

Environmental and Social Management System Arrangement

Project Number: 51194-001
June 2019

PRC: Shandong Green Development Fund Project

Prepared by the Fund Management Company, CICC Capital Management Co. Ltd to support the Project Implementation Agency, Shandong Development and Investment Holding Group and the Project Executing Agency, Shandong Provincial Government for the Asian Development Bank.

CURRENCY EQUIVALENTS

(as of 23 June 2019)

Currency Unit – Yuan (CNY)			
CNY1.00	=	\$0.1456	or €0.1281
\$1.00	=	CNY6.8699	or €0.8796
€1.00	=	CNY7.8082	or \$1.1369

ABBREVIATIONS

ADB	–	Asian Development Bank
AP	–	Affected Person
CAP	–	Corrective action plan
CC	–	climate change
CICC	–	China International Capital Corporation Capital Management Co. Ltd
CO₂	–	carbon dioxide
CO₂eq	–	carbon dioxide equivalent
CRVA	–	Climate risk and vulnerability assessment
EA	–	executing agency
EIA	–	Environmental impact assessment
EHS	–	Environmental, health and safety
EMP	–	Environmental management plan
EMoP	–	Environmental monitoring plan
EPB	–	Environmental Protection Bureau
ESMS	–	Environmental and social management system
FIRR	–	financial internal rate of return
FMC	–	fund management company
GAP	–	gender action plan
GHG	–	Greenhouse gas
GP	–	general partner
GRM	–	Grievance redress mechanism
IA	–	implementation agency
IEE	–	Initial environmental examination
IFI	–	international finance institution
LP	–	limited partner
MEE	–	Ministry of Ecology and Environment
MERV	–	Monitoring, evaluation reporting and evaluation
PAM	–	project administration manual
PIAL	–	Prohibited investment activities list
PIC	–	private, institutional and commercial
PRC	–	People’s Republic of China
REA	–	Rapid environmental assessment
RP	–	Resettlement Plan
SDIHG	–	Shandong Development and Investment Holding Group
SPG	–	Shandong provincial government

NOTE

In this report, "\$" refers to US dollars

This environmental and social management system arrangement is a document of the Borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

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DEFINITION OF TERMS

- “Catalytic Fund” means a Fund, established for a term of 20 years or such other term as ADB may agree, into which the project IA invests the proceeds of the loan, together with proceeds of other financing it receives from international financial institutions for the project, and into which other governmental or multilateral investors acceptable to ADB may invest, as ADB may agree from time to time;
- “CO₂ Equivalent Emissions” means the equivalent quantity of greenhouses gases emission expressed in carbon dioxide (CO₂) equivalent (CO₂eq) as per the definition of the Intergovernmental Panel on Climate Change;
- “Consulting Services” means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- “Fund” means a limited partnership established on terms acceptable to ADB for a period acceptable to ADB to invest, either directly or through other funds, into Qualified Enterprises to undertake Qualified Subprojects and, unless ADB agrees otherwise, managed by the Fund Manager;
- “Fund Manager” or “Fund Management Company” (FMC) means CICC;
- “GAP” means the gender action plan as Linked Document and gender assessment as Supplementary Document for the Project approved by ADB, prepared and implemented by the Fund Manager;
- “Shandong Green Development Fund Green Climate Assessment Guidelines” means a screening tool developed during the project preparation and customized from the Green Climate Fund Investment Framework to categorize Subprojects in Transformational; Advanced Benefits and Good Practices following six criteria;
- “Investment Agreement” means an agreement between a Fund and a Qualified Enterprise using a template to which ADB has given a written non-objection for the provision of debt, equity or mezzanine finance to the Qualified Enterprise to be used exclusively to undertake a Qualified Subproject;
- “Limited Partnership Agreement” means an agreement among general partners and limited partners establishing a Fund as a limited partnership, reflecting the requirements of this Loan Agreement, the Project Agreement and the PAM, and to which ADB has given a written non-objection in each case;
- “PAM” means the project administration manual for the Project dated 30 June 2019 and agreed between the SPG or its representative and ADB, as updated from time to time in accordance with the respective administrative procedures of the Project Implementing Agency and ADB;
- “Procurement Policy” means ADB’s Procurement Policy - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);

- “Procurement Regulations” means ADB’s Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- “Qualified Enterprise” means a company that satisfies all requirements in this Loan Agreement, the Project Agreement and the PAM for an investee company (or subproject sponsor) to receive Loan proceeds from a Fund under the Project;
- “Qualified Subproject” (subproject) means an undertaking that satisfies all requirements in this Loan Agreement, the Project Agreement and the PAM for subprojects to be part of the Project;
- “Safeguard Policy Statement” or “SPS” means the Safeguard Policy Statement of ADB (2009);
- “SGDF” means each Fund in a planned series of Funds into which the Catalytic Fund invests directly, as a limited partner, along with other investors acceptable to ADB;
- “Subproject Agreement” means an agreement between a Fund and a Qualified Enterprise, using a template to which ADB has given its written non-objection, that sets out all of the Project requirements to be performed or achieved by the Qualified Enterprise in applying the Fund’s investment to one or more specified Qualified Subprojects;
- Co-financier: An International Financing Institution contributing catalytic funds on sovereign terms to SGDF; and
- Private Institutional Commercial Investor: An investor contributing funds as Limited Partner into SGDF at market rate and at risk (no guarantee).

Letter of Commitment from CICC

A. ENVIRONMENTAL AND SOCIAL MANAGEMENT ARRANGEMENT

A. INTRODUCTION

1. **Project background:** The innovative financing mechanism, Shandong Green Development Fund Project (the Project) will focus on catalyzing about \$1.5 billion of climate finance for a portfolio of bankable climate positive subprojects in Shandong Province, People's Republic of China (PRC). The Government is requesting the Asian Development Bank (ADB) for \$100 million financial intermediation loan (FIL) with additional co-financing¹ for the Shandong Green Development Fund (SGDF).

2. SGDF will finance a portion of the total capital expenditures of selected climate positive subprojects for a capped period required to make the subprojects bankable, by addressing the upfront project risks, promoting advanced technologies and integrated approach for climate change. The level of catalytic funding and the financing terms are linked to the climate performance of the subproject in line with the SGDF Green Climate Assessment Guidelines, customized from the Green Climate Fund investment framework.

3. The Project plans to focus its lending activities in Shandong Province on two broad target areas of activity: (i) climate change adaptation (25% total investment) with 5 million direct beneficiaries (about 5% of Shandong Province) with improved resilience to climate change; and (ii) climate change mitigation (75% total investment), resulting in a conservative estimate of 25 million tons carbon dioxide equivalent (CO₂eq) over the lifespan of the Project. The provincial climate change vulnerability assessment defines the priority investments and sectors priorities²:

4. **Safeguard due diligence** was conducted during the project preparation. At the August 2018 first loan fact finding mission, the ADB's project team requested the Shandong Provincial Government (SPG), Project Executing Agency and the Shandong Development and Investment Holding Group (SDIHG), a state-owned enterprise wholly-owned by SPG, Project Implementation Agency to appoint a Financial Intermediary as Fund Management Company (FMC) to manage SGDF with the following requirements: (i) top-tier asset manager in the PRC; (ii) licensed by the regulator to operate a fund in the PRC; (iii) over 8 years' experience, including opening and closing a fund; and, (iv) experience with public and IFI funding mechanisms. In 2019, SDIHG selected CICC Capital Management Co. Ltd (CICC), wholly owned subsidiary of China International Capital Corporation Limited, a public listed company on the Hong Kong Stock Exchange for the FMC to manage all SGDF operations, including the local currency account. The FMC will have subprojects approval authority

B. Findings and Recommendations

5. Findings of the safeguard due diligence were finalized during the May 2019 second loan fact finding mission to assess the potential environmental and social impacts and risks associated with the selected Financial Intermediary, CICC. In accordance with ADB SPS and the Operations Manual section on safeguard policy (OM F1), the following were reviewed for CICC: (i)

¹ Co-financing from (i) Kreditanstalt Für Wiederaufbau (KfW) and Agence Française de Développement (AFD) for €100.00 million (~\$114 million) and €75.00 million (~\$85 million) respectively; (ii) Qingdao Municipal Government for CNY2.5 billion (25% or ~\$364.00 million); and the balance 54.5% (~793.50 million) from PIC investors

² Mitigation and Adaptation Priorities in Shandong (accessible for the list of Supplementary Documents in Appendix 2 of the Report and Recommendations to the President)

Environmental and social (E&S) policies; (ii) Screening, categorization and review procedures; (iii) Monitoring and evaluation, reporting and validation (MERV) procedures; (iv) Organizational structure and staffing, including skills and competencies in environmental and social areas; and, (v) Training program and requirements.

6. CICC is qualified to manage SGDF and has business strategies reflecting a strong track record and commitment to serve climate finance. The CICC group is a global investment bank with branch offices overseas to better serve its domestic and international clients; CICC covers more than 60% of the top 30 privately managed funds in the PRC. China I&G, the Project Executing Agency of the second Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region— Regional Emission-Reduction and Pollution-Control Facility (RRP PRC 51181) is a minority shareholder of CICC. CICC was recently selected to be the manager of the Beijing Science & Technology Innovation Fund and set-up new funds including CICC Genesis, CICC Generation, CICC Fintech on behalf of the central (Ministry of Finance) and local governments (Henan; Qianhai; Yunnan; ...) and domestic (Alibaba; China Investment Corporation; Tencent; ...) and international industries leaders (AXA Insurance; Temasek; GIC; ...). In 2018, CICC has 300 staff and manage assets over CNY300 billion (~\$43 billion).

7. CICC has a documented Environmental, Social and Governance (ESG) corporate policy since its public listing on the Hong Kong Stock Exchange (HKSE) in 2015 that applies to all its subsidiaries. CICC published two separate reports included in the Annual Report: (i) Environmental and Social (E&S); and (ii) Governance. For the 2018 E&S report³, an independent consultant was recruited to conduct an internal stakeholder engagement exercise. The staff express their opinions on CICC's performance and future strategies in term of ESG matters. The E&S report tracks and discloses: (i) Labor matters, including gender assessment (52% women) and staff training; (ii) GHG emissions, waste minimization and energy efficiency efforts within the company; (iii) Corporate Social Responsibility, including targeted poverty reduction activities; and (v) Compliance with applicable labor and environmental regulations. As a financial and investment firm, CICC did not set up a stand-alone ESG department, but the environment and social safeguard efforts are embedded in day-to-day operations and supported by our various departments (General Administration, HR, etc.) and in full compliance with HKSE requirements. CICC staff have been trained by HKSE-approved third party consultants on importance of ESG issues and disclosure requirements since 2016. CICC's ESG performance is being audited by third-party every year for public disclosure. However, CICC has no specific environment and social safeguards policies in place; the due diligence found that CICC has no dedicated procedures beyond requirement under national laws and regulations to avoid, minimize and mitigate or compensate adverse impacts of subprojects on the environment and affected people. Also, CICC has no procedures established to screen potential environment and social impacts and risks; due diligence requirements; monitoring and reporting for subprojects they finance.

8. CICC agreed to prepare and adopt an Environmental and Social Management System (ESMS) that complies with ADB SPS. During the preparation of the ESMS, ADB project team assisted by consultants recruited for the project preparation, will support training of staff joining the FMC on safeguards and social matters and assist with the terms of reference and job descriptions for the FMC Safeguard Unit, including the FMC Safeguard Specialist (Acting as Safeguard Manager for SGDF). The ESMS will be prepared, approved, maintained and implemented by CICC in its capacity of SGDF's FMC and Financial Intermediary as a condition of initial disbursement. The ESMS will be an entire part of the overall management systems to comply with the relevant PRC laws and regulations, ADB SPS, and other social requirements of

³ *CICC 2018 Annual Report* (accessible from the list of Supplementary Documents in Appendix 2)

ADB. The ESMS will apply to any subprojects funded by SGDF, including sub-funds. In case of discrepancies between PRC legislation and ADB SPS, SPS will apply as per the signed Loan and Project Agreements. The ESMS under preparation will cover the following:

- a) **Environmental and Social Management Policy and Applicable Requirements.** This section will include the ESMS policy, objectives and requirements in accordance with the relevant PRC national and local laws and regulations and ADB SPS and other social requirements of ADB.
- b) **Screening, Categorization and Review Procedures:** The screening and categorization procedures will be established under the ESMS to ensure that all subprojects are screened, categorized, and properly appraised in terms of their environmental and social impacts/risks as well as for possible improvement on climate mitigation and adaptation. The required environment and social planning documents will be prepared. Due diligence and social compliance audit will be carried out for existing and associated facilities and for any subprojects, where land acquisition and resettlement were undertaken in the past.
- (i) All subprojects financed by SGDF are screened and categorized against the Prohibited Investment Activities List (PIAL) in ADB SPS, and that any subproject involving activities included in the PIAL will not be financed by SGDF;
 - (ii) All subprojects financed by SGDF will not use fossil fuel and asbestos-containing material;
 - (iii) Any subprojects that fall under Category A for Environment and Involuntary Resettlement, and Category A and B for Indigenous Peoples will be excluded from financing.
 - (iv) All subprojects financed by SGDF are reviewed and evaluated against Safeguard Requirement 1-3 of ADB SPS (Appendix) and other ADB social requirements;
 - (v) All subprojects financed by SGDF are reviewed and evaluated against the PRC laws, regulations, and standards on environment, pollution management, labor, occupational health, safety, involuntary resettlement and land acquisition, ethnic minorities, biodiversity, and physical cultural resources and the provincial level regulations where the subproject is located to confirm compliance.

Table: 1: Safeguard Screening, Categorization, and Documentation

Risk Rating Category	Environmental Safeguards	Involuntary Resettlement (IR) Safeguards	Indigenous People Safeguards (IPS)
Category A	A proposed Subproject is classified as Category A if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works.	A proposed Subproject is classified as Category A if it is likely to have significant involuntary resettlement impacts. A resettlement plan, including assessment of social impacts, is required in accordance with SR 2 of ADB SPS. The involuntary resettlement impacts of an ADB-supported project are	A proposed project is classified as category A if it is likely to have significant impacts on Indigenous Peoples.

		considered significant if 200 or more persons will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive assets (income generating).	
	Environment Category A Subproject is excluded from SGDF financing.	Involuntary Resettlement Category A Subproject is excluded from SGDF financing.	Indigenous Peoples Category A Subproject is excluded from SGDF financing.
Category B	<p>A proposed subproject is classified as Category B if its potential adverse environmental impacts are less adverse than those of Category A projects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for Category A projects.</p> <p>Subprojects Category B can be financed by SGDF with (i) Preparation of Environmental Assessment Document with CAP in compliance with national and provincial laws; (ii) Compliance with PIAL and exclude fossil fuels and the use of asbestos-containing material.</p>	<p>A proposed subproject is classified as Category B if it includes involuntary resettlement impacts that are not deemed significant i.e. less than 200 persons will experience major impacts.</p> <p>Subprojects Category B can be financed by SGDF and will require the preparation of Resettlement Plan, Due Diligence / Social Compliance Audit Reports in accordance with national laws and ADB SPS.</p> <p>Compliance with ADB's PIAL and exclude fossil fuels and the use of asbestos-containing material.</p>	<p>A proposed subproject is classified as Category B if it is likely to have limited impacts on Indigenous Peoples.</p> <p>Indigenous Peoples Category B Subproject is excluded from SGDF financing.</p>
Category C	A proposed subproject is classified as Category C if it is likely to have minimal or no adverse environmental impacts	A proposed subproject is classified as Category C if it has no involuntary resettlement impacts as per ADB SPS	A proposed subproject is classified as Category C if it is not expected to have impacts on Indigenous Peoples as per ADB SPS.

	<p>and comply with national laws and ADB's PIAL.</p> <p>Subprojects Category C can be financed by SGDF. Preparation and submission of annual implementation reports</p> <p>Compliance with ADB's PIAL and exclude fossil fuels and the use of asbestos-containing material.</p>	<p>Subprojects Category C can be financed by SGDF. Preparation and submission of annual implementation reports</p> <p>Compliance with ADB's PIAL and exclude fossil fuels and the use of asbestos-containing material.</p>	<p>Subprojects Category C can be financed by SGDF. Preparation and submission of annual implementation reports</p> <p>Compliance with ADB's PIAL and exclude fossil fuels and the use of asbestos-containing material.</p>
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- c) **Compliance Monitoring and Reporting** which will require the submission of semi-annual monitoring reports and annual implementation reports to ADB for review and disclosure on the ADB website. This section will include monitoring indicators for proper monitoring and evaluation and arrangements for participation of various stakeholders, including the affected persons. It will explain the internal and external monitoring arrangements.
- d) **Grievance Redress Mechanism** which will be established at the FMC and at the Subproject Level. It will include composition, clear roles and responsibilities, process and procedures to ensure access to the affected people, and monitoring and reporting requirements.
- e) **Institutional Arrangements.** The proposed institutional arrangements and staffing are presented in the following paragraphs below. A detailed capacity building program will be designed for FMC and concerned agencies.

9. **Organizational Structure and Staffing:** CICC does not have a permanent Environmental and Social Safeguard Manager; ESG responsibilities are delegated to CICC Directors and ESG data compiled into the ESG section of the Annual Report with the assistance of an independent consultant.

10. A Safeguards Unit in FMC will be established. It will engage two full-time staff, one environment specialist and one social specialist (hereinafter referred to as "FMC Safeguard Specialists) with proven experience in safeguard and social development as well as environmental, health and safety. In addition, the FMC can access the \$10 million Capacity Development Program to recruit specialized safeguard consultants to assist the FMC Safeguard Specialist.

11. CICC has a corporate policy on training and conducts continuous work on capacity building activity. CICC has been trained twice during the project preparation by a national safeguard consultant on ADB SPS and by the international consultant on the use of the SGDF Green Climate Assessment Guidelines. Additional trainings are planned during the preparation of the ESMS and will continue during project implementation.

Table 2: Roles and responsibilities related to ESMS

Project Implementation Organization	Management Roles and Safeguards Responsibilities
SPG	Executing Agency: Overall Project responsibility represented by the Shandong Finance Bureau (SFB)
SDIHG	Implementing Agency: Delegated responsibility from SPG; Limited Partner and Co-General Partner into SGDF.
CICC	<p>Fund Management Company: Responsibility for the day to day management of SGDF and approval of the subprojects through the investment committee:</p> <ul style="list-style-type: none"> • Prepare and endorse the ESMS as a condition of first disbursement; • Duly and diligently implement and meet all the requirements of ESMS, which can be revised and updated, if necessary, in consultation with ADB and other co-financiers and through proper procedures; • Maintain qualified and experienced full-time staff "FMC Safeguard Specialists" to manage the ESMS. • Strengthen the ESMS team, as required through the Capacity Development Program, funded under ADB loan. • Review subproject applications: Screen; categorize; appraises from a safeguard perspective. • Seek endorsement from ADB to approve proposed subprojects for funding by SGDF, based on safeguard and social appraisal / due diligence and approval procedures described in the ESMS. • Supervise and monitor ESMS implementation progress of subprojects, including compliance with the terms and conditions of the Subproject Agreements and Sub-funds Limited Partnership Agreement (LPA), which include this ESMS. • Submit semi-annual monitoring reports and annual implementation reports to ADB for review and disclosure on the ADB website • Disclose safeguard planning documents and monitoring reports on CICC website or in a form and language as per discussion with ADB. • Conduct site visits and participate in review missions with ADB and co-financiers. • Ensure that GRM is established at CICC and that it is functioning well. Request immediate remedial and corrective actions in the event of grievances and noncompliance. Work closely with subproject owners and concerned government organizations on the grievances and aim for resolution in a satisfactory and timely manner. • Meet all ESMS reporting requirements, establish a monitoring and tracking system, and retains supporting documentation for review and verification during review missions. • Provide subproject documents to the external monitor as requested and discuss and agree on corrective actions to be taken for any issues or risks identified during external monitoring.
Qualified Enterprises	<ul style="list-style-type: none"> • Obtain the required approvals from relevant authorities, such as local Environmental Protection Bureau (EPB) in accordance with all applicable PRC laws and regulations. • Prepare and submit safeguards planning documents as required by CICC • Implement subprojects in accordance with the Subproject Agreements and safeguards planning documents. • Report to FMC as required under the Subproject Agreement and agreed safeguard planning documents.

	<ul style="list-style-type: none"> • Ensure the subprojects comply with the requirements assigned to the Qualified Enterprise under the ESMS. • Provide monitoring and verification information and participate in the review missions of the Project. • Comply with the ESMS, including applicable PRC laws and regulations; SPS and co-financiers' requirements. • Submit semi-annual safeguard status reports to CICC.
ADB Project Team	<ul style="list-style-type: none"> • Support SPG, SDIHG and CICC by providing guidance and supervision on the ESMS preparation, implementation and revision in accordance with SPS and specific co-financiers requirements. • Assess the need for capacity development and training on safeguards of FMC Safeguard Specialist, FMC Management; Consultants, Qualified Enterprises; ... The capacity development program⁴ can be used for such activities. • Conduct review missions • Coordinate with co-financiers for no objection; site visits; review missions; • Review and provide clearance on safeguards planning documents: Environment (Environmental Assessment or equivalent), RP (or equivalent), Due Diligence Reports, Compliance audit reports. • Review SGDFs semi-annual progress reports • Review safeguards semi-annual monitoring reports and annual implementation report • Monitor the implementation of the ESMS and recommend updates to the ESMS to FMC as required. • Approve updates to the ESMS proposed by FMC. • Require FMC to develop immediate corrective actions, if necessary and act on any non-compliance issues as per the Loan Agreement and Project Agreement and agreed safeguards planning documents in a timely manner. • Organize project completion report jointly with SPG; SDIHG, other agencies and stakeholders.

12. The roles and responsibilities of the different entities involved in implementation and monitoring of the ESMS are summarized in Table 3.

Table 3: ESMS Implementation Arrangement

Tasks	Task execution (responsible/focal person)	Implementation Responsibility (Sign-off authority)
Screen subprojects	FMC Safeguard Specialists	FMC
Prepare and submit of safeguard initial categorization with summary description of subproject	FMC Safeguard Specialists	FMC
Perform initial site visit	FMC Safeguard Specialists	FMC
Update safeguard categorization	FMC Safeguard Specialists	FMC
Prepare subproject environment and resettlement documents	Qualified Enterprises	Qualified Enterprises

⁴ \$10 million earmarked under ADB loan for Project support, including but not limited to: Project Development Facility; Capacity Development; Policy; Knowledge Management.

Conduct safeguard and social due diligence and review relevant reports prepared by the Qualified Enterprise.	FMC Safeguard Specialists	FMC
Review and approval of the required safeguard documents for the first 3 subprojects or until such time ADB confirms that the FMC Safeguards Unit is fully staffed and the FMC unit and safeguards specialists have sufficient capacity to do their own due diligence and review of safeguards planning documents. ⁵	(i) FMC Safeguard Specialists (for Approval) and (ii) ADB Project Team (for concurrence)	FMC ADB
Review and approval of the required safeguard documents for any other subprojects above the free limit of \$75 million	(i) FMC Safeguard Specialist (for Approval) and (ii) ADB Project Team (for concurrence)	FMC ADB
Prepare and submit Subproject environmental and social monitoring progress reports to FMC.	Qualified Enterprises	Qualified Enterprises
Prepare and submit semi-annual monitoring reports and ESMS Implementation Report to ADB for review and clearance.	FMC Safeguard Specialists	FMC
Carry out external monitoring and submit semi-annual monitoring reports to FMC and ADB for review	External Monitor	FMC Safeguard Specialists ADB
Prepare subproject safeguard completion reports and submit to ADB	FMC Safeguard Specialist	FMC
Review subproject safeguard completion reports	ADB	ADB

13. **Actions required for ESMS:** Prior to the first disbursement of the ADB loan, CICC will:
- (i) Adopt an ESMS at FMC satisfactory to ADB;
 - (ii) Establish a Safeguards Unit in FMC and recruit two full-time FMC Safeguards Specialists; and
 - (iii) Enhance the capacity of the FMC Safeguard Specialist and the FMC Safeguard Unit in identifying and implementing environment and resettlement Category B to comply with applicable laws and regulations of PRC and Shandong Province; ADB SPS and the ESMS.

⁵ For Category C subprojects, it will require the review and clearance by ADB on the screening and categorization forms for the first three subprojects or until such time ADB confirms that the FMC safeguards unit is fully staffed and has sufficient capacity to do their own due diligence and review of safeguards documents. This also applies to Indigenous Peoples screening and categorization forms.