.8. The investigation of the communications will be carried out as quickly as possible, but no longer than 15 days, in a discreet, objective, and impartial manner, respectful of all persons interviewed and without exposing the author of the communication, the victim or others to the danger of retaliation or otherwise people involved. The interviewing of individuals will be documented, including through audio and video recordings (with the express consent of the individual) or by presenting written explanations.

6.9. The purpose of the investigation will be to establish the factual circumstances with reference to the complained situation, the persons involved, the damages/injuries caused to persons and goods, as well as the legal provisions that have been violated.

6.10. At the same time, depending on the type and seriousness of the reported violations, and if there are sufficient reasons to appreciate their veracity, ODA will take

measures to stop the violations and protect the persons and goods at risk, according to the provisions of the applicable legislation and internal regulations.

6.11. The results of the investigation with the proposals of rigor will be brought to the attention of the ODA management. If they confirm the violation of the provisions of the applicable legislation or of this Policy, ODA will:

- 6.11.1. apply disciplinary sanctions to its employees, including dismissal;
- 6.11.2. suspend or terminate the financing of the respective project, or request early repayment of the financing;
- 6.11.3. request the beneficiary of the support program implemented by ODA to develop and implement a corrective action plan, in a wording satisfactory to the ODA;
- 6.11.4. notifies the competent authorities;
- 6.11.5. take other actions it deems necessary and relevant.

6.12. If applicable law, the petitioner, or the circumstances so require, ODA will inform the author of the communication of the results of the investigation of the communication.

6.13. In the same order provided in point 6.5. above, any person can submit proposals/suggestions to improve the ODA activity or the support programs implemented by the ODA, which will be examined by the responsible subunits within a reasonable time with general feedback.

6.14. The person/subunit designated according to point 6.6. above will systematize the communications and proposals/suggestions provided for in points 2.12., 2.24., 6.5. and 6.13. above, and will report to the ODA management and Board periodically on their nature and action taken on them. Also, that information, in a concise format, according to internal regulations, will also be disclosed to the general public.

6.15. The manner of communication of violations and suspected violations, proposals/suggestions for improvement according to this chapter, as well as the key aspects of this Policy, will be placed on the ODA web page and will be accessible to all interested persons.

6.16. ODA's financial statements will be audited by an independent audit entity, and its results will be disclosed on ODA's website and will be accessible to all interested parties.

CHAPTER VII. ROLES AND RESPONSIBILITIES

7.1. The primary responsibility for the execution of the provisions of this Policy rests with the employees and members of the governing bodies of the ODA.

7.2. ODA Council is responsible for approving the ESG Policy and periodically reviewing its performance, and the ODA Executive ensures the application of the ESG Policy in the day-to-day activity of the institution, ensuring the development of institutional capacities, regular and accurate reporting of the process and results of applying the Policy, as well as transmitting the message of commitment to employees, beneficiaries of support programs implemented by ODA and ODA partners.

7.3. For the successful application of the provisions of this Policy and the coordination of interdepartmental efforts, by order of ODA Director, employees will be appointed with the role of Social and Environmental Manager and Social and Environmental Coordinator.

7.4. The social and environmental manager will be responsible for:

- 7.4.1. supervising the implementation of the ESG Policy;
- 7.4.2. monitoring the performance of the ESG Policy and reporting to the ODA Executive and Council;
- 7.4.3. ensuring the integration of the provisions of the ESG Policy into the business processes of the ODA and the necessary support to the ODA subunits;
- 7.4.4. ensuring the presentation of reports requested by external partners;
- 7.4.5. ensuring the training process of ODA specialists in the field of ESG Policy;
- 7.4.6. ensuring the revision of the ESG Policy.

7.5. The duties of the Social and Environmental Coordinator include:

- 7.5.1. managing the proper execution of the provisions of the ESG Policy;
- 7.5.2. the necessary support for ODA subunits in the process of applying the ESG Policy;
- 7.5.3. revision of the ESG Policy;
- 7.5.4. training of the personnel involved;
- 7.5.5. perfecting and totaling the necessary reports.

CHAPTER VIII. FINAL PROVISIONS

8.1. This Policy enters into force on the date of its approval by the ODA Council.

8.2. Considering the importance and complexity of the necessary actions to be undertaken, the implementation of the provisions of this Policy will be carried out in stages, according to a well-defined plan, within a period of no more than one year from the date of approval of this Policy.

8.3. Through internal regulations, contracts with beneficiaries of support programs implemented by ODA and procurement contracts, the provisions of this Policy can be established for compliance and applied, in whole or in part, also by beneficiaries of support programs implemented by ODA and ODA partners.

8.4. Through internal regulations, for certain categories of programs or beneficiaries of support programs implemented by ODA (FACEM, FGC, etc.), ODA may establish additional or tougher social and environmental requirements than those provided for in this Policy. At the same time, through the collaboration agreements signed with the IFO, the ODA can assume the obligation to comply with stricter requirements than those provided for in this Policy, as well as request their compliance by the beneficiaries of the support programs implemented by the ODA and the partners his.

at Environmental, Social and Corporate Governance Policy

List of exclusions

1. Construction of dams that would significantly and irreversibly: (a) disrupt the natural ecosystems upstream and downstream of the dam; or (b) would alter the natural hydrology; or (c) would flood large land areas; or (d) would affect biodiversity; or (e) would displace many inhabitants (5,000 people and more); or (f) would affect the residents' ability to earn a living.
2. The manufacture or sale of any products or activities deemed illegal under host country laws or regulations or international conventions and agreements or subject to international bans or phase-outs such as pharmaceuticals, pesticides/herbicides, substances that reduce the ozone layer, polychlorinated biphenyls and other hazardous substances, wildlife or game products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and transboundary trade in simple waste or production waste.
3. Any impact on the world natural heritage <https://whc.unesco.org/en/list/> unless it can be demonstrated based on a social and environmental assessment that the project (i) will not result in the degradation of the protected area; and (ii) will produce positive ecological and social benefits.
4. Any impact on areas included by the UN in the List of National Parks and Protected Areas <https://www.protectedplanet.net/> unless it can be demonstrated based on an environmental assessment that the project (i) will not result in the degradation of the protected area; and (ii) will produce positive ecological and social benefits.
5. Extraction or infrastructure with impact on: protected areas of categories I, II, III and IV (nature reserves with integral protection/natural spaces and national parks, natural monuments, and habitat/species management areas), as defined by the International Union of Nature Conservation (IUCN). Projects included in IUCN categories V (protected landscapes/seascapes) and VI (protected area with sustainable use of natural resources) must be consistent with IUCN management objectives: <https://www.protectedplanet.net/> unless it can be demonstrated on the basis of a social and environmental assessment that the project (i) will not result in degradation of the protected area; and (ii) will produce positive ecological and social benefits.
6. Production or sale of radioactive materials, including nuclear reactors and their components.
7. Manufacture, sale, or use of unreinforced asbestos fibers.
8. Marine and coastal fishing practices, such as large-scale pelagic surface net fishing, which is harmful to large numbers of vulnerable and protected species and affects biodiversity and habitats.

9. The use of forced labour and child labour.
10. Projects or companies known to have violated (a) applicable local environmental, health, safety, labour and public disclosure laws; and/or (b) internationally recognized workers' rights.
11. Projects or companies whose primary economic activities are carried out in the following prohibited sectors: equipment for gambling, supplies for premises where gambling is carried out or for hotels, casinos or premises where gambling is carried out or is planned to be carried out; media communications for adults or of a political nature; military production or sales thereof or in support of the activity of police or law enforcement bodies; surveillance equipment , alcoholic beverages or tobacco and tobacco products (if they contravene local legislation, religious or cultural norms).
12. Companies that, according to the findings of courts or administrative bodies of competent jurisdiction, are involved in monopolistic practices illicit.
13. Projects or companies that provide substantial direct support to a government consistently involved in schemes to grossly violate internationally recognized human rights.
14. Equipment, research and/or services related to involuntary sterilization or performing abortions as a method of family planning.
15. Companies that are treated as reverse mergers.
16. Projects or companies associated with acts of terrorism.
17. Companies whose financing is prohibited by the sanctions imposed by the competent authorities.