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DGC Health, Safety, Environmental and Social Management Systems (HSES-MS)

Portfolio HSES Policy

Purpose

This policy describes DGC's Health, Safety, Environmental and Social (HSES) commitments in relation to DGC's portfolio.

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Glossary

Term	Definition
GIIP	Good International Industry Practices
HSES	Health, Safety, Environmental and Social
IFC	International Finance Corporation
DGC	Dhamana Guarantee Company
WBG	World Bank Group

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1. Introduction

Dhamana Guarantee Company Ltd (DGC) is a non-bank financial institution set up in Kenya to facilitate the issuance of irrevocable and unconditional credit guarantees for infrastructure-related investments backed by long-term local currency debt.

The goal of this policy is to provide the necessary guidance to ensure that DGC operates in accordance with Kenyan laws, international standards and good international industry practices (GIIP) in order to achieve desired Health, Safety, Environmental, and Social (HSES) performance and fulfil social and environmental responsibility to local communities and other stakeholders.

At the onset, DGC has committed to HSES as a basis for responsible and profitable investments. This is actualised through a strong HSES governance shared by DGC and partners.

Implementation of the HSES policy will be through the DGC's Health, Safety, Environment and Social Management System (HSES MS) that guides a screening, due diligence, and assurance (of regular monitoring and performance reporting) processes.

2. Scope and Applicability

This HSES policy applies to the management of portfolio HSES risk. DGC has a separate policy that manages the HSES risk of KECF's direct operations (DGC staff, contractors, suppliers, premises, etc.).

The HSES policy will be implemented through the DGC HSES MS. This policy will be conveyed to all stakeholders and be made publicly available on the DGC website.

3. Disclosure, Monitoring and Reporting

This HSES Policy shall be published on the DGC website. It shall be reviewed at least biennially, and changes shall be communicated to DGC staff and stakeholders.

The "Plan-Do-Check-Act" principle is an important component of the DGC HSES MS. Using this technique, as well as risk assessment and risk reduction tools of the HSES MS, DGC will appropriately evaluate risk, plan for improvements, apply controls, monitor processes, and make adjustments or other enhancements for continual improvements.

In support of continual improvements, DGC will conduct regular internal HSES audits, occurring at least biennially, the results of which shall be reported – alongside corrective measures identified, to DGC's stakeholders.

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DGC is committed to transparency and accountability for its HSES performance. As such, DGC has set HSES performance objectives and targets against which HSES performance is monitored and reported to internal and external stakeholders – according to their requirements, and in any case at least annually as part of the Annual Monitoring Reporting (AMR) process.

4. Reference Framework

In appraising potential investments, DGC will not only be guided by but also will comply with the following Applicable Standards:

- Health and Safety, Environmental and Labour laws and supporting legislation in Kenya.
- IFC Environmental and Social Performance Standards 2012.
- Good International Industry Practice (GIIP), including (but not limited to) the World Bank Group General Environmental Health and Safety (EHS) Guidelines and sector-specific guidelines.
- AfDB Integrated Safeguards System (ISS).
- ILO Fundamental Conventions on Labour and Working Conditions.
- The Principles of the UN Global Compact.
- The Voluntary Principles on Security and Human Rights.

5. Environmental Policy Commitments

DGC strives to avoid, and where it is not possible to avoid minimise, adverse environmental impacts, while promoting sustainable management of natural resources, biodiversity conservation and resource efficiency in its portfolio. DGC is dedicated to taking active steps to support its portfolio to become better stewards of the environment and cause no harm through their business activities.

To meet the environment policy commitments, DGC shall:

- Comply with the Applicable Standards and contractually require that portfolio clients do the same.
- Incorporate environmental risk assessment and management into all investment decision-making.
- Ensure that systems are in place to identify, assess, manage, control and monitor portfolio environmental risk.
- Set portfolio environmental targets and indicators, and assess and report to DGC senior management and board on DGC portfolio environmental performance on a regular basis.
- Provide appropriate guidance to its portfolio clients to enable them to meet their environmental requirements.
- Communicate routinely with employees, contractors, portfolio clients and regulators on environmental issues, expectations, and performance.

To meet the environment policy commitments, DGC shall require that – commensurate to the level of risk – applicable portfolio clients:

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- Assess and report physical climate risks as well as support climate change mitigation and adaptation by promoting renewables, energy efficiency and environmental conservation in accordance with DGC Climate Change Policy.
- Consider resource efficiency and pollution prevention by promoting and implementing initiatives or projects that avoid and reduce environmental pollution.
- Examine emissions, wastes, effluent, and noise and attempt to limit their environmental impact.
- Avoid and reduce impact on biodiversity and associated ecosystems and maintain community benefits derived from these ecosystem services.
- Establish annual environmental goals and targets and commit to continuous improvement.
- Communicate routinely with employees, contractors, stakeholders and regulators on environmental issues and performance.

6. Social and Safeguarding Policy Commitments

DGC's social and safeguarding policy is to conduct business ethically and in full respect of human rights while promoting the social welfare of investment beneficiaries, by providing social benefit to workers, clients, contractors, and the host communities of the transactions DGC support.

DGC is committed to GIPI labour management practices, to gender equality and non-discrimination, and has a zero tolerance to forced and child labour, and gender-based violence and harassment (GBVH), and has systems in place to manage the risk of forced and child labour, and GBVH in the portfolio, including in consideration of the portfolio's primary supply chain.

DGC are committed to gender equality and non-discrimination and will use all reasonable efforts to ensure that this commitment is shared and met by portfolio clients.

To meet the social and safeguarding policy commitments, DGC shall:

- Comply with the Applicable Standards and contractually require that portfolio clients do the same.
- Incorporate social and safeguarding risk assessments and management into all investment decision-making.
- Ensure that systems are in place to identify, assess, manage, control and monitor portfolio social and safeguarding risk, including in relation to labour, community health & safety and security, physical resettlement or economic displacement, cultural heritage, gender equality and non-discrimination, and the prevention of GBVH, modern slavery and child labour.
- Set portfolio social and safeguarding targets and indicators, and assess and report to DGC senior management and board on DGC portfolio social and safeguarding performance on a regular basis.
- Provide appropriate guidance to its portfolio clients to enable them to meet their social and safeguarding requirements.
- Communicate routinely with employees, contractors, portfolio clients and regulators on social and safeguarding issues, expectations, and performance.

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To meet the social and safeguarding policy commitments, DGC shall require that – commensurate to the level of risk – applicable portfolio clients:

- Have recorded employment terms and conditions that clarify their rights, such as being paid at least the minimum wage and not working excessive hours, and their right to associate.
- Provides a safe and sanitary working environment, including (where applicable) accommodation, considerate of the IFC Good Notes for Workers' Accommodation.
- Provides safeguarding training to its employees.
- Has in place, where relevant, a community health, safety and security management plan, that includes GBVH risk, and risks posed by the presence of a project security force, to the workforce and host communities.
- Has processes in place to avoid or minimise impacts associated with induced physical resettlement or economic displacement on the projects that DGC support, and have processes to minimise adverse impacts and to restore livelihoods.
- Undertake appropriate stakeholder engagement and consultation, including information disclosure to affected communities, and make reasonable efforts to ensure that vulnerable stakeholders like women, marginalised groups, and people with disability are effectively represented.
- Has in place an effective grievance system readily accessible to all workers and host communities, and that all employees have access to a whistleblowing procedure that provides anonymity and confidentiality, as well as appropriate survivor-led support mechanisms.
- Communicate routinely with employees, contractors, stakeholders and regulators on social and safeguarding issues, expectations, and performance.

7. Health and Safety Policy Commitments

DGC prioritises the health and safety of employees, contractors and the portfolio. DGC is committed to seeking to ensure a safe and healthy working environment, as a priority, and recognises that management participation is critical in fostering a proactive health and safety culture.

DGC clients will be required to adhere to the highest standards of health and safety across their portfolio, and to enable a culture that takes adequate precautionary measures to prevent and minimise accidents and serious incidents.

DGC clients will be expected to continuously improve health and safety performance with the goal of zero incidents, by implementing systems for hazard identification and risk management, and following good international industry practices.

To meet the health and safety policy commitments, DGC shall:

- Comply with the Applicable Standards and contractually require that portfolio clients do the same.

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- Incorporate health and safety risk assessments and management into all investment decision-making.
- Ensure that systems are in place to identify, assess, manage, control and monitor portfolio health and safety risk.
- Set portfolio health and safety targets and indicators, and assess and report to DGC senior management and board on DGC portfolio health and safety performance on a regular basis.
- Provide appropriate guidance to its portfolio clients to enable them to meet their health and safety requirements.
- Communicate routinely with employees, contractors, portfolio clients and regulators on health and safety issues, expectations, and performance.

To meet the health and safety policy commitments, DGC shall require that – commensurate to the level of risk – applicable portfolio clients:

- Provide a safe and healthy working environment for all its workers.
- Provides health and safety training to its employees.
- Has a process in place to assess and manage health and safety risk, and maintains a risk register.
- Has in place effective emergency response and crisis management capabilities to respond to incidents or emergencies.
- Fosters a safety culture that requires reporting of accidents and incidents, investigates all serious incidents, and shares the lessons learnt.
- Sets health and safety targets and indicators and assess and report on portfolio performance on a regular basis.
- Continually improves health and safety compliance and performance through the implementation of systems that will be conformant to good international industry practices, supported by appropriate resources and strong visible health and safety governance.
- Communicates routinely with employees, contractors, stakeholders and regulators on health and safety risks and performance.

8. Grievances and Whistleblowing

DGC is committed to conducting business responsibly, with honesty and integrity and high standards. However, all businesses and organisations face the risk of something going wrong or people behaving in ways which are not appropriate or acceptable. DGC encourages any person to speak up and report where there are concerns about actual or suspected wrongdoing or misconduct in DGC's business activities. This includes any actual or suspected breaches of DGC's policies, procedures and standards and any applicable laws.

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DGC's Grievance and Whistleblowing Policy sets out how to report complaints or raise concerns regarding actual or suspected wrongdoing or misconduct as well as the standards that will be applied and our commitments to complainants and persons raising concerns. It also sets out DGC's zero-tolerance stance on retaliation and commitment to take reasonable steps to protect those who make a complaint or who speak up in good faith.

DGC's Grievance and Whistleblowing Policy is published on DGC's website.

9. Policy Review

This policy is applicable as of the date of approval or effective date chosen by DGC Management. DGC Chief Executive Officer will be responsible for its execution and conformance.

DGC shall undertake periodic audits, reviews and evaluations for measuring compliance with this HSES policy.

The DGC HSES policy will be reviewed annually and as needed by DGC Management to ensure that it is relevant to DGC activities and keeps up with change in host country legislation, international standards and Good international Industry Practice.

It is essential for the DGC portfolio clients to communicate DGC's HSES policy to all levels of their organisation. This internal communication process shall ensure that every individual within the organisation is informed about and understands the HSES policy and their significance.

Name and signature of Chief Executive Officer

Christopher Olobo

1st September 2023