



Acumen Environmental and Social Policy for GCF-Funded Projects

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Glossary

60 Decibels: 60 Decibels is a global, tech-enabled impact measurement company that brings speed and repeatability to social impact measurement and customer insights.

AE: “AE” means Accredited Entities. AEs are designated by GCF to submit proposals and implement projects using GCF funding. Accredited Entities carry out a range of activities that usually include the development of funding proposals and the management and monitoring of projects and programs.

Acumen: Acumen Fund, Inc. is a not-for-profit corporation formed under the laws of the State of New York and public charity under 501c3 of the Internal Revenue Code with, among other activities, 20 years’ experience investing in small and medium-sized enterprises (SMEs) that serve low-income communities in developing countries across the globe.

ACP: “ACP” means Acumen Capital Partners LLC. ACP is a subsidiary of Acumen that manages funds investing in social enterprises that can deliver social and financial returns to transform the lives of low-income people everywhere.

APR: “APR” means Annual Performance Reviews. APRs are mandated by the Green Climate Fund (GCF) for GCF-funded projects. APRs include reporting on the activities of the GCF-Funded project and KPIs.

ARAF: “ARAF” means the Acumen Resilient Agriculture Fund LP. ARAF is a \$58 million venture impact fund investing in companies operating in Ghana, Kenya, Nigeria, and Uganda, and the world’s first equity fund designed to build the climate resilience of smallholder farmers.

ALIVE: “ALIVE” means the Acumen LatAm Impact Ventures LLC. ALIVE is a fund manager of the \$28 million venture impact fund Acumen Latin America Early Growth Fund (ALEG) that invests in impact-driven early growth companies in Latin America.

Code of Ethics: Code of Ethics refers to the policy Acumen developed for Acumen and its affiliated group of entities staff as a mandate for how we work ethically and report concerns.

Borrower: Borrower refers to companies that receive lending from the Energy Access Relief Fund.

EARF: Energy Access Relief Fund B.V. is a debt fund designed to provide COVID-19 relief and recovery loans to energy access companies serving more than 20 million low-income households and micro-businesses in sub-Saharan Africa and Asia.

ESAP: “ESAP” means the Environmental and Social Action Plan. ESAPs are tools used to mitigate environmental and social risks of portfolio companies found in the due diligence stage.

ESG: “ESG” means environmental, social, and governance.

ESIA: “ESIA” means the Environmental and Social Impact Assessment. The ESIA is a process for identifying the environmental and social risks and impacts of the GCF-Funded project.

ESMS: “ESMS” means the Environmental and Social Management System. The ESMS is a dynamic and continuous process initiated and supported by management, and involves engagement between the client, its workers, local communities directly affected by the project (the Affected Communities) and, where appropriate, other stakeholders.

E&S: “E&S” means Environmental and Social. E&S connects to policy, management, risks, impacts, mitigants, and reporting.

EE: “EE” means Executing Entity. EE is the entity that implements GCF-funded projects.

FMO: Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. is a Dutch development bank structured as a bilateral private-sector international financial institution based in the Hague, the Netherlands.

FPIC: “FPIC” means Free, prior and informed consent. FPIC is aimed to establish bottom-up participation and consultation of an indigenous population prior to the beginning of development on ancestral land or using resources in an indigenous population's territory.

GAP: “GAP” means Gender action plans. For GCF-funded projects, GAPs contain metrics for collection and action plans to achieve the goals of this policy and GCF-funded project requirements.

Gender Sensitivity Policy for GCF-Funded Projects: Refers to Acumen’s Gender Policy for GCF-funded projects.

GCF: “GCF” means the Green Climate Fund. GCF is a fund established within the framework of the UNFCCC as an operating entity of the Financial Mechanism to assist developing countries in adaptation and mitigation practices to counter climate change.

GOGLA: “GOGLA” means the Global Off-Grid Lighting Association. GOGLA is the global association for the off-grid solar energy industry, and Acumen, SIMA, and KawiSafi are members.

Grievance Mechanism: The Grievance Mechanism is the Executing Entities’ policy for managing grievances.

GRM: “GRM” means the “Grievance Redress Mechanism.” GRM is Acumen’s grievance policy for GCF-funded projects.

IFC: “IFC” means the International Finance Corporation. IFC is an international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in less developed countries. The IFC is a member of the World Bank Group.

IFC PS: “IFC PS” means the IFC's Environmental and Social Performance Standards. The IFC PS define responsibilities for managing their environmental and social risks.

Investor: Investor refers to other investors in the GCF-funded projects.

KawiSafi: KawiSafi Ventures Limited is a venture impact fund investing in early-growth stage companies operating in the clean energy sector in East Africa.

KPI: “KPI” means key performance indicators. Acumen uses KPIs to track impact, gender, climate, and E&S indicators that are most important to a GCF-Funded project.

NDAs: “NDAs” mean National Designated Authorities. NDAs are government institutions that serve as the interface between each country and the Fund. They provide broad strategic oversight of the GCF’s activities in the country and communicate the country’s priorities for financing low-emission and climate-resilient development.

Portfolio Company: is a social enterprise who receives investment capital from projects for which Acumen is an Accredited Entity and which uses GCF funding.

SIMA: Social Investment Managers and Advisors LLC is a Delaware limited liability company and registered U.S. Securities and Exchange Commission Investment Adviser (registration # 801-119020) and manager of EARF.

SOCAP: “SOCAP” means Social Capital Markets. SOCAP is an annual conference focusing on social capital, social impact, and impact investing.

TAC: “TAC” means Technical Assistance Committees. TACs are committees that provide oversight on the implementation of technical assistance facilities (TAF). TACs convene to review the activities and disbursements of the TAFs to ensure their alignment and compliance with investor expectations.

TAF: “TAF” means technical assistance facilities. TAFs are grant funded pools of capital funded by GCF and others intended for support of initiatives, in this case, gender initiatives, of Portfolio Companies and the ecosystems in which they operate.

Introduction

“It starts by standing with the poor, listening to voices unheard, and recognizing potential where others see despair. It demands investing as a means, not an end, daring to go where markets have failed and aid has fallen short.... It thrives on moral imagination: the humility to see the world as it is, and the audacity to imagine the world as it could be.... It’s the radical idea of creating hope in a cynical world. Changing the way the world tackles poverty and building a world based on dignity.” – Acumen Manifesto

Background

Acumen has spent the last 20 years changing the way the world tackles poverty by investing in businesses that improve the lives of the poor and leaders challenging the status quo. We invest in early-stage companies whose products and services enable the poor to transform their lives.

Environmental and Social (“**E&S**”) protection is core to Acumen’s mission of combatting poverty. As such, our work centers on investing in businesses, leaders, and ideas that improve the lives of people living in poverty. Further, we understand that globally, those living in poverty are most vulnerable to the climate change crisis and to environmental degradation, so being good stewards of the planet is also key to our mission. A key component in our E&S development is our partnership with the Green Climate Fund. To further refine our E&S approach to Acumen’s work keeping impoverished communities at the center, we are building a policy framework for Acumen’s E&S processes to understand how they relate to the eight Performance Standards of the International Finance Corporation¹ (the “**IFC PS**”), which are generally used as best practice globally for E&S principles.

Innovating in impact has always been core to Acumen. Acumen developed lean data collection and assessment methodologies and carved out such activities into a new entity, 60 decibels, to enable use by the broader impact sector. We have recently reconfigured our central investing team into a knowledge and insights function. We now drive to articulate an E&S lens to our work in poverty alleviation and intend to evaluate the most appropriate way to do so as articulated in this policy.

The development of affiliated returnable capital funds, and our access to the expertise of our funders, such as Green Climate Fund and FMO, has enabled Acumen to develop E&S organizational capacity. Acumen uses the IFC PS and robust E&S policies and Environmental and Social Management systems across the GCF-funded projects. These funds include initiatives managed and/or sponsored by Acumen through its subsidiary Acumen Capital Partners (e.g., ARAF and KawiSafi), or by partner organizations such as Acumen LatAm Impact Ventures LLC (ALIVE) (e.g., Acumen Latin America Early Growth Fund LP), and SIMA (e.g., EARF). For purposes of this policy, we refer to these funds as GCF-funded projects, respectively.

This policy refers specifically to GCF-funded projects. This Policy may be amended or updated, subject to approval of the Management Committee. In addition, this Policy will be subject to review by the Management Committee at least every 5 years.

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https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

Commitments

While E&S protection has always been vital to Acumen's work with GCF, this is our first attempt at codifying our practices in a single policy. We intend to follow GCF's policies and guidance in our current and future GCF-funded projects. This policy and GCF funding apply to all the financing instruments (i.e., loans, equity investment and guarantees), as Acumen has applied for all three instruments. This policy commits to an E&S assessment for cumulative impacts, associated facility impacts and Free, and Prior Informed Consent (FPIC), where relevant for GCF-funded projects.

This may be our first effort to develop an organization-wide E&S policy, but Acumen already developed strong organizational capacity to measure, mitigate, and report on environmental, social and governance risks. Moreover, Acumen already incorporates E&S risk mitigating strategies in our work and seeks to make environmental and social impacts with our investments.

Acumen also commits that GCF-funded projects will aim to fulfill investor obligations and E&S policy and Environment and Social Management System commitments through policy and diligence support and auditing of E&S practices across all funds.

Ambition

In the long term, our expectation is that this policy will help Acumen improve our E&S approach to our programs and operations in service of our mission of solving problems of poverty. In the near term, we believe this policy will result in:

- An explicit organizational and senior management commitment to E&S practices for GCF-funded projects
- An understanding of how our E&S practices measure up against relevant peers regarding GCF-funded projects
- Clearer communications around our E&S practices for GCF-funded projects
- Transparency and credibility when working with third parties who include E&S frameworks in their work
- A cohesive articulation of our environmental and social commitments, policies, and procedures across GCF-funded projects.

Poverty and Climate Change

After 20 years of listening to the poor, Acumen has developed a meaningful understanding of the relationship between poverty and climate change. Extreme heat, soil erosion, and biodiversity loss have stripped farmers of arable land. Climate change has created extreme weather events that force poor families to migrate to safer territory. Acumen is acutely aware of the dangers of climate change for people in poverty. We work with smallholder farmers to build a more climate resilient agricultural industry. We partner with solar home system providers to connect poor people to clean, renewable energy. Acumen seeks to empower entrepreneurs to create new tools for people in poverty battling the damages of climate change.

Acumen Organization E&S Risk Mitigation

Acumen commits to policies and structures to mitigate internal E&S risks. Acumen continues to assess how to develop and implement policies and procedures to identify and minimize organizational E&S risks most appropriately.

Social Risks

Acumen has developed and implemented company-facing policies to mitigate social risks. Some of Acumen's policies include:

- Code of Ethics
- Investigative Function Policy
- Gender Sensitivity Policy
- Sexual Harassment Policy
- Conflict of Interest Policy
- ADP Employment Policies
- Privacy Policy

All Acumen employees must agree to comply with Acumen's Code of Ethics and attend an annual Code of Ethics training. Additionally, Acumen requires US-based employees to undergo annual sexual harassment and diversity, equity, and inclusion training.

Environmental Risk

Acumen operations do not have a significant environmental impact and have limited environmental risks. Subject to availability, local offices have recycling and compost bins. Acumen's largest office is located within a LEED-certified building², and we will consider efficiency as one factor when selecting future office sites. Document retention is primarily soft copy, reducing carbon footprint and paper waste. Work travel is only permitted when necessary, and localized regional teams mean that there is less need for international or long-haul staff travel.

Governance Risk

Acumen has a well-established governance structure with a diverse board, quarterly board meetings and minutes. The following items are intended to mitigate governance risks:

- Board of directors: 3 main roles:
 - Governance and strategy (long-term strategy, annual goal setting and review, etc.)
 - Fiscal oversight (audit, budgeting)
 - Institution-building (fundraising and reputation-building)
- Board meets quarterly, maintains regular minutes, and must abide by By-Laws

² **Leadership in Energy and Environmental Design (LEED)** is a green building certification program. LEED was developed by the non-profit U.S. Green Building Council (USGBC), and rates the design, construction, operation, and maintenance of green buildings, homes, and neighborhoods.

The board committees and their general responsibilities include:

- Development Committee: responsible for recruiting board members and developing the fundraising strategy.
- Compensation Committee: responsible for assessing the reasonableness of senior staff compensation and staff bonus structures.
- Audit and Finance Committee: responsible for oversight of our annual financial audit and evaluating conflicts of interest.

Each committee is governed by a board-approved charter. Our by-laws govern board composition and stipulate terms are 3 years, with a maximum of 3 consecutive terms (except CEO).

In-line with non-profit law, the board completes a conflict-of-interest certification and disclosure annually, as do our IC members and senior staff. Individuals with a conflict of interest remove themselves from decision-making processes involving any conflicts.

Acumen maintains an Investment Committee with local subcommittees consisting of board members, staff, and independent members to implement our investing program. The Investment Committee has a board approved charter, and its members are selected by the board. Acumen's Management Committee consists of Chief level staff to determine organization strategy, policies, and processes, and a subset meets weekly. Our Risk Committee consists of the Chief Financial Officer, General Counsel and Director of Talent, and meets quarterly to assess risks and implement responses and mitigation strategies. The General Counsel compiles and submits annual reporting on risk trends to the Audit & Finance Committee of the Board.

Organizational Capacity and Oversight

The President will be responsible for oversight of the implementation of this policy with additional operational guidance and monitoring provided periodically by the General Counsel, Country Directors, ESG Manager, and heads of Acumen's programs.

Acumen develops GCF-funded projects with direction from the regional investment offices, support from the Insights and Strategy team, and leadership, guidance, and approval from the Office of the CEO, Management Committee, and President.

Acumen is increasing its E&S capacity with the addition of the new ESG Manager position in 2021. The ESG Manager is responsible for articulation, evaluation and monitoring of Acumen's E&S policy, supporting E&S policies across the GCF-funded projects, and creating and managing E&S supports for Acumen portfolio companies, where advisable. The ESG Manager activities include:

- Identifying any reasonable and proportional E&S metrics and standards across sectors and pools of capital to enable meaningful data analysis, including for investees and funders
- Supporting GCF-funded projects with developing and implementing E&S policies and reporting on a fund and portfolio level
- Monitoring E&S obligations and commitments
- Working with international and institutional funders to understand their priorities and help them understand our approach

- Project management of third-party evaluators to ensure timeliness, thoroughness, and credibility
- Communicating the needs and outcomes to varied internal and external stakeholders, including preparation of competent reporting based on funder requirements and investee utility
- Recommending ways to adapt our metrics and systems for more effectiveness and efficiency as we learn, and collaborate with our fundraising and insights teams to produce practical, applicable insights for the sector

Acumen seeks to further build institutional capacity with ongoing trainings, meaningful collaboration with investors and portfolio companies, and new partnerships with E&S experts in the field. Acumen's ESG Manager will develop trainings and presentations for Acumen staff.

Acumen's ESG Manager assists GCF-funded project teams in implementing E&S policies and in E&S knowledge sharing. All GCF-funded projects clearly define processes and roles for implementing the E&S policy on a fund and portfolio company-level (from screening through due diligence and including monitoring and reporting). Acumen will seek Executing Entities and GCF-Funded project staff that have the organizational capacity and expertise to co-develop, implement, and monitor E&S policies and ESMSs that are compliant with GCF's E&S Policy. Acumen will interview and perform due diligence on potential Executing Entities to ensure their E&S capacities. Acumen will measure the E&S risk mitigation capacity of potential Executing Entities based on the interviews, due diligence, analysis of past projects, and a rating system.

All current and future GCF-funded projects selected or will select an ESG Officer to be responsible for overseeing and implementing each fund's respective E&S policies, ESMSs, and day-to-day E&S operations. Responsibilities include but are not limited to the following:

- Overseeing the execution of the E&S due diligence process and reviewing the E&S Action Plans
- Monitoring and reporting to the investors
- view of all E&S process and documentation prepared by the ESG officer prior to approval and implementation
- Review of the Fund's ESMS and provision of guidance on updates and changes as may be relevant; and
- Monitoring of the implementation of portfolio companies' performance against a set of indicators and against E&S action plans as well as the provision of guidance on appropriate backstopping measures in the event of extraordinary events.

GCF-funded projects seek to build organizational capacity through additional partnerships, consulting, and trainings. As such, ARAF received E&S training and continued guidance and aid from the FMO and KawiSafi retains an E&S consulting firm, Vukani Impact Collective, that provides staff trainings, due diligence, technical accompaniment to portfolio companies, and annual monitoring and reporting.

Acumen supports the organizational capacity of GCF-funded projects with policy development and feedback, the development and sharing of E&S tools, monitoring and reporting, investor management, and knowledge sharing opportunities among GCF-funded projects where Acumen is the Accredited Entity. Acumen's ESG Manager meets with GCF-funded project teams on monthly, quarterly, and semiannual bases to ensure the organizational capacity of GCF-funded projects.

E&S Risk Categorization

GCF risk categories that roughly align to IFC PS are:

- Category A. Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
- Category B. Activities with potential limited adverse environmental and/or social risks and impacts that individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
- Category C. Activities with minimal or no adverse environmental and/or social risks and/or impacts.

Acumen uses the E&S risk definition for intermediation when projects use GCF funding. E&S Categories of activities involving investments or delivery mechanisms involving financial intermediation shall be divided into the following three levels of risk:

- High level of intermediation, I-1: When an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
- Medium level of intermediation, I-2: When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and includes no activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented; and
- Low level of intermediation, I-3: When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and social impacts.

GCF-funded projects seek to make investments that do minimal to no environmental and social harm. Each GCF-Funded project affirmed that the funding will be provided to E&S low risk projects/activities.

GCF-funded projects perform E&S assessments utilizing screening and due diligence tools and categorize each investment opportunity by GCF risk levels. While the GCF-funded projects are currently authorized to undertake only category C/I-3 projects, Acumen is seeking reaccreditation for category B/I-2 future projects. GCF-funded projects engage in processes and assessment for the fit for purpose Environment and Social Impact Assessment (ESIA) and Environment and Social Management Plan (ESMP) that may be appropriate for category B/I-2 investments. If an ESIA and ESMP can mitigate E&S risks to minimal or no adverse environmental and social risks, funds may move forward with these investments. E&S risk categorization is documented during the due diligence process, at the time of the investment, and is revisited on an annual basis. E&S risk categorization is an important component of minimizing risks and communicating E&S priority with investors in GCF-funded projects. In the event of category B/I-2 accreditation for future GCF-funded projects, the ESIA and ESMP will be assessed as per the above, along with due diligence and monitoring as per the above, and such projects would only proceed with investment if adverse E&S risk and impact are limited

and few, generally site-specific, largely reversible, and readily addressed through mitigation measures. Our existing Action Plans demonstrate our capacity to evaluate mitigation measures.

Acumen supports funds with their risk categorization by providing feedback on risk categorization implementation and reporting through our ESG Manager. We monitor GCF-funded projects to ensure accountability to E&S policies risk categorization and investor requirements. Acumen supports GCF-funded projects when potential investments need mitigation strategies to lower E&S risks to an appropriate level for the funds' E&S risk categorization.

Environmental and Social Standards

All Environmental and Social Standards related assessments, monitoring, and reporting processes are based on the IFC Performance Standards 2012. The IFC Performance Standards 2012 will be used as an overarching framework for all these tasks given the fact that they evaluate environmental and social risks and its risk management, enable a holistic approach with a process-oriented focus and are in line with investors' expectations. To ensure compliance to advisable standards and create synergies between the IFC Performance Standards 2012, GCF-funded projects will develop diligence tools which will include all relevant aspects. Hence, evaluations will follow the structure and wording of the IFC Performance Standards, while at the same time including additional aspects not covered by IFC. Please see Annex 1 to see how we use the IFC PS framework for GCF-funded projects.

Acumen reviews all GCF-funded projects utilizing IFC's E&S PS. Acumen includes E&S risk identification and assessment as part of the GCF funding proposal and when developing project plans. The E&S risks identified using the IFC PS will be incorporated in the project level ESMS. Risks identified using IFC's PS require mitigating strategies and tools. Acumen works with the GCF-Funded project Executing Entity to ensure that all E&S risks are identified. Acumen also seeks to ensure that institutional documents include project level risk identification and mitigation strategies. Acumen monitors institution-level and project-level risk identification and mitigation using IFC E&S PS on an annual basis using E&S dashboards. Acumen identified potential risks and mitigants to current and potential GCF-funded projects across Acumen in Annex 1.

Environmental and Social Management System

GCF-funded projects use their respective E&S policies and ESMSs to guide their investment processes. This policy and management system applies to all the financing instruments (i.e., loans, equity investment and guarantees), as Acumen has applied for all three instruments. E&S is an intentional component of every stage of investment. Funds currently have and will have E&S exclusion lists, environmental and social questionnaires during due diligence, E&S monitoring and reporting mechanisms, and technical assistance to portfolio companies and the broader ecosystem.

Acumen's ESMS for GCF-funded projects, as described in this document, will act as Acumen's institutional process for developing, implementing, and monitoring project level ESMSs. Acumen will develop project level ESMSs with the Executing Entities of a project. ESMSs are developed after categorizing the risk level of the project and identifying the environmental and social risks using IFC's E&S PS. If GCF-funded projects are designated E&S Category B, mitigation hierarchies will be a component of the ESMSs. Acumen and Executing Entities develop project level ESMSs that include E&S risk and impact identification, appropriate project categorization, and implementation of E&S mitigation measures. Mitigating measures include screening tools, E&S diligence (prior to and during the project), E&S contractual requirements, post-investment support and accompaniment, and monitoring and reporting. Project level ESMSs must comply with applicable laws, identify and mitigate labor and working condition risks, include indigenous peoples' policy, respect human rights, and identify and mitigate biodiversity risks. Acumen monitors project-level ESMSs and policies with internal and confidential E&S dashboards to ensure compliance with policies and GCF requirements. Dashboards are kept confidential because they include confidential portfolio company information.

Acumen's ESMS for GCF-Funded Projects, as part of the E&S Policy for GCF-Funded Projects, will be reviewed on an annual basis. Annual reviews include an implementation and effectiveness dashboard and a comparison between Acumen's ESMS for GCF-funded projects and project level ESMSs. Acumen commits to a more extensive reviewing process every five years to determine if there are structural or institutional changes needed in the ESMS for GCF-Funded Projects.

E&S Screening

Acumen's GCF-funded projects develop and implement investment exclusion lists. GCF-funded projects use exclusion lists as their primary screening tools and are intended to eliminate investments that have the potential to do significant environmental and social harm. Acumen uses and will continue to use IFC's Exclusion List to develop exclusion lists for GCF-funded projects. If a potential investment includes any of the businesses or activities included in the list, the investment process cannot proceed. Each GCF-Funded project collects evidence of potential violations of the exclusion list and will determine whether to move an investment forward based on compliance with the exclusion list. GCF-funded project portfolio companies must continue to comply with the exclusion list criteria for the lifecycle of the investment.

Acumen collaborates with Executing Entities in developing exclusion lists as part of the project level ESMSs. Acumen, via the ESG Manager, monitors GCF-funded projects' compliance with their E&S policy, exclusion lists, and investor expectations using evidence provided by the funds. Acumen expects GCF-funded projects to provide evidence that the portfolio companies are complying with the fund exclusion list. Acumen will maintain record of GCF-funded projects'

compliance with their exclusion lists. Additionally, ARAF employs a specially designed diligence tool to evaluate climate resilience in its potential investments, which is in turn screened by an ESG officer prior to proceeding to formal due diligence.

E&S Due Diligence

Acumen develops ESMSs with robust diligence capacity together with Executing Entities and other stakeholders. Acumen's GCF-funded projects use significant E&S diligence processes to identify and evaluate E&S risk for the fund and potential investments. E&S diligence processes, tools, and risk identification and mitigation tools are all formalized as part of each fund's E&S policy or Environmental and Social Management System. All diligence strategies and tools align with IFC's PS 1-8. E&S diligence tools include:

- **E&S Questionnaires:** E&S questionnaires ask potential investees about environmental, social, and governance risks, operations, and policies. Questionnaires include identifying risks related to IFC's PS 1-8.
- **Environment and Social Management Systems:** Several GCF-funded projects ask portfolio companies to develop ESMSs to mitigate E&S risks identified in the due diligence process.
- **Environment and Social Impact Assessment (ESIA):** ESIA's are another form of diligence that measures environmental and social risks.
- **E&S Policies:** Portfolio companies are asked to share or develop an E&S policy that will be used to support future business decisions.
- **E&S data room:** GCF-funded projects capture E&S evidence from potential investees. Evidence includes HR policies, Labor contracts, employee manuals, governance documents, e-waste management policies, occupational health and safety policies, and evidence of compliance with local and international laws.

Acumen supports GCF-funded projects' E&S due diligence by aiding the development of and providing feedback for the E&S diligence policies, procedures, and tools both as part of the development of a project level ESMS and the implementation of the ESMS. Acumen's ESG Manager checks in with GCF-funded projects' teams quarterly to support E&S diligence when necessary. Additionally, the ESG Manager will monitor the E&S diligence process across GCF-funded projects to ensure compliance with E&S policies and investor requirements. The ESG Manager will periodically audit GCF-funded projects to ensure compliance with internal policies and investor requirements. Monitoring is captured in a confidential dashboard to ensure compliance with GCF and other investor requirements.

Acumen's ESG Manager serves as an observer on the investment committee for the EARF to monitor compliance with its ESMS and investor obligations. Additionally, EARF's investment committee has a gender specialist among other competencies. Acumen continues to seek additional ways to support GCF-funded projects.

E&S Contractual Requirements

GCF-funded projects investment documentation contains representations and covenants related to use of proceeds aligned with mission and compliance with applicable law. Our documentation also requires cooperation in social impact reporting and development of an E&S Action Plan, to be revisited annually. Also, we pass down contractual requirements of our funders to investees through side letters and other contractual requirements. Our term sheets include conditions

precedent and subsequent that require investees to develop policies and procedures mitigating E&S risk. Term sheets require that portfolio company information is kept confidential.

E&S Post-Investment Engagement and Accompaniment

GCF-funded projects commit to supporting their portfolio companies' growth through several E&S and similar tools. GCF-funded projects have expectations that portfolio companies will create and implement ESMSs to ensure portfolio companies improve their environmental, social, and governance practices.

For example, the ESMS for ARAF expects companies to develop an Environmental and Social policy, to identify risks and impacts, develop a management program, improve organizational E&S capacity, make a stakeholder engagement plan, and monitor and review environmental and social matters. KawiSafi includes similar Environmental and Social Action Plans (ESAP) to define EGS expectations for portfolio companies, post-investment. KawiSafi supports portfolio companies with consultations with an E&S consultant, Vukani, who helps said portfolio companies identify and develop actions around E&S risks.

All GCF-funded projects receiving GCF investment include technical assistance to improve gender related activities across funds and portfolio companies. Acumen hired a consultant to support Energy Access Relief Fund portfolio companies in their development of GAPs. Technical assistance is intended for both improving portfolio companies gender policies and procedures and increasing access and knowledge for women in areas ranging from climate resilient agricultural practices to engineering in off-grid energy.

Monitoring and Reporting

GCF-funded projects engage in extensive monitoring and reporting. Acumen and investors expect GCF-funded projects to release an annual report including impact and E&S reporting. GCF-funded projects are expected to submit GCF Annual Performance Reviews (APR). GCF APRs include extensive Environmental and Social Safeguards reporting. GCF reporting requires GCF-funded projects to report on fulfilling environmental and social requirements and impact metrics.

Additionally, GCF-funded projects provide quarterly or semi-annual reporting, often require board or board observer seats on the investee and have an annual review of the investments by the IC. Executing Entities develop their own E&S monitoring programs that are confidential due to portfolio company obligations.

Acumen's ESG Manager checks in with GCF-funded projects' ESG officers on a monthly or quarterly basis. Meetings and the relationship are meant to ensure GCF-funded projects follow GCF's E&S requirements and to support their E&S strategy and actions. The ESG Manager will ensure compliance with E&S standards, requirements, and ESMS and ESG policies. Acumen's ESG Manager uses checklists, reportable evidence, and dashboards to capture project level compliance with GCF E&S Policy. Should there be any issue with project level ESMSs, Acumen's ESG Manager will collaborate with project level teams on developing an E&S improvement plan.

If GCF-Funded Projects report an E&S incident, Acumen will record the incident in our ACP Fund ESG Incident Tracker. Acumen will assist GCF-funded project teams with resolving any ESG incidents using the hierarchy of mitigation. Acumen will then review the ESMS with the GCF-funded project team to ensure that there are no risk identification or E&S mitigation gaps in the policy. Acumen will apply lessons learned both at the AE level and the project level.

Acumen supports GCF-funded projects in their annual reporting. Acumen provides feedback on reporting back to investors, assists in the development of reports, and supports outreach to portfolio companies.

Acumen monitors the implementation and effectiveness of the institutional E&S Policy for GCF-funded projects, ESMS for GCF-funded projects, Grievance Redress Mechanism, Gender Sensitivity Policy for GCF-Funded Projects, Indigenous Peoples Policy, and Stakeholder Engagement Plan on an annual basis. Monitoring includes evidence of institutional implementation and effectiveness, organizational capacity, compliance with investor obligation, project level implementation and effectiveness relative to institutional expectations, and environmental and social risks identified and mitigated. Monitoring and reporting will be captured in an annual E&S dashboard.

Portfolio Companies Obligations

GCF-funded projects' each have E&S expectations of their portfolio companies. Funds expect portfolio companies to have a process and system to identify and mitigate E&S risks over a certain time. That process or system has been called an Environmental and Social Action Plan, an Environmental and Social Policy, or an Environmental and Social Management System. Funds ask for evidence of portfolio company progress on developing and implementing the E&S system or process based on timelines agreed to in term sheets or side letters. These E&S systems and processes are intended to mitigate future E&S risks as the company continues to grow and make new business decisions.

Additionally, GCF-funded project portfolio companies are expected to mitigate E&S risks identified in the due diligence process. Companies are expected to mitigate these risks either prior to the investment or within a certain period after closing the investment depending on the level of risk and the companies fit within the E&S risk categories. GCF-funded projects track and evaluate portfolio company's ability to meet E&S requirements, and provide additional guidance based on evidence. E&S mitigating strategies include the development or improvement of E&S-related policies like human resources policies, e-waste management plans, and occupational health and safety policies.

Some funds expect portfolio companies to have grievance mechanisms, stakeholder engagement plans, Gender Action Plans (GAP), and information disclosure policies. Acumen complies with and intends to continue complying with GCF requirements regarding oversight of portfolio companies.

Acumen assists GCF-funded projects by offering support to portfolio companies. Acumen has resources like sample policies for portfolio companies seeking to mitigate E&S risks and improve policies. Acumen will periodically check on the E&S performance and obligations of portfolio companies and information collected will be used in E&S dashboards. Additionally, Acumen's ESG Manager may periodically directly support portfolio companies of GCF-funded projects.

Grievance Mechanism

All GCF-funded projects commit to publicly accessible grievance mechanisms for a broad group of stakeholders. Stakeholders should be able to file grievances relating to fund and portfolio company activity. Additionally, people can choose to file their complaint anonymously. Each fund has a process to handle the grievance or complaint and has delegated the grievance investigation to a person within the organization. If the complaint is about a member of the fund staff, the fund ensures that the investigation will not include that fund staff member in the investigation process. Generally, the GCF-funded projects' teams coordinate with the General Counsel of Acumen in any investigations.

Acumen supports the GCF-funded projects' grievance mechanisms by assisting with policy development and implementation. Acumen also has a Grievance Redress Mechanism (GRM) to address environmental and social grievances for GCF-funded projects. Acumen intends to publish the GRM on our website before re-accrediting with GCF in 2022. Please see Annex 2 for more information.

Stakeholder Engagement

GCF invested projects developed strong stakeholder engagement plans as part of their GCF funding application. Acumen collaborates with Executing Entities on stakeholder engagement plans and utilizes AE's extensive network to engage with stakeholders within the project scope. Acumen collaborates with 60 decibels to engage with and learn from the project's end users. GCF-funded projects are required to receive no objection letters from government agencies in countries where they make investments. GCF-funded projects must reach out to a variety of stakeholders and gain their input on the project. All GCF-funded projects currently use 60 decibels to understand their investment impact. Each GCF-Funded project has an advisory committee whereby deeper dives/Q&A is given to certain investors on a regular basis regarding investee performance and impact.

Acumen's GCF-funded projects have made the following commitments:

- Provide stakeholders with information at appropriate times and in accessible forms.
- Communicate project activities in a timely manner (including for new activities).
- Ensure stakeholders are involved in decision making processes where relevant and can effectively communicate any impacts they experience; and
- Ensure that stakeholders are aware of how to submit grievances and/or complaints.

Acumen supports GCF-funded projects by connecting funds to Acumen's networks. Additionally, Acumen's GCF-Funded project teams' network and knowledge share, creating more opportunities for stakeholder engagement. Acumen also assists GCF-funded projects with fundraising and project development with various investors, government agencies, and development finance institutions.

GCF-funded projects require approval from local NDAs on project strategy and goals and liaise on a regular basis to report out to and consult such NDAs.

Gender Policy

Acumen developed a Gender Sensitivity Policy for Green Climate Fund Projects that guides our gender-based commitments to GCF on GCF-funded projects. Acumen's GCF-funded projects use a gender lens in their investment strategy. All GCF-funded projects developed and implemented gender policies for their funds. GCF invested projects have technical assistance facilities to improve gender policies of their portfolio companies and to improve the gender landscape of their sector. Funds have impact targets for their technical assistance facilities and report on impact on a yearly basis.

Portfolio companies for GCF invested projects are expected to develop and implement Gender Action Plans (GAP) after the investment closes. GAPs include choosing a gender officer, developing gender specific policies, (equal employment opportunity policies, an anti-harassment policy, and flexible work plans) and tracking gender data of employees and customers.

Acumen supports EARF in their gender work by leading the fund's GAP. We manage a consultant who assists portfolio company's development of GAPs. Acumen also reports gender impact to GCF in our work with EARF. EARF Borrowers are required to create GAPs.

Acumen supports GCF-funded projects with the development and implementation of their gender policies. Acumen supports and co-writes gender assessments for all GCF-funded projects. Acumen supports the development of GAPs. Acumen monitors the implementation of project-level GAPs on an annual basis. Acumen's experience with gender work across our portfolio and with four funds strengthened our knowledge and ability to make gender-based impacts with our investing.

Indigenous People's Policy

If Acumen engages in projects involving indigenous persons in the future, we will consider how to apply processes in line with the IFC PS 7, and the GCF Indigenous Policy as appropriate and proportional to the activity. Acumen developed and implemented an Indigenous People's Policy.

GCF-funded projects are covered by Acumen's Indigenous Peoples' Policy. All funds align their E&S policies and Indigenous People's Policies with the IFC PS including PS 7, which focuses on indigenous peoples. E&S policies across funds call for portfolio companies to measure and mitigate risks to indigenous populations when investments could do potential harm to an indigenous population.

Acumen, as the Accredited Entity, commits to ensuring free, prior, and informed consent has been properly sought and meaningful consultation has been undertaken. Additionally, we commit to supporting the development of project level ESMSs that includes properly assessing and mitigating risks to adverse impacts to indigenous populations.

Funds commit to asking potential investees if their operations impact indigenous populations. Funds also commit to not harming indigenous populations.

Acumen assists GCF-funded projects with developing and implementing indigenous peoples' policies. Acumen monitors IPP compliance using an annual E&S dashboard for institutional and project-level compliance.

Information Disclosure

Acumen shall make available publicly relevant environmental and social reports related to the GCF-funded projects, programs, and investments in fair, adequate and transparent communication channels as envisaged in our stakeholders' disclosure expectations. Acumen shall have a robust disclosure system through various channels in a bid of ensuring a fair, appropriate, and correct information disclosure; equal access and treatment of all participants /stakeholders; appropriate management of confidential information; and in total compliance with law and regulations. The applicable communication channels may include but are not limited to stakeholder mailings, website disclosures, etc. Acumen shall endeavor to publicly disclose E&S documents that explicitly capture purpose, nature, scale, project beneficiaries and key information of the GCF-funded projects.

In the case of future Category B/I-2 projects funded by GCF, Acumen will disclose the Environmental and Social Impact Assessment and an Environmental and Social Management Plan (ESMP), at least 30 days in advance of GCF's Board decision on a funding proposal. The reports are expected to be available in both English and the local language (if not English). The reports are expected to be available via electronic links in both the Accredited Entity's and the GCF's website (in the case of the GCF website, upon submission of a funding proposal to the Board), as well as in locations convenient to affected peoples subject to any redaction as appropriate or necessary.

Annex 1: Acumen’s GCF-funded projects’ E&S Practices

Acumen E&S Practices within IFC PS Framework for GCF-funded projects

In the case of investment funds sponsored and managed by Acumen, each fund adopts E&S frameworks consistent with the requirements of their investors, including the IFC PS for GCF-funded projects.

1. Risk Management

- a. Current Activities. All GCF-funded projects have ESG policies that manage environmental and social risks. They may have different names (e.g. KSV’s Responsible Investing Policy), but all have the components of an ESMS including risk identification and mitigation strategies. Additionally, GCF-funded projects assess E&S risks as a part of their fund proposals.
- b. Future activities. Acumen commits to environmental and social impact assessments and developing a risk mitigation hierarchy. All future GCF-funded projects will have an Environmental and Social Impact Assessment and an Environmental and Social Management System.
- c. Risks. ESIA or ESMS do not fully identify or mitigate all environmental or social risks. Other risks include GCF-funded projects not implementing their environmental and social policies, procedures, and systems.
- d. Mitigants. ESIA and ESMS are developed in conjunction with a group of investors, stakeholders and project identified people. Various stakeholders will improve the ability to identify and mitigate environmental and social risks. Moreover, Acumen will ensure that our project scope only accommodates investments that have largely reversible environmental and social risks.
- e. Reporting. Acumen will maintain a public facing grievance reporting mechanism for GCF-funded projects on its website, as well as an internal reporting policy and mechanism, to provide for reporting of any E&S issues related to our work.

2. Labor

- a. Current Activities. Acumen’s current GCF-funded projects all align their environmental and social policies and management systems with the IFC Performance Standards, local and international laws, and international policies like the International Labor Organization’s standards. E&S due diligence for GCF-funded projects include collecting human resources and labor policies and ensuring companies are following local and international labor laws. Exclusion lists include child labor and forced labor in operations and supply chain. GCF-funded projects do not invest in companies out of compliance with local and international labor laws. Additionally, if potential investees do not have satisfactory human resources, labor, or occupational health and safety policies, GCF-funded projects will require policy improvement as part of an ESG/E&S action plan.
- b. Future activities. Acumen will continue aligning labor risk mitigation with GCF expectations and IFC PS 2.
- c. Risks. Acumen’s GCF-funded projects make investments in early-stage companies who may be in the initial stages of developing human resources, occupational health and safety, and labor policies. Policies may not be thorough,

and staff may not be thoroughly trained on the policies or on how to implement the policies. GCF-funded projects could also not implement their ESMSs or monitor the progress of portfolio companies.

- d. Mitigants. Acumen's GCF-funded projects have detailed ESG policies and ESMSs to mitigate labor risks from portfolio companies. If companies have weak or insufficient policies, Acumen's GCF-funded projects requires them to improve policies through ESG action plans. Additionally, Acumen's GCF-funded projects report ESG progress and E&S progress in both annual reports and Annual performance Reviews for GCF to ensure compliance with GCF and investor expectations.
- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any labor issue across our GCF-funded projects. Additionally, our grievance mechanism will investigate any labor issues that are shared with Acumen.

3. Resource Efficiency

- a. Current activities. Acumen's GCF-funded projects do not work in raw materials processing or other resource-intensive sectors. Acumen's GCF-funded projects are meant to combat climate change and build climate resilience amongst people in poverty. GCF-funded projects are not carbon intensive and intentionally avoid greenhouse gases and other pollutants. Additionally, GCF-funded projects' ESMSs and ESG policies are aligned with IFC PS 3. GCF-funded projects will ask potential portfolio companies to provide relevant information in due diligence. If there are areas of improvement for resource efficiency, GCF-funded projects require that portfolio companies improve their resource efficiency policies and practices as a part of an ESG action plan.
- b. Future activities. Acumen will continue aligning labor risk mitigation with GCF expectations and IFC PS 3.
- c. Risks. Acumen's GCF-funded projects' portfolio companies may not have formalized waste management plans that could contribute to pollution. As they are early stage, the size and harm possible is minimal. GCF-funded projects could also not implement their ESMSs or monitor the progress of portfolio companies.
- d. Mitigants. Acumen's GCF-funded projects all abide by GCF requirements, local and international laws, and implement ESMSs and ESG policies. Additionally, portfolio companies are expected to already meet IFC PS 3 or implement an action plan to improve resource efficiency.
- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any pollutant or resource efficiency issue across our GCF-funded projects. Additionally, our grievance mechanism will investigate any pollutant issues that are shared with Acumen.

4. Community Health, Safety, and Security

- a. Current Activities. Acumen's GCF-funded projects do not engage in infrastructure or construction projects, handle hazardous materials, interfere in ecosystems, or work in projects that may introduce communicable diseases to vulnerable populations. During disease outbreaks, we halt travel to vulnerable communities or use enhanced protections (e.g., during the COVID-19 pandemic, we stopped travel to indigenous communities and instituted distancing/face coverings when visits resumed). Additionally, GCF-funded projects align their

ESMSs and ESG policies with IFC PS 4. Due diligence and screening tools gather information relevant to community health, safety, and security such as noise, air quality, vibration, equipment safety, traffic and transportation safety, natural resource use, and exposure to hazardous materials. If companies do not meet the IFC PS 4, ESMS standards, or GCF requirements, they will be mandated to improve policies, procedures, and systems within an ESG action plan over a certain period.

- b. Future Activities. Acumen will continue aligning community health, safety, and security risk mitigation with GCF expectations and IFC PS 4.
- c. Risks. Acumen's GCF-funded projects invest in early-stage companies that are still developing policies, procedures, and monitoring strategies that may not fit the GCF-Funded project criteria, the ESMS or ESG policy, the IFC PS 4, or investor requirements. Early-stage companies may also not know to what extent they are contributing to noise, air, or vibration pollution. Additionally, GCF-funded projects may not use their ESMS or ESG policies. They may also not enforce the mandated ESG action plans for their portfolio companies.
- d. Mitigants. Acumen's GCF-funded projects all abide by GCF requirements, local and international laws, and implement ESMSs and ESG policies. Additionally, portfolio companies are expected to already meet IFC PS 4 or implement an action plan to improve community health, safety, and security. Grievance mechanism and annual performance reviews tie the continuation of the project to stakeholders and investor requirements.
- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any pollutant or resource efficiency issue across our GCF-funded projects. Additionally, our grievance mechanism will investigate any pollutant issues that are shared with Acumen.

5. Land Resettlement.

- a. Current Activities. Acumen's GCF-funded projects align their ESMSs, ESG policies, and other activities with IFC PS 5 and GCF requirements. GCF-funded projects screening and due diligence including survey questions on land acquisition and other relevant policies and procedures. If companies are not compliant with IFC 5, ESMS, ESG policy, or GCF requirements, an ESG action plan will incorporate necessary land acquisition policy improvements. For example, a company may need to develop a land purchasing policy or proper documentation to verify that prior land acquisition did not involve involuntary resettlement.
- b. Future Activities. Acumen will continue aligning land acquisition risk mitigation with GCF expectations and IFC PS 5.
- c. Risks. GCF-funded projects invest in early-stage companies that may involve land acquisition. For example, several GCF-funded projects support the development of mini grid systems. Acumen's GCF-funded projects need to ensure that GCF-funded projects do not contribute to involuntary resettlement. Additional risks include Acumen's GCF-funded projects not implementing their ESMS or ESG policy, and not mitigating involuntary resettlement risk.
- d. Mitigants. Acumen's GCF-funded projects all abide by GCF requirements, local and international laws, and implement ESMSs and ESG policies. Additionally, portfolio companies are expected to already meet IFC PS 5 or implement an

action plan to improve land acquisition or resettlement practices. Our grievance mechanism and annual performance reviews tie the continuation of the project to stakeholders and investor requirements.

- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any resettlement issue across our GCF-funded projects. Additionally, our grievance mechanism will investigate any involuntary resettlement that are shared with Acumen.

6. Biodiversity.

- a. Current Activities. Acumen's GCF-funded projects measure and mitigate biodiversity risk using their ESMSs and ESG policies. Screening and due diligence tools include questionnaires on potential harms to biodiversity. E&S diligence asks potential portfolio companies for e-waste policies and procedures and for verification of relationships with e-waste recycling companies. GCF-funded projects will also seek information on the location of operations and whether that location is nearby or in habitats, natural habitats, critical habitats, or legally protected and internationally recognized areas.
- b. Future Activities. Acumen will continue aligning biodiversity risk mitigation with GCF expectations and IFC PS 6.
- c. Risks. Acumen's GCF-funded projects could potentially harm biodiversity if they invest in portfolio companies with operations in habitats, natural habitats, critical habitats, or legally protected internationally recognized areas. Additionally, GCF-funded projects may invest in companies that include pesticides or chemical fertilizers in their supply chains that maybe harmful to biodiversity if not properly used or farmers/companies are not properly trained on how to use these products safely. Additionally, Acumen's GCF-funded projects may not implement their ESMSs or ESG policies to assess and mitigate potential biodiversity risks.
- d. Mitigants. Acumen's GCF-funded projects have ESMSs and ESG policies aligned with IFC PS6 and include tools to mitigate potential biodiversity harms. Additionally, Acumen's GCF-funded projects seek to not invest in companies operating in areas negatively impacting any form of habitats. Acumen's GCF-funded projects are required to submit annual performance reviews to GCF to show compliance with GCF obligations.
- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any potential biodiversity harm across our GCF-funded projects. Additionally, our grievance mechanism will investigate any potential biodiversity harm that are shared with Acumen.

7. Indigenous Peoples.

- a. Current Activities. GCF-funded projects have ESMSs and ESG policies that align with and use IFC PS 7. Additionally, Acumen recently adopted an Indigenous People's Policy. Two of Acumen's GCF-funded projects developed Indigenous People's Policy. All GCF-funded projects follow GCF's Indigenous People's policy. Additionally, all ESMSs and ESG policies include diligence tools to identify Indigenous people and mitigate any risks to this community. Additionally, GCF-funded projects seek to comply with any local or international laws that protect Indigenous peoples. If portfolio companies do not have sufficient evidence or

policies to protect or show no harm to Indigenous populations then necessary improvements will be included in the ESG action plans. Finally, Acumen also seeks to make grievance mechanisms available to any project affected person and pay particular attention to Indigenous populations. Acumen engages in extensive stakeholder engagement while developing GCF-funded projects including to learn about local Indigenous populations.

- b. Future Activities. Acumen will continue aligning Indigenous People risk mitigation with GCF expectations and IFC PS 7. Acumen's future GCF-funded projects are required to comply with Acumen's Indigenous People's Policy and with GCF Indigenous People's Policy.
- c. Risks. Acumen's GCF-funded projects invests in early-stage companies that may not have consulted with or properly identified Indigenous populations in their areas of operations. Mini-grids and agriculture projects are susceptible to operations impacting Indigenous populations because of their need for land. Risks also include Acumen's GCF-funded projects not implementing their ESMSs or ESG policies to identify, measure, and mitigate risks to Indigenous populations. Finally, some portfolio companies may not satisfy the requirements of their ESG action plans.
- d. Mitigants. Acumen and GCF developed Indigenous People's Policies that GCF-funded projects are required to comply with. Additionally, ESMSs and ESG policies are aligned with IFC PS 7. Portfolio companies are expected to identify and monitor engagement with Indigenous populations and do no harm. If current activity is deemed insufficient, portfolio companies must improve activity using the ESG action plans. If Indigenous populations have a GCF-Funded project grievance, there are public and confidential mechanisms in place to investigate their grievances. Stakeholder engagement and project assessment considers Indigenous populations as well.
- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any Indigenous Peoples issues across our GCF-funded projects. Additionally, our grievance mechanism will investigate any harms to Indigenous People that are shared with Acumen.

8. Cultural Heritage.

- a. Current Activities. Acumen does not engage in the removal or destruction of tangible cultural heritage or with the commercialization of intangible culture. To the extent that any Acumen projects may indirectly engage with the commercialization of intangible cultural knowledge through our investment activity, it would be to the benefit of members of such community. Acumen's GCF-funded projects ESMSs and ESG policies align with IFC PS 8 and aim to identify and mitigate cultural heritage risks. If companies are not providing sufficient evidence of not harming cultural heritage, they will be mandated to improve policies or find sufficient evidence as part of their ESG action plan. Additionally, if stakeholders find that cultural heritage is harmed, they may share a grievance with Acumen that will be independently investigated.
- b. Future Activities. Acumen will continue aligning cultural heritage risk mitigation with GCF expectations and IFC PS 8.
- c. Risks. Acumen's GCF-funded projects invest in early-stage companies that may not have awareness of potential damages to cultural heritage. Additionally, GCF-funded projects may not implement ESMSs and ESG policies to understand

cultural heritage risks of potential investments. Finally, portfolio companies with insufficient information or who may do harm could also ignore their ESG action plans.

- d. Mitigants. Acumen's GCF-funded projects align ESMSs and ESG policies to IFC PS 8. Additionally, Acumen's investments are early-stage and harms are largely reversible and small in nature. Acumen's GCF-funded projects require annual performance reviews that will hold Acumen and GCF-funded projects accountable for any deviations from the policies we enact. Additionally, portfolio companies are required to follow ESG action plans as part of their term sheets. Finally, stakeholders can make grievances on our public facing grievance mechanism and Acumen will investigate cultural heritage grievances.
- e. Reporting. Acumen and GCF-funded projects report to GCF on an annual basis as part of our Annual Performance Review. Acumen commits to sharing any cultural heritage issue across our GCF-funded projects. Additionally, our grievance mechanism will investigate any cultural heritage issues that are shared with Acumen.

Annex 2: Grievance Redress Mechanism

Acumen is developing a public facing Grievance Redress Mechanism for GCF-funded projects that will be hosted on Acumen's website. The Grievance Redress Mechanism is investigated by our General Counsel and the Executing Entities. If there is a conflict of interest, Acumen's General Counsel will investigate grievances without Executing Entity involvement. Grievances that are received within two years of the end of the GCF-Funded project will be investigated. Listed below are some but not all the E&S grievances than can be investigated.

This GRM will be made available to parties who have grievances arising from activities related to the project 's implementation. These grievances could be related, but not limited to:

- Environmental, social, community health, safety, and security;
- Gender bias and harassment;
- Labor, compensation, and any issues that may arise due to interactions between the labor workforce and host communities;
- Resettlement-related grievances, such as the valuation of assets, amount of compensation paid, level of consultation, non-fulfilment of contracts, and timing of compensation, amongst others, will also be handled by this process.

Grievances will be deemed non-eligible if:

- Complaint is submitted 2 years after the funded project or program has been closed;
- Complaint is submitted 2 years after the date that the complainant became aware of the negative impacts by a GCF-Funded project or program.

Grievance and Complaints Procedure

1. A complaint is received (via email or mail).
2. The complaint is recorded in Acumen's Grievance Redress Mechanism Tracker.
3. Involved parties are informed (an initial assessment may be required to understand who the involved parties are). On occasion, an involved party may be informed later in the assessment phase, to preserve information and review baseline facts before notice.
4. The complaint is assessed by Acumen's General Counsel, Director of Talent, or other investigative body named under specific Acumen policies. This may involve interviewing additional parties to collect more information or bringing in third parties to support the investigation and assessment. The investigation is conducted by someone independent of the program execution (i.e., not the ESG Manager, since responsible for E&S program management).
5. A response/resolution is decided on by the policy administrator, generally, Acumen's President, where a formal complaint is made under the Code of Ethics, or where not, by Acumen's General Counsel, or other decision bodies named under specific policies. The decision is made by someone independent of the program execution (i.e., not the ESG Manager, since responsible for E&S program management).
6. Response is communicated to the complaining party (where possible) and to any involved parties.
7. Resolution is recorded.
8. Any lessons are applied internally as appropriate (e.g., updating policies or processes).

Annex 3: Acumen Stakeholder Engagement Plan

Context and Rationale Acumen shall ensure effective and appropriate engagement and consultation of communities and individuals, including vulnerable and marginalized groups and individuals, affected, or potentially affected by its activities and project. To ensure the achievement of this objective, every GCF-Funded project shall include a Stakeholder Engagement Plan describing the disclosure of information, meaningful consultation and informed participation processes that shall be implemented in the project in a culturally appropriate and gender responsive manner. This information shall be designed and undertaken in a manner that takes into consideration the risks and impacts, including where appropriate opportunities to enhance environmental and social outcomes of the proposed activities, starting from the design and development of activities and shall continue throughout the lifecycle of the activities. In consultations with vulnerable and marginalized groups and individuals, Acumen shall follow the principle of Free, and Prior Informed Consent (FPIC).

This plan is designed to support Acumen in its efforts to maintain positive stakeholder relations that promote predictable management of key business risks and opportunities.

Acumen continues to make a strong commitment to listening to stakeholders and acting upon their concerns. In our Manifesto, we declare, “It starts by standing with the poor, listening to voices unheard, and recognizing potential where others see despair.” That ethos drives our relationships, our investment process, and our drive for impact. Acumen partners with 60 Decibels, an organization carved out from Acumen in 2019, to listen to the poor and learn from them how our investments impact their lives. Acumen embraces the balance between listening and leading and drives to create impact with a network of important stakeholders.

Acumen partners with and listens to government agencies, development financial institutions, international corporations, foundations, early-stage enterprises, and low-income populations.

Assessment

Acumen is an established patient capital investing organization operating and building a network of stakeholders in a socially driven business environment. Acumen acknowledges that many of its key stakeholders operate with a positive commitment to E&S issues.

As part of its ordinary business, Acumen identifies and engages with a broad range of stakeholder groups that have been identified based on risk and opportunity. These stakeholders, and the rationale for engagement with them, is outlined in Table 1 below.

In addition, Acumen is exploring the possibility of conducting a periodic review of key stakeholders across regional offices to prepare stakeholder maps.

Activities and Next Steps

Acumen continues to review its stakeholder engagement strategy and plan for engagement. Acumen involves itself in various stakeholder engagement activities to further its mission like leading conversations at the annual social impact conference, SOCAP, joining the Global Off-Grid Lighting Association (GOGLA) (the off-grid energy network), and partnering with the World Economic Forum to better understand impact. Acumen takes a pro-active role in supporting these initiatives and accelerating international efforts to help the world’s poor.

Table 1: Key Impacts and Risks – rationale for Acumen’s approach to stakeholder engagement

Category and key issue	Key Stakeholders	Level of Interest and Influence	Stakeholder Engagement Strategy
1. End users	Portfolio company customers who are in poverty.	Portfolio company customer input is very important to Acumen and our support for portfolio companies. Supporting portfolio companies	Acumen provides portfolio companies with extensive outreach strategies to better understand their customers using 60 decibels, a non-profit dedicated to impact measurement using customer surveys. Acumen also uses 60 decibels to better ascertain social impact for customers of potential investees.
2. Entrepreneurial ecosystem – access to capital; driving innovation and promoting diversity.	1.1 Early and mid-stage social enterprises in Acumen’s markets and sectors; currently 101 active companies representing \$76M AUM	<p>The management teams in these companies are aligned to Acumen’s goals of providing products and services that transforms the lives of the poor.</p> <p>Acumen makes seed, early-stage and (for our funds) early growth stage investments that enable social enterprises to validate assumptions, bring products and services to market, and begin to scale.</p> <p>Early-stage social enterprises are deeply interested in Acumen for our patient capital, strong track record of supporting social enterprises, and technical expertise.</p>	<p>Pro-active engagement with management teams to understand their strategies, business models and alignment to Acumen’s investment and impact strategy.</p> <p>Post investment, Acumen closely monitors through governance roles (Board representation) and ongoing stipulated reporting on financial performance and impact KPIs.</p> <p>Acumen also supports early-stage social entrepreneurs with technical assistance from several consulting firms. Additionally, Acumen will connect portfolio companies with corporate partners if there is a fit between companies.</p>
3. Regulatory organizations;	Government Agencies;	National governments and their agencies are aligned to Acumen’s mandate of achieving universal electrification and	Engagement of general regulators (Ministries and Agencies) on industry wide matters will occur primarily through the industry

	Relevant Ministries; etc	<p>climate mitigation. They are critical to development of an enabling environment for sustainability and growth of the sector.</p> <p>Through GCF funding, National Designated Authorities (NDAs) retain a high level of influence in Acumen Capital Partner’s activities.</p> <p>Other regulators have a high level of influence as relates to approvals but have low interest levels.</p>	<p>associations (such as GOGLA), in which Acumen is a participating member. Acumen will work to ensure compliance with requirements from other relevant agencies such as the Competition Commission.</p> <p>GCF NDAs for the countries in which GCF-funded projects operate will be engaged proactively. The individuals will also receive periodic reporting highlighting a fund’s insights and performance.</p>
4. Investors	DFI’s, Private Equity and Debt Investors, Venture Capital Funds and Family Offices	<p>These stakeholders hold mandates to support universal energy access goals and/or to support allocation of capital to the sector and markets. They will have high levels of influence and interest as they hold debt or equity investments in Acumen Capital Partners managed and sponsored funds’ portfolio companies and/or pipeline opportunities and can determine the terms of investments as well as post-investment strategies.</p>	<p>Acumen and GCF-funded projects manage these stakeholders closely through calls and meetings.</p> <p>The funds hold frequent meetings with co-investors to discuss company specific activities and engagement.</p> <p>Investors into GCF-funded projects will receive quarterly updates on fund financial and impact performance. Acumen shares information annually with these groups through our annual report, annual performance reviews, and other reporting mechanisms.</p>
5. Donors	Institutional Foundations, Family	<p>Acumen seeks to raise capital, engage partners, build institutional relations, community, and create engagement with</p>	<p>We bring together a community of 300+ philanthropists, foundations, corporations,</p>

	Foundations, Government Agencies, High Net Worth Individuals, Rockefeller Foundation, Ford Foundation, USAID	donors across Acumen’s organization. We seek donors who think about their philanthropy in a diverse, multi-faceted way, in addition to traditional avenues of giving.	and governments, all interested in solving the toughest problems keeping people in poverty. Our partners value what they learn from our work, and it is important to bring our community along as we garner insights. Through personalized relationships, report-outs, and hands-on experiences, we cultivate myriad opportunities for partners to engage meaningfully.
6. Corporate Partners	International Corporations, Unilever, Ikea, Moody’s, UBS, Hershey, MetLife Foundation	Acumen believes that corporate partners help scale Acumen’s ability to make meaningful impact on the poor. Acumen seeks to bridge partnership gaps to maximize value and collaboration between social enterprises and corporations.	Acumen’s strategy is to offer corporations the opportunity to provide financial and strategic support to enterprises. These partnerships also lead corporations into more inclusive and sustainable business models. Acumen helps corporate partners identify engagement opportunities that enable employees to learn from Acumen entrepreneurs, fellows, and community.
7. Broader Industry – advances in technology; other industry risks	Industry Associations: Global Off Grid Lighting Association (GOGLA), Social Capital Markets (SOCAP), World Economic Forum	These institutions are deeply supportive of Acumen’s leadership within the field of impact investing. They are expected to have low levels of influence over Acumen’s work, but we hope to learn best practices from these networks. Additionally, Acumen seeks to share our insights and knowledge across the industry and hopes to use these networks to do so.	Acumen is a member of many networks and partners with many organizations within the impact investing community. We seek to influence this group through collaboration and sharing our insights. Acumen collaborated with World Economic Forum on a report recently. Acumen will be sharing our insights at the SOCAP conference.