


Validation Report for GS4GG Fund Certification

Subnational Climate Fund

Basic Information	
Fund manager name	Pegasus Capital Advisors L.P. (PCALP)
Fund name	Subnational Climate Fund
Fund vintage	2021
Fund manager address	750 East Main Street, Suite 600, Stamford, CT 06902
Version number of the Validation Report	1.3
Audit start date	27/03/2023
Completion date of the report	04/07/2023
Version number of the SCF FDD to which this report applies	1.2
Version number of the GS4GG Fund Certification Requirements assessed	0.3.1 (15/09/2022)
Name, position and signature of the approver of the Report	Safeya Zeitoun, Head of Impact 

Abbreviation	Full text
AMR	Annual Monitoring Report
CAR	Corrective Action Requests
CR	Clarification Requests
DD	Due Diligence
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social, and Governance
ESIA	Environmental and Social Impact Assessment
ESM	Environmental and Social Manager
ESMMP	Environmental and Social Management and Monitoring Plan
ESMS	Environmental and Social Management System
FCR	Gold Standard Fund Certification Requirements
FDD	Fund Design Document
GCF	Green Climate Fund
GS4GG	Gold Standard for the Global Goals
IUCN	International Union for Conservation of Nature
IC	Investment Committee
KPI	Key Performance Indicator
PCALP	Pegasus Capital Advisors L.P.
PPM	Private Placement Memorandum
R20	R20 Regions of Climate Actions
SCF	Subnational Climate Fund
SDG	Sustainable Development Goal
TA	Technical Assistance
tCO ₂ e	Tons of CO ₂ -equivalent

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Section A. Executive Summary

The Subnational Climate Fund (SCF) is participating in the pilot of the Gold Standard for Global Goals (GS4GG) Fund Requirements Certification with the intention to become the first certified fund. As part of the certification process, the SCF must undergo a validation by an external auditor selected by GS4GG: Tameo Impact Fund Solutions (Tameo). Tameo developed the audit framework for this pilot with GS4GG and is now performing the validation of the SCF to assess its compliance with the GS4GG Fund Requirements /B01/.

This Validation Report summarizes the findings of the validation of the SCF. The assessment is based on a desk review of the documents provided by the SCF team, especially the Fund Design Document (FDD) /01/, the Private Placement Memorandum (PPM) /03/, and the Environmental & Social Management System (ESMS) /04/ documents. The assessment is also based on phone interviews conducted with members of Pegasus Capital Advisors (PCALP), the fund manager of the SCF, and R20 Regions of Climate Actions (R20), the advisor to the Technical Assistance (TA) Facility. Interviews were conducted with the aim of complementing the findings of the desk review and filling in any gaps in the information needed to assess compliance with GS4GG Requirements.

The SCF aims to invest in mid-size low-carbon and climate-resilient infrastructure in the sectors of sustainable energy solutions, waste & water management, urban development solutions, and sustainable agriculture, in developing countries. It has established an intricate structure in terms of funding, governance and sustainable standards. First, the funding provided by the Green Climate Fund (GCF) requires a high level of Environmental & Social (E&S) management practices within the fund management. Second, a consortium of four entities, PCALP, R20, GS4GG, and the International Union for Conservation of Nature (IUCN), was formed and is involved in the management and advisory of the fund. The SCF benefits from the expertise and resources of the consortium, which further enhances the quality of E&S management practices. Finally, the fund is implementing standards such as the IFC Performance Standards and seeks certification from GS4GG, which ensures best practice on impact and Environmental, Social and Governance (ESG) processes.

The SCF aims to contribute to Sustainable Development Goal (SDG) 13 (Climate change), SDG 8 (Decent work and economic growth), SDG 5 (Gender equality), and SDG 11 (Sustainable cities and communities). The fund uses impact quantification methodologies developed by GS4GG and collaborates directly with GS4GG to create new methodologies when needed.

Based on the assessment performed and the evidence obtained, the validation team has verified that, in all material aspects, the impact management system of the SCF complies with the GS4GG Fund Requirements /B01/. The fund established an ESMS /04/ that captures well the needs set by GS4GG requirements and the investment process, from sourcing to investment monitoring, follows GS4GG guidelines and requirements. Moreover, the roles of the various actors involved in the management and advisory of the SCF are well-defined and these actors contribute to the fund's compliance with GS4GG requirements. However, one material element had to be addressed by PCALP, the exit process set up by PCALP for the SCF, which lacked a set of processes to comply with GS4GG requirements. Nevertheless, SCF prepared an exit strategy, which was reflected in a new SCF FDD (V1.2). It includes the assessment of potential acquirers and their capacity, strategy, and commitment to sustain the impact.

Three Validation reports (V1.0, V1.1, and V1.2) were shared with the SCF, to which they responded and all open elements were closed. This Validation report (1.3) finalizes the design audit process.

Tameo concludes the validation with a positive opinion that the SCF meets all applicable GS4GG Fund Requirements /B01/.

Tameo therefore requests the registration of the SCF as a validated Gold Standard Impact Fund.

FCR Design Audit Results Overview:

Element	Requirement	Source	Assessment result
1. Fund Design & Establishment			
• Three SDGs	1.1	FCR	Compliant
• Impact Strategy			
○ Component 1: Statement	1.2.1	FCR	Compliant
○ Component 2: Governance	1.2.2	FCR	Compliant
○ Component 3: Roles	1.2.3	FCR	Compliant
○ Component 4: Classify impact	1.2.4	FCR	Compliant
○ Component 5: Impact assessment	1.2.5	FCR	Compliant
○ Component 6: Due diligence	1.2.6	FCR	Compliant
○ Component 7: Exit	1.2.7	FCR	Compliant
2. Governance			
• Safeguarding actions			
○ SPR compliance	2.1.1	FCR	Compliant
○ Public statement	2.1.1	FCR	Compliant
• Active oversight from governing bodies	2.1.2	FCR	Compliant
• Governing bodies	2.1.3	FCR	Compliant
• PR Compliance	2.1.4	FCR	Compliant
3. Eligible investors & investments			
• Exclusion list	3.2	FCR	Exceeds expectations
• PR Compliance	3.3	FCR	Compliant
4. Investments			
• Safeguarding			
○ Calculation of SDG Impact Goals	4.1.1	FCR	Exceeds expectations
○ Rights of children	4.1.2	FCR	Compliant
• Stakeholder consultations	4.2	FCR	Compliant
• Record of investments	4.3.1.1	FCR	Compliant
• Technical Assistance	4.3.2.1	FCR	Compliant
5. Implementation			
• Ongoing measurement	5.1	FCR	Compliant
• Regular impact assessment	5.2	FCR	Exceeds expectations
• Carbon credits	5.3	FCR	Compliant
• Document changes	5.4	FCR	Compliant
6. Impact calculations			
• Baseline assessment	6.1	FCR	Compliant
• Impact monitoring	6.2	FCR	Compliant
• New methodologies	6.3	FCR	Exceeds expectations
• Mitigation strategies	6.4	FCR	Compliant
• Impact reporting	6.5	FCR	Compliant

Section B. The Auditor and the Validation Team

Auditor information	
Company name	Tameo Impact Fund Solutions SA
Company address	Rue de l'Arquebuse 12, 1204 Geneva, Switzerland
Name/title of responsible staff	Safeya Zeitoun, Head of Impact Nicolas Cattaneo, Impact Analyst

Validation team members						
No.	Role	Last name	First name	Involvement in		
				Desk/document review	Interviews	Validation findings
1.	Head of Impact	Zeitoun	Safeya		X	X
2.	Impact Analyst	Cattaneo	Nicolas	X	X	X
3.	Impact Analyst	à Porta	Marion	X	X	X

Section C. Validation Findings

C.1. Fund Design & Establishment

Summary of requirement	<i>This section refers to the process of establishing and documenting the Sustainable Development impact goals of the Fund, and providing an outline of the process of monitoring and adjusting as needed to maximize the ability of the Fund, to reach those established goals in an integrated way before the Fund begins operations.</i>
Findings	<p>The Impact Goals are clearly defined in the FDD /01/ with quantitative impact targets. The targeted SDGs are SDG 13 (Climate action), SDG 8 (Decent work and economic growth), SDG 11 (Sustainable cities and communities), and SDG 5 (Gender equality). Despite being well-defined in the FDD, the SDGs targeted are not consistently represented in the various documents prepared by the PCALP for the SCF. SDGs depicted on the SCF website /09/, the FDD /01/, and other SCF documents /03/ & /04/ are not the same, which shows a lack of consistency throughout the documents. Nevertheless, SCF is compliant with the GS4GG requirements as the FDD depicts all the SDGs and is publicly available.</p> <p>The SCF’s impact strategy is well-documented and integrated into the investment strategy. The impact strategy is complete and adapted to the ambitions of the fund in terms of impact and ESG:</p> <ul style="list-style-type: none"> • First, the SCF provides a clear public statement through its website, which states the SDGs targeted, the investment strategy, and the impact targets. • Second, organizational governance is well-defined and assigns impact-related responsibilities to the relevant people, although it is unclear how the executive team will be involved in impact performance monitoring more regularly than annually (i.e., through the annual performance report). • Third, the SCF identifies the people responsible for the attainment of SDG impact goals. The SCF’s impact assessment process is established and documented by their ESMS /04/, which describes the E&S management process from sourcing to exit from projects. ESG and impact indicators are identified and aggregated in a data collection template for investees to complete /10/. • Fourth, the ESMS /04/ provides a description of the entire due diligence (DD) process, listing the standard and requirements that the SCF follows, including the IFC Performance Standards and GCF requirements. The SCF’s DD process is complex as it involves several entities and a TA Facility, which is dedicated to the E&S assessment of projects. Through this complexity, SCF is able to implement and comply with a high standard of E&S practices. The close collaboration with R20 provides resources to conduct a thorough screening and E&S DD in compliance with GS4GG DD process requirements /B01/. • Finally, SCF’s exit strategy includes a process to ensure ongoing contribution to SDGs post-exit. To this end, SCF intends to, among others, “evaluate exit opportunities and potential acquirers to assess their impact on ESG and stakeholders, and whether the potential acquirers have the capacity, strategy, and commitment to sustain the impact. This includes an

	assessment of how the exit opportunity and the potential acquirer addresses “Do No Harm” and ongoing impact assessments.” /19/
Requests and Observations	<ul style="list-style-type: none"> • OBS02: Impact quantification • OBS05: Performance monitoring
Conclusion	<p>The SCF’s SDG Impact Goals are well-defined in the FDD although they lack consistency throughout the documents prepared by PCALP. Nevertheless, the validation team does not foresee this matter as being fundamentally problematic for the successful achievement of the stated SDG Impact Goals.</p> <p>The SCF impact strategy meets the high quality expected by GS4GG. The impact strategy is aligned with the investment strategy, with clear guidance regarding the governance of ESG and impact processes. Furthermore, the ESMS /4/ built by PCALP provides a solid foundation to manage processes related to impact and ESG matters. The ESMS describes a robust E&S DD process and a consistent monitoring and reporting process. It also describes the process that it intends to implement to ensure ongoing contribution to SDGs post-exit and apply a Do No Harm approach.</p> <p>The validation team hence concludes that SCF complies with all requirements provided under the Fund Design & Establishment section.</p>

C.2. Governance

Summary of requirement	<i>This section outlines governance requirements for the Fund, as well as how the pilot for Fund Certification under GS4GG will be governed.</i>
Findings	<p>Although the SCF does not seem to have verified the fund manager’s compliance with the Safeguarding Principles /B02/, it stated that it will do so in the coming year /01/. The SCF publicly discloses all the SDG Impact Goals it targets in the SCF FDD and on the PCALP website. Nevertheless, the Validation team recommends to depict all the SDG Impact Goals on the SCF website directly, especially SDG 5 which is not listed on the SCF website.</p> <p>Oversight processes of the SCF and the distribution of responsibilities are defined throughout the documents provided by PCALP. This consistency was confirmed by the validation team through interviews with members of PCALP and R20. Most responsibilities related to impact and ESG are conferred to the E&S Manager, including the implementation of the ESMS and compliance with ESG policies /04/. Through interviews, the validation team understood that the active involvement of members of the consortium such as R20, with several employees dedicated to the SCF, provided sufficient resources to effectively manage impact- and ESG-related tasks pre-investment. Nevertheless, only one FTE is allocated to impact and ESG within PCALP, which led the validation team to question whether there will be sufficient resources for ESG and impact-related tasks post-investment, e.g., monitoring and reporting, and for the ESG management of other PCALP fund(s).</p> <p>The validation team was concerned by the fact that no executives seem to be actively involved in impact and ESG matters, as needed under requirement 2.1.2</p>

	<p>FCR. Moreover, the E&S Manager does not have a voting right in the main decision body of the SCF, although it is the only person responsible for E&S matters. These two aspects could be addressed by PCALP to improve the consistency of its governance with GS4GG requirements. Nevertheless, these aspects are mitigated by the fact that the CEO and the E&S Manager are both (observing) members of the Investment Committee (IC) and the Sustainability Committee, which supports the alignment of the impact strategy and the investment strategy.</p> <p>The SCF’s governing body is qualified on sustainable development issues, with a solid track record /03/. Through the interviews, the validation team understood that the entire PCALP team is responsible for the achievement of SDG Impact Goals, which demonstrates the implication of the entire team in ESG and impact management, even though a member of the executive staff is not explicitly accountable for the achievement of these goals. The investment comprises a diverse group of people in terms of skillset and entities represented, which ensures an alignment of interests in the main decision-making body. Finally, PCALP has a policy in place for equal opportunity of employment in the Employee Handbook /15/ and a Diversity and Inclusion Policy /14/.</p>
Requests and Observations	<ul style="list-style-type: none"> • FAR01: GS4GG Safeguarding Principles and Requirements • OBS06: Resource allocation
Conclusion	<p>The SCF complies with the requirements listed under the Governance section. The validation team concludes that SCF has rules and processes in place that follow the guidelines provided by GS4GG.</p>

C.3. Eligible investors & investments

Summary of requirement	<p><i>This section discusses eligible activities, Investors, and Investees in a Fund. Guidance on projects that are known to be ineligible for Gold Standard certification is provided as a separate document.</i></p>
Findings	<p>The SCF has set up a process to ensure that investments entering their pipeline comply with all the requirements and guidelines that SCF has committed itself to. The ESMS /04/ developed by SCF provides details on the screening, assessment, management, and monitoring of investees, and distributes the responsibilities to the different entities of the SCF consortium. R20 provides crucial resources to the SCF through the TA Facility, as it leads the screening process of potential investees and provides financial and human resources for the E&S DD when necessary. Furthermore, the active involvement/oversight of GS4GG ensures an additional layer of compliance with GS4GG Requirements for matters relating to, among others, eligible projects and impact quantification methodologies.</p> <p>More concretely, the assessment of project compliance is depicted in the E&S DD template document /08/ prepared by SCF, which includes GS4GG Requirements and other standards. The screening of investments is most often</p>

	conducted by R20, which provides expertise in E&S matters.
Requests and Observations	<p>No requests raised.</p> <ul style="list-style-type: none"> • OBS02: Impact quantification • OBS04: Right to use resources
Conclusion	The validation team concludes that the SCF complies with the Eligible Investors & Investments section, as assessed with the ESMS and interviews conducted with members of the consortium.

C.4. Investments

Summary of requirement	<i>This section focuses on the processes the Fund shall follow in determining what investments they will make, how to ensure the GS4GG safeguards are met and how they will complete and document ongoing monitoring of the performance against the established Impact Goals of the fund.</i>
Findings	<p>With the support of GS4GG, the SCF will use GS4GG impact quantification methodologies. If no such methodology exists, GS4GG is responsible for developing the new methodology. Furthermore, the ESMS assesses compliance with the full rights of children, a process which is conducted during the Environmental and Social Impact Assessment (ESIA) and usually led by the R20 team depending on the project's needs.</p> <p>Stakeholder compliance is included in the ESMS /04/ and is directly based on the GS4GG Stakeholder Consultation and Engagement Requirements /B05/. As discussed during the interviews, even if a stakeholder engagement has already been done by an investee, the SCF team will ensure that it meets the standard level required by GS4GG and provides additional resources if needed, with the support of R20.</p> <p>Finally, the SCF keeps record of all investments entering the screening process, and lists all the elements that it keeps record of in the ESMS /04/.</p>
Requests and Observations	No requests raised.
Conclusion	Based on the assessment of the ESMS /04/ and the interviews, the Validation team concludes that the SCF complies with the Investments section, as the processes in place allow the validation of compliance with all the requirements. The responsibilities are well-defined across members of the consortium.

C.5. Implementation

Summary of requirement	<i>This section discusses the requirements for regular and ongoing monitoring of investments against the stated Impact Goals, the need for documentation of the processes of monitoring, the relationship that a fund may have regarding issuance of carbon or other "credits" that may monetize impact. It stresses the need for an ongoing assessment of the impacts of the Fund that shall be completed on at least the same level as ongoing assessment of financial performance.</i>
Findings	<p>The ESMS /04/ developed by the SCF provides the basis for the ongoing output measurement process and regular impact assessments. During interviews, the SCF team explained that they intend to collect impact & ESG data annually with an Excel template /10/ and prepare an annual performance report aggregating data at portfolio level. Moreover, the fund manager will be in regular contact with investees to monitor the implementation of Environmental and Social Action Plans (ESAP) /04/.</p> <p>Although there is no formal process in place to incorporate feedback from each investment into future DD efforts, all the PCALP team members interviewed explained that it is an ongoing process that they implement, with the intention to continuously improve their DD process and practices.</p> <p>The SCF is aware that there are requirements that regulate the emission of carbon credits or other certification of outputs, and the involvement of GS4GG will further ensure that such rules are complied with, as they may intervene whenever necessary.</p> <p>Finally, the SCF explained during interviews that there is a process in place to document and approve any changes in its investment strategy, although it does not intend to do so.</p>
Requests and Observations	No items raised.
Conclusion	Some elements were not clear in the documents provided by the SCF team (e.g., issuance of carbon credits), but these were clarified during interviews with SCF team members. The validation team concludes that the SCF fully complies with the requirements listed under the Impact Calculations section.

C.6. Impact Calculations

Summary of requirement	<i>This section captures the processes that the Fund shall follow to ensure consistent assessment of impact and eventual development of impact statements.</i>
Findings	As explained in the ESMS and discussed during interviews, R20 plays an important role in the screening and E&S DD phase. Unless E&S risks are low, R20 will conduct the E&S DD, which includes the baseline impact assessment. Although not stated in writing, the SCF team explained that the baseline impact

	<p>assessment shall be conducted before an investment decision is made.</p> <p>The SCF has identified some Impact Quantification Methodologies it intends to use and works directly with GS4GG to create new methodologies, if needed /03/. The collaboration with GS4GG supports PCALP to comply with this requirement in the creation of impact quantification methodologies.</p> <p>Although the ESDD process described by the SCF includes most elements required by GS4GG requirements, the performance of a baseline assessment is not mentioned explicitly. Nevertheless, the SCF team confirmed in writing that it will perform a baseline assessment for positive impacts and significant negative impacts.</p> <p>Finally, the SCF plans to produce an annual E&S Report with details on the E&S performance of investees.</p>
Requests and Observations	No items raised.
Conclusion	SCF has the necessary processes in place and interviews conducted clarified any unclear points. The validation team concludes that the SCF complies with the requirements under the Impact Calculations section.

C.7. Compliance with FDD form

Summary of requirement	N.A.
Findings	The elements listed under this section are included in the FDD prepared by the SCF team. It includes a list of sectors and technologies that the fund may invest in /01/. Although some technologies have a broad definition, e.g., energy efficiency solution, the validation team does not see any issue as it is expected from private equity funds to keep a certain level of freedom in the description of investments targeted.
Requests and Observations	No items raised.
Conclusion	The validation team concludes that the SCF has included all the necessary information in the FDD /01/.

Section D. Validation Opinion

Tameo Impact Fund Solutions was contracted by GS4GG to conduct a pilot design audit of the SCF, a fund managed by PCALP, a fund manager based in the United States. The validation audit is based on the GS4GG Fund Requirements (version 0.3.1) /B01/.

The desk review conducted by the validation team and the subsequent interviews carried out with members of PCALP and R20 have provided Tameo with sufficient information to prepare an assessment of the SCF's compliance with the GS4GG Fund Requirements /B01/. The main documents that the validation team extracted information from are the FDD /01/, the PPM /03/, and the ESMS /04/.

The fund established an ESMS /04/ that captures well the needs provided by GS4GG requirements. The investment process, from sourcing to investment monitoring, follows the necessary guidelines and requirements. Moreover, the roles of the various actors involved in the management and advisory of the SCF are well-defined and these actors contribute to the compliance with GS4GG requirements. Finally, PCALP describes the process that it intends to implement to ensure ongoing contribution to SDGs post-exit and apply a Do No Harm approach.

Tameo concludes the validation with a positive opinion that the SCF meets all other applicable GS4GG Fund Requirements /B01/. Tameo therefore requests the registration of the SCF as a validated Gold Standard Impact Fund.

Appendices

Appendix A. Interviews

No.	Last name	First name (Title)	Entity	Date	Subject discussed	Team Member
1.	Friedman	Brian (General Counsel & Chief Compliance Officer)	Pegasus Capital Advisors	23/03/2023	Impact and ESG compliance, Risk monitoring and management, Achievement of impact targets, Exit management	Nicolas Cattaneo, Marion à Porta
2.	Gartmann	Natalie (ESG and Impact Manager)	Pegasus Capital Advisors	24/03/2023	E&S Management System, Impact and ESG management, Responsibilities for impact target achievement, E&S Due Diligence process, Risk categorization, Exit management	Safeya Zeitoun, Nicolas Cattaneo, Marion à Porta
3.	Cogut	David (Partner)	Pegasus Capital Advisors	11/04/2023	Investment process, Role of Investment Committee, Impact and ESG management, Exit management	Safeya Zeitoun, Nicolas Cattaneo
4.	Corfield	Tim (Operating Partner)	Pegasus Capital Advisors	12/04/2023	Investment operations, Technical assistance, Impact and ESG management, Investment Due Diligence	Safeya Zeitoun, Nicolas Cattaneo
5.	David	Albertani (CEO)	R20 Regions of Climate Action	12/04/2023	ESIA, TA Facility, Project sourcing, Project screening, E&S DD	Safeya Zeitoun, Nicolas Cattaneo

Appendix B. Documents Reviewed or Referenced

No.	Title	References to the document
/01/	Fund Design Document (FDD)	Version 1.1, Published 15/07/2022
/02/	SCF Presentation	Published January 2023
/03/	Private Placement Memorandum (PPM)	NA
/04/	Environmental and Social Management System (ESMS)	Published 02/03/2020
/05/	Impact and ESG Presentation	NA
/06/	Sustainability Disclosures	NA
/07/	ESG Screening and Categorization template (excel)	Published 04/01/2023
/08/	Environmental & Social Due Diligence (ESDD) SCF template (excel)	Published 03/01/2023
/09/	Subnational Climate Finance website (https://www.subnational.finance/project-submission/)	Accessed 16/03/2023
/10/	KPI data collection at investee and project level Template (excel)	NA
/11/	Pegasus - SCF Team Structure (ppt)	Published 20/03/2023
/12/	SCF KPI Dashboard at portfolio level	NA
/13/	Certificate of Good Standing (PCALP)	Produced 22/05/2023
/14/	Diversity and Inclusion Policy (PCALP)	Published 01/06/2018
/15/	Employee Handbook (PCALP)	Published December 2018
/16/	Regulatory Compliance Manual (PCALP)	Published August 2019
/17/	Pay Summary PCALP	Published 26/05/2023
/18/	Consulting Agreement PCALP	Published 01/02/2023
/19/	Fund Design Document (FDD)	Version 1.2

Background documents

No.	Title	References to the document
/B01/	GS4GG Fund Certification Requirements	Version 0.3.1, published 15/09/2022
/B02/	GS4GG Safeguarding Principles and Requirements	V. 1.2, published 24/10/2019
/B03/	GS4GG Checklist – Fund Investment	V. 1.1, published 15/09/2022
/B04/	GS4GG SDG Impact Tool	V. 1.0, published 14/12/2021
/B05/	GS4GG Stakeholder Consultation and Engagement Requirements	V. 2.1, published 14/06/2022

Appendix C. Requests and Observations

Corrective Action Requests (CAR):

No remaining CAR.

Forward Action Requests (FAR):

FAR ID	01	Date	05/04/23
Section no.: <i>2.1.1 FCR The full enterprise (not just the specific Fund) shall follow safeguarding actions as per the GS4GG Safeguarding Principles and Requirements. The enterprise shall have 2 years after design certification of the Fund to comply with this requirement.</i>			
Description <p>As stated by Pegasus, the SCF's fund manager, it "aims to implement the GS4GG Safeguarding Principles and Requirements within two years of Design Certification on enterprise level."</p> <p>SCF shall implement, or ensure that it has already implemented, the GS4GG Safeguarding Principles and Requirements /B02/ within two years after the Design Certification has been issued.</p>			
Response of the fund			Date: 21/05/23
<p>The GS4GG Safeguarding Principles and Requirements will be implemented at enterprise level (Pegasus) within two years after the Design Certification has been issued.</p>			
Documentation provided by the Fund			
<p>-</p>			
VVB's assessment			Date: 26/05/23
<p>FAR01 is confirmed by the fund manager and the Validation team.</p>			

Clarification Requests (CR):

No remaining CR.

Observations (OBS):

OBS ID	02	Date	05/04/23
Section no.: <i>1.2.6.7 FCR The Fund shall detail how the safeguarding approach as well as how ex-ante assessments of anticipated impacts will be conducted while discussing risk and mitigation strategies to avoid missing impact targets or overstating planned impacts. If the potential investees are not following best practices, the Fund may provide support to facilitate the investees progress toward best practices.</i>			
Description			
<p>The SCF includes the quantification of impact, e.g., climate mitigation potential, job creation, and people with improved living conditions, in the DD process. The method used for climate mitigation quantification is clear. However, it is not fully clear what method will be used for the quantification of other impacts.</p> <p>This matter does not require a CAR as the SCF team is using the SDG Impact Tool and working with GS4GG to develop new impact quantification Methodologies where necessary. The impact quantification process will only be assessed during the Performance Audit once the methodologies have been developed/applied.</p>			
Response of the fund			Date: 21/05/23
Gold Standard is currently included the appropriate methodologies and definitions for SDG 5, 8, 11 in the SDG impact tool.			
Documentation provided by the Fund			
-			
VVB's assessment			Date: 26/05/23
OBS02 remains as information for future auditors.			

OBS ID	04	Date	06/04/23
Section no.: 3.1.1 (g) PR <i>As well as legal title and ownership, the Project Developer shall also demonstrate where required uncontested legal rights and/or permissions concerning changes in use of other resources required to service the Project (for example, access rights, water rights etc.). Any known disputes or contested rights must be declared immediately to Gold Standard by the Project Developer and resolved prior to further project implementation in affected areas.</i>			
Description			
<p>SCF has a process in place to identify the use of resources by projects, with the question included in the ESDD /08/: "What kind of resources does the client use (including energy, water, raw material)?"</p> <p>If relevant, SCF shall verify the right to use such resources during the ESDD to be compliant with requirement 3.1.1 (g) PR.</p>			
Response of the fund			Date: 21/05/23
As part of the ESDD, the Fund would typically verify any EHS permits or certificates that investees obtain.			
Documentation provided by the Fund			
-			
VVB's assessment			Date: 26/05/23
OBS04 remains as information for future auditors.			

OBS ID	05	Date	13/04/23
Section no.: 1.2.2 FCR <i>The components of the Impact Strategy shall include at a minimum: Details of the Fund's organisational governance to ensure SDG Impact Goals are being supported robustly throughout the organisation.</i>			
Description Performance/KPI monitoring is managed by the E&S Manager and reported to the executive management through annual reports. However, it is unclear whether executive management will be involved in performance monitoring more regularly than annually. A slight concern remains regarding the involvement of the executive team to ensure that SDG Impact Goals are being supported robustly throughout the organization. Visibility on this matter will be better once several investments are closed and monitored, at the Performance Audit.			
Response of the fund			Date: 21/05/23
The Sustainability committee includes the executive team which aims to meet on a quarterly basis to assess whether the Fund is on track to meet its SDG targets and whether corrective actions are required.			
Documentation provided by the Fund			
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VVB's assessment			Date: 26/05/23
OBS05 remains as information for future auditors.			

OBS ID	06	Date	26/04/23
Section no.: <i>2.1.2.9 FCR The Fund shall have active oversight from its governing bodies (depending on structure, the board and/ or the investment committee) of matters relating to: Ensuring adequate budget and resources to manage required Stakeholder involvement effectively and deliver its impact strategy and portfolio level Impact Goals effectively and in a timely manner</i>			
Description			
<p>The resources available for the screening and ESDD phase appear to be sufficient to cover the E&S tasks pre-investment, partly thanks to the TA facility that provides human and financial resources. Nevertheless, as only one FTE appears to be allocated to impact and ESG within PCALP, the validation team wonders whether it will be sufficient for the upcoming workload from post-investment phases. Indeed, the E&S Manager will have to manage not only pre- and post-investment processes for the SCF, but for other fund(s) managed by PCALP. PCALP should hence ensure that adequate internal resources are allocated to ESG and impact.</p>			
Response of the fund			Date: 21/05/23
The Fund aims to grow its ESG and impact resources as appropriate over time.			
Documentation provided by the Fund			
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VVB's assessment			Date: 26/05/23
OBS06 remains as information for future auditors and for the PCALP team.			

OBS ID	07	Date	25/05/23
Section no.:			
6.1 FCR <i>During the due diligence process for each investment a baseline assessment shall be generated against the established SDG Impact Goals the Fund has set.</i>			
Description			
<p>CAR03 raised on 11/04/23:</p> <p>“The FDD /01/ and other documents /03/ & /04/ provided by the SCF do not explicitly state that the performance of a baseline assessment is mandatory for all investments. The FDD mentions that: “If possible, a numerical or qualitative assessment is performed in late due diligence.”</p> <p>Nevertheless, during the interview, the CEO as well as the ESG and Impact Manager explained that, as part of the E&S DD, a baseline assessment shall be performed for all projects. This requirement appears to be complied with in practice.</p> <p>Nevertheless, the validation team requests the SCF explicitly states that the performance of a baseline assessment is conducted for all projects, to comply with requirement 6.1 & 6.1.1 FCR. To avoid having to amend the FDD, this explicit statement can be done as a response to this CAR, which would then be transformed to an OBS.”</p> <p>Response of the fund on 21/05/23: “The Fund confirms that a baseline assessment is conducted for all projects. If possible and appropriate, a numerical assessment will be conducted. Otherwise, at least a qualitative assessment is conducted throughout the due diligence process.”</p> <p>The SCF is committed to conducting baseline assessments for all investments. Such practice will be verified during the performance audit.</p>			
Response of the fund			Date:
Documentation provided by the Fund			
VVB’s assessment			Date: