

FINDINGS OF THE CORPORATE SAFEGUARDS AUDIT: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM ARRANGEMENT

A. Background

1. The Asian Development Bank (ADB) loan to Gulf Renewable Energy Development Company Limited (GRE), a 100% subsidiary of guarantor Gulf Energy Development Public Company Limited (GED), is a general corporate finance transaction that will fund a portfolio of 12 subprojects comprising 393 megawatts of solar plants and 256 megawatts of solar plants coupled with 396 megawatt-hour of battery energy storage systems (BESS) capacity across Thailand.

Table 1: List of Proposed Solar and Solar–Battery Energy Storage Subprojects

Name of Subproject/Implementation Schedule		Location	Capacity (MW)
2024	01_UDT2 Saeng Thai Phalangngan	Udon Thani	58.00
	02_UDT4 Phalangngan Rungrueang	Udon Thani	54.00
	03_KCB1 Sky Power	Kanchanaburi	48.00
	04_SPB2.2 Breeze and Shine Power ^a	Suphanburi	75.00
	05_KCB3 Solar Development ^a	Kanchanaburi	60.00
2025	06_PCB14 Energy First ^a	Phetchabun	61.00
	07_BRR2 Isaan Clean Tech	Buriram	37.80
	08_UTD4 Saeng Pat Phalangngan	Uttaradit	58.71
	09_SRN5 Thai Pat Solar	Surin	51.00
	10_BRR4 Racha Solar	Buri Rum	37.80
	11_SKT10 Suriya Pat	Sukhothai	48.00
	12_PYO1 Duang Tawan Phalangngan ^a	Phayao	60.00

MW = megawatt.

^a Solar plant with battery energy storage system.

Source: Gulf Energy Development Public Company Limited.

2. In compliance with ADB's Safeguard Policy Statement (2009) (SPS), the project is categorized B for environment, B for involuntary resettlement, and C for impacts on indigenous peoples.

3. Qualified external experts were commissioned to conduct a corporate audit of GED's current environment and social management system (ESMS) and the company's past and current performance against the objectives, principles, and requirements of the ADB SPS.¹ The audit included a review and assessment of GED's current environmental, health, safety, and social practices across the company through a combination of interviews, site visits, desk review and data analysis. Two external firms were engaged in parallel to prepare the initial environmental examination (IEE) of the subprojects and its facilities, including the Transmission Line (TL) (being developed by the Thai government's Provincial Electricity Authority, PEA), and undertake social

¹ The following experts were commissioned by the borrower: (i) ERM to conduct the ESMS audit of GED; and (ii) TLT Consultants Company Limited and Consultants of Technology Company Limited, both in Bangkok to help prepare the initial environmental examination and conduct the social compliance audit of the first 5 subprojects scheduled to be implemented in early 2024.

compliance audits for the first five (5) subprojects; the social compliance audits focused on prior acquisitions of land for the solar plant sites.

B. Environmental and Social Management System of the Guarantor

4. **Environmental and social policy.** GED implements environmental, health and, safety and social (EHSS) management policies, procedures, and codes of conduct, including those associated with environmental and social (E&S) management, sustainability risk management, biodiversity, sustainability, supplier, labor, and human rights-related policies, as well as specific operational management procedures. GED's E&S Policy outlines the company's commitments to manage E&S risks and impacts from its key activities, such as implementing and maintaining the ESMS, complying with national laws, communicating E&S related expectations to counterparties, developing competencies, and incorporating E&S risk assessment and mitigation in business processes. Environmental commitments include considering key issues of biodiversity, waste management, greenhouse gas emissions, impacts on the local communities GED operates in, and monitoring of environmental performance to achieve continuous improvement. GED also commits to considering human rights, diversity, occupational health and safety, and community relations as part of the company's social management; sets targets for these key performance indicators; and establishes action plans and monitoring to ensure implementation.

5. GED has three systems to manage EHSS: (i) its corporate ESMS with management procedures for the electricity businesses; (ii) management systems certified to International Organization of Standardization (ISO) 14001 and 45001 norms at operational domestic power plants; and (iii) annual internal audits to assess the alignment of power plant operations with ESMS requirements. GED's ESMS Manual has not been updated since 2017.

6. *Corrective action.* None.

7. **Screening, categorization, review, and decision-making procedures.** GED carries out site selection screening for new projects which covers land use and acquisition, flood risk, permitting, technical capacity, and connectivity to grid and transmission lines. To apply for an operational permit from the Energy Regulatory Commission, GED must assess and confirm that a project is not located in an environmental protection area. GED also conducts risk screening under the ESMS, but the screening criteria do not cover E&S aspects such as biodiversity, natural hazards or disasters, areas vulnerable to climate change risk, involuntary resettlement, and impacts on indigenous peoples.

8. As regards the planning and construction of transmission lines, no process or procedure is in place to screen and categorize such activities, or assure avoidance, or, if impacts are unavoidable, ensure identification and implementation of mitigation measures. No guidance exists on how to work with parties such as Provincial Electricity Authority and other agencies to achieve lenders' requirements regarding environmental, involuntary resettlement and indigenous people related safeguards.

9. *Corrective action.* GED shall enhance its risk screening and site selection processes in compliance with the ADB SPS and ensure these also cover TL developments by third parties, procedures for SR1-3 compliance, existing facilities (social compliance) audits for land previously acquired, involuntary resettlement, indigenous peoples impacts, biodiversity impacts, natural hazards or disasters, and risks related to climate change, and gender-based violence and harassment (GBVH) risk assessments.

10. **Monitoring and reporting.** GED carries out an internal review of a project's progress, including EHSS performance, community relation tasks, issues, concerns, and grievances. A master plan detailing the different items required to be completed is prepared for each project development and project performance is reported on a weekly basis and discussed on a bi-weekly basis. Most EHSS requirements for projects, including lenders' requirements during construction, are included in the contracts with contractor. Key performance indicators in the project masterplan for monitoring the contractors' performance are limited to EHS performance and completion schedule. No clear indicators were established to gauge compliance with E&S contractual obligations. The assurance process established for reviewing ESMS implementation is currently limited to document reviews.

11. *Corrective actions:* GED is to establish an E&S reporting protocol and reporting mechanism across projects, in particular, all ADB-funded subprojects, to ensure semi-annual reporting to ADB on ESMS compliance (including compliance by contractors and solar PV supplier) and, EHSS performance against all applicable requirements.

12. **Organizational structure, staffing and training.** GED set up a Corporate Sustainability, Governance and Risk Management Committee to manage sustainability-related matters and also established the Sustainability and Risk Management Department to oversee the execution of sustainability-related action plans, such as managing the day-to-day risks and E&S related issues. The committee reports directly to the board of directors, while the department reports to the chief of corporate affairs officer. Several other departments are involved in driving the implementation of the ESMS throughout the project phases: (i) Business Development Group for handling opportunities, conducting high-level site screenings, and reporting to the project team for decision making; (ii) Project Development Group for completing studies, designs, contractor and supplier engagement; overseeing project construction and commissioning, land use, legal obligations, E&S impact assessments and permitting, and project-specific community relations; (iii) Site Team (site manager, site engineer and safety officer) during construction for each site; and (iv) Asset Management Department, which is responsible for the operation and maintenance of projects that have reached the commercial operation date. The latter includes a safety, health and environment team, that reports to the Quality Assurance Division and is responsible for ensuring that commitments, guidelines, and E&S management systems are implemented.

13. GED lacks E&S leadership at the corporate level and in the business development and project development departments—no dedicated staff exists to undertake environmental impact assessments or oversee and manage project-specific E&S assessments and site management tasks. While training on ESMS awareness, safety, employment terms, and codes of conduct is provided to all employees and GED has developed a training awareness and competence procedure, it was found during the audit that responsible departments were not familiar with lenders or ESMS requirements essential to overseeing ESMS implementation. This was also confirmed by the absence of documented evidence (e.g., procedures, work plans, or checklists), which should include labor influx management plans, stakeholder engagement plan, grievance mechanisms for workers and community members, and requirements for the design for worker accommodations during construction.

14. *Corrective actions:* GED is to: (i) appoint a corporate level EHSS manager or director, (ii) engage a corporate-level manager to oversee the implementation of E&S commitments for the 12 subprojects, (iii) allocate dedicated CR personnel for subprojects, and (iv) prepare a training plan for ESMS knowledge enhancement and familiarize project teams with ESMS requirements and supporting procedures.

15. **Information disclosure, consultation and participation and grievance redress.** As part of its ESMS, GED has established a systematic process for handling grievances. It set up channels for whistleblowing, grievance reporting, and comments or recommendations from both internal and external stakeholders affected by GED's business activities. These include informing directly the responsible manager or the, head of the Internal Audit Department, or contacting by telephone, email, or post the unit assigned for receiving complaints. All individuals affected by GED's business activities are able to use these channels.

16. Boxes to receive local community member's communications with GED were installed at local fresh produce markets, municipality offices and town centers; and signages are posted around the project boundary that display the direct telephone numbers of staff assigned to handle community inquiries. Concerns and inquiries are generally raised by the local community via telephone calls and addressed as soon as possible. However, channels for anonymous reporting at project level have not been clearly communicated, grievances have not been documented, and the classification of grievances is not clearly defined.

17. While GED's ESMS requires stakeholder identification, analysis, and engagement during both project development and operations, defined in a step-by-step process, a stakeholder engagement plan for each subproject does not exist. In addition, the scope of stakeholder analysis does not cover non-title holders such as farm workers, leaseholders, renters, informal users of land, and herders. Nor were impacts and mitigation measures for such stakeholders envisaged. Community expectations, according to the village heads interviewed, have not been adequately considered.

18. *Corrective actions:* GED is to enhance its stakeholder engagement processes to cover individuals such as non-title holders and expand its grievance redress procedure to clearly communicate the channels for anonymous reporting and better define grievance classification and documentation.

C. Conclusion and Recommendations

19. To manage environmental and social safeguard impacts and risks, GED implements a corporate ESMS; environmental, health, safety, and social management policies and procedures; and site-specific operational ESMP. GED monitors projects' compliance against the applicable laws and regulations as well as applicable lenders' requirements. GED will (i) apply ADB's prohibited investment activities list to the uses of ADB loan proceeds; (ii) ensure that investments using ADB funds comply with ADB's SPS and Social Protection Strategy, and abide by national laws and regulations; and (iii) enhance its ESMS to meet ADB's safeguards and social requirements in a manner satisfactory to ADB, which it will then cascade to the subprojects within agreed timeframes as per the Environmental and Social Action Plan which will include corrective actions and actions to be fulfilled to ensure project compliance as it progresses through the next phase. GED will report regularly to ADB on its and its subprojects' compliance with applicable safeguards and social requirement laws and the implementation of an ESMS satisfactory to ADB.