

OPIC



Overseas Private Investment Corporation 2014 Strategic Sustainability Performance Plan

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POLICY STATEMENT

As the U.S. Government's development finance institution, OPIC mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. OPIC seeks to promote sustainable investment that contributes to long term business success, economic and social development, a healthy environment and stable societies. Investing in projects that help the health of the planet and its people is OPIC's end goal. Sustainable investment means supporting broad economic aspirations of developing markets without compromising future generations.

OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC's history of successfully engaging the U.S. private sector in overseas investment has positively influenced the environmental impacts of its projects, by encouraging U.S. companies to incorporate internationally-recognized environmental sustainability measures into those projects.

OPIC is committed to working to achieve the goals of Executive Order 13514. OPIC's work is increasingly focused on bringing clean and sustainable energy to the developing world. OPIC prioritizes projects that advance a sustainable, low-carbon economy and supports projects which will reduce carbon emissions, improve access to electricity for remote populations and support economic growth. Since making the renewable resources sector one of OPIC's top priorities, our renewable commitments have grown dramatically.

OPIC supports projects and policies that help emerging and developing countries meet their energy needs in an environmentally responsible manner. By partnering with the private sector to support renewable energy, clean technology and energy efficiency projects, OPIC promotes sustainable economic growth through investments that seek to have a social and/or environmental return. OPIC tailors its investment tools to the needs of the individual projects and offers products that incentivize greater environmental and social outcomes. Some products enhance the environmental dimension of sustainability while other OPIC products are targeted to the social dimension of sustainability.

OPIC's due diligence process integrates environmental and social considerations alongside financial, commercial, regulatory and reputational risks. Transparency and accountability are key parts of OPIC's philosophy of sustainable investment. Through its appraisal and monitoring process, OPIC ensures that projects it supports are environmentally and socially sustainable, respect the rights of workers and communities, and are designed and operated in compliance with applicable regulatory requirements and good international practice. OPIC is committed to supporting low or no-carbon economic development and to making sure that negative impacts are avoided, reduced, restored, or otherwise mitigated.



Acting Senior Sustainability Officer

EXECUTIVE SUMMARY

The Overseas Private Investment Corporation (OPIC) was established as an agency of the U.S. government in 1971 and is the U.S. Government's development finance institution. OPIC is committed to working with the Administration and the global community to achieve the goals of Executive Order 13514. OPIC mobilizes foreign capital to help solve critical world challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC fosters economic development in emerging and developing countries, complements the private sector in managing risks associated with foreign direct investment, and supports U.S. foreign policy. OPIC's history of successfully engaging the U.S. private sector in overseas investment has positively influenced the environmental impacts of its projects, by encouraging U.S. companies to incorporate internationally-recognized environmental sustainability measures into those projects.

OPIC recognizes the importance of this initiative and continues to explore ways to reduce its own greenhouse gas (GHG) emissions and in fulfilling its mission, expand support for projects in the renewable energy sector. In 2013, OPIC set a new record for renewable energy projects, committing \$1.2 billion to projects in the wind, solar, hydropower, and biomass sectors – a 100-fold increase over just five years. In 2013, OPIC committed to provide \$1.5 billion to develop energy projects in Africa over the next five years, in support of the new Power Africa initiative. The Power Africa initiative will help African countries develop more of their extensive energy resources while also building out power generation and transmission infrastructure.

OPIC is focused on supporting projects that deliver real and measurable benefits in their host countries and puts a premium on projects that support the planet and its people. In developing countries around the world, OPIC projects are improving lives and supporting economic growth. Last year OPIC committed to projects that are projected to generate more than 1,000 MW of clean energy and avoid emissions equivalent to more than 2.3 million tons of CO₂.

OPIC has prioritized supporting projects and policies that help emerging and developing countries meet their energy needs in an environmentally responsible manner. OPIC extends its impact by working closely with other U.S. government agencies and supporting multiple initiatives. These include the U.S. Water Partnership, U.S.-Africa Clean Energy Finance Initiative, Feed the Future, U.S.-Asia Pacific Comprehensive Energy Partnership, Partnership for Growth, the National Export Initiative, and the Trade Promotion Coordinating Committee. By partnering with the private sector to support renewable energy, clean technology and energy efficiency projects, OPIC promotes sustainable economic growth through investments that seek to have a social and/or environmental return.

Through its appraisal and monitoring process, OPIC ensures that all projects that it supports are environmentally and socially sustainable, respect the rights of workers and communities, and are

designed and operated in compliance with applicable regulatory requirements and good international practice. OPIC is committed to supporting low or no-carbon economic development and to making sure that negative impacts are avoided, reduced, restored, or otherwise mitigated.

Environmental and financial stability are inherently linked. OPIC seeks to promote sustainable investment that contributes to long term business success, economic and social development, a healthy environment, and stable societies. By partnering with the private sector and other governmental agencies, OPIC mobilizes investments to support urgent priorities such as clean energy, food security, clean water and to combat poverty, help foster energy independence, promote development around the world and advance American foreign policy. Sustainable investment means supporting the broad economic aspirations of developing markets without compromising future generations. Investing in projects that contribute to the health of the planet and its people is an OPIC goal.

APPENDIX 1: CLIMATE CHANGE ADAPTATION PLAN

OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical world challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC's history of successfully engaging the U.S. private sector in overseas investment has positively influenced the environmental impacts of its projects, by encouraging U.S. companies to incorporate internationally-recognized environmental sustainability measures into those projects.

OPIC recognizes that climate change is a far-reaching national and global challenge that poses threats to sustained global economic growth, poverty reduction, quality of life, and world-wide political stability. OPIC is committed to supporting projects that advance a sustainable, lower-carbon economy, greater resource efficiency and a cleaner and more secure energy supply. OPIC has been a pioneer among development finance institutions with respect to climate change mitigation policies. With a strong focus on the renewable resources sector, OPIC is working with the U.S. business community to identify projects in emerging markets that promote the global renewable energy and energy efficiency sectors, as well as the sustainable utilization of natural resources such as water, land and forests.

OPIC has been a leader among development finance institutions in developing and applying environmental and social policies that advance long-term sustainable development and has committed to reducing greenhouse gas emissions in its project portfolio. It recognizes that climate change is no longer just an environmental or energy issue; it also has implications for health, economic stability and food security. OPIC has a growing portfolio of renewable resources in projects from clean water and sustainable agriculture to renewable energy. In 2013, OPIC committed a record \$1.2 billion to a range of new renewable-energy projects spanning solar and wind power, geothermal, biomass and hydropower in both utility-scale and distributed power projects. OPIC will continue its efforts to support U.S. private investment in renewable energy, clean technology, and energy efficient projects. Investments in other critical natural resources such as agriculture and water will also be prioritized. OPIC will deploy its full suite of products and services to serve these objectives and will continue its support for other aspects of sustainable development such as food security, housing, microfinance and technology.

We consider and assess climate related risks, challenges and vulnerabilities to improve our capability to anticipate future conditions and impact, and evaluate and implement adaptation options, methods or policies that address climate change related risks as appropriate within our portfolio. We integrate climate change adaptation into project planning to improve the resilience

and sustainability of our development efforts and screen projects proposed for OPIC support for vulnerability to climate change.

Projects in which climate variability is likely to compromise integrity, effectiveness, longevity or financial viability of a project include:

- a. Agriculture, forestry, fisheries and ecosystem-dependant enterprises such as tourism.
- b. Water resource-dependant projects including water supply, wastewater treatment and hydroelectric power projects
- c. Project involving settlements or industries in coastal or water-scarce areas.

Climate change vulnerability may be required to be addressed in Environmental and Social Impact Assessments prepared for certain high risk projects. Independent Engineer scopes-of work include, when appropriate, sensitivity analyses on the ability of infrastructure projects to withstand climate perturbations.

Adaptations necessary to improve the resiliency of projects proposed for OPIC support must be identified. Examples of adaptive response that may be included in OPIC-supported projects include:

- a. Introduction of drought resistant crops in agriculture projects and other agricultural best management practices.
- b. Support for afforestation and reforestation and other ecosystem services (i.e., protection of wetlands) efforts in project areas.
- c. Improved water use efficiency.
- d. Expanding and adjusting micro-credit programs such as by allowing for seasonality in repayment schedules
- e. Financing for scaling up climate-resilient residential infrastructure (e.g. water tanks, and disaster-resilient housing).
- f. Enhanced design in coastal zone infrastructure.
- g. Improved forest management to reduce fire potential.
- h. Enhanced dam design to withstand revised estimates of probably maximum floods.
- i. Enhanced emergency response and early warning system capability.
- j. Enhanced stormwater management for projects in urban areas

OPIC may also assist investors to identify sources of grant funding for adaptation if the measures required to improve resilience are either outside of the investor's expertise or if the cost of the adaptation would make the project commercially unviable.

OPIC requires investors to implement appropriate measures to mitigate potential environmental and social impacts from OPIC-supported projects. These mitigation measures are included in

OPIC agreements as conditions and covenants. OPIC will, where appropriate, include measures related to climate change adaptation in its covenants.

With respect to implementation and monitoring, OPIC monitors project compliance with all environmental and social requirements (including those related to adaptation) that are reflected in conditions and covenants in OPIC agreements. OPIC recognizes that effective management programs have an adaptive approach and encourages investors to develop and implement policies and procedures that help adjust and adapt actions and mitigation measures in response to environmental monitoring data. OPIC monitoring of projects may result in findings that investors need to carry out additional actions to ensure the resiliency of projects.

Protecting our environment and meeting the challenges of global climate change are mission essential. OPIC's role in addressing the impact of climate change is to develop partnerships and programs that promote economic growth and environmental protection through cleaner energy sources, greater energy efficiency, and other strategies that encourage sustainable development. OPIC will continue to develop strategic approaches to support climate resilient development, promote clean energy solutions and promote sustainable projects to help reduce vulnerabilities to long-term climate change impacts. by continuing to work with the U.S. business community on new project initiatives. OPIC will continue to explore opportunities to collaborate with other agencies and organizations and build partnerships with public and private stakeholders, analyze how climate change may impact our policies and programs and continually assess and improve our capability to advance and develop international climate and related energy partnerships.