

Request for Proposals:

E&S Due Diligence Transaction Support

Introduction

As part of Spark+ Africa Fund’s (“Spark+” or the “Fund”) commitment to Environment and Social (“E&S”) risk management, Spark+ seeks to appoint an independent E&S Specialist to undertake an E&S Due Diligence (“ESDD”) assessment of a prospective investment into a subsidiary of Arch Holdings (“prospective investee”), an energy trading company based in Ghana.

Spark+ is not permitted to make an investment, which is in the reasonable opinion of Spark+ intentionally in breach of its prescribed E&S requirements or which will be unable to adhere to these requirements over the lifespan of the investment. In this regard, this Request for Proposals (“RfP”) outlines the project details and assessment requirements to ensure that the appointed E&S Specialist executes the ESDD assessment in accordance with the Spark+ E&S policy and international best practices.

E&S Specialist Qualifications

The E&S Specialist must have experience working with *Category B+* investments, in *Ghana*, and experience conducting ESDD’s within the *LPG and/or petroleum-based fuels sub-sectors*.

In addition, the E&S Specialist must be knowledgeable and have worked with applicable E&S standards, including, amongst others, relevant national and local E&S laws and regulations, the IFC Performance Standards (2012), World Bank Group Environmental, Health and Safety (EHS) Guidelines (April 2007) and relevant sector specific EHS Guidelines.

Project Description and Scope

Name of Investment:	NewGas Cylinder Bottling Ltd (Borrower), a subsidiary of Arch Holdings.
Location(s):	Accra, Ghana and surrounding area.
Sector(s):	LPG and fuels importation/storage/trading/bottling/distribution. The proposed financing will support implementation of the Cylinder Recirculation Model (CRM) in Ghana.
Description of services, products and activities:	Arch Holdings: trading, storage, transportation, bottling and retail of LPG and other fuels. NewGas Cylinder Bottling Limited: bottling, re-filling and servicing of LPG cylinders. NewGas is expected to be one of two licensed cylinder bottling plants in the country.

Comments / Additional Key Information	<p>Expansion projects:</p> <ol style="list-style-type: none"> 1. Cylinder bottling/refilling plant to be completed in November/December 2022. 2. Procurement of Cylinders for the CRM proposed by Government of Ghana. <p>NovaGas Limited (Obligor 1): Subsidiary of Arch Holdings. NovaGas will sell on a retail basis the LPG cylinders bottled/refilled through NewGas.</p> <p>Sage Distribution Limited (Obligor 2): Subsidiary of Arch Holdings. Sage mainly carries out the trading of LPG and other fuels.</p> <p>LPG Penetration in Ghana: About 67% of the Ghanaian population cook with wood fuels in Ghana. Arch Holdings expansion of the LPG market through NewGas is estimated to help ensure saving 20,000 hectares of forest annually or 700,000 MT of greenhouse gas emissions.</p>
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ESDD Objectives

The ESDD aims to identify and assess the prospective investee’s E&S performance (including E&S risks, opportunities and impacts), as part of a broader due diligence investigation, to inform the Fund’s decision as to whether or not to proceed with the investment and on what terms. This includes independently assessing the prospective investee against the set reference frameworks below, identifying any material E&S matters, areas of non-compliance and/or gaps and potential E&S value-add and impact opportunities and interventions, as well as defining recommended mitigation and/or corrective actions as part of an E&S Action Plan (ESAP). It is expected that the ESDD results reflect the risk associated with the Borrower, Obligors, and Group as a whole.

Reference Frameworks

The E&S performance of the prospective investee should be assessed against the following reference framework(s):

- Applicable national and local E&S laws and regulations;
- IFC Performance Standards (1-8);
- World Bank Group’s General Environmental and Health and Safety Guidelines and Industry Specific Guidelines; and
- The International Labour Organisation (ILO) Fundamental Labour Conventions.

Key E&S Focus Areas

- A. Assessment of the investee’s E&S Management System including:
 - E&S policies (e.g. Environmental and Resource Efficiency, Labour and Working Conditions, Human Rights, etc.);
 - E&S resources and supporting functions (including management commitment and track record and training and organisational capacity);
 - Identification of E&S risks, impacts and opportunities;

- Management programmes to manage E&S risks and opportunities;
 - Emergency preparedness and response including life and fire safety systems and procedures;
 - Monitoring and reporting (i.e. how the target company monitors and reports on its E&S performance to both internal and external stakeholders);
 - Stakeholder engagement; and
 - Grievance mechanisms (or whistle blower mechanisms).
- B. Direct resource efficiency and CO2 emissions assessment (based on readily available data) at a group level, as well as benchmarking against comparable businesses.

During E&S Screening, Spark+ identified high-level E&S risks and impacts associated with the prospective investment. These require further investigation during the ESDD, as follows:

High-level E&S Risks & Impacts	
1.	The preliminary E&S Screening of the proposed loan results in an E&S categorization of B+ given that the Borrower and Obligors are engaged in LPG (and other oil and gas product) sales and distribution.
2.	In particular, Sage Distribution, an Obligor in the transaction, trades and distributres both LPG and other petroleum products. However, Sage is more focused on LPG trading, with LPG contributing 64% of total revenues. Moreover, Sage is envisaged to be involved in the transaction structure to support the debt servicing as NewGas, the Borrower, will commence business operations in late 2022.

ESDD Deliverables

The E&S Specialist is expected to clearly present the findings of the ESDD as a written report. Please refer to Annex 2 for a sample report template.

ESDD Approach and Tasks

As relevant, the appointed E&S Specialist should undertake the following tasks as part of the ESDD:

Task 1: Preliminary Documentation

- Request relevant E&S information from the prospective investment for review;
- Review all available information and documentation related to the business;
- Review external data sources as required (such as the internet and other publicly available information); and
- Prepare a list of required information and / or questions necessary to continue and complete the assessment.

Task 2: Interviews with Key Prospective Investee Personnel

- Conduct interviews with key staff members [e.g. HSE / Sustainability Manager, Human Resources Manager, Head of Operations, Chief Operating Officer, etc.], at target group / head office level, where applicable. These interviews should focus on:
 - Understanding the E&S performance of the business;
 - Assessing the status of E&S Management System implementation, including formal and informal ES processes, policies and procedures;
 - Assessing the E&S leadership, roles and responsibilities of the management team and supporting functions;
 - Evaluating labour and third-party contractor management; and
 - Understanding human resource management and community issues (including human rights, worker unions and labour standards).

Task 3: Site Visit and Further Review

- Conduct site visits of a selection of the prospective investee's underlying assets and associated facilities (as below) to observe the on-the-ground implementation of the E&S Management Systems as well as identify any E&S risks, impacts and opportunities associated with the operation of these assets. This should cover a sample of both challenging and well-performing underlying assets.

Asset Name	Location(s)	Brief Description of Asset/Site
Bottling/Refilling Plant	Tema	The plant will carry out automatic filling of cylinders at 22000MT/month to be distributed across country through NovaGas and other outlets. LPG Cylinder tracking system
LPG Storage Facility	Tema	LPG Storage facility of 22,000 MT
Atuabo LPG Facility	Atuabo	Sage Distribution procures, stores and distribute LPG to marketing/distribution companies including NewGas Cylinder bottling limited through its facilities.
Others TBD including the NovaGas retail LPG distribution network		

- The site visit(s) should involve the following:
 - Determine the level of E&S integration into business operations (as part of the E&S Management System implementation) and how well it is managing key E&S risk exposures and opportunities;
 - A review of asset-based records and documentation;

- Interviews with key staff at asset level [i.e. HSE Officer, Operations Manager, asset level Human Resources Manager, Community Liaison Officers, etc.]. These interviews should focus on understanding the following:
 - E&S Management System implementation and E&S performance of the asset against Spark+ prescribed reference frameworks;
 - New or existing E&S risks exposures or opportunities; and
 - Outcomes of any E&S intervention at the asset level.
- Further interviews with relevant and representative stakeholders, if required (regulatory officials, key suppliers, surrounding community members / forums, etc.). These interviews should focus on understanding:
 - The overall relationship the business has with its stakeholders;
 - History of interactions with stakeholders;
 - Any outstanding E&S risks exposures or opportunities associated with business operations; and
 - Identification of successes or gaps in community engagement procedures and grievance mechanisms.

Note: All external stakeholder interviews will be approved by the prospective investee and Spark+ in advance.

Task 4: Categorisation of the Prospective Investment

- Confirm the E&S Risk Categorization (Category A, B, or C) as per IFC E&S Risk Categorization Guidelines; and
- Verify that the prospective investment of Spark+ does not directly support operations which entail any activities listed under the Spark+ Exclusion List (refer to Annex 1).

Task 5: E&S Assessment and Corrective Actions

- Assess the performance of the prospective investee against the prescribed reference frameworks;
- Identify foreseeable risks (including non-compliances, fines, liabilities and penalties) and advise Spark+ on any issues that could negatively or positively impact its investment;
- Identify performance gaps in compliance with applicable standards and propose corresponding corrective actions to address these gaps; and
- Develop and prioritise corrective actions to identified risks and gaps, with justified implementation schedules. Prioritization should be based on the level of E&S risk (i.e. high risk could be the potential for a significant fine or site closure, reputational risks, or material costs for upgrades or compliance; a low risk could be the potential for a minor fine or non-compliance issue, or non-material requirements to achieve compliance).

Task 6: ESDD Reporting and Deliverables

- Prepare a report summarizing the findings of the ESDD. This report shall include a summary of the E&S risks, opportunities and impacts associated with the prospective investment, including the related E&S performance gaps and corresponding correction actions to inform Spark+ decision making (see Annex 2 for the prescribed reporting template); and

- Prepare a standalone ESAP to address the gaps identified against the reference framework. This shall diligently aggregate the gaps identified in the report in a tabular format, set realistic deadlines for completion of the actions (with the emphasis on achieving compliance as soon as possible). The corrective action description should be succinct, but suitably detailed, accurate and clear and referenced against the appropriate standard actions. The ESAP should distinguish between action items that are linked to gaps identified against the reference framework and E&S value add or impact opportunities (see Annex 2 for the prescribed reporting template).

Project Schedule

The ESDD is to ideally take place in parallel with an on-site visit by the Spark+ investment team from October 3 to October 7. During the ESDD assessment, the E&S Specialist must:

- Notify Spark+ of any ‘red flags’ in writing within 72 hours of completing asset reconnaissance and interviews. For example, any contraventions with the Spark+ Exclusion List or significant legislative non-compliances or pending fines and / or notices;
- Submit a draft ESDD report within 10 working days after completion of asset reconnaissance and all interviews;
- If deemed necessary, attend a meeting/conference call with Spark+ (and a prospective investee representative if appropriate), to discuss the key ESDD findings presented in the draft report and confirm timelines of the final ESDD report; and
- Submit the final ESDD report within 5 working days after receiving one round of consolidated comments from Spark+ on the draft report.

Annex 2 outlines the format to be used in presenting the ESDD findings and the ESAP.

Proposal Structure

Please submit an ESDD proposal containing the following sections:

- A. Company Profile
- B. Project Team Profile and Qualifications
 - a. *Details of the main point of contact for this proposal;*
 - b. *Details of the proposed consultants and any sub-contractors involved in the ESDD, including names, CV’s and a brief description of their role within the project team.*
 - c. *A list of relevant experience and qualifications of the consultants involved covering technical capabilities, specific previous project experience similar to this project, specific in-country experience and knowledge, specific language skills, etc.*
- C. Scope of Work
 - a. *Detailed description of the proposed ESDD methodology in order to accomplish the required tasks, including any proposed site visits/reconnaissance, documents to be reviewed, interviews, etc.*
 - b. *If the E&S Specialist feels that additional tasks or components within a required task are suggested or warranted, these should be stated and delineated as “Optional Tasks”.*

D. Costing

- a. *An indication of total costs to perform ESDD, with estimated number of hours / days required per task by each consultant and a breakdown of estimated disbursements.*

E. Schedule

- a. *A proposed schedule of work.*

F. Conflicts of Interest Statement

- a. *Confirm that no conflicts exist and the E&S Specialist is in a position to provide an adequate, accurate and objective review.*

Thank You

Please submit a .pdf version of the proposal by close of business September 23rd to Peter George at peter.george@enabling.ch. You may address any queries beforehand to the same email address.

Annex 1: Spark+ Exclusion List

Exclusion Sectors	SELECT
<p>1. Production or activities involving harmful or exploitative forms of forced labour^[1] or child labour^[2]</p> <p>2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:</p> <ul style="list-style-type: none"> a. Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/ herbicides or chemicals; b. Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or c. Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5Km in length) <p>3. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations</p> <p>4. Destruction^[3] of High Conservation Value areas^[4]</p> <p>5. Radioactive materials^[5] and unbonded asbestos fibers</p> <p>6. Pornography and/or prostitution</p> <p>7. Racist and/or anti-democratic media</p> <p>8. In the event that any of the following products form a substantial part of a project's primary financed business activities^[6]:</p> <ul style="list-style-type: none"> a. Alcoholic beverages (except beer and wine); b. Tobacco; c. Weapons and munitions; or d. Gambling, casinos and equivalent enterprises <p>9. Activities included in the Harmonised EDFI Fossil Fuel Exclusion List:</p> <ul style="list-style-type: none"> a. Coal prospecting, exploration, mining or processing; b. Oil exploration or production; c. Standalone fossil gas exploration and/or production^[7] ; d. Transport and related infrastructure primarily^[8] used for coal for power generation; e. Crude Oil Pipelines ; f. Crude Oil Refineries ; g. Construction of new or refurbishment of any existing coal-fired power plant (including dual); h. Construction of new or refurbishment of any existing HFO-only or diesel-only power plant^[9] producing energy for the public grid and lending to an increase of absolute CO2 emissions^[10] ; i. Any business with planned expansion of captive coal used for power and/or heat generation ; 	

^[1] Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

^[2] Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

^[3] Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

^[4] High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>)

^[5] This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

^[6] For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.

^[7] Gas extraction from limnically active lakes is exempted from this exclusion

^[8] "Primarily" means more than 50% of the infrastructure's handled tonnage

^[9] For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and under the condition that there is no economically and technically viable gas or renewable energy alternative

^[10] This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

Annex 2: Spark+ E&S Due Diligence Reporting & Action Plan Template

1. Executive Summary

Provides an overview of key E&S risks and mitigation measures and opportunities in the below table:

Aspect	Risk Identified	Risk Rating	Proposed Mitigation Measure	Costs & Timing
Environment		<i>[High, Medium or Low]</i>		
Health & Safety				
Social				
Summary of ES Value-Add & Impact Opportunities				

2. Prospective Investment Description

Provides relevant information regarding the prospective investment (e.g. industry, sector of activity, site location(s), relevant environmental and social setting(s) information, surrounding land use(s), history, prospective investment facilities and infrastructure, permitting status, etc.).

3. Identified Applicable Performance Standards and Legal Requirements

Provides a description of the applicable reference framework that was used and against which the prospective investment was assessed.

4. Environmental, Social and Governance Categorization Rationale

Provide an assessment of the prospective investment Risk Categorization (in terms of the IFC ES Risk Categorization Guidelines) providing rationale for the final categorization given.

5. Prospective Investment Environmental and Social Management System

A description of the prospective investee's E&S Management System in place (to manage E&S risks and opportunities for both internal operations and asset level operations where applicable).

6. E&S Due Diligence Assessment Findings

A description of the key E&S risks, impacts and opportunities identified against applicable ES requirements (i.e. the reference frameworks).

7. Recommended E&S Action Plan (ESAP)

For E&S performance gaps, recommend corrective actions with corresponding schedules, indicate priorities, and advise as to how to incorporate these into the Investment Agreement, as either Conditions Precedent or Management Actions. Include the table on the next page in the ESDD report and for inclusion into the relevant transaction agreements.

Additional ESAP Criteria to Note:

- Where issues are identified that carry associated high risks or potential for regulatory action, addressing these issues should be prioritized in the ESAP.
- The Action Plan should take into account any additional staff or skills required by the prospective investment to drive E&S performance.
- Where appropriate, larger or longer-term corrective actions should be further broken down to milestones to facilitate monitoring of progress in achieving them.
- In preparing the ESAP, it should be taken into account whether significant synergies to achieve compliance with both international standards (i.e. IFC Performance Standards) and national requirements exist.
- The ESAP should distinguish between action items that are linked to gaps identified against the Reference Frameworks, and those considered to be additional E&S value add or impact opportunities.

E&S Action Plan (ESAP) Template

Reference Standard / Law / Regulation	Finding	Recommended Action	Responsible Person	Priority / Risk Rating	Time Duration	Timing For Completion	Cost Implication
(Indicate the relevant reference standard / law / regulation e.g. IFC Performance Standard 1)	Summarised description of the specific risk or gap identified.	Recommendation to avoid, minimise or manage the issue identified.	(Assign responsibility to appropriate personnel)	(High, Medium or Low)	(Period of time to complete action)	(e.g. prior to financial close or prior to construction)	(Most likely cost and reasonable worst case)