

Acumen Climate Action Pakistan Fund Environmental and Social Management System

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1. Glossary

AE: “AE” means Accredited Entities. AEs are designated by GCF to submit proposals and implement Programs 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 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 501 c 3 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 Programs. APRs include reporting on the activities of the GCF-Funded Program and KPIs.

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 they work ethically and report concerns.

Due Diligence: “Due Diligence” refers to the environmental and social audit conducted on all potential Portfolio Companies (existing facilities). Due diligence includes questionnaires, site visits, interviews, reviewing company policies and procedures, and potentially other activities. See Section 6 and Annex 2, 3, 4, and 5 for more details.

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

ESGAP: “ESGAP” means the Environmental, Social, and Governance Action Plan. ESGAPs are tools used to mitigate environmental and social risks of Portfolio Companies found in the due diligence stage. See Annex 5 for details.

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 Program. It may also refer to the investment-level ESIA required for some Category B investments as defined in Annex 12.

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 Program (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.

Environmental and social risk: “Environmental and social risk” is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence; is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence;

ESS: “Environmental and social safeguards (ESS)” refers to a set of standards that specifies the desired outcomes and the specific requirements to achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts. For the purposes of this policy, “ESS standards” refers to the environmental and social safeguards standards, which are currently the interim ESS standards adopted by GCF until GCF develops its own standards. When used in the long form, “environmental and social safeguards standards”, it refers to the accredited entities’ own standards;

Existing Facility: “Existing facility” refers to any company that is a potential ACAP Portfolio Company. ACAP will not invest in the development of a new company so there are no new facilities existing in this project.

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 Programs, GAPs contain metrics for collection and action plans to achieve the goals of this policy and GCF-funded Program requirements.

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

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.

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 Programs. See Annex 11 for the Program-level APR. See Annex 11a for the investment-level guidance.

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 ACAP.

Involuntary resettlement: “Involuntary resettlement” means physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, including those that lead to loss of income sources or other means of livelihood), or both, caused by Program-related land acquisition or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement;

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 Program.

Land acquisition: “Land acquisition” refers to all methods of obtaining land for Program purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way;

Mitigation hierarchy: “Mitigation hierarchy” as described in the ESS standards that set prioritized steps for limiting adverse impacts through avoidance, minimization, restoration and compensation as well as opportunities for culturally appropriate and sustainable development benefits;

NDA: “NDAs” mean National Designated Authorities. NDAs are government institutions that serve as the interface between each country and the Program. 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 the ACAP Program for which Acumen is an Accredited Entity and which uses GCF funding. Portfolio Companies are existing facilities.

SEAH: “SEAH” means Sexual Exploitation, Sexual Abuse and Sexual Harassment.

Stakeholders: “Stakeholders” refers to individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including from neighboring governments, neighboring programs, and nongovernmental organizations.

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.

2. Introduction

2.1. Context

- 2.1.1. Acumen Climate Action Pakistan (ACAP) Fund is a climate resilient agriculture equity fund dedicated to reaching the increasingly climate vulnerable smallholder farmer population of Pakistan. This team aims to
- 2.1.2. ACAP will use equity and accompaniment to match the needs of early-stage agribusinesses. We seek to strengthen the Pakistan agricultural sector by investing in agribusinesses that can improve the climate resilience of the market and smallholder farmers.
- 2.1.3. ACAP seeks to ensure strong environmental and social safeguards with a systemic approach anchored by an experienced team and a comprehensive Environmental and Social Management System as mandated by GCF's Updated Environmental and Social Policy. The ACAP ESS approach will align with international best practice, including GCF policies and safeguards, the IFC Exclusion List, and IFC Performance Standards. In addition to the ESMS, ACAP will also have a Stakeholder Engagement Plan, an Indigenous Peoples Policy, a Gender Action Plan, and a Grievance Redress Mechanism.

2.2. Scope

- 2.2.1. The ESMS applies to three functions: ACAP Program Level, Portfolio Companies (existing facilities), and contractors/consultants.
- 2.2.2. Portfolio Companies (existing facilities): Portfolio Companies (existing facilities) will be mandated to follow the ESG requirements of the ACAP ESMS. Each Portfolio Company is expected to have an ESMS to assess, address, and monitor ESG risks and impacts of the company operations.
- 2.2.3. ACAP Program Level: The ACAP team will develop and implement the Program ESMS to identify and mitigate fund level ESG risks, identify, diligence (E&S audit), mitigate, manage, report, and disclose ESG risks and incidents across Portfolio Companies, and to set standards and operating requirements of consultants and contractors.
- 2.2.4. Contractors and consultants: third-party consultants and contractors must abide by the principles, commitments, and guidelines of the ESMS.

2.3. Overview

- 2.3.1. The overview table shared below is a roadmap for implementing and operationalizing the ESMS. The overview is based on the GCF Revised Environmental and Social Policy, the GCF Environmental and Social Safeguards, the IFC Policy and Performance Standards on Social and Environmental Sustainability 2012, and its guidance notes.

ESMS Section	Summary
Section 1: Glossary	Defines terms used in the ESMS
Section 2: Introduction	This section summarizes the 24 components of the ACAP ESMS.
Section 3: ACAP ESG Policy	<p>The policy goes over the requirements of the ACAP program:</p> <ul style="list-style-type: none"> ● Risk category ● Commitments ● Principles ● Responsibilities.
Section 4: ACAP Environmental and Social Impact Assessment (ESIA)	<p>The ESIA summarizes the following topics:</p> <ul style="list-style-type: none"> ● Agriculture overview for Pakistan ● Environmental and social risks in the agricultural sector in Pakistan ● ACAP program-specific environmental risks and mitigants using the IFC Performance Standards ● ACAP program specific mitigants
Section 5: Allocation of Resources, Organizational Capacity, and Responsibilities	<p>Section 5 explains the allocation of resources, organizational capacity, and program team and stakeholder responsibilities. This section covers:</p> <ul style="list-style-type: none"> ● ACAP environmental and social budget ● ACAP organization chart ● Team responsibilities ● Acumen responsibilities ● TA administrator responsibilities ● Training and resources for ACAP team and Portfolio Companies (existing facilities) ● Portfolio Company (existing facilities) capacity
Section 6: Environmental, Social, and Governance Investing Strategy	<p>Section 6 summarizes the investing strategy and process for each of the investments (subprojects) for ACAP. It includes the following:</p> <ul style="list-style-type: none"> ● ESG considerations prior to investment including: <ul style="list-style-type: none"> ○ Screening (Exclusion List, Annex 1) ○ ESG Due Diligence, Environmental and Social Audit (Annex 2) ○ Term Sheets ○ ESG checklist and report (audit checklist and findings) ○ ESG Action Plan ● ESG considerations post-investment <ul style="list-style-type: none"> ○ Resources ○ Reporting ○ Follow On Investments ● ESG considerations during divestment
Section 7: Environmental, Social, and Governance Safeguard Standards	<p>Section 7 details the environmental and social safeguards required for investment in a Portfolio Company (existing facility). The section includes:</p> <ul style="list-style-type: none"> ● General Integrity and Good Governance requirements for Portfolio Companies (existing facilities) ● ESMS/ESMP/ESG Policy for companies (Performance Standard 1 Safeguard) ● Environmental and Social Safeguards for Portfolio Companies (existing facilities) - IFC Performance Standards 2-8

Section 8: Monitoring and Reporting	This section details the following monitoring and reporting requirements: <ul style="list-style-type: none"> • Portfolio Company (existing facilities) reporting to ACAP • ESG incident reporting (further details in Annex 7) • ACAP reporting to investors and stakeholders
Section 9: Disclosure of Information	Section 9 summarizes the disclosure requirements mandated by ACAP
Annex 1: Exclusion List	This details the list of activities that ACAP will not invest in and will screen against for any potential investment (existing facility).
Annex 2: ESG Due Diligence Questionnaire (Environmental and Social audit)	This questionnaire aligns with the IFC guidance on audits for existing projects. It acts as the primary due diligence and environmental and social auditing tool for potential Portfolio Companies (existing facilities).
Annex 3: ESG Checklist (Environmental and Social audit checklist)	This Annex provides a checklist to ensure the diligence/audit materials are complete, including screening, diligence responses, and company (existing facilities) policies and procedures.
Annex 4: ESG Report (Environmental and Social audit findings)	This Annex is the template of the report/audit findings shared with ACAP investment committee and details the ACAP team's findings and analysis of potential Portfolio Companies (existing facilities)
Annex 5: ESG Action Plan (ESGAP) Template	This Annex provides a template of the ACAP Environmental, Social, and Governance Action Plans for Portfolio Companies (existing facilities). Companies will be bound to complete and report on ESGAP by the term sheet.
Annex 6: ESG Incident Report Template	The ESG incident report template is intended for the ACAP team to use when there is an environmental or social incident as defined in Section 8: monitoring and reporting.
Annex 7: ESG Monitoring Report Template	The ESG monitoring report template is the annual report template sent to Portfolio Companies (existing facilities) to fill out to ensure compliance with the ACAP ESMS and the Portfolio Company ESGAP.
Annex 8: Land Acquisition and Resettlement Policy Framework (LARPF)	The Land Acquisition and Resettlement Policy Framework provides the structure for ACAP's response to land acquisition that results in involuntary resettlement and/or economic and/or physical displacement. It also provides guidance on Land Acquisition and Resettlement Plans for Portfolio Companies (existing facilities).
Annex 9: Guidance on Indigenous Peoples	The Guidance on Indigenous Peoples provides ACAP and Portfolio Companies (existing facilities) with context and procedures for engaging with Indigenous communities.
Annex 10: Stakeholder Engagement Plan	This Annex shares the ACAP commitments to stakeholders including reporting and communication tools. It also defines the stakeholder engagement necessary for Portfolio Companies (existing facilities).
Annex 11: Grievance Redress Mechanism	This Annex is the Program-level grievance redress mechanism. It is aligned with the Ruggie Principles and GCF's Independent Redress Mechanism. The GRM includes communication methods, processes, and other important information.
Annex 11a: Guidance on Portfolio Company Grievance Mechanism	The guidance on Portfolio Company grievance mechanism Annex details the expectations for Portfolio Companies (existing facilities).
Annex 12: Guidance on Environmental and Social Impact Assessment	This Annex provides guidance on Environmental and Social Impact Assessments for Category B investments. This section defines the difference between Category B and C investments and defines the components of an ESIA for Category B investment.
Annex 13: Chance Find Procedures	This Annex provides guidance for companies when chance find procedures are needed due to excavation using ACAP funding.

- 2.3.2. Section 4 provides an assessment of the environmental, social, and governance risks and impacts presented across the ACAP Program. Additionally, the risk and impact assessment takes a Pakistan lens on ESG risks and provides a country level risk assessment. The section also includes a detailed risk table that looks at risks across the IFC PS.
- 2.3.3. Section 5 details the ESG organizational capacity of ACAP. It describes the division of responsibilities between the ACAP Acumen team. We also specify what ESG capacity expectations are made for ACAP Portfolio Companies (existing facilities).
- 2.3.4. Section 6 describes the ACAP ESG management at the Program level. The section details the ESG program activities. We explain the investment lifecycle from assessment, diligence (environmental and social audit), planning, terms, implementation, monitoring, and reporting.
- 2.3.5. Section 7 details the ESG standards, requirements, governance rules, and criteria for ACAP. The ESMS details the good principles, practices, and governance required including KYC, AML and CFT expectations. The section also shares how the IFC PS, GCF ESS, and other standards, metrics, and KPIs apply to ACAP and the Portfolio Companies (existing facilities). Additionally, the section summarizes ESMS expectations for the Portfolio Companies (existing facilities).
- 2.3.6. Section 8 details the Program monitoring and reporting expectations to donors and investors, and the monitoring and reporting expectations of the Portfolio Companies (existing facilities). It will also detail some of the ESG incident, Grievance Mechanism, and Stakeholder Engagement expectations of the Program, and Portfolio Companies (existing facilities). More details can be found in the Annexes.
- 2.3.7. Section 9 explains the ACAP disclosure requirements, and expectations for transparency for ACAP and ACAP Portfolio Companies (existing facilities).

3. ACAP Environmental, Social, and Governance Policy

3.1. Context

3.1.1. ACAP is committed to being a responsible and sustainable steward of our philanthropic and investment capital as the Program increases access to climate resilience tools, practices, and opportunities to smallholder farmers and agribusinesses in Pakistan. To that end, ACAP seeks to enhance positive impacts and mitigate environmental and social risks with an Environmental, Social, and Governance (ESG) Policy.

3.1.2. This ESG Policy outlines the scope, principles, commitments, approach, risk assessment, institutional and implementation capabilities and responsibilities, and disclosures of the Program. All program level activity, investment activity, technical assistance, procurements and contracts, and Portfolio Company (existing facilities) activity are required to adhere to the ESG Policy and Environmental and Social Management System (ESMS).

3.2. Scope

3.2.1. The ACAP ESG Policy applies to both the equity fund and Technical Assistance activities. The policy covers Acumen, the ACAP management team, consultants, evaluation specialists, contractors, and ACAP Portfolio Companies (existing facilities) or grant recipients.

3.2.2. The ESG Policy applies to all program activities including program development, investing strategy, initial research, due diligence (auditing), investment, and grant closing, monitoring, reporting and exit.

3.3. Environmental and Social Risk Categorization and Principles

3.3.1. ACAP uses a holistic and integrated ESG strategy to ensure environmental, social, and governance risks are identified, managed, and mitigated. This entails ACAP using globally accepted benchmarks, innovative ESG tools, and stakeholder engagement as pillars of ACAP Program design and implementation.

3.3.2. The Program uses globally accepted benchmarks including the Green Climate Fund (GCF) Environmental and Social Safeguards (ESS), the International Finance Corporation Performance Standards (IFC PS),¹ the GIIN Operating Principles,² and the UN-supported Principles for Responsible Investment (PRI).³ ACAP directly aligns with the following SDGs:

- **Goal 13:** Take urgent action to combat climate change and its impacts;
- **Goal 12:** Ensure sustainable consumption and production patterns; and
- **Goal 2:** End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

¹IFC, Performance Standards, 2012, https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

²GIIN, Impact Principles, 2023, <https://www.impactprinciples.org/>

³ UNPRI, 2023, <https://www.unpri.org/>

Additionally, as the Fund focuses on strengthening the overall agriculture ecosystem and improving vulnerable farmer livelihoods in Pakistan, it will also indirectly impact the following SDGs:

- **Goal 5:** Achieve gender equality and empower women and girls;
- **Goal 6:** Ensure availability and sustainable management of water and sanitation;
- **Goal 7:** Ensure access to affordable, reliable, sustainable, modern energy;
- **Goal 8:** Decent work and economic growth; and
- **Goal 11:** Sustainable cities and communities.

3.3.3. ACAP follows the GCF Revised Environmental and Social Policy environmental and social risk categorization. Acumen, the accredited entity for ACAP, is accredited to make Category B or lower risk investments.⁴ ACAP also uses the similar IFC Environmental and Social Categorization. **ACAP is a Category I-2** program because the program's investment portfolio is expected to comprise business activities that have potential limited adverse environmental or social risks or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.⁵

3.3.4. ACAP will screen and diligence (audit) all investments and activity to ensure that risks are identified and appropriately categorized, that they are Category B or lower, and that they are minimized. ACAP will not engage in investments or activities that fit Category A business activities. The risk categorizations are as follows:

- 3.3.4.1. **Category A.** Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
- 3.3.4.2. **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;
- 3.3.4.3. **Category C.** Activities with minimal or no adverse environmental and/or social risks and/or impacts.
- 3.3.4.4. **Category FI:** Business activities involving investments in financial institutions (FIs) or through delivery mechanisms involving financial intermediation. This category is further divided into:
 - 3.3.4.5. **FI-1:** when an FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
 - 3.3.4.6. **FI-2:** when an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
 - 3.3.4.7. **FI-3:** when an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

⁴ Green Climate Fund, 2021, <https://www.greenclimate.fund/sites/default/files/document/revised-environmental-and-social-policy.pdf>

⁵ IFC, Performance Standards, 2012, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

3.3.5. Portfolio Companies (existing facilities) will be ESS Category B or lower and engaged in climate resilient agricultural products and services. These various applicants will be assessed according to the following E&S factors: impact on key biodiversity areas; human rights; labor; health & safety; potentially irreversible impacts; land use; extent of environmental/social issue. The context of inherent sector risks, scale, continued operations and locations will also be considered.

General Characteristics of Portfolio Companies (existing facilities) as determined on a case-by-case basis	
Category B	Category C
<ul style="list-style-type: none"> • Agricultural products and services • Due diligence (audit) finding any of the following outcomes: <ul style="list-style-type: none"> ○ Funds used for land acquisition outside of commercial zones ○ Significant track record of OHS incidents ○ Pattern of gender or SEAH incidents ○ Pattern of harmful environmental and social impacts 	<ul style="list-style-type: none"> • Agricultural products and services • Due diligence (audit) finds the following: <ul style="list-style-type: none"> ○ Funds used for working capital, accounts receivable, operational expenditures ○ Minimal environmental and social impacts ○ May not have sufficient policies and procedures

3.3.6. ACAP will also not invest or participate in any activity outlined in the IFC Exclusion List. The ACAP Exclusion List is listed in Annex 1. All activities and investments will be screened to ensure that they do not participate in any excluded activities.

3.3.7. ACAP commits to mitigation hierarchy as a guiding principle, and seeks to avoid, and, when not possible, to minimize adverse consequences and improve positive impacts on the environment and affected stakeholders using abatement measures. ACAP will act on a mitigation hierarchy approach by integrating ESG throughout the investment lifecycle, stakeholder engagement, and a strong, accessible, and transparent grievance mechanism.

3.3.8. ACAP seeks to improve the climate resilience of smallholder farmers in Pakistan with increased access to innovative and affordable agricultural products and services. The Fund promotes efficiently using natural resources, adopting environmental and social safeguards, and improving food security.

3.3.9. ACAP aligns our program design and investment activities with international and Pakistan's national climate goals including the Paris Agreement and the Nationally Determined Contributions (NDCs). Acumen's objectives through ACAP are directly aligned to National climate priorities, including National Adaptation Plans, and National Climate Change Action Plans.

3.3.10. ACAP commits to non-discrimination, equal opportunity and fair treatment for employees, contractors, consultants, and investors on the Program and Portfolio Company (existing facilities) level. We intend for ACAP program activities and investments to comply with the

International Labor Organization Fundamental Conventions⁶. ACAP also seeks to minimize potential Sexual Exploitation, Abuse, and Harassment (SEAH) with strong protections for Program staff, Portfolio Company staff, and Program stakeholders.

- 3.3.11. ACAP intends to ensure that all activities and investments respect human rights and abide by international human rights laws.
- 3.3.12. ACAP seeks to invest and lend to Portfolio Companies (existing facilities) that offer safe, hospitable, and dignified work for employees, contractors, and other relevant parties. Employee engagement is an important part of the ACAP understanding of ESG risks and stakeholder engagement.
- 3.3.13. ACAP intends to support the climate resilience of the agricultural sector in Pakistan. It is critical for our program to engage stakeholders fairly and transparently across the lifecycle of ACAP including in program design, implementation, exits, closing, monitoring, the grievance redress mechanism, and disclosure. Special attention is paid to marginalized communities including women and indigenous people.

3.4. Commitments

- 3.4.1. ACAP is committed to investing the right kind of capital in the right kind of way to tackle the right kind of problems. A cornerstone of investing the right kind of way for ACAP is the Program's holistic ESG approach. The commitments and principles in the ESG policy outline the activities and values that will drive our Environmental and Social Management System (ESMS). Stakeholders including investors and beneficiaries also guide the strategy and implementation of the ESMS.
- 3.4.2. ACAP will only finance activities and Portfolio Companies (existing facilities) that comply with the ACAP ESG Policy.
- 3.4.3. ACAP will not invest in any Portfolio Company (existing facilities) or participate in any activity that is on the Exclusion List.
- 3.4.4. ACAP, ACAP management team, Portfolio Companies (existing facilities), contractors, consultants, and other relevant stakeholders must comply with all pertinent local, national, and international laws, conventions, agreements, and other relevant rules ratified by Pakistan.
- 3.4.5. ACAP will engage in ESG due diligence (E&S audit) for any potential Portfolio Company (existing facility). Due diligence/audit will include questions based on the IFC PS, GCF ESS, and other relevant benchmarks and ESG metrics.
- 3.4.6. ACAP Portfolio Companies (existing facilities) are expected to have or develop Environmental and Social Management Systems and demonstrate organizational capacity to identify and mitigate risks, monitor ESG risks and activity, commit to stakeholder engagement, and enact a grievance mechanism within their engagement with the Program. ACAP will seek to ensure that each portfolio company (existing facilities) will adhere to the ACAP ESG Policy and ESMS.

⁶ ILO, (2022), <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

- 3.4.7. If deficiencies are identified in due diligence, Portfolio Companies (existing facilities) are required, as documented in the investment side letter, to enact a time bound ESG Action Plan (ESGAP; [Annex 5](#)). The ACAP management team will monitor ESGAP to verify sufficient activity and completion of the ESGAP.
- 3.4.8. If a Portfolio Company (existing facility) receives investment and subsequently receives follow-on funding, the Portfolio Company (existing facility) must have made substantial progress on the ESGAP (Annex 5).
- 3.4.9. ACAP will engage all stakeholders throughout the Program lifecycle. Stakeholders, including Nationally Designated Authority, relevant donors, and investors will get annual ESG and impact updates from ACAP. Stakeholders will help ACAP understand the local context, identify community-level environmental and social risks, and participate in ACAP evaluation and iteration. ACAP commits to an open dialogue with Program-affected communities.
- 3.4.10. ACAP will have a transparent, accountable, and actionable Grievance Redress Mechanism (GRM) aligned with international best practices including the Ruggie Principles.
- 3.4.11. ACAP will adhere to the following policies:
- 3.4.11.1. Green Climate Fund Revised Environmental and Social Policy
 - 3.4.11.2. Green Climate Fund Gender Policy and Action Plan (2018) ⁷
 - 3.4.11.3. Green Climate Fund Indigenous Peoples Policy⁸
 - 3.4.11.4. Acumen Ethics and Anti-Corruption Policy
 - 3.4.11.5. Acumen Gender Sensitivity Policy for GCF-Funded Projects⁹
 - 3.4.11.6. Acumen Environmental and Social Policy for GCF-Funded Projects¹⁰

3.5. Approach

- 3.5.1. ACAP will be a leader in ESG risk management, achieving positive social and environmental impacts for beneficiaries. The Program seeks to “do no harm” both to minimize risks to investors, donors and ACAP beneficiaries and stakeholders. The Program

⁷ GCF’s gender-responsive approach is captured in the GCF Gender Policy and Action Plan, which was adopted by the Fund’s governing body in 2015. Through the Gender Policy and Action Plan, GCF commits to:

1. Gender equality and equity;
2. Inclusiveness in all activities;
3. Accountability for gender and climate change results and impacts;
4. Country ownership—through alignment with national policies and priorities, and broad stakeholder engagement, including women’s organizations;
5. Gender-sensitive competencies throughout GCF’s institutional framework—skills, knowledge and behaviors acquired from training and experience that enable GCF Secretariat staff members to apply a gender-lens throughout their work; and
6. Equitable resource allocation—so that women and men benefit equitably from GCF’s adaptation and mitigation activities.

⁸ The GCF Indigenous Peoples Policy recognizes that indigenous peoples often have identities and aspirations that are distinct from mainstream groups in national societies and are disadvantaged by traditional models of mitigation, adaptation and development. The Policy allows GCF to anticipate and avoid any adverse impacts its activities may have on indigenous peoples’ rights, interests and well-being, and when avoidance is not possible to minimize, mitigate and/or compensate appropriately and equitably for such impacts, in a consistent way and to improve outcomes over time.

⁹ Acumen Capital Partners (2021), <http://acumencapitalpartners.com/wp-content/uploads/2021/12/Acumen-Gender-Sensitivity-Policy-for-GCF-Funded-Projects.pdf>

¹⁰ Acumen Capital Partners (2021), <http://acumencapitalpartners.com/wp-content/uploads/2021/12/Acumen-Environmental-and-Social-Policy-for-GCF-Funded-Projects.pdf>

team understands the responsibility is to Program investors, beneficiaries, and a broad range of stakeholders who experience environmental and social risks differently.

3.5.2. By engaging in a holistic understanding of ESG risk management, the ACAP team assesses the financial and impact materiality of investments and Program activity to ensure our responsibility to all relevant parties. ACAP adopts a double materiality focus to environmental and social management. Double materiality means that the program focuses on risks that are both financial, environmentally and socially material. Regarding financial materiality, the team assesses environmental and social risks that could impact the program's financial performance. By assessing impact materiality, the team identifies and mitigates ESG risks that can adversely affect the communities and planet the program seeks to positively impact.

3.5.3. The ESG Policy is supported by the ESMS, which defines the investing process for ACAP. We will identify, avoid, minimize, and mitigate potentially harmful ESG risks and impacts of the investments. ACAP will seek to ensure that the risk management is appropriate to the size, scale, and nature of the investment, and the management team will work with stakeholders to improve ESG performance of the Program and Portfolio Companies over time.

3.6. Risk Assessment

3.6.1. ACAP seeks to invest in activity that will not have potential significant adverse environmental and/or social risks and impacts that are diverse, irreversible, or unprecedented. ACAP seeks to identify ESG risks with screening and due diligence (audit) and to mitigate identified risks using international good practices.

3.6.2. Consideration will be given to ESG risks throughout the investment cycle, from initial engagement with the company to final exit.

3.6.2.1. At each stage of the investment cycle, the overall level of risk will be categorized as A, B, C by the ACAP management team based on

3.6.2.2. Availability of information about the company and its activities;

3.6.2.3. Location, sensitivity, and scale of the company's activities;

3.6.2.4. Significance and likelihood of any risks identified in terms of the context or operations of the company;

3.6.2.5. The commitment and capacity of the company management to manage the risks; and

3.6.2.6. The nature of ACAP investment and influence over the company.

3.7. Institutional and Implementation Capabilities and Responsibilities

3.7.1. The ACAP management team will have the organizational capacity to enact the ESG Policy and ESMS. The ACAP management teams will ensure an expert is on staff and available to oversee ESG due diligence, monitor ESGAP activity, and report on Program-level ESG activity to relevant donors, investors, and stakeholders.

3.7.2. ACAP also seeks to ensure that the Grievance Redress Mechanism is overseen by an independent actor within ACAP to ensure that conflict of interest or bias does not impact any grievance investigation.

3.7.3. ACAP will continue to build the Program capacity for ESG activity by training staff, monitoring ESG trends, and engaging companies, stakeholders, and Program beneficiaries.

3.8. ESMS Disclosure and Update

3.8.1. The ESG Policy may be amended or updated, subject to approval of the Investment Committee. In addition, the ESG Policy will be subject to review by the Limited Participation Advisory Committee at least every 5 years.

3.8.2. This ESMS may be amended or updated, subject to the approval of the Limited Partnership Advisory Committee. In addition, the ESMS will be subject to review by the Investment Committee at least every 5 years.

3.8.3. ACAP will make this Policy public and disclose any relevant related documents or information.

4. Environmental and Social Impact Assessment (ESIA)

4.1. Executive Summary

- 4.1.1. The Acumen Climate Action Pakistan (ACAP) Fund is Pakistan's first climate focused fund targeting climate adaptation in the critical agriculture sector. The Fund will invest in growth stage agribusinesses focused on farmer and system level climate resilience to reconfigure the agriculture sector – building adaptive capacity, enhancing food security, and supporting the rural economy in a way that strengthens Pakistan's ability to respond to climate threats.
- 4.1.2. The ACAP team engaged in a comprehensive environmental and social impact assessment, which viewed risk with several different lenses: fund-level, country-specific risks, climate risks, nature risks and business model risks.
- 4.1.3. ACAP seeks to ensure strong environmental and social protections with a systemic approach anchored by an experienced team and a comprehensive environmental and social management system as mandated by GCF's Updated Environmental and Social Policy. The ACAP ESS approach will align with international best practice, including GCF policies and safeguards, the IFC Exclusion List, and IFC Performance Standards. In addition to the ESMS, ACAP will also have a Stakeholder Engagement Plan, an Indigenous Peoples Policy, a Gender Action Plan, and a Grievance Redress Mechanism.
- 4.1.4. The ACAP Program team also utilized extensive desktop research to understand specific risks for the Program, Portfolio Companies (existing facilities), the country context, and relevant mitigants. The desktop research provided insights into challenges with biodiversity loss, agrochemical use, deforestation, water usage among others.
- 4.1.5. The ACAP team also comprehensively engaged with stakeholders to get their input into program design, market research, program management and implementation, climate, gender, biodiversity and poverty strategies, assessing the viability of the initiative, and interest in continued engagement. ACAP engaged with potential investors and donors, pipeline companies, potential partners, industry leaders and experts, industry associations, government entities, regulators, expert consultants, and beneficiaries in designing and developing the Program. The team has held one on one meetings, group discussions, town halls, webinars, and surveys. ACAP intends to continue this engagement with stakeholders through Program development and implementation.
- 4.1.6. Due to our extensive engagement with stakeholders, prior investing experience in agriculture, knowledge of the industry, market, companies, and our extensive and thorough risk and mitigation assessment, we consider ACAP to be an Environmental and Social risk category B/I2 based on GCF's Revised Environmental and Social Policy (2021).
- 4.1.7. In this section, ACAP will review trends in the agriculture sector, country-specific risks and mitigants, and project-specific risks and mitigants.

4.2. Fund Overview and Strategy

- 4.2.1. Acumen Climate Action Pakistan (ACAP) Fund will be Pakistan's first climate focused fund investing in agribusinesses, building the climate resilience of millions of farmers, to transform the agriculture sector and food systems in Pakistan. ACAP Fund is a \$90M equity fund with significant first-loss protection and a \$10M grant funded technical assistance facility. ACAP Fund

is a \$90M 10-year, closed, blended finance fund with three tiers of capital - concessional anchor equity and commercial senior equity (\$80M), plus a grant-funded technical assistance facility (\$10M). This blended structure builds a climate resilient agriculture sector such that ACAP Fund should not only incentivise the growth of strong agribusinesses, but also, by de-risking the market, catalyze further private sector investment in these areas. Given the capacity constraints of companies operating in Pakistan, ACAP Fund seeks to provide additional guidance and support for these companies and has structured a robust technical assistance component to support portfolio companies along five major areas - climate adaptation, impact measurement, business development, gender, and ESG.

- 4.2.2. ACAP Fund will invest in 15-17 growth-stage climate-focused agribusinesses in three priority themes - farmer platforms and financial solutions, smart farming, and post-harvest technologies - each of which have a demonstrable impact on farmers and build ecosystem level climate resilience.
- 4.2.3. Through leveraging agriculture sector expertise in impact investing in emerging markets, with a focus on adapting to climate impacts, as well as two decades of local experience investing in Pakistan, Acumen has developed the ACAP Fund concept. ACAP Fund draws on sector learnings from Acumen Resilient Africa Fund (ARAF) which is the world's first impact fund focused on smallholder farmer climate resilience (refer to Appendix 1 for a discussion on the complementarities between ACAP Fund and ARAF).
- 4.2.4. The ACAP Fund was developed by a team of on-ground experts. The Fund team conducted over 24 months of targeted market research, pipeline diligence, and stakeholder engagement for every component of the value chain (farmer, business and ecosystem levels) to develop a robust fund thesis informed by local context, climate and market needs, and sector dynamics in Pakistan.
- 4.2.5. In order to catalyze private capital and to de-risk climate resilient investments in the agriculture sector, ACAP Fund will use a blended finance structure to invest in scalable and sustainable agribusinesses with a focus on climate resilience and inclusive growth. Additionally, markets will be shown to be viable, with the right approach, providing incentives and conditions to sustainably attract investment into companies building critical climate adaptation solutions.

4.2.6. Farmer Platforms and Financial Solutions

4.2.6.1. Definition

- 4.2.6.2. Investments in business models that directly focus on farmers by providing access to finance/credit solutions, high quality inputs, and connectivity with stakeholders across the value chain as well as investments in scalable digital platforms that connect value chain components to increase the climate resilience and efficiency of the entire value chain.

4.2.6.3. Case Studies

- 4.2.6.4. *High-yielding inputs:* Agricultural practices, technologies, and resources that are designed to increase crop or livestock production and improve the overall efficiency of farming operations. Enhancing farmer access to inputs that improve agricultural yields to improve farmer incomes, reduce food insecurity and poverty reduction and can help mitigate the impact of unpredictable factors, such as adverse weather conditions, pests, and diseases, by providing greater resilience and reducing production risks. Using technology to connect farmers with stakeholders across the value chain for

greater farmer access to input- and end-markets, helping to build-up the ecosystem surrounding farmers.

- 4.2.6.5.** *Information access and extension services:* Platforms that connect stakeholders across the value chain and ecosystem, helping to correct information asymmetries, create marketplaces, improved access to inputs, connecting with retailers/final consumers, etc. These include farmer focused platforms that enhance farmer access to weather and market info, crop and soil advisory to improve farmer resilience.
- 4.2.6.6.** *Access to financial services:* Access to farmer- and rural-friendly credit solutions is a massive problem faced by farmers when trying to scale. ACAP will invest in improved access to formal insurance and credit/financing options to improve farmer livelihoods and scaling capabilities, making them more climate resilient. Given our learnings in this space, ACAP will invest in credit access when it is bundled with efficient inputs (and extension services) to support the adoption of climate resilient practices and reduce financial intermediation risks.

4.2.7. Smart Farming

4.2.7.1. Definition

- 4.2.7.2. Investments in companies working on improving on-farm productivity, yields, and climate resilient production practices. Some of these solutions may utilize renewable energy to power the solutions (i.e., solar water pumps). **Sample Case Studies**

- 4.2.7.3. *Small farm focused mechanization:* Hardware equipment that improves processes, production, and distribution through utilization of a variety of tools; machinery for the development of agricultural land, (i.e., tilling, planting, harvesting and primary processing). ACAP will be targeting models that prioritize small farmers.
- 4.2.7.4. *Farm Optimisation:* On-farm technologies that enable better monitoring and management of crops and livestock to further improve yields
- 4.2.7.5. *Alternatives to traditional farming:* Alternatives to traditional farming methods that can optimize land usage in areas where soil degradation, salinity and climate change (among other factors) have caused land to become less arable and lose productivity. Additionally, it can provide farmers with an alternative, climate resilient income stream. This includes aquaculture, agroforestry and tissue culture.
- 4.2.7.6. *Regenerative agriculture:* Promoting practices like minimal tillage, cover cropping, crop rotation, and the use of organic matter to build soil fertility in order to sequester carbon, improve water retention, and increase long-term sustainability.

4.2.8. Post Harvest Technologies

4.2.8.1. Definition

- 4.2.8.2. These critical investments intend to focus on innovative midstream technologies to reduce food loss and wastage, while enhancing food quality and safety, traceability, storage, logistics, food processing, and distribution. Some of these solutions may use renewable energy such as solar drying units..
- 4.2.8.3. Selected Case Studies**
- 4.2.8.4. *End to end value chains:* Models which enable smallholder farmer access to high-value markets (domestic and export) while upskilling rural communities and providing improved employment opportunities
- 4.2.8.5. *Farm gate storage and logistics:* Cold storage and warehousing receipts models that allow farmers to cut out middlemen, reduce food wastage, and increase incomes while also improving the transportation and connectivity between farmers and end markets.
- 4.2.8.6. *Post-harvest value addition:* Reducing food wastage and improving farmer incomes via innovative processing and value addition methods which aid in export readiness, alignment with quality standards.

4.3. Pakistan's Agriculture, Climate Context and Impact

- 4.3.1. Agriculture is widely regarded as the mainstay of Pakistan's economy and is fundamental to food security. Presently, agriculture contributes 24% to the national GDP and provides employment for half the country's labour force. ¹¹ Agriculture is vital to the economy as it generates over 73% of the country's \$32 billion export revenue (FY22) through agriculture-based textiles and value-added food products. ¹² The sector (which includes the country's textile industry) forms strong linkages with downstream industries as a primary supplier of raw materials. ¹³
- 4.3.2. Climate change impacts the agriculture sector through direct and indirect effects on infrastructure, supply chain, crop growth processes and labour. The direct effects include changes in temperature, precipitation, and carbon dioxide availability. The indirect effects include the impact of unexpected and extreme changes in water availability and seasonality, soil erosion and organic matter transformation, increased occurrences of pests and diseases, the arrival of invasive species, and decline in arable land due to desertification and coastal land submergence. ¹⁴
- 4.3.3. According to the latest climate projection models (CIMP6), at the end of the 21st century under RCP 4.5 (moderate climate scenario) and 8.5 (very high baseline emission scenario), the pathway where emissions peak by 2040 and the business-as-usual case persists, Pakistan faces median temperature increases of 1.92°C and 5.18°C, respectively. ¹⁵ Temperature rises of 0.5°C to 2°C are projected to cause an 8-10% loss in agricultural productivity. ¹⁶ Under the high emissions scenario, major crops such as sugarcane and rice will fare poorly, experiencing a projected 25% and 20% reduction in yield respectively. ¹⁷ The productivity of wheat, another staple, is also expected to fall by a substantial 50% by the end of this century when temperatures

¹¹ Pakistan Bureau of Statistics, Agriculture Statistics, <https://www.pbs.gov.pk/content/agriculture-statistics>

¹² State Bank of Pakistan, https://www.sbp.org.pk/ecodata/Export_Receipts_by_Commodities_and_Groups.pdf

¹³ Ministry of Finance, Pakistan Economic Survey 2020-2021, https://www.finance.gov.pk/survey/chapters_21/02-Agriculture.pdf

¹⁴ World Bank, Climate Risk Country Profile: Pakistan, 2021, https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15078-WB_Pakistan%20Country%20Profile-WEB.pdf

¹⁵ ADB, Climate Change Profile of Pakistan, 2017, <https://www.adb.org/sites/default/files/publication/357876/climate-change-profile-pakistan.pdf>

¹⁶ Syed, Areeja, et al. "Climate Impacts on the Agricultural Sector of Pakistan: Risks and Solutions." Environmental Challenges, Elsevier, 2 Jan. 2022, <https://www.sciencedirect.com/science/article/pii/S2667010021004078>

¹⁷ World Bank, Climate Risk Country Profile: Pakistan, 2021, https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15078-WB_Pakistan%20Country%20Profile-WEB.pdf

are predicted to exceed by 5-6°C. Temperature increases are also expected to impact the health and productivity of agricultural labourers. During peak months, productivity levels for labour have already declined by 10% and, under RCP 8.5, are expected to decline by 20%.¹⁸

- 4.3.4. The frequency and intensity of extreme weather events, which are responsible for 60%-80% of agricultural loss in developing countries, are also projected to increase in Pakistan. Extreme heat waves hit the agriculture sector hard, which, to-date, have occurred during the crucial final weeks of the wheat growing season, killing the crop shortly before harvest. Given that wheat is a staple crop in the country and Pakistan maintains one of the highest per capita wheat consumption rates in the world (on average, Pakistanis consume 124 kg per year with wheat flour making up 72% of total caloric intake), losses resulting from extreme heat have been especially impactful. The 2022 heatwave gave way to drought, causing rainfall totals to fall between a quarter to a third of normal levels. Mango, the second largest fruit crop in Pakistan, also saw a 50% drop in yield.¹⁹ As one of Pakistan's major fruit exports, this decline in yield hit vulnerable farmers disproportionately hard and contributed to a significant loss in export earnings for the country.
- 4.3.5. Over the past two decades, the country has been hit by two deadly floods that have cumulatively led to USD 5.2Bn worth of losses to the agricultural sector, killed approximately 1.4 million livestock, and inundated millions of acres of arable land. Furthermore, climate change will reduce total water availability across the whole Indus Basin by 30%-40% over the second half of the 21st century. Due to the sensitivity of crops and livestock to temperature, water availability, and extreme weather, climate change threatens agricultural production and heightens the vulnerability of smallholder farmers as a result. Farmers need different adaptation tools to reduce climate vulnerability. These include access to drought-resistant varieties of crops; timely and reliable meteorological information; crop diversification; improved irrigation efficiency using micro/drip irrigation; adoption of green energy for on-farm energy needs; and efficient livestock management systems (e.g., increased herd disease surveillance). Currently, smallholder farmers don't have access to such adaptation tools. Scientists predict that agricultural productivity will reduce by 4.5% to 9% in the short-term and by 25% (in the long term, i.e., 2070-2099) if farmers do not adapt and make use of advancements in science and technology.
- 4.3.6. Businesses in Pakistan suffer from a lack of access to finance despite it playing a crucial role in firm growth, productivity, and innovation. Private sector credit as a percentage of GDP is 15% for Pakistan, the second lowest in South Asia.²⁰ The situation is even worse in the agriculture sector. Credit to the agriculture sector as a percentage of total credit issued is 4.94% whereas, for agrarian countries such as India and Sri Lanka, it stands at 11.92% and 7.59% respectively.²¹ Furthermore, commercial lending to SMEs in Pakistan has remained on average between six (6) to nine (9) percent of total private sector financing and has been characterized by some of the highest interest rates charged in the region.²² A key reason for this limited access to finance is that Pakistan's capital markets are extremely shallow with limited liquidity and a lack of venture capital and institutional impact investors. Illustrating the point, Pakistani startups raised USD 355M in 2022, compared to USD 2.06B in Brazil, USD 23.5B in India and USD 530M in Egypt.²³ Businesses in Pakistan find it very difficult to access growth capital – and agribusinesses (due to the higher perceived risk associated with them) struggle the most.

¹⁸ Dunne, J. P., Stouffer, R. J., & John, J. G. (2013). Reductions in labour capacity from heat stress under climate warming. *Nature Climate Change*, 3(6), 563–566. URL: http://www.precaution.org/lib/noaa_reductions_in_labour_capacity_2013.pdf

¹⁹ Climate Tracker, Mango crops in Pakistan ravaged after record heat and drought, 2022, <https://climatetracker.org/mango-crops-in-pakistan-ravaged-after-record-heat-and-drought/>

²⁰ World Bank, Domestic credit to private sector (% of GDP) - Pakistan, Afghanistan, <https://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS>

²¹ FAO, Credit to Agriculture, <https://www.fao.org/faostat/en/#data/IC>

²² Trading Economics, Interest Rates, <https://tradingeconomics.com/country-list/interest-rate>

²³ KPMG, Venture Pulse Q4, 2022, <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2023/01/venture-pulse-q4-2022.pdf>

- 4.3.7. Agribusinesses play a significant role in producing food, generating income, and providing employment in rural areas. However, risk-averse institutional lenders often deprioritize businesses operating in the agriculture sector as they are seen to require a higher risk threshold and more patient capital. It is also the case that many of the smaller agribusinesses operate in the informal economy, with limited incentives to formally structure, register, and maintain accurate financial records.²⁴ This makes it even more difficult for these entities to access formal credit. Even when agribusinesses are formally structured, the high costs of commercial credit, combined with stringent collateral requirements, dissuade businesses from accessing credit through formal financial institutions. This keeps agribusinesses small and underinvested in growth – particularly growth robust enough to navigate climate threats that are a core business risk and opportunity.
- 4.3.8. For businesses operating in the agriculture sector, climate risks are significant and will impact the supply of raw material (causing further price volatility) and induce stresses on the local economic environment.²⁵ Climate hazards will likely make investment in the sector even more challenging given commercial lenders’ practice of pricing ‘increasing business risks’ into their credit assessments. For Pakistan to adapt to the challenges it is navigating, it must build domestic solutions to climate change. To do so, it must incentivize the private sector to invest in the growth of agriculture businesses given their crucial role within the domestic supply chain (e.g., operating cold chains, providing storage/packaging, controlling lead times).²⁶ Further, agribusinesses that are solving for the problem of climate change by developing smart-agriculture and -food systems are absolutely critical for a climate vulnerable country like Pakistan. It is only by supporting the growth of companies developing scalable, local solutions helping farmers adapt to climate change while building resilient supply chains and ecosystems, that Pakistan can adapt to climate change in the long run.²⁷
- 4.3.9. Pakistan has a complex and difficult land tenant system that has harmed smallholder farmers. While Pakistan has made strides on legislation addressing this issue, it is not enforced across all land owners. Some landowners have used tenants to assume more of the agricultural risk and limit their profit earning potential. Moreover, landlords have resorted to extreme methods to collect their funds or punish their tenants including bonded labor. This has been exacerbated by climate change that has impacted smallholder yields and driven tenant farmers further into debt.
- 4.3.10. The Acumen Climate Action Pakistan (ACAP) Fund is Pakistan’s first climate focused fund targeting climate adaptation in the critical agriculture sector. The Fund will invest in growth stage agribusinesses focused on farmer and system level climate resilience to reconfigure the agriculture sector – building adaptive capacity, enhancing food security, and supporting the rural economy in a way that strengthens Pakistan’s ability to respond to climate threats.

4.4. Pakistan Environmental and Social Legislation

- 4.4.1. The following are a list of relevant policies and laws in Pakistan.
- 4.4.2. Pakistan Climate Change Act (2017)
- 4.4.3. Pakistan Environmental Protection Act (1997);
- 4.4.4. Punjab Environmental Protection Act (1997; amended 2012);

²⁴ Mekonnen, D. A., Termeer, E., Soma, K., van Berkum, S., & de Steenhuijsen Piters, B. (2022). How to engage informal midstream agribusiness in enhancing food system outcomes: what we know and what we need to know better (No. 2022-034). Wageningen Economic Research

²⁵ ISF Advisors, The state of the Agri-SME sector – bridging the finance gap, 2022, <https://www.casaprogramme.com/wp-content/uploads/2022/03/the-state-of-the-agri-sme-sector-bridging-the-finance-gap.pdf>

²⁶ ISF Advisors, The state of the Agri-SME sector – bridging the finance gap, 2022, <https://www.casaprogramme.com/wp-content/uploads/2022/03/the-state-of-the-agri-sme-sector-bridging-the-finance-gap.pdf>

²⁷ ISF Advisors, The state of the Agri-SME sector – bridging the finance gap, 2022, <https://www.casaprogramme.com/wp-content/uploads/2022/03/the-state-of-the-agri-sme-sector-bridging-the-finance-gap.pdf>

- 4.4.5. Sindh Environmental Protection Act (2014)
- 4.4.6. Punjab Forest Act (1999)
- 4.4.7. Sindh Forest Act (2012)
- 4.4.8. Agricultural Pesticides Ordinance 1971 (II of 1971)
- 4.4.9. Agricultural Pesticide Rules (1973);
- 4.4.10. Pakistan Environmental Protection Ordinance (1983)
- 4.4.11. The Punjab Wildlife (Protection, Preservation, Conservation, and Management) Act, 1974 (Pb Act II of 1974)
- 4.4.12. Sindh Wildlife and Protected Areas Act, 2010
- 4.4.13. Punjab Soil Reclamation Act, 1952
- 4.4.14. The Land Acquisition Act, 1984
- 4.4.15. The Punjab Seed (Amendment) Act, 2017 (Proposed)
- 4.4.16. Punjab Seeds & Fruit Plants Ordinance, 1965
- 4.4.17. Seed Act, 1976 (and subsequent Environmental Samples Rules, 2001)
- 4.4.18. On-Farm Water Management and Water Users' Associations Ordinance, 1981 (and subsequent Water Users Associations Rules)
- 4.4.19. Punjab Agricultural Development And Supplies Corporation Act, 1973
- 4.4.20. Punjab Agricultural Development Finance Corporation (Recovery of Arrears) Act, 1958
- 4.4.21. Punjab Agricultural Pests Ordinance, 1959 • Punjab Fertilizers (Control) Order, 1973
- 4.4.22. Punjab Seed Corporation Act, 1976
- 4.4.23. Plant Breeders Rights Act, 2016
- 4.4.24. Punjab Public Private Partnership Act, 2014
- 4.4.25. Punjab Cotton Control Ordinance, 1966
- 4.4.26. The Punjab Cotton Control Rules, 1966
- 4.4.27. Punjab Rice (Restrictions On Cultivation) Ordinance, 1959
- 4.4.28. Punjab Silkworms (Regulation And Control) Ordinance, 1972
- 4.4.29. West Pakistan Cotton Control (Validation of Levy of Fees) Ordinance, 1966
- 4.4.30. Punjab Sugar (Licensing Control) Order, 1972
- 4.4.31. The Cotton Standardization Ordinance, 2002
- 4.4.32. The Sugar Factories Control ACT, 1950
- 4.4.33. Sugarcane ACT, 1934
- 4.4.34. Transfer of Property Act, 1882
- 4.4.35. Land Revenue Act, 1967
- 4.4.36. Registration Act, 1908
- 4.4.37. The Employment of Children Act, 1991
- 4.4.38. The Bonded Labour System Abolition Act, 1992
- 4.4.39. The Punjab Compulsory Education Act, 1994
- 4.4.40. Sindh Right of Children to Free and Compulsory Education Act, 2013
- 4.4.41. Indus River System Authority Ordinance
- 4.4.42. Sindh Irrigation Act (1879, amended in 1976)
- 4.4.43. Sindh Irrigation Ordinance (1984, amended in 1999)
- 4.4.44. Sindh Irrigation Water User Association Ordinance (1982, amended in 1984)
- 4.4.45. Antiquities Act, 1975

4.5. Program Agriculture Risks

- 4.5.1. While there are many climate, environmental and social benefits in ACAP, the Program team recognizes that there are also social and environmental risks for the Program. There are five primary environmental concerns for ACAP: inappropriate/excessive use of agrochemicals, natural ecosystems conversion, biodiversity loss, inappropriate/excessive use of water, soil health and greenhouse gas emissions.

- 4.5.2. The use of agrochemicals such as pesticides and synthetic fertilizers can have negative environmental impacts. The excessive use of synthetic fertilizers can increase soil acidity levels and negatively impact soil fertility. Synthetic fertilizers contain nitrogen, phosphorus, and potassium. Phosphorus from synthetic fertilizers can accelerate eutrophication in water bodies. The excessive use of nitrogen fertilizers has been a major source of nitrate pollution in groundwater and surface water. Pesticides can accelerate biodiversity loss. For example, pesticides that target certain weeds can be toxic to non-target insects, animals and plants naturally existing in ecosystems.
- 4.5.3. Natural ecosystem conversion occurs through deforestation and the clearing of other natural ecosystems such as grasslands and bushlands for agricultural purposes. Natural ecosystem conversion leads to the degradation of ecosystem services.
- 4.5.4. Agricultural activities have intensified biodiversity loss through the degradation of natural ecosystems by agrochemicals; the conversion of natural ecosystems to agricultural land through bush clearing and deforestation; and agricultural practices such as mono-cropping which decreases agrobiodiversity and compromises biodiversity in adjacent environments.
- 4.5.5. Water scarcity has become a serious threat to Pakistan's sustainable development and economic growth. Water is a critical input for agricultural activities. The excessive use of water by agribusinesses accelerates water scarcity which negatively impacts ecosystems. Agricultural waste from livestock production, fertilizers, and pesticides can contribute to the pollution of surface and groundwater.
- 4.5.6. Agriculture is responsible for a large portion of greenhouse gas (GHG) emissions. In 2021, the sector accounted for approximately 19%-29% of global greenhouse gas emissions.²⁸ Fuels used to power agricultural machinery and vehicles release GHG emissions. Land management for crop production produces GHG emissions through crop residue decomposition, burning vegetation and crop residues. Ruminant livestock produce GHG emissions during respiration and digestion.
- 4.5.7. There are three primary social concerns for ACAP: local communities; child labour, forced or compulsory labour and employment practices; and occupational health and safety.
- 4.5.8. Agricultural activities can have positive impacts on local communities through job creation, food security among other positive socio-economic benefits, but their use of natural resources such as water can create negative impacts. Extensive use of groundwater and surface water in agricultural activities can decrease water availability for local community use. Additionally, the improper management or disposal of hazardous substances such as pesticides can impact community health and well-being.
- 4.5.9. The International Labour Organization (ILO) has identified the agriculture sector as highly susceptible to child labour, forced or compulsory labour and inappropriate employment practices.²⁹ Children are often engaged in intensive crop and livestock production activities which negatively impact their health and lead them to dropping out of school. Informal employment is widespread in the agriculture sector. Informal workers do not have a secure employment contract and may be left without legal protection and employment benefits. Workers in the sector are unlikely to be unionized and often face non-payment or late payment of wages.

²⁸ World Bank, Climate-smart agriculture, 2021, [https://www.worldbank.org/en/topic/climate-smart-agriculture#:~:text=Substantial%20investments%20in%20adaptation%20will,greenhouse%20gas%20\(GHG\)%20emissions.](https://www.worldbank.org/en/topic/climate-smart-agriculture#:~:text=Substantial%20investments%20in%20adaptation%20will,greenhouse%20gas%20(GHG)%20emissions.)

²⁹ International Labour Organization, Facts on Agriculture, n.d., https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067555.pdf

- 4.5.10. As mentioned earlier, land tenancy abuse has been a prevalent problem across agriculture in Pakistan. Land tenants have been exploited by land owners who reap the benefits of productive years and saddle vulnerable farmers with debilitating debt when harvests fail. This has become especially prevalent due to increasing crop failures from climate change induced events like recent floods and droughts.
- 4.5.11. The agriculture sector has one of the highest numbers of work-related injuries.³⁰ Work-related occupational health and safety issues in the sector include: long working hours; potential for physical injuries when operating agricultural machinery, equipment, tools, and vehicles; exposure to excessive noise and vibration, causing hearing and other sensory problems; slips, trips, falls in the workplace; musculoskeletal disorders due to working with animals considerably heavier than the worker or lifting heavy weights; increased risk of exposure to infectious diseases from animals; attacks by animals; exposure to dust and potentially harmful organic substances and chemicals; and exposure to extreme temperatures and severe weather.
- 4.5.12. The Program team expects that ACAP will invest in companies with varying degrees of ESG readiness. Larger and more established agribusiness companies are expected to demonstrate maturity across several ESG issues. Acumen experience has demonstrated that early-stage agribusiness companies may not have robust ESG policies and procedures nor would they have strong organizational capacity to mitigate ESG risks. These companies have a small footprint, so their risks are marginal to the Program success and impact on beneficiaries.

4.6. Country Risks

4.6.1. Pakistan

4.6.1.1. Pakistan's mounting debt and potential for default threaten the country's ability to attract foreign investment, potentially impacting the program's ability to attract investors. Throughout the past decade, the government of Pakistan has consistently outspent revenue collection - running a budget deficit averaging 7.2% of national GDP. The budget deficit ballooned to over \$200 billion by the end of 2022, amounting to roughly 90 percent of the country's GDP. Fueled by an estimated \$40 billion USD of damage from last year's catastrophic flooding, large government subsidies, and an unforgiving debt load, the budget deficit has now pushed Islamabad to the precipice of default.³¹ In an effort to stay afloat, Pakistan drained its foreign reserves, and as of February 2023, the country's remaining \$3.7 billion USD in central bank reserves were enough for only three weeks of imports.³² Left unchecked, the government debt to GDP ratio is expected to reach 80% by the end of 2023, exacerbating worries around the country's ability to pay back its debt and further decreasing the chances for Islamabad to attract the necessary foreign investments required to spur the required economic growth.³³

4.6.1.2. The Pakistani government secured a \$3 billion short-term financial package from the International Monetary Fund on June 30, 2023, providing the country's economy a much needed lifeline as it teetered on the brink of default. Prior to the finalized agreement between the IMF and Islamabad, the strict reforms implemented in an

³⁰ International Labour Organization, Facts on Agriculture, n.d., https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067555.pdf

³¹ State Bank of Pakistan, The State of Pakistan's Economy, 2021-2022, <https://www.sbp.org.pk/reports/annual/aarFY22/Complete.pdf>

³² Council on Foreign Relations, "What's at Stake in Pakistan's Power Crisis," Berman, Noah, February 6, 2023: <https://www.cfr.org/in-brief/whats-stake-pakistans-power-crisis>

³³ Trading Economics, Government Debt to GDP - Pakistan, <https://tradingeconomics.com/pakistan/government-debt-to-gdp>

effort to comply with the lender's conditions were met with harsh criticism. Capitulated to unpopular opinion towards fuel price hikes and a market-based exchange rate for the rupee was implemented, former Prime Minister Imran Khan imposed subsidies that derailed the country's IMF program before being ousted. Despite this stance, Khan was recently quoted as claiming that the country had "no choice" but to negotiate with the IMF.³⁴ The new deal struck on 30 June is higher than expected and is set to replace the remaining funding from the 2019 IMF Extended Fund Facility agreement. The deal is expected to unlock other bilateral and multilateral financing as long-time allies have pledged billions of dollars in loans.³⁵

4.6.2. Conflict risks:

- 4.6.2.1. Since early 2022, Pakistan's political stability and threat of civil unrest have increasingly worsened. In April 2022, the Pakistan Prime Minister was ousted via a no-confidence vote in the National Assembly organized by the Pakistan Democratic Movement (PDM), a coalition of 11 political parties. Shehbaz Sharif, president of the Pakistan Muslim League (N), ascended to the position of Prime Minister in the aftermath. Pakistani political parties and citizens have been calling for elections since this change in parties. As there has been around the world, there have been some issues with political violence and tensions across political parties.
- 4.6.2.2. Throughout Pakistan, there are both internal and external threats from terrorist activity. The Islamic State in Iraq and Syria (ISIS); al-Qaeda; Lashar-e-Jhangvi (LeJ); the Balochistan Liberation Army (BLA) and Tehrik-e-Taliban (TTP or Pakistani Taliban) all have a presence within Pakistan. These groups are highly organized and have the capabilities to conduct terror attacks across the country. The Pakistani Taliban have sanctuary in Afghanistan, complicating the ability of the Pakistani government to hinder the group's capacities.³⁶ The withdrawal of U.S. forces from Afghanistan could increase the region's instability, expanding the likelihood of militants from Pakistan establishing havens or bases of operation in Afghanistan.³⁷ Although no instances of terrorism have been reported in the projected Program areas, possible future terrorism activities may lead to disruption of project activities.
- 4.6.2.3. Businesses operating in the country are encouraged to continuously monitor the security situation, given existing tensions and potential for terrorist attacks. To adequately mitigate against conflict risks, businesses operating in the region should prepare for the disruptions to supply routes. As such, businesses are encouraged to increase available inventory, prioritizing decentralized distribution of inventory amongst regional depots, given potential road closures and fuel shortages. While this will have implications for cash flow, it will diminish the impact of potential road closures on sales and delivery to customers.

4.7. Environmental and Social Risks using the IFC Performance Standards

³⁴ *Council on Foreign Relations*, "What's at Stake in Pakistan's Power Crisis," Berman, Noah, February 6, 2023: <https://www.cfr.org/in-brief/whats-stake-pakistans-power-crisis>

³⁵ *Reuters*, "Pakistan clinches last-gasp \$3 billion IMF bailout," Shahzad, Asif, June 30, 2023: <https://www.reuters.com/world/asia-pacific/pakistan-imf-reach-staff-level-pact-release-stalled-funds-2023-06-30>

³⁶ *Brookings*, "Pakistan: Five major issues to watch in 2023," Afzal, Madiha, January 13, 2023: <https://www.brookings.edu/articles/pakistan-five-major-issues-to-watch-in-2023/>

³⁷ *Council on Foreign Relations*, *Center for Preventative Action*, "Instability in Pakistan," April 25, 2023: <https://www.cfr.org/global-conflict-tracker/conflict/islamist-militancy-pakistan>

4.6.1. IFC Performance Standard 1: Risks across Environmental and Social Management	
Indicator	Risk and Mitigant Description
Emergency Preparedness	<p>Risk: Companies may have weak or insufficient emergency preparedness policies and procedures due to their early stage or resourcing constraints. They may not have proper emergency equipment, placards, alarms, drills, and training. Weak and insufficient emergency preparedness may result in injury, harm or death in the event of an emergency. Additionally, companies ill-equipped to respond to emergencies could face business continuity issues.</p>
	<p>Mitigant: Companies will be asked about emergency preparedness in due diligence/audit. When appropriate, for larger transactions, the team will conduct site visits for potential Portfolio Companies. Site visit ESG procedures include observing emergency and safety materials. ACAP will require companies with insufficient emergency preparedness policies and procedures to improve policies and procedures as part of the ESG Action Plan.</p>
Environmental & Social capacity commensurate with sector risk	<p>Risk: Companies may have limited environmental and social capacity within their operations. This is particularly true for small companies. Some companies may not have any person on their team with environmental and social risk management in their job descriptions.</p>
	<p>Mitigant: Due diligence will be conducted for ESG capacity. Companies with insufficient capacity will be trained in environmental and social risk identification, mitigation, and capacity as part of technical assistance.</p>
Identification of Environmental and Social risks and impacts	<p>Risk: Companies may not have the expertise or experience to identify environmental and social risks within their operations. Without knowledge of environmental and social risks, companies are less capable of mitigating these risks, and are more likely to have ESG incidents.</p>
	<p>Mitigant: Due diligence will be conducted for ESG risks and impacts. Companies with insufficient capacity will be trained in environmental and social risk identification, mitigation, and capacity as part of technical assistance.</p>

<p>Affected Community knowledge of impacts and opportunities</p>	<p>Risk: Companies may not appropriately engage with communities that they serve. Community engagement enables a company to understand the vulnerabilities of local communities and how they may be affected by the company's activities in areas such as the environment, health, human rights, culture, and socio-economic issues among others. This discrepancy could increase the likelihood of Environment & Social risks.</p> <p>Mitigants: Due diligence will be conducted on stakeholder engagement. Those with insufficient practices may be required to improve them as part of the ESG Action Plan. Companies will be trained on stakeholder engagement as part of technical assistance.</p>
<p>Affected Community feedback and recourse</p>	<p>Risk: Companies may not have a proper grievance redress mechanism in place leaving the community without voice. This can exacerbate negative impacts of the ACAP because the company may not be aware of negative practices in its operations. Additionally, this could harm company operations because disenfranchised or negatively impacted beneficiaries could be more likely to sue or damage the reputation of the company.</p> <p>Mitigant: Due diligence will be conducted on grievance mechanisms. Companies that have weak, insufficient, non-existent grievance mechanisms will be expected to improve or develop the grievance redress mechanism over the course of the investment. There will be technical assistance to train and support companies in grievance redress mechanisms (GRM).</p>
<p>Gender-based abuse, exploitation, or harassment (SEAH)</p>	<p>Risk: Companies may not be aware of the SEAH risks for their staff and customers. They may not have a strong understanding of gender-based violence in their local or newly local context. Some GRMs may not have SEAH provisions in GRM.</p> <p>Mitigants: Due diligence will be conducted on SEAH capacity, awareness, policies, and procedures. We want to see internal buy-in from companies. For companies with deficiencies, we will provide third party gender expertise to help them build capacity. GRMs should have SEAH components as a part of any improvements.</p>

4.6.2. IFC Performance Standard 2: Labor and Working Conditions Risks	
Indicator	Risk and Mitigant Description
Fund Level Labor and Working Conditions	Risk: Insufficient HR, labor and working conditions may result in illegal labor activity or unproductive or hostile work environments without sufficient protection for staff. Some staff may leave or business activity may halt due to issues with labor and working conditions.
	Mitigant: ACAP will adopt the HR policies and labor and working condition procedures of Acumen’s Pakistan office. Acumen’s Pakistan office is in compliance with local labor laws and international best practices.
Protection of workers	Risk: Workers may have informal work arrangements/agreements which may leave them without adequate legal protection and employment benefits leaving them more vulnerable to abuse.
	Mitigant: Due diligence will be conducted on worker protections, contracts, and legal obligations. Companies with insufficient or unclear contracts will be asked to make improvements via the ESG action plans.
Worker health and safety	Risk: Companies may have insufficient occupational health and safety (OHS) policies, procedures and training. This could result in physical harm, injury, or fatalities of workers.
	Mitigants: Due diligence will be conducted on OHS policies, procedures and incidents. Companies with material OHS risks will be expected to make improvements via the ESG action plan and technical assistance.
Gender equality	Risk: Companies may have informal commitment to gender equality. Companies may not have gender action plans. Informal gender equality commitment may result in missing opportunities, policies, procedures, and accountability towards gender equality.
	Mitigant: Due diligence will be conducted on gender practices. Insufficient gender practices will be captured and monitored in the company-level Gender Action Plan (GAP). ACAP seeks to provide companies with gender technical assistance to support their growth.

<p>Non-discrimination & equal opportunity</p>	<p>Risk: Companies may not have proper policies and procedures demonstrating commitment to non-discrimination and equal opportunities. This could result in workers from marginalized communities feeling unsafe in the workspace. There may be insufficient protection for women or other marginalized communities. This may result in turnover and/or issues with worker morale.</p>
	<p>Mitigant: Companies will have due diligence conducted on their non-discrimination and equal opportunity policies and procedures. If the risks are material, the companies will be asked to make improvements via their ESG action plans.</p>
<p>Compliance with national labor and employment law</p>	<p>Risk: Companies may not be in compliance with national labour and employment law. Non-compliance may lead to legal actions involving working conditions (associations, collective agreements, labour laws, discrimination, equal remuneration, lack of equal opportunity, harassment). This could stop or harm company operations.</p>
	<p>Mitigant: Due diligence will be conducted on compliance with local labour laws. If deficiencies are found, ACAP will either not invest or create conditions precedent that the companies are expected to meet to disburse funds. The companies will be monitored for legal compliance annually. Companies may receive technical assistance on labour issues.</p>
<p>Workers' organization</p>	<p>Risk: Companies' practices may restrict, obstruct, or not expressly permit workers' rights to join workers' organizations and mechanisms to express their grievances on working conditions and terms of employment. Small and early-stage companies are more likely to have informal labour and human resource practices and are less likely to have explicit protections for workers' organization.</p>
	<p>Mitigants: When feasible, and if workers are calling for organization, ACAP may share resources for companies on how to enable organizing. This will not be a condition for investment or part of the ESG Action Plan.</p>
<p>Formal provisions to avoid sexual harassment at work (SEAH)</p>	<p>Risk: Companies may not have formal arrangements to avoid sexual harassment at work, including a sexual harassment policy with, at a minimum, a mechanism to file complaints anonymously and confidentially and trained HR staff to review sexual harassment cases. Gaps in sexual harassment</p>

	<p>protections may cause significant challenges for workers who experience sexual harassment regarding reporting, safety, and resolution. The company also faces significant reputational and legal risks without formal sexual harassment provisions. This could impact the investors' reputations, including ACAP.</p> <p>Mitigants: Due diligence will be conducted on SEAH policies, procedures, and incidents. They are also expected to report on SEAH on an annual basis. Companies with SEAH risks will have improvement expectations that should be captured in the ESG action plan.</p>
<p>Worker feedback and recourse</p>	<p>Risk: Companies may not have formal whistleblower, complaints, or grievance policies for workers. Informal complaints mechanisms may not protect workers with proper grievances. Companies are more susceptible to litigation and bad press without internal grievance mechanisms. This could also harm the reputation of ACAP.</p> <p>Mitigant: Companies will be asked to provide whistleblower and complaints policy in the due diligence/audit. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.</p>
<p>Forced and child labour</p>	<p>Risk: Some companies may engage in forced labour and/or child labour.</p> <p>Mitigant: Forced labour and child labour are in the exclusion list. Any company with forced labour or child labour cannot receive ACAP funds.</p>
<p>Land Tenant Issues</p>	<p>Risk: Portfolio Company products and services could be sold to landowners who sell these products on credit to tenant farmers creating more debt. Additionally, some Portfolio Company suppliers could be land tenants who are selling products and services using bonded labor from over-indebted smallholder farmers.</p> <p>Mitigant: ACAP will conduct deeper due diligence on deals with large landowners as suppliers for potential Portfolio Companies. ACAP will ask about customer profiles for Portfolio Companies with large landowners. Finally, ACAP intends to have a diversified portfolio that focuses largely on smallholder farmers who own some portion of land.</p>

4.6.3. IFC Performance Standard 3: Resource Efficiency and Pollution Prevention



Indicator	Risk and Mitigant Description
Impacts to water used by others	<p>Risk: The excessive use of water by companies may accelerate water scarcity. Industrial waste from manufacturing activities and agricultural waste from livestock production, fertilizers, and pesticides can contribute to the pollution of surface and groundwater.</p>
	<p>Mitigant: Due diligence will be conducted on water usage and pollution. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.</p>
Pollution prevention and risks	<p>Risk: Industrial waste from manufacturing activities and the use of agrochemicals such as pesticides and synthetic fertilizers can cause water, land and air pollution.</p>
	<p>Mitigants: Due diligence will be conducted on the use of agrochemicals and manufacturing activities for companies engaged in the manufacturing of agricultural machinery, such as tractors, harvesters, irrigation equipment, and tillage implements.. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.</p>
GHG emissions	<p>Risk: Greenhouse gas emissions resulting from manufacturing activities, the operation of agricultural machinery/equipment, crop production, livestock production, over use of nitrogen-based fertilizers, land-use conversion or from the disposal or destruction of crop residues or processing. Companies may also have limited capacity to measure and reduce their emissions.</p>
	<p>Mitigant: Companies will have the opportunity to learn about GHG emissions and operational reduction strategies via capacity building and technical assistance.</p>

4.5.4. IFC Performance Standard 4: Community Health, Safety, and Security

Indicator	Risk and Mitigant Description
Security force impacts to communities	<p>Risk: In politically volatile and risky regions, some companies may hire security for protection purposes. Security forces could create agitation, mistrust, or result in armed confrontation. Armed confrontation could result in community or staff injury or death. This would create major repercussions for the ACAP Portfolio Company (new or existing facilities) and would be harmful to the ACAP mission.</p>
	<p>Mitigant: Companies must ensure that the security force is compliant with local laws and regulations. If armed companies must prove that security personnel are trained in de-escalation and proper use and storage of weapons.</p>
Impacts on community water sources	<p>Risk: Extensive use of groundwater and surface water in agricultural activities such as aquaculture farming can decrease water availability for local community use.</p>
	<p>Mitigant: Due diligence will be conducted on the impacts of company activities on water scarcity and quality. If companies have material risks, they will be asked to address these risks in the ESG Action Plan including improvements in the efficient use of water. They are expected to report on these risks on an annual basis.</p>
Pesticide safety	<p>Risk: The improper management, handling or disposal of hazardous substances such as pesticides, can impact community health and well-being.</p>
	<p>Mitigant: Due diligence will be conducted on the management, handling or disposal of hazardous substances such as pesticides. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.</p>
Food safety	<p>Risk: Food safety is a key concern in Pakistan. The country faces several challenges in ensuring food safety, including poor hygiene and sanitation practices, food product adulteration, limited access to clean drinking water, and inconsistent enforcement of regulations and standards. The improper management or handling of food, can impact community health and well-being.</p>
	<p>Mitigant: Due diligence will be conducted on food safety practices. If companies have material risks, they will be asked to address these risks in the ESG</p>

	Action Plan. They are expected to report on these risks on an annual basis.
Construction and building/facility safety	Risk: During the construction of facilities/building/structures there is a risk of community members being exposed to injuries/accidents at construction sites and along construction routes. Existing facilities being used or facilities that are yet to be constructed by the companies may be poorly designed or poorly constructed, exposing not only their workers but also community members to hazards of structural failure during earthquakes and other natural hazards or due to poor structural design and construction. Facilities may also be in flood-prone areas.
	Mitigant: Due diligence will be conducted on construction activities and facility/building structural safety. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.
Product safety	Risk: Companies may produce and sell products that are unsafe to consumers or end-users. Companies might also not adhere to consumer protection principles, guidelines, laws and regulations.
	Mitigant: Due diligence will be conducted on company consumer protection measures. Any consumer protection gaps identified will be addressed in the consumer protection plan and the ESGAP. Companies will also have ESG and consumer protection support as a component of technical assistance.
Community health safety	Risk: Companies may cause the spread of infectious diseases by causing a significant influx of non-residents into the communities. Company activities that alter local ecologies may cause the proliferation of certain vector-borne diseases such as malaria, leishmaniasis, dengue, Chikungunya and Crimean-Congo hemorrhagic fever.
	Mitigant: Due diligence will be conducted on the impacts of companies to local community health. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.
Worker impacts on a community	Risk: Some company workers may negatively impact a community with violence, harassment, stalking, or other negatively impactful behavior while they are working. Unprofessional worker behavior, actions, or violence can be detrimental to company operations and result in criminal inquiry, legal liability, and poor publicity. Sales agents and customer/community-facing staff could attempt to exploit customers. If activity harms company operations, it could affect their ability to repay ACAP. Additionally, if worker

	<p>behavior activity is tied to ACAP, it could impact the fund reputation.</p> <p>Mitigant: Due diligence will be conducted on consumer protection, code of conduct, and sales contracts. Any consumer protection gaps identified will be addressed in the consumer protection plan, community engagement deficiencies will be addressed in the ESGAP, and companies will have ESG and consumer protection support as a component of technical assistance.</p>
<p>Gender-based abuse, exploitation, or harassment (SEAH)</p>	<p>Risk: Companies may have staff that commit sexual harassment, abuse, or exploitation in the communities they serve. This would cause significant harm to the community members the Program seeks to serve. It would also open the company up to legal scrutiny and potential lawsuits. It would be impactful to the gender equity work the team seeks to do. Moreover, the incident would tarnish the reputation of the ACAP Program if it was connected to the fund.</p> <p>Mitigant: ACAP will do extensive due diligence on gender aspects of Portfolio Companies (existing facilities). Companies with risks or deficiencies will be expected to address them in the Gender Action Plan. Companies will receive support on Gender Action Plan development and completion through technical assistance.</p>
<p>Fires</p>	<p>Risk: Companies may use fires for waste disposal, pest and disease control, and land and crop management purposes. The fires could spread and harm communities. This would negatively impact company operations and community trust.</p> <p>Mitigant: When applicable, site visits will look for fire hazards and adequate mitigants. Material insufficiencies are expected to be addressed post-investment in the ESG Action Plan.</p>
<p>Consumer credit risk</p>	<p>Risk: Companies may allow consumers to buy their products on credit. Companies may not appropriately assess credit risk and capacity to pay. If companies do not properly assess consumer capacity to pay, they may cause consumers to miss payments, increase their debt, lower their credit score, and have their products repossessed. Companies who do not appropriately manage their credit risk can face ballooning accounts receivable and limited cash on hand. This could negatively impact companies financial health and operation.</p>

	Mitigant: Companies will undergo thorough consumer protection and credit risk management due diligence/audit. Companies will be expected to share their credit risk strategy.
Consumer data privacy risk	Risk: Companies may collect sensitive personal data of consumers for payment and credit risk assessment purposes. Data could be used for fraud, identity theft, sales to data purchasers, or other purposes. Portfolio Companies (existing facilities) could have weak data management controls and could have their materials hacked or obtained by malicious actors. This could harm the reputation of ACAP if improper data activity is tied to the Program.
	Mitigant: Due diligence will be conducted on data privacy. If companies have material risks, they will be asked to improve their data privacy policy and procedures over time.
Terrorism and Money Laundering	Risk: Given the circumstances around terrorist and money-laundering activity in Pakistan and across the region, ACAP could but is extremely unlikely to finance companies connected to terrorist activity.
	Mitigant: ACAP has stringent and comprehensive AML, KYC, and CTF policies, procedures and tools. The team does comprehensive background searches on key persons in companies including board, founders, and senior management.
	Risk: Companies and communities could be exposed to terrorist activities that either hinder or cease business operations.
	Mitigant: ACAP seeks to ensure that ACAP portfolio companies have emergency preparedness plans and have publicly available contact information in case of emergencies.

4.6.5. IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement	
Indicator	Risk and Mitigant Description
Policy, process and procedures for land acquisition and resettlement	Risk: Companies may not have land acquisition and resettlement policies and procedures. This could lead to companies being engaged in conflicts over land acquisition and resettlement.
	Mitigant: Due diligence will be conducted on land acquisition and resettlement policies and procedures. If companies have material risks, they

	will be asked to address these risks in the Land Acquisition and Resettlement Policy Framework (LARPF). ACAP will not invest in companies operating on disputed land.
People/communities affected by land acquisition	Risk: Companies may fail to address the adverse impacts of land acquisition on people/communities.
	Mitigant: Due diligence will be conducted on land acquisition and resettlement when necessary. Companies will be required to have a Land Acquisition and Resettlement Policy Framework (LARPF). ACAP will not invest in companies operating on disputed land.
Involuntary settlement due to purchasing land for anchor farm	Risk: Companies selling inputs to smallholder farmers may grow fruits, vegetables, and commodity crops at anchor farms. The Company may use investment proceeds to purchase land for anchor farms.
	Mitigant: Exclusion list mandates that investments cannot displace 200 or more people.

4.6.6. IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	
Indicator	Risk and Mitigant Description
Impact on ecosystem services	Risk: Companies may intensify biodiversity loss through the degradation of natural ecosystems by agrochemicals; the conversion of natural ecosystems to agricultural land through deforestation and the clearing of other natural ecosystems such as grasslands and bushlands; and agricultural practices such as mono-cropping which decreases agrobiodiversity and compromises biodiversity in adjacent environments. Biodiversity loss leads to the degradation of ecosystem services.
	Mitigant: Due diligence will be conducted on biodiversity loss. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. They are expected to report on these risks on an annual basis.
Impacts to legally protected/ Internationally recognized areas	Risk: Companies may negatively impact protected or internationally recognized areas if they operate near those areas. Natural ecosystem conversion, pollution and excessive water usage could negatively impact ecosystems in protected areas.



	<p>Mitigant: The ACAP team pays special attention to where company operations are located and expects to have specific cautions and expectations for companies operating in vulnerable locations. Companies located near critical ecosystems will be monitored. Companies will not be allowed to purchase land using ACAP funds on critical habitats. Companies operating in these areas and are capable of having a measurable impact on species or habitats may require an ESIA.</p>
<p>Impacts to International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered species and habitats</p>	<p>Risk: Company operation may be harmful to the International Union for the Conservation of Nature Vulnerable, Endangered, and Critically Endangered species and habitats. Pesticides targeting weeds can be toxic to non-target insects, animals and birds that may be included in the IUCN list of vulnerable, endangered and critically endangered species. Companies with weak or immature environmental policies could be unaware of their proximity to IUCN Vulnerable, Endangered, and Critically Endangered species and habitats. They may not know the extent of their impact on these species or habitats.</p> <p>Mitigant: The ACAP team pays special attention to where company operations are located and expects to have specific cautions and expectations for companies operating in vulnerable locations. Companies located near critical ecosystems will be monitored. Companies will not be allowed to purchase land using ACAP funds on critical habitats. Companies operating in these areas and are capable of having a measurable impact on species or habitats may require an ESIA.</p>
<p>Protection of habitats and biodiversity management</p>	<p>Risk: Company activities could be harmful to efforts to protect habitats and biodiversity. The use of agrochemicals could be harmful to habitats and biodiversity by releasing pollutants. Companies may have limited environmental policies protecting habitats and promoting biodiversity management. Companies may not know the environmental impact of operating in certain habitats. Companies may be unaware of the local habitats or biodiversity issues. Companies could be unaware of the harmful impacts their operations could have on habitats and biodiversity. Without environmental policies, companies may not be able to identify or mitigate biodiversity and habitat protection risks.</p> <p>Mitigant: Companies are expected to have sufficient environmental policies. Companies found to have an</p>

	insufficient environmental policy, and material environmental impacts will be expected to make improvements post-investment and address environmental/biodiversity risks in the ESG Action Plan.
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4.6.7. IFC Performance Standard 7: Indigenous Peoples

Indicator	Risk and Mitigant Description
Impacts on indigenous peoples	<p>Risk: Companies may operate in indigenous territory or with indigenous populations. They may not have free, informed, or prior consent of indigenous populations to work in their territory. Certain activities by companies could go against local norms and expectations leading to negative impacts on indigenous communities. Companies may not have indigenous peoples’ policies and may not have procedures for interacting with indigenous communities. Companies not having policies and procedures tied to best practices could result in harming indigenous populations and hurting the Program impact.</p> <p>Mitigant: ACAP has an Indigenous People’s Policy that informs engagements with indigenous people. ACAP also has a stakeholder engagement plan that incorporates indigenous voice and consent. Due diligence will be conducted on companies on their engagement and policies around indigenous peoples. If companies engage with indigenous populations, ACAP will expect them to have proper Indigenous Peoples’ policies and procedures.</p>

4.6.8. IFC Performance Standard 8: Cultural Heritage

Indicator	Risk and Mitigant Description
Impact upon critical cultural heritage	Risk: Companies could utilize cultural or historical imagery in their marketing materials without consent from relevant communities and stakeholders. This could result in the Program funding companies improperly benefiting from cultural materials. This could harm community trust, stakeholder engagement, and Program impact.

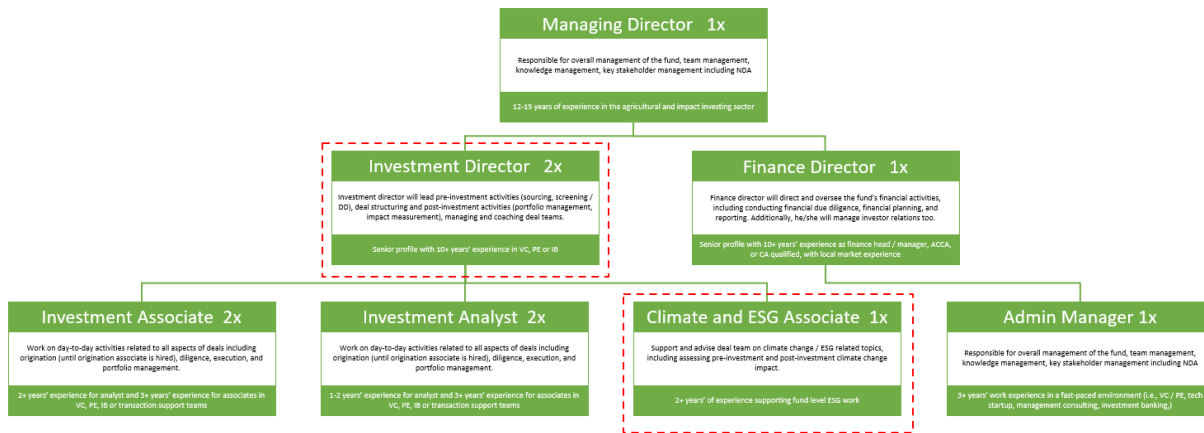
	<p>Mitigant: Due diligence will be conducted on company impact on cultural heritage. If companies have material risks, they will be asked to address these risks in the ESG Action Plan. ACAP expects these types of risks to be minimal.</p>
<p>Chance Find Procedures</p>	<p>Risk: Companies expanding operations using ACAP investment capital may impact culturally significant objects and artifacts.</p> <p>Mitigant: If relevant, companies will be asked about excavation or building plans and how they will ensure no damage is done to culturally significant artifacts. If excavation or building exposes any culturally significant artifacts, ACAP will ensure that the company follows ACAP’s cultural heritage procedures outlined in Annex 13.</p>

5. Allocation of Resources, Organizational Capacity, and Responsibilities

5.1. Executive Summary

- 5.1.1. ACAP will have a managing director responsible for overseeing the Funds ESG activities. Within this role, the executive will be responsible for overseeing the implementation of the ESMS.
- 5.1.2. The ACAP team will have investing, TA, and ESG roles, an investment committee, consulting groups, and Acumen. Each group will have separate ESG responsibilities that are detailed in this section.
- 5.1.3. The ACAP team is responsible for investor and donor investment and reporting requirements, and to beneficiaries who can benefit and experience environmental and social impacts from ACAP activities.
- 5.1.4. In this section, ACAP will share our responsibilities, working practices, training, and conflict of interest engagement.

5.2. Responsibility Charts



Stage	Responsible Party
Screening	Investment Associate
Diligence Collecting	Climate Change and ESG Associate
Diligence Analysis	Climate Change and ESG Associate

Investment Decision	ACAP Investment Committee
Term Sheet, Side Letter and ESG Action Plan	Investment Associate Managing Director Climate Change and ESG Associate Agriculture Company Legal
Post-Investment Support and Technical Assistance	Investment Associate Climate Change and ESG Associate Service providers
Monitoring	Investment Associate Climate Change and ESG Associate
Reporting	Climate Change and ESG Associate

5.3. ACAP team responsibilities

- 5.3.1. The ACAP team is responsible for acquiring ESG diligence (E&S audit), performing site visits, developing term sheets, and monitoring ESG action plans from the ACAP Portfolio Companies (existing facilities). ACAP intends to have a Climate Change and ESG Associate that will be responsible for ensuring the ESG activities are fully executed in the investing and post-investment process.
- 5.3.2. In preliminary diligence, the ACAP team will be responsible for ensuring that pipeline companies do not engage in any of the Program Excluded Activities as described in Annex 1. The Investment Associate will screen applicants using the Excluded Activities screening questionnaire. They will notify the Climate Change and ESG Associate that the company is qualified to enter preliminary due diligence/audit.
- 5.3.3. The ACAP team is responsible for sharing and ensuring completeness of the ESG due diligence questionnaire (Annex 2) for all potential investments. They will also be responsible for ensuring companies complete the gender assessment. Once questionnaires are complete and all materials are finalized, they are responsible for sharing the materials, information, and insights with the Climate Change and ESG Associate.
- 5.3.4. If the ACAP team conducts a site visit, they will complete the ESG site visit checklist. They will interview the company team and walk around the company site to learn about their ESG risks and mitigants, observe emergency and security operations, and investigate occupational health and safety issues. The team will write their site visit notes and share them with the Climate Change and ESG Associate.
- 5.3.5. After ensuring a complete ESG diligence/audit, the ACAP team works with the Climate Change and ESG Associate to complete the ESG due diligence report/audit findings (Annex 4). This will inform the ESG section of the investment memo. The Investment Committee should expect to receive the Investment Memos, the ESG DD questionnaire, and the ESG due diligence report/audit findings.



- 5.3.6. The ACAP team will ensure ESG Action Plans (Annex 5) are legally binding in the side letter with the Portfolio Company (existing facilities). The ACAP team is responsible for ensuring relevant conditions precedent are agreed to for any ESG risks need mitigating prior to the investment. The team will be responsible for working with the Climate Change and ESG Associate to develop an appropriate and feasible ESG action plan for ACAP Portfolio Companies (existing facilities).
- 5.3.7. The ACAP team will be responsible for working with the TA administrator, consultants, and other parties to ensure that Portfolio Companies (existing facilities) are receiving proper TA in accordance with the ESG action plan and any other diagnostics.
- 5.3.8. The ACAP team will be responsible for monitoring post-investment ESG activity, ESG Action Plan (Annex 5) progress, and any other relevant ESG incidents or opportunities across the portfolio. The ACAP team will monitor and report with the Climate Change and ESG Associate.
- 5.3.9. The ACAP team shall engage stakeholders through the duration of the Fund. The ACAP team will listen, learn from, and report to stakeholders on an annual basis. They will also be responsible for implementing the various policies and procedures that are part of the ACAP ESMS: the grievance redress mechanism, the Indigenous Peoples Policy, and the Guidance on Land Resettlement.

5.4. Climate Change and ESG Associate Job Description

Climate Change / ESG Associate	
Job Description	Support and advise deal team on climate change / ESG related topics, including assessing pre-investment and post-investment climate change impact.
Key Responsibilities	<ul style="list-style-type: none"> ● Perform pre-investment assessment of climate change / ESG due diligence (through ad hoc tool), requesting inputs from targets and performing impact calculations. ● Perform post-investment evaluation of impact generated in collaboration with Acumen partners. ● Support and monitor companies for ESG and climate performance ● Support finance in reporting on impact / climate change topics ● Support fund MD in actively managing the relationship with GCF.
Key Requirements	<ul style="list-style-type: none"> ● 2+ years' experience at a public / private fund or DFI focused on climate change or other climate change consulting roles. ● Strong analytical skills with previous experience in assessing climate change potential of different projects. ● Strong interpersonal and communication skills

- | | |
|--|---|
| | <ul style="list-style-type: none">• Bachelors in environmental science, social development or similar fields are preferred. |
|--|---|

5.5. Acumen responsibilities

- 5.5.1. Acumen as the Accredited Entity for the ACAP Program will be responsible for ensuring the ACAP management team is implementing and monitoring the ESMS.
- 5.5.2. Acumen's ESG team will support the Program with implementing the ESMS, supporting the Portfolio Companies (existing facilities), and assisting with Technical Assistance. The Acumen ESG team will also support the ACAP team capacity building.
- 5.5.3. Acumen will assist with stakeholder engagement including supporting the Nationally Designated Authority relationship, ensuring effective communication between the ACAP management team and constituencies, and sharing ACAP reporting with Acumen's ecosystem.
- 5.5.4. Acumen will assist with monitoring, reporting, and evaluation. Acumen will support the writing and reporting of the Annual Performance Reviews for GCF. Acumen will lead the development and execution of the interim and final independent evaluations. Acumen will also support the development and execution of longitudinal insights studies.
- 5.5.5. Acumen has its own Grievance Redress Mechanism that will operate independently of the ACAP team. Acumen will investigate any grievances they receive as the AE of this Program.

5.6. TA administrator and consultants' responsibilities

- 5.6.1. The technical assistance administrator is responsible for disbursing the technical assistance funds to the proper consultants, NGOs, grant recipients, and Portfolio Companies under the supervision of the team.
- 5.6.2. The technical assistance administrator is also responsible for screening TA fund recipients for engagement in the Excluded Activity list.
- 5.6.3. The technical assistance administrator shall monitor the technical assistance and report on technical assistance activity for investors, donors, and other relevant stakeholders.

5.7. Training and Resources

- 5.7.1. The ACAP team will receive annual ESG training to ensure their knowledge and understanding of the ACAP ESMS and to build their capacity to identify and mitigate environmental and social risks.
- 5.7.2. The ACAP team will be periodically trained on specific environmental and social risks like resource efficiency and biodiversity protection by industry experts to build deeper expertise in higher risk activities for the Program.

5.7.3. Training, consulting, and resources are also provided by third party experts to ACAP companies on an ongoing basis. Webinar topics include resource efficiency, OHS, ESMS, community safety, and other relevant ESG topics. There will also be a resource center with tools and templates to help companies improve their ESG practices. The companies may also have a helpline that they can utilize for support with ESGAPs and policy and procedure development. Finally, companies will also have access to consultants that can provide one on one support.

5.8. Portfolio Company Capacity

5.8.1. ACAP Portfolio Companies (existing facilities) are expected to comply with the guidance of the ACAP ESMS. ACAP Portfolio Companies (existing facilities) will be required to meet certain criteria to receive Program funding and technical assistance.

5.8.2. To go through the diligence/audit cycle, ACAP companies are expected to provide evidence that they do not engage in any of the ACAP Excluded activities. If companies are determined to have not engaged in Excluded Activities and subsequently receive ACAP funding, they are legally required to not engage in any Excluded Activities.

5.8.3. Companies are expected to fully, honestly, and transparently engage in the ESG due diligence cycle. They will be expected to certify the veracity of their due diligence/audit materials. Companies are required to submit ESG due diligence/audit questionnaires, supplementary ESG questionnaires, evidence of company policies and procedures, and a site visit if required by the ACAP team.

5.8.4. If deficiencies are found in due diligence/audit, companies are contractually required to enact an ESG action plan. The ESG action plan will be developed by the ACAP team and Acumen.

5.8.5. By the end of the ACAP Program, companies are expected to meet certain obligations:

- 5.8.5.1. ESMS
- 5.8.5.2. E&S Policy
- 5.8.5.3. Grievance Mechanism
- 5.8.5.4. Indigenous Peoples Policy (if applicable)
- 5.8.5.5. Gender Action Plan
- 5.8.5.6. Stakeholder Engagement Plan

5.8.6. Companies are expected to report on environmental and social activities across the tenure of their investment. Companies shall report on ESG Action Plans at ESGAP milestones and an annual basis. Companies shall report on environmental and social measures on an annual basis.

5.8.7. ACAP companies are expected to report grievances and ESG incidents to the ACAP team within 5 days of knowledge of the incident. ESG incidents are described in further detail in section 6.

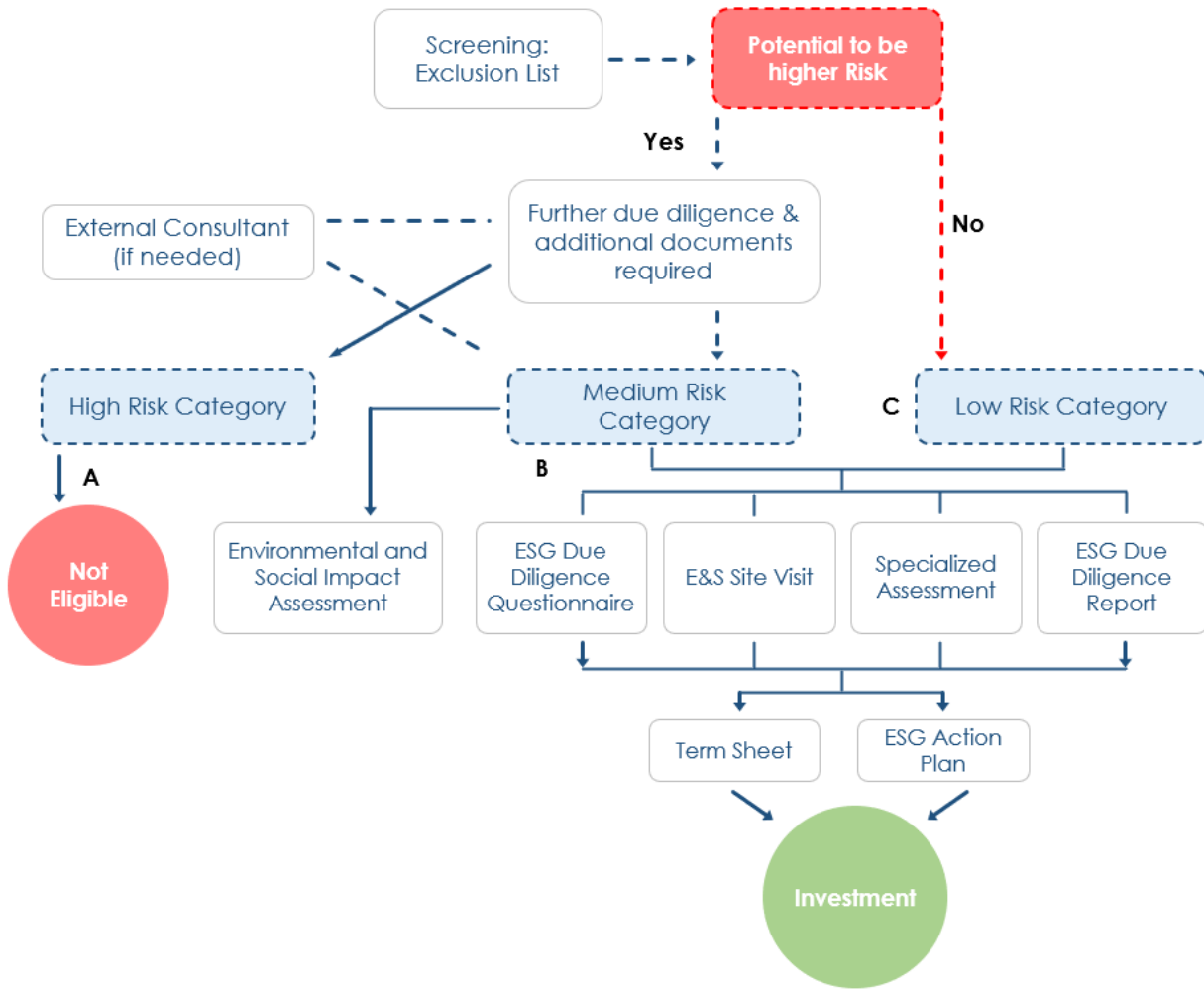
6. Environmental, Social, and Governance Investing Strategy

6.1. Executive Summary

6.1.1. ACAP incorporates environmental and social risk and impact throughout the investing process. The ACAP management team will incorporate environmental and social factors in screening, due diligence (environmental and social audit), term sheets, post-investment supports, monitoring, and reporting.

6.1.2. ACAP will be investing using equity in three investment themes that will specifically target building adaptation capacity across the value chain: farmer platforms and financial solutions, smart farming, post-harvest technologies.

ACAP Investment Types and ESG Process			
	Farmer Platforms and Financial Solutions	Smart Farming	Post Harvest-Technologies
Company Profile	Business models that directly focus on farmers by providing access to finance/credit solutions, high quality inputs, and connectivity with stakeholders across the value chain as well as investments in scalable digital platforms that connect value chain components to increase the climate resilience and efficiency of the entire value chain.	Companies working on improving on-farm productivity, yields, and climate resilient production practices	Innovative midstream technologies to reduce food loss and wastage, while enhancing food quality and safety, traceability, storage, logistics, food processing, and distribution.
Investment instrument	Equity		
Average Ticket Size	\$1-3 million USD		
Implementation Support	ACAP team		
Screening	Annex 1: Exclusion List		
ESG diligence (Environmental and Social Audit)	Annex 2: ESG Due Diligence Questionnaire Site Visits Annex 4: ACAP ESG Checklist		
Investment Decision	Annex 5: ACAP Due Diligence Report/Audit Findings Term Sheet		
Post Investment	Annex 5: ESG Action Plan. ESG, and Gender Technical Assistance; Annex 6: ESG Incident Report Template		
Monitoring and Reporting	Annex 7: ACAP ESG Monitoring Report		



6.2. ESG considerations during the investment process

6.2.1. Screening

6.2.1.1. All pipeline companies considered for investment must confirm that they do not engage in, produce, or trade any ACAP Excluded Activity as defined in Annex 1. Companies will be asked to confirm their compliance with the Exclusion List to move on to due diligence/auditing. Companies with activities in the Exclusion List will not be able to move onto due diligence.

6.2.1.2. The ACAP team will conduct a precursory ESG assessment of the pipeline company. This entails background research into public information about the company. ACAP will search public information on environmental, social, business integrity, or legal controversy associated with the potential Portfolio Company. This could include a cursory search of the internet, reviewing news articles, or speaking with other investors with insights into the company. ACAP will also review any initial

materials shared by the company like a pitch deck, policies, or reports for any ESG factors.

6.2.1.3. Investment Associates and the Climate Change and ESG Associate are expected to start filling in the ESG checklist to support the initial diligence process.

6.2.1.4. If the company business model would not be considered IFC Category A environmental and social risk nor does the company engage in any Excluded Activity, it may move into the diligence/audit stage. If there is evidence from public or private company information that the investment may be considered Category B, the team may decide to start an ESIA (Annex 12). The team will make an initial assessment of the investment ESS risk category.

6.2.2. Due Diligence (environmental and social audit)

6.2.2.1. ACAP commits itself to an open, objective, and thorough ESG due diligence (audit) process for potential Portfolio Companies (existing facilities) prior to investment aligned with best practices, investor expectations, and stakeholder needs. The due diligence process will enable the ACAP team to identify and measure a Portfolio Company's environmental and social risks, their capacity to mitigate the risks, and commitment to monitoring and reporting on ESG commitments.

6.2.2.2.

ESG Due Diligence (environmental and social audit) for category C and above
ESG Due Diligence (Environmental and Social Audit) Questionnaire (Annex 2)
Company Policies and Procedures
Site Visit (when applicable)
ESG Checklist, Environmental and Social Audit Checklist (Annex 3)
ESG Report, Environmental and Social Audit Findings (Annex 4)
ESG Action Plan (Annex 5)

6.2.2.3. The due diligence/audit process relies on several tools to ensure a comprehensive investigation of a Portfolio Company's (existing facilities) ESG factors. ACAP will use ESG due diligence questionnaires, supplementary questionnaires, company policies and procedures, site visits, interviews, a climate risk assessment and resilience tool, consumer protection questionnaire, and, in some circumstances, employee engagement surveys for the ESG due diligence/audit. The Climate Change and ESG Associate will review all the ESG materials provided to assess the Portfolio Company's (existing facility) ESG risks. The Climate Change and ESG Associate will evaluate the materials and decide on the ESG performance of the company and potential ESG risks associated with the investment. If ACAP finds major issues or deal

breaking matters in the initial assessment, then further ESG DD may be undertaken if ACAP needs additional ESG experts in specialized areas.

- 6.2.2.4. The ESG due diligence (E&S audit) company questionnaire asks companies to describe their activities relating to the environmental and social risks ACAP has identified across the Program. Questions are related to company level ESMS, ESG capacity, community health, safety, and security, stakeholder engagement (including Indigenous engagement and grievance mechanism), labor and working conditions, occupational health and safety, resource efficiency, pollution, and e-waste. Companies will be evaluated based on the evidence they provide, the sophistication of their answers, the proactive environmental and social measures a company may take, and the risks or gaps identified in the questionnaire. The light touch ESG diligence (audit) questionnaire is abridged to ask the most pertinent questions to these companies to match the size, scope, and scale of the environmental and social risks of these investments.
- 6.2.2.5. Companies will be asked to share more information about labor and working conditions, occupational health and safety, resource efficiency, and pollution. Companies will be evaluated using similar criteria as described above.
- 6.2.2.6. Companies will be asked to provide a comprehensive set of their policies, procedures, and evidence of implementation. ACAP will ask for a company level ESMS, ESG policy, Human Resources Policy, Employee Code of Conduct, Grievance Mechanism, Stakeholder Engagement Plan, Anti-Sexual Harassment Policy, and others. The companies will also be asked to share their logs of OHS incidents, grievances, reports of harassment, and other materials. Companies will also be asked to share evidence that staff have been trained in or have awareness of these policies. Companies will be evaluated on the following topics:
- 6.2.2.6.1. Accuracy of their ESG Due Diligence Questionnaire responses
 - 6.2.2.6.2. Thoroughness of policies; alignment with best practices
 - 6.2.2.6.3. Organizational capacity demonstrated by the policies
 - 6.2.2.6.4. Organizational awareness of the policies
 - 6.2.2.6.5. Evidence of implementation of the policies
 - 6.2.2.6.6. Gaps or risks created by missing or incomplete policies
- 6.2.2.7. Some due diligence/auditing will require site visits. Investment Associates will have an ESG site visit checklist and an interview sheet. The Investment Associate is expected to check sites for emergency preparedness, PPE, safety hazards, security personnel, and proper storage of sensitive equipment. They are expected to interview staff about labor protection and working conditions, resource efficiency, and other relevant ESG topics. The Investment Associate will document their findings in the checklist (Annex 4\3) and the due diligence report (Annex 4).
- 6.2.2.8. Our climate risk assessment and resilience tool will evaluate the climate risks in the geographic area of Portfolio Company (existing facility) operations within ACAP. Assessing the climate risks will then inform measuring the climate vulnerabilities of the populations the Portfolio Company (existing facility) serves. Finally, the tool will measure if the intervention provides climate resilience or adaptation capacity. We will include the results of this tool in the ESG due diligence report/audit findings (Annex 4) and the investment memo.

- 6.2.2.9. For larger investments, the team may ask the company to share an employee engagement survey with their employees. The team wants to learn about staff understanding of labor and working conditions. While companies may have policies with all the right components, some may not be strong on implementation. Survey results would be included in the ESG due diligence report/audit findings (Annex 4).
- 6.2.2.10. The ESG checklist/audit checklist (Annex 3) would ensure that the ACAP management team has received or developed all the relevant materials to make an informed assessment of the Portfolio Company's (existing facility) ESG risks, maturity, capacity, and mitigants. If the concerns surface via the ESG checklist (Annex 3), ACAP may require extra diligence/auditing or expert opinions to complete the diligence/audit process. Once the ESG checklist is complete and all the materials are received, the Climate Change and ESG Associate can develop an ESG due diligence report/audit finding (Annex 4). The officer will either confirm or revise the ESG risk category depending upon the ESG due diligence (E&S audit). After further due diligence, if companies are considered Category B, the team may consider undergoing an ESIA (Annex 12).
- 6.2.2.11. The ESG due diligence report/audit findings (Annex 4) encapsulate all the ESG information received during diligence. The Climate Change and ESG Associate will complete the report with the support of the Investment Associate and any experts needed for diligence. The Climate Change and ESG Associate will use the materials to decide on the ESG risk category. The ESG risk categories are as follows:³⁸
- 6.2.2.11.1. **Category A:** Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- 6.2.2.11.2. **Category B:** Business activities with potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- 6.2.2.11.3. **Category C:** Business activities with minimal or no adverse environmental or social risks and/or impacts.
- 6.2.2.12. ACAP will only invest in Category B and C companies as that aligns with our environmental and social capabilities and the expectations of our investors.
- 6.2.2.13. The assessment will also include compiled analysis that aligns with the IFC Performance Standards and the GCF Environmental and Social Safeguards. The ESG due diligence report/audit findings (Annex 4) will provide a detailed summary of the environmental and social risks and opportunities of the investment as well as the company capacity to mitigate these risks themselves or with outside consultation. The ESG Due Diligence (Environmental and Social audit) findings will provide all the information needed to understand environmental and social risks to take an investment decision, and to identify ESG reforms considered necessary to comply with the Program requirements.
- 6.2.2.14. The ESG due diligence report/audit findings (Annex 4) will be attached to the investment memo. The investment memo will also include a short description of the ESG risks, mitigants, and conditions for the investment. The Investment Committee is

³⁸Ibid.

expected to review the ESG diligence report and investment memo as part of the decision-making criteria.

6.2.3. Binding commitment to ESGAP

- 6.2.3.1. If the ACAP team and the Investment Committee decide to invest in a Portfolio Company (existing facility), the company must make a binding commitment to implementing an ESG Action Plan (ESGAP) within their relationship with ACAP. The ESGAP will be developed in negotiation with the Portfolio Company's (existing facility) senior management and will be based on the findings in the ESG due diligence report/audit findings (Annex 4). The ESGAP will include mitigants to the strongest risks and baseline needs in accordance with the Program and investor expectations.
- 6.2.3.2. The investment side letter between the Program and the Portfolio Company (existing facility) will include the explicit commitment of the Portfolio Company (existing facility) to implement the ESGAP, meet reporting requirements, and assume ESG related costs, as well as the implications of a breach of ESG requirements. The ESGAP (Annex 5) will be also included in the side letter as a legally binding commitment to ESG improvements and will detail the ramifications of breaching the commitments. The Program team will meet with the Portfolio Company (existing facility) senior management to ensure their understanding of their accountability towards the defined ESG commitments in the ESGAP.
- 6.2.3.3. The **ESG Action Plan**, as found in Annex 5, will automatically include several Programs if companies demonstrate deficiencies through due diligence (E&S audit). Companies will be required to have a strong ESMS or ESG Policy, a grievance redress mechanism, and stakeholder engagement plan. Companies are expected to comply with local regulations and laws and must show evidence of their compliance with laws and regulations. Finally, companies are expected to have good labor and working condition policies, environmental protections and policies, anti-harassment, non-discrimination, and equal employment opportunity policies, and community health and safety procedures. Manufacturers are expected to have strong occupational health and safety policies and procedures and demonstration of proper PPE for their employees. All ESGAP are time bound and companies must have internal accountabilities to ensure that the activities are completed.

6.3. ESG considerations post-investment

- 6.3.1. After legal obligations have been determined, the ESG Action Plan has been developed, the investment agreement has been signed, and the funding has been disbursed, the Portfolio Company (existing facility) must begin engaging on its legal obligations to the Program. The Portfolio Company (existing facility) is expected to fully comply with the reforms that have been deemed necessary to ensure complete adherence to the ACAP ESMS in an appropriate manner as detailed in the ESGAP.
- 6.3.2. Companies are expected to have a wide range of ESG maturity and capacity across the Program. To that end, the Program team developed a variety of diagnostic and support tools in the Technical Assistance Facility. Companies will have the opportunity to receive technical assistance to support their ESG development, policies and procedures, and

reporting. ESG services are tiered based on need, maturity, and capacity.

- 6.3.3. **Webinars:** Companies will have the opportunity to attend several webinars a year where ESG experts will do a deep dive into ESG topics relevant to the agricultural sector. Webinar topics will include developing an ESMS, grievance mechanisms, fertilizer and pesticide usage, water usage and resource efficiency, biodiversity protection and reforestation, refurbishment, and repair, labor and working conditions, and occupational health and safety. Companies that have ESMS, agricultural inputs, or water deficiencies are required to attend these webinars. These webinars will serve as prerequisites for consultation with companies.
- 6.3.4. **Consultations:** Portfolio Companies (existing facility) will have the opportunity to receive one-on-one consultations with ESG experts and consultants to support completing their ESG Action Plans. Portfolio Companies (existing facilities) will be tiered by their ESG maturity. Companies with the weakest ESG maturity will be required to receive ESG consultations to meet baseline requirements as part of their ESGAP. Companies will receive specific support on ESMS, biodiversity protection and fertilizer usage, grievance mechanism, and e-waste development.
- 6.3.5. **Resources:** ACAP will have an ESG resource library to support Portfolio Companies (existing facilities) with policy templates, guides, case studies, and other resources to support their ESG capacity building.
- 6.3.6. Portfolio Companies (existing facilities) are expected to not engage in Exclusion List activities, to align their practices with ACAP ESMS guidelines, and to maintain the business practices as evidenced during due diligence (audit). They are also expected to make efforts towards completing the ESGAP.
- 6.3.7. Portfolio Companies (existing facilities) that make significant changes to their business utilizing ACAP funds will be required to undergo further due diligence (audits) and may be required to undergo an Environmental and Social Impact Assessment.
- 6.3.8. **Reporting:** Companies are expected to report on ESG performance at ESGAP milestones and on an annual basis. Companies will share KPIs when they fill out the annual ESG report. Portfolio Companies (existing facilities) are also required to update the ESGAP on an annual basis. If companies fill answers partially or the Investment Associate has difficulty interpreting company answers, the RM and the Climate Change and ESG Associate will conduct a survey of the company. The RM will also conduct a short interview with the company quarterly to get updates on their ESG activity.
- 6.3.9. Companies are also expected to report ESG incidents within five (5) days of the incident. See Section 8 for more information about reporting and ESG incident requirements.
- 6.3.10. Companies are expected to work with the ACAP team if they are found to be below expectations or behind on progress on their ESGAP. Companies may be required to report on a more frequent basis and seek additional resources if they are found to be in breach of their ESG requirements.
- 6.3.11. **Follow On Investments:** To receive follow on investments, companies must demonstrate compliance with baseline ESG requirements of the program. Companies are expected to have an ESMS, a grievance mechanism, and commitments to resource efficiency and biodiversity protection. Companies are also expected to comply with other expectations of ACAP including labor and working conditions, environmental policies,

occupational health and safety amongst others. To receive a follow-on investment, companies must complete the baseline ESG requirements, complete a follow-on diligence form, and revise their ESG Action Plan with more detailed commitments.

6.4. ESG considerations during divestment

6.4.1. ACAP will seek to sell equity shares of companies to responsible and sustainable investors with similar ESG, social impact, and environmental impact goals. The management team will always share the importance of strong ESG commitments and standards with potential new investors of the Portfolio Companies (existing facilities).

7. Environmental, Social, and Governance Safeguard Standards

7.1. Executive Summary

7.1.1. The ACAP ESMS aligns our ESG and investment strategy with industry leading environmental and social standards, best practices, and investor policy requirements. In this section, the team will share the commitments and practices around general integrity and good governance, and environmental and social standards. These are both commitments for ACAP program activities and for Portfolio Companies to ensure strong environmental and social practices at all levels of ACAP.

7.2. General Integrity and Good Governance

7.2.1. Company Ownership Structure

7.2.1.1. ACAP expects companies to share clear and detailed evidence of the company ownership structure. If the company cannot provide sufficient evidence of investors and owners of the company, nor their debt obligations, then ACAP may not proceed with the investment. Additionally, ACAP will further diligence investors and company owners that are facing criminal allegations or are suspected of violating ACAP ESG commitments. Companies may not be investable if the ownership structure remains opaque or there are integrity questions about the owners of the company.

7.2.2. Integrity Clearance, AML/KYC/CFT, Criminal Offenses

7.2.2.1. ACAP has developed a comprehensive integrity search that is documented in the Program Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) AML/CFT (KYC) Policy. ACAP will use LexisNexis's Bridger Searches platform that searches multiple databases for any flags. Shared below is a short sample of the searches automatically conducted when using the Bridger Search platform:³⁹

- 7.2.2.1.1. Excluded Parties List System (EPLS)
- 7.2.2.1.2. Financial Action Task Force (FATF)
- 7.2.2.1.3. FBI Most Wanted
- 7.2.2.1.4. Interpol Most Wanted
- 7.2.2.1.5. The Office of Foreign Assets Control (OFAC)
- 7.2.2.1.6. The Terrorist Exclusion List
- 7.2.2.1.7. Sanctions lists
- 7.2.2.1.8. United Nations Security Council Sanctions Lists – fourteen (14) lists in total
- 7.2.2.1.9. European Union Consolidated list of sanctions – twelve (12) lists in total
- 7.2.2.1.10. World Bank Listing of Ineligible Firms & Individuals:
- 7.2.2.1.11. World Bank Corporate Procurement Listing of Non-Responsible Vendors
- 7.2.2.1.12. World Bank List of Debarred Firms
- 7.2.2.1.13. Enforcement sources: Civil or criminal offenses, filed charges, indictments, convictions and sentencing for crimes
- 7.2.2.1.14. Financial history (i.e., foreclosures, historical and current held assets, bankruptcies, etc.)

³⁹<https://bridger.lexisnexis.com/XgAuth/?returnUrl=/xgapp/home/start>

7.2.2.1.15. Personal data (i.e., addresses, driver's license, etc.)

7.2.2.2. ACAP will use the LexisNexis platform to search for companies and key people in the organization. Key persons include founders, senior leadership, the board, and large investors. The Program screens the identification information of the individual and/or entity against international sanctions lists, enforcement sources (i.e., civil, or criminal offenses, indictments, and convictions), and financial history (i.e., foreclosures, bankruptcies, etc.).

7.2.2.3. The Program will perform background checks ("PATRIOT Act searches") in the following instances:

7.2.2.3.1. **Procurement:** any new vendor, service provider, and related entities and owners prior to signing a contract;

7.2.2.3.2. **Capital Raise:** any fund, entity, organization, and all relevant key persons prior to accepting an investment into the Program;

7.2.2.3.3. **Disbursements:** any Portfolio Company (existing facilities) and all other parties to an investment document (including the Portfolio Company's founders, directors and officers, and major shareholders) prior to approving an investment disbursement; and

7.2.2.3.4. **Exits:** any purchaser and all other parties to the purchase agreement prior to the sale of shares.

7.2.2.4. If the Program's screening process results in a match, it may perform additional due diligence to determine whether the match is accurate. If the match is accurate, the Program staff must contact the AE's Risk and Compliance Manager who will escalate the matter to the AE's General Counsel as necessary.

7.2.2.5. General Counsel will then convene with the Program's Director to discuss next steps which may include (i) the rejection of the transaction and/or blocking the applicable person's assets; and (ii) filing of a Report of Blocked Transactions and/or a Report of Rejected Transactions with OFAC within ten (10) days of the requested transaction. The Program's Adviser must file a comprehensive report of all blocked assets with OFAC annually.

7.2.3. Exclusion List

7.2.3.1. The Program team has created a list of Excluded investment activities that the Program will use to guide their investment process. This Exclusion List is shared in Annex 1. The ACAP team will not invest in a company or will accept investments from investors with business activity that is included in the List. The ACAP team will use the Exclusion List as a screening tool for investments. Potential Portfolio Companies (existing facilities) will be asked to verify that none of their business activities are included in the Exclusion List.

7.3. Environmental and Social Standards

7.3.1. ESG Key Performance Indicators

7.3.1.1. ACAP seeks to build the climate resilience of smallholder farmers using equity investing in agribusinesses in Pakistan.

7.3.1.2. The Program seeks to measure, monitor, and evaluate the performance of its activities and impacts using Key Performance Indicators (KPIs). The Program defined these KPIs that align with Program activities and intended outcomes of the operations and investments of the Program.

7.3.1.3. KPIs include both environmental and social impacts and impacts on the market, portfolio, company, and beneficiary level.

7.3.1.4. The KPIs include:

7.3.1.4.1. Number of smallholder farmers directly and indirectly impacted

7.3.1.4.2. Number of direct and indirect beneficiaries reached with access to post-harvest technologies

7.3.1.4.3. Number of direct and indirect beneficiaries with access to agricultural inputs

7.3.1.4.4. Number of agricultural jobs created in by Portfolio Companies (existing facilities) in ACAP markets

7.3.1.4.5. Number of women reached for training opportunities to either enter or move up in the agriculture sector in Pakistan

7.3.2. International Environmental and Social Standards

7.3.2.1. Environmental and social assessments, ESGAPs, and monitoring and reporting processes shared throughout the ESMS use the 2012 IFC Performance Standards and the GCF Environmental and Social Safeguards. These two sets of standards guided the Environmental and Social Impact Assessment, and the policies, procedures, tools, and guidance described in the ESMS Annexes. These standards are aligned with Investor requirements and apply at the Program level and the Portfolio Company (existing facility) level. As such, the IFC Performance Standards will act as a framework to guide the summary of the ACAP E&S standards and requirements of the Program and Portfolio Companies (existing facilities) as described in this section.

7.3.2.2. The IFC Performance Standards 2012 as at the time of the formulation of this document are listed in the following table.

IFC Environmental and Social Performance Standards 2012
PS 1: Assessment and Management of Environmental and Social Risks and Impacts
PS 2: Labor and Working Conditions
PS 3: Resource Efficiency and Pollution Prevention
PS 4: Community Health, Safety, and Security
PS 5: Land Acquisition and Involuntary Resettlement
PS 6: Biodiversity Conservation and Sustainable
PS Management of Living Natural Resources
PS 7: Indigenous Peoples
PS 8: Cultural Heritage

7.3.3. Assessment and Management of Environmental and Social Risks and Impacts

7.3.3.1. ACAP Portfolio Companies (existing facilities) will be required to develop and implement an environmental and social management system in accordance with IFC Performance Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts by the end of their engagement with ACAP. While the ESGAP is the primary tool for ensuring compliance with the ACAP environmental and social requirements, the Company-level ESMS will be a complementary tool companies use to manage environmental and social concerns and opportunities throughout and beyond the Program lifecycle. Program level investing expectations and procedures are described in Section 6.

7.3.3.2. Portfolio Companies (existing facilities) are expected to develop an ESMS/ESMP that establishes the following components: procedures and tools identifying and mitigating environmental and social risks, necessary resourcing and organizational capacity to manage an ESMS, the right monitoring and reporting tools to meet investor and funding requirements and have the appropriate stakeholder communication tools to ensure effective and holistic engagement.

7.3.3.3. **Each Portfolio Company (existing facilities) ESMS/ESMP shall contain the following elements:**

ESMS/ESMP/ESG Policy or similar Policy or procedure
Environmental and Social risk identification and mitigation strategy
Organizational capacity and environmental and social champion
Stakeholder Engagement plan and procedures
Grievance Mechanism aligned with best practices (Annex 11a)
Emergency Preparedness Procedures

7.3.3.4. **Environmental and Social/ESG/Responsible Investing Policy:** Portfolio Companies (existing facilities) must develop an E&S Policy aligned with the ACAP ESG Policy that includes measurable goals with social safeguard and biodiversity and environmental protection components. The E&S Policy is both a commitment to environmental and social protections, and a framework for the company-level ESMS. As such, the E&S Policy should be endorsed by senior management and shared with internal and external stakeholders. If a company already has an E&S Policy, it should meet the criteria described in the ACAP ESMS or the ESGAP will mandate remedies to make the E&S Policy sufficient.

7.3.3.5. **Identification of Risks and Impacts:** ACAP Portfolio Companies (existing facilities) will be on a spectrum of ESG readiness. Some companies will have E&S Policies and ESMSs while others will be beginning their ESG work with ACAP. ACAP will conduct approximately scaled and holistic ESG diligence (E&S audit) on potential Portfolio Companies (existing facilities) that will be captured in the ESG Due Diligence report/Audit Findings (Annex 5), the Investment Memo, and the ESG Action Plan (Annex 6). If a Portfolio Company (existing facility) has not carried out an E&S risk

assessment, these documents may act as the foundation for an assessment. Newly developed risk assessments should be aligned with the ACAP ESMS and the IFC Performance Standards and need to be incorporated in the company-level ESMS. If Category B investments present particularly strong environmental and social risks, the ACAP team may consider third-party ESAs to ensure appropriate risk identification and mitigation (Annex 12). They may also consider doing an ESIA (Annex 12) in due diligence that the company will use for their policies and procedures moving forward. Risk assessment and mitigation strategies should incorporate the nature, likelihood, magnitude, and materiality of identified risks and impacts. Identified risks and impacts must align with the concerns and feedback received from communities through stakeholder engagement. ESAs will also incorporate local laws and regulations around environmental and social risks including labor, occupational health and safety, and pollution laws and regulations. If the risk assessment does not align with the IFC Performance Standards, misses important risks, or seems insufficient, the Portfolio Company (existing facility) or our team may be asked to revise the document. If a company has difficulty developing the ESIA based on the documents they receive from due diligence (audit) and internal capacity, ACAP may offer additional support for the Portfolio Company (existing facility). The Investment Associate and the Climate Change and ESG Associate will review the risk assessment or ESIA to determine if it is sufficient.

- 7.3.3.6. **Management Program:** The management program should follow the outline shared in the company E&S Policy and guidance from the ACAP ESMS. The management program needs a mitigation and performance improvement strategy that mitigates the risks and impacts identified in the risk assessment or ESIA. Portfolio Companies (existing facilities) need to include the tools that will protect workers, communities, indigenous people, beneficiaries, and the environment. The management plan should align with and refer to relevant company policies like the HR policy, code of conduct, and occupational health and safety policy. The management plan must demonstrate how it will be operationalized by the Portfolio Company (existing facility) including who is responsible for the implementation, how it will be socialized, and how it will be monitored.
- 7.3.3.7. **Organizational Capacity:** The Portfolio Company (existing facility) ESMS/ESMP should be overseen by senior leadership and have staff assigned to implement it. The ESMS should include the organizational structure that defines roles, responsibilities, and authority to implement the ESMS. The Portfolio Company (existing facility) shall allocate the right resources, training, and responsibilities to ensure that the ESMS can be fully implemented, the ESGAP can be completed, and that environmental and social risks can be appropriately mitigated. This entails assigning responsibilities to relevant company staff like the HR manager leading the labor and working conditions risks. The company should be committed to continuous learning and should seek to train staff on best practices and relevant risks. ACAP seeks to support companies in their capacity and expertise building with ESG webinars on relevant topics.
- 7.3.3.8. **Stakeholder Engagement:** Portfolio Companies (existing facilities) need to listen to, learn from, and share with stakeholders to effectively manage environmental and social risks and create positive impact. Portfolio Companies (existing facilities) are expected to incorporate stakeholder engagement into their ESMS and business operations on an iterative and ongoing basis. The stakeholder engagement strategy should be suitable to the operational activities and level of risks of the business. The level and type of engagement will change depending on the company, their capacity,

and the level of risks of the operations. Portfolio Companies (existing facilities) need to follow best practices including GCF's Environmental and Social Safeguards, IFC Performance Standard 1, and the IFC Stakeholder Consultations Good Practices Handbook. Stakeholder engagement should include the following activities:

- 7.3.3.8.1. Stakeholder engagement strategy development and planning and beneficiary identification
 - 7.3.3.8.2. Consultation on new business activities and Program development
 - 7.3.3.8.3. Disclosure and dissemination of relevant information about operations
 - 7.3.3.8.4. Public consultations and stakeholder participation
 - 7.3.3.8.5. Effective grievance mechanism
 - 7.3.3.8.6. Continuous reporting to affected communities
 - 7.3.3.8.7. Inclusion of gender lens, indigenous communities, and marginalized communities
- 7.3.3.9. **Grievance Mechanism:** The Portfolio Company (existing facility) Grievance Mechanism is an essential tool to identify, investigate, and mitigate risks and incidents. Portfolio Companies (existing facilities) are expected to either have or develop grievance mechanisms aligned with best practices including ACAP grievance guidelines, the Ruggie Principles, and the GCF Grievance Policy. Companies must make their grievance mechanism publicly available, culturally appropriate, and accessible. The investigation process must be transparent, timebound, and responsive to community needs. If an investigation finds that the company is at fault for harm to a community, the company should make its best efforts to include community input in developing an appropriate and feasible resolution. The Portfolio Company (existing facility) is expected to include a summary of monitoring and reporting their grievances. Portfolio Companies (existing facilities) are expected to share their grievances with the ACAP management team within one month of receiving the grievance.
- 7.3.3.10. **Monitoring and Review:** Portfolio Companies (existing facilities) are expected to have strong environmental and social monitoring requirements for ACAP. To effectively manage ACAP's monitoring and reporting requirements, ACAP requires that Portfolio Companies (existing facilities) incorporate monitoring and reporting objectives, metrics, and procedures into the company ESMS. The Company will have ESGAP indicators it is expected to report on during ESGAP milestones and on an annual basis. The Portfolio Company (existing facility) is also expected to report on ESG KPIs to ACAP on an annual basis. The Portfolio Company (existing facility) may use the ESGAP and the annual ESG report to create the company level ESG KPIs. The Portfolio Company (existing facility) should use these KPIs to monitor the ESG performance of the company on an ongoing basis. The ACAP team, via the Investment Associate and the Climate Change and ESG Associate, will monitor the ESG KPIs and seek evidence from the company to ensure the veracity of the company's ESG activities.
- 7.3.3.11. ACAP will seek to ensure that companies have **emergency preparedness** procedures and signage in their company buildings. ACAP will diligence (E&S audit) companies on their emergency preparedness. If companies answer the ESG diligence questionnaire insufficiently, do not provide evidence of their emergency preparedness plan, or have accessible emergency signs and equipment during the site visit then improving emergency preparedness procedures, policies, and resources will be a binding requirement of the ESGAP. Companies will be expected to report on any

emergencies that take place at their facilities.

7.3.4. Labor and Working Conditions

- 7.3.4.1. ACAP's fund level work and staff management will be guided by HR policies and labor management procedures aligned with local and international labor laws. ACAP expects to have between 10-12 employees. HR policies and labor management procedures will be aligned with existing policies for Acumen's Pakistan office.
- 7.3.4.2. ACAP Portfolio Companies (existing facilities) are expected to have or to develop labor and working conditions policies and procedures that comply at a minimum with (i) national labor, employment, social security and occupational health and safety laws; (ii) the fundamental principles and standards embodied in the ILO core conventions, (iii) IFC Performance Standard 2, and (iv) ESS 2. Companies will be evaluated in due diligence (audit) on their capacity to mitigate labor and working conditions risks via questions in the ESG due diligence (audit) questionnaire, evidence from labor and working conditions policies and procedures, interviews during site visits, and desktop research on the company. Companies are expected to answer questions on working conditions and management of worker relationships, working conditions and terms of employment, workers' organization, non-discrimination and equal opportunities, collective dismissal, internal grievance mechanisms, child and forced labor, occupational health and safety, and supply chain issues.
- 7.3.4.3. Portfolio Companies (existing facilities) are expected to have or develop a human resources policy, code of conduct, non-discrimination and equal opportunity policy, workplace harassment policy, occupational health and safety policy, internal whistleblower plan, contracts with employees and sales agents. In addition, policies should address worker training, and the extension of the labor policies, to the extent relevant and possible, to workers engaged by third parties, labor contractors, recruiting agencies and other third parties, and as generally, as applicable, in the Portfolio Companies (existing facilities) supply chain. Companies are expected to maintain records of SEAH, HR, and OHS training and incidents.
- 7.3.4.4. Portfolio Companies with large landowners as suppliers should be able to demonstrate that land tenants who work on their land are protected and not exploited. This may require an ESIA as ACAP aims to make investments without forced labor.
- 7.3.4.5. If ACAP finds that companies have insufficient labor, workplace protections, or working conditions in policy, procedures, plans, or practice, the management team will require binding activities to improve identified deficiencies in the ESGAP.
- 7.3.4.6. Portfolio Companies (existing facilities) may receive technical assistance to improve labor and working conditions in their operations. Consultants may seek to improve the sales agent contracts, or to build HR capacity. Portfolio Companies (existing facilities) will be able to access a resource library that can help them build or improve their labor and working conditions policies and procedures.
- 7.3.4.7. Companies shall track, log, investigate, monitor, and report ESGAP labor activities or improvements, training, and improvements to organizational capacity, and any major labor incident as defined in Section 9 of the ESMS.

7.3.4.8.

Summary of Labor and Working Conditions Safeguards for Portfolio Companies (existing facilities)
<ul style="list-style-type: none"> ● Evidence of compliance with local labor laws ● Human Resources Policy and Procedures ● Evidence of non-discrimination and equal opportunity (Policies or other evidence) ● Evidence of retrenchment policies or guidance ● Workplace Harassment Policy ● Occupational Health and Safety Policy

7.3.5. Resource Efficiency and Pollution Prevention

- 7.3.5.1. ACAP intends to have a limited operational footprint. ACAP will have a limited carbon footprint and have limited needs for resources. The ACAP team's resources will primarily entail energy for office space, travel for diligence, monitoring, and conferences, and office equipment. The ACAP team intends to monitor energy usage, travel, and other carbon emitting activities. While ACAP will have a limited direct carbon impact, the ACAP team expects to thoughtfully use energy and resources.
- 7.3.5.2. The principles and techniques applied during the ACAP life-cycle will be tailored to the hazards and risks associated with the nature of the Program and consistent with good international industry practice (GIIP), as reflected in various internationally recognized sources, including IFC Performance Standard 3, ESS 3, and the (EHS Guidelines).⁴⁰ It is important to note that this Program will properly manage risks of harmful water consumption or usage and closely monitor the selling of pesticides or fertilizers to smallholder farmers. As water scarcity is a prevalent issue in Pakistan, ACAP intends to ask potential Portfolio Companies about water usage both on the supply side (manufacturing) and for their products and services. For potential Portfolio Companies selling inputs like pesticides and fertilizers, ACAP will due diligence companies for their engagement with farmers on responsible usage and disposal of fertilizer and pesticide inputs.
- 7.3.5.3. ACAP may invest in companies with limited manufacturing and production capabilities. In those cases, ACAP intends to further diligence companies on air pollution, soil pollution, waste management, and other environmental impacts. ACAP does not intend to invest in companies with heavy pollution activities.
- 7.3.5.4. Companies will be evaluated in due diligence (E&S audit) on their capacity to mitigate resource efficiency and pollution risks via questions in the ESG due diligence (audit) questionnaire, evidence from environmental health and safety policies and procedures, interviews during site visits, and desktop research on the company. Companies are expected to answer questions on environmental policies and regulatory compliance, recycling and refurbishment, and pollution in manufacturing.

⁴⁰IFC, (2012), https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

- 7.3.5.5. Portfolio Companies (existing facilities) are expected to have or develop environmental policies procedures, and, when needed, water policies, agrochemical and livestock waste disposal policies or procedures. Manufacturers are expected to share evidence of policies and procedures they have for pollution prevention. Portfolio Companies (existing facilities) will avoid the production of hazardous and non-hazardous waste materials. Portfolio Companies (existing facilities) will be expected to properly dispose of any hazardous waste that will have minimal impact on the environment.
- 7.3.5.6. As water usage is a critical activity in Pakistan and in farming generally, companies will be asked about their water usage, and how their products impact the usage of water for farmers. The team will strongly encourage the efficient and limited usage of water.
- 7.3.5.7. Portfolio Companies (existing facilities) may receive technical assistance support on opportunities to improve e-waste procedures, recycling, and refurbishment. Consultants may seek to improve resource efficiencies, the e-waste policies, procedures, recycling, and refurbishment plans. Portfolio Companies (existing facilities) will be able to access a resource library that can help them build or improve their resource efficiencies and limit pollution.
- 7.3.5.8. Companies shall track, log, investigate, monitor, and report ESGAP environmental activities or improvements, training and improvements to organizational capacity, and any major environmental incident as defined in Section 9 of the ESMS.
- 7.3.5.9.

Summary of Resource Efficiency and Pollution Prevention Safeguards for Portfolio Companies (existing facilities)
<ul style="list-style-type: none"> ● Evidence of compliance with local environmental laws ● Environmental health and safety policy (when applicable) ● E-waste Policy (when applicable) ● Evidence of appropriate usage of water and other resources ● Evidence of pollution prevention at manufacturing sites

7.3.6. Community Health and Safety

- 7.3.6.1. ACAP intends to follow Annex 10: ACAP Stakeholder Engagement Plan when engaging with communities and ensuring the project is appropriately listening to, learning from, and reporting to local communities. ACAP intends to provide community reporting to relevant stakeholders on an annual basis.
- 7.3.6.2. ACAP team intends to be prepared for emergencies including climate disasters and terrorism activity. The team will have emergency procedures in the operations manual.
- 7.3.6.3. Companies will be diligenced for anti-money laundering, KYC, and counter-terrorism financing. Background searches will be conducted on company board members, founders, and senior leadership. ACAP will not invest in companies with individuals convicted of serious crimes.

- 7.3.6.4. Portfolio Companies (existing facilities) are expected to have or develop community health and safety systems that anticipate and avoid adverse impacts on the health and safety of any affected communities. These practices should be aligned with international best practices such as IFC Performance Standard 4 and GCF ESS 4.
- 7.3.6.5. Companies will be evaluated in due diligence (E&S audit) on their capacity to mitigate community health and safety risks via questions in the ESG due diligence (E&S audit) questionnaire, evidence from community health and safety policies and procedures, interviews during site visits, and desktop research on the company. Companies are expected to answer questions on product safety, food safety, pesticide safety, construction safety, community health safety, gender-based violence and SEAH, emergency preparedness and response, security personnel, and consumer protection.
- 7.3.6.6. Portfolio Companies (existing facilities) shall avoid or minimize the potential for community exposure to hazardous materials and substances such as pesticides that may be released by Portfolio Companies (existing facilities). Where there is a potential for the public (including workers and their families) to be exposed to hazards, particularly those that may be life-threatening, Portfolio Companies (existing facilities) shall exercise special care to avoid or minimize community exposure. Portfolio Companies (existing facilities) shall exercise commercially reasonable efforts to control the safety of deliveries of hazardous materials, and of transportation and disposal of hazardous wastes, and will implement measures to avoid or control community exposure.
- 7.3.6.7. Portfolio Companies (existing facilities) shall avoid or minimize the potential for community exposure to food safety issues due to the improper management or handling of food. Portfolio Companies (existing facilities) shall exercise special care to avoid or minimize poor food hygiene and sanitation practices, food product adulteration among other improper food management practices. Portfolio Companies (existing facilities) shall be required to adhere to food safety regulations and standards.
- 7.3.6.8. Portfolio Companies (existing facilities) shall avoid or minimize the sale of unsafe products that may be harmful to community members and members of the public in general. Portfolio Companies (existing facilities) shall be required to adhere to product safety and consumer protection principles, guidelines, laws and regulations.
- 7.3.6.9. Portfolio Companies (existing facilities) shall ensure that, if relevant, safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to affected communities. Portfolio Companies (existing facilities) are expected to have proper security policies and procedures. Portfolio Company (existing facility) policies shall also address, based on the area of operation, equipment design and safety, hazardous materials management and safety and emergency preparedness and response. Portfolio Companies (existing facilities) must let consumers know if their products create safety hazards during extreme weather events.

- 7.3.6.10. If ACAP finds that companies have insufficient security procedures or community health, safety strategies, the management team will require binding activities to improve identified deficiencies in the ESGAP.
- 7.3.6.11. Portfolio Companies (existing facilities) shall avoid or minimize the potential for community exposure to water-borne, water-based, water-related, and vector-borne diseases, and communicable diseases that could result from Portfolio Companies (existing facilities) activities. Where specific diseases are endemic in communities, Portfolio Companies (existing facilities) are encouraged to explore opportunities to improve environmental and health conditions that could help minimize their incidence.
- 7.3.6.12. The Portfolio Companies (existing facilities) shall avoid or minimize transmission of communicable diseases that may be associated with the influx of temporary or permanent labor in communities.
- 7.3.6.13. Pakistan is prone to natural calamities and disasters such as floods. Portfolio Companies (existing facilities) are expected to assist and collaborate with local communities, local government agencies, and other relevant parties, in their preparations to respond effectively to emergency situations, especially when their participation and collaboration is necessary to respond to such emergency situations. If local government agencies have little or no capacity to respond effectively, Portfolio Companies (existing facilities) are expected to play an active role in preparing for and responding to emergencies associated with their activities. Portfolio Companies (existing facilities) shall document their emergency preparedness and response activities, resources, and responsibilities, and will disclose appropriate information to local communities, relevant government agencies, or other relevant parties.
- 7.3.6.14. Companies shall track, log, investigate, monitor, and report ESGAP community health and safety activities or improvements, training and improvements to organizational capacity, and any major consumer incident as defined in Section 9 of the ESMS.
- 7.3.6.15.

Summary of Community Health and Safety Safeguards for Portfolio Companies (existing facilities)
<ul style="list-style-type: none"> ● Evidence of security requirements (when applicable) ● Evidence of data privacy protections for consumers ● Evidence of proper procedures and storage of hazardous materials ● Evidence of product safety, pesticide safety, food safety, and construction safety in environmental health, and safety policies, procedures, and records ● Passing AML, KYC, and CTF background checks at the board, founder, and senior management levels

7.3.7. Land Resettlement

- 7.3.7.1. Portfolio Companies (existing facilities) must follow the guidance shared in Annex 8 on land acquisition and resettlement, and best practices as defined by IFC Performance Standard 5 and GCF ESS 5.

- 7.3.7.2. ACAP Portfolio Company (existing facility) activities have some land resettlement risks as agricultural companies may use land for operations. Displacing communities, whether it be physical or economic in nature, can have adverse environmental and social impacts that may lead to the impoverishment of affected communities.
- 7.3.7.3. While land resettlement risk exists, the Program is committed to avoiding involuntary resettlement whenever possible, and to minimize and mitigate adverse impacts when involuntary resettlement is unavoidable.
- 7.3.7.4. Portfolio Companies (existing facilities) or the team may be expected to conduct an ESIA (see Annex 12) if they seek to use ACAP proceeds to purchase land outside of office space or inventory storage.
- 7.3.7.5. ACAP shall not invest in Portfolio Companies (existing facilities) with land acquisition and resettlement activities impacting more than 200 people.
- 7.3.7.6. If a ACAP Portfolio Company (existing facility) must use ACAP proceeds to purchase land and it results in unavoidable resettlement of less than 200 persons, they will develop a Land Acquisition and Resettlement Action Plan (LARP) that will be guided by the following overall objectives: avoid forced eviction, avoid or minimize adverse impacts on displaced persons, compensate for losses and improve livelihoods of displaced persons. The LARP shall be guided by the framework in Annex 8, IFC PS 5, and GCF ESS 5. The Portfolio Company (existing facility) needs to disclose pertinent information, consult with affected communities while paying attention to vulnerable populations. If Portfolio Companies (existing facilities) know that their Program will result in displacement but do not know the extent of displacement, they shall develop a Land Acquisition and Resettlement Action Plan (LARP) that will guide the process.
- 7.3.7.7. Portfolio Companies (existing facilities) shall consider feasible alternatives to avoid or minimize physical and/or economic displacement, while balancing environmental, social, and financial costs and benefits, paying particular attention to impacts on the poor and vulnerable.
- 7.3.7.8. When displacement cannot be avoided, Portfolio Companies (existing facilities) shall offer displaced communities and persons compensation for loss of assets at full replacement cost and other assistance to help them improve or restore their standards of living or livelihoods. Portfolio Companies (existing facilities) are expected to ensure that compensation standards are transparent and applied consistently to all communities and persons affected by the displacement. Portfolio Companies (existing facilities) shall take possession of acquired land and related assets only after compensation has been made available and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons in addition to compensation.
- 7.3.7.9. Portfolio Companies (existing facilities) shall engage with affected communities and individuals, through the process of stakeholder engagement described in Annex 10. Decision-making processes related to resettlement and livelihood restoration should include options and alternatives, where applicable. Portfolio Companies (existing facilities) are expected to ensure that the disclosure of relevant information and participation of affected communities and individuals shall continue during the

planning, implementation, monitoring, and evaluation of compensation payments, livelihood restoration activities, and resettlement to achieve outcomes that are consistent with the objectives of Annex 8. Additional provisions apply to consultations with Indigenous

7.3.7.10. Portfolio Companies (existing facilities) shall establish a grievance mechanism consistent with Annex 11a. This will allow Portfolio Companies (existing facilities) to receive and address specific concerns about compensation and relocation raised by displaced persons or members of host communities in a timely fashion, including a recourse mechanism designed to resolve disputes in an impartial manner.

7.3.7.11.

Summary of Land Resettlement Safeguards for Portfolio Companies (existing facilities)

- Evidence of a Land Acquisition and Resettlement Action Plan (LARP)
- Evidence of compliance with local laws, regulations and policies on land acquisition and resettlement in Pakistan
- Exclusion of Companies with land resettlement activities impacting more than 200 project affected people

7.3.8. Biodiversity and Natural Resources

7.3.8.1. ACAP Portfolio Companies (existing facilities) are expected to have or develop policies, procedures, and activities that protect and do not harm biodiversity and natural resources in alignment with IFC Performance Standard 6 and the GCF Environmental and Social Safeguards.

7.3.8.2. The Program expects to make every effort to minimize negative impacts on the biodiversity in ACAP markets. The Program’s most significant risk to protecting biodiversity is fertilizer, pesticides, water and land usage.

7.3.8.3. Companies will be evaluated in due diligence (E&S audit) on their capacity to mitigate the proliferation of e-waste, environmental policies and procedures, and compliance with local regulations via questions in the ESG due diligence (E&S audit) questionnaire, evidence from environmental health and safety policies and procedures, interviews during site visits, and desktop research on the company.

7.3.8.4. Apart from possibly establishing demo farms, companies providing products and services to smallholder agriculture are unlikely to be in rural areas or near natural habitat although some company facilities may be proposed in natural habitat areas. ACAP largely funds companies that provide products and services to farmers, and, as such, the program’s impact on biodiversity and forests are mostly indirect i.e., through the anticipated growth and intensification of agricultural production.

7.3.8.5. ACAP may invest in some agricultural production companies including aquaculture and olive production. In these instances, companies will go through further due diligence on their environmental practices with questions and diligence specifically designed for the business model. Special attention will be made to

operational locations, environmental impact, and policies and procedures used to mitigate any risks to biodiversity and natural resources. Moreover, ACAP does not intend to invest in companies that may negatively impact natural habitats.

7.3.8.6. Portfolio Companies (existing facilities) are expected to be aware of protected biodiversity, habitats, and animals within the sphere of company operations. Companies are expected to protect and conserve biodiversity and ensure that company operations benefit ecosystems via productive use products, training, and improving farmer efficiency. Companies are expected to have limited impacts on critical habitats. In fact, companies are expected to improve habitats with better and more climate resilient agricultural practices. Portfolio Companies (existing facilities) must avoid endangering or engaging in activity harmful to critical and endangered habitats and ecosystems. Moreover, by the end of the company’s engagement with ACAP, they are expected to have and maintain environmental health and safety policies. Portfolio Companies (existing facilities) are expected to not engage in any activities on the Exclusion List oriented towards harming biodiversity. Additionally, Portfolio Companies (existing facility) will be required to develop an ESIA if they plan to use ACAP proceeds towards Programs that could be harmful to biodiversity.

7.3.8.7. Portfolio Companies selling inputs like fertilizers and pesticides are expected to know their impact on local biodiversity and shall inform customers of potential negative impacts and safe and appropriate handling and disposal of the inputs. Companies with indirect environmental impacts should have proper risk mitigation activities such as embedding sound ecological practices into the products and services provided by the companies or conduct of education and awareness campaigns for farmers, amongst other reasonable and cost effective activities.

7.3.8.8. Companies shall track, log, investigate, monitor, and report ESGAP environmental health and safety activities or improvements, training and improvements to organizational capacity, and any major environmental incident as defined in Section 8 of the ESMS.

7.3.8.9.

Summary of Biodiversity and Natural Resources Safeguards for Portfolio Companies (existing facilities)
<ul style="list-style-type: none"> ● Evidence of not endangering critical or endangered habitats or species ● Evidence of environmental policies ● Evidence of e-waste procedures

7.3.9. Indigenous Peoples, Cultural Heritage

7.3.9.1. Portfolio Companies (existing facilities) will be required to develop and adhere to Indigenous Peoples and Cultural Heritage processes and protections in compliance with IFC Performance Standard 7 and 8 and GCF Environmental and Social Safeguards 7 and 8.

7.3.9.2. Portfolio Companies (existing facilities) may operate in areas where communities of Indigenous people live and work. Portfolio Companies (existing facilities) may seek to hire or sell their products to Indigenous peoples. Since Indigenous people can be

especially harmed by adverse impacts, Portfolio Companies (existing facilities) must be able to identify if their operations intersect with Indigenous communities.

7.3.9.3. ACAP expects to have positive impacts on Indigenous people supporting the scaling of businesses that will positively impact these communities. To avoid adverse impact on Indigenous people, Portfolio Companies (existing facilities) must seek Free, Prior, and Informed consent when seeking to operate in Indigenous communities. Additionally, the Program seeks the Informed Consultation and Participation of Indigenous people during Program development and throughout the lifespan of the Program. ACAP seeks to avoid impacts, or, when unavoidable, minimize and compensate for harmful impacts to Indigenous people. Guidance on indigenous peoples is included in Annex 9. We also expect to share our learnings from indigenous communities with ACAP Portfolio Companies (existing facilities).

7.3.9.4. Portfolio Companies (existing facilities) will be asked during due diligence/audit to identify any Indigenous peoples that are present in areas of operation. They will also be asked how their company respects the culture, knowledge, and practices of Indigenous communities. The Portfolio Company (existing facility) will be asked about consultations with Indigenous people, current practices to minimize harms to this population, and efforts to monitor Portfolio Company activity. The Portfolio Company (existing facility) will be asked if their Grievance Mechanism protects Indigenous peoples.

7.3.9.5. Additionally, the Portfolio Company (existing facility) will be asked about respecting the cultural heritage of local communities. The Program team will also do desktop research to ensure that Portfolio Company (existing facility) artwork, logos, and advertising does not inappropriately use cultural heritage or landmarks. Companies must comply with the ACAP chance find procedures. If ACAP Portfolio Companies (existing facility) find cultural artifacts using ACAP funds that may be harmed during the regular course of company operations, they must cease operations on that site. They must seek cultural and anthropological experts and community leaders to determine how to move forward with the safekeeping of the artifact. Only when the cultural landmark or artifact is safely removed or protected may the project continue at that site.

7.3.9.6. If the Portfolio Company (existing facility) could detrimentally harm Indigenous people through the regular course of operations, the Portfolio Company (existing facility) will be required to develop and implement an Indigenous Peoples Plan.

7.3.9.7.

Summary of Indigenous Peoples and Cultural Heritage Safeguards for Portfolio Companies (existing facilities)
<ul style="list-style-type: none"> ● If engaging with Indigenous community, evidence of Indigenous Peoples policy ● If engaging in construction, evidence of chance find procedures ● Evidence that cultural artifacts and heritage are not improperly used or used without consent of relevant cultural stakeholders

7.4. Summary of Environmental and Social Safeguards for Portfolio Companies (existing facilities)

Expectations of ACAP companies	
Environmental and Social Risk Category B	Environmental and Social Risk Category C
<ul style="list-style-type: none"> ○ Depending on initial DD: an ESIA (Annex 13) ○ ESGAP ○ GAP ○ ESMS or ESMP ○ Grievance Mechanism ○ HR Policy ○ Code of Conduct ○ Environment Policy (when applicable) ○ Land Resettlement and Acquisition Plan or Displacement Plan (when applicable) ○ OHS Policy ○ Indigenous Policy (when applicable) 	<ul style="list-style-type: none"> ○ ESGAP ○ GAP ○ Light touch ESMS or ESMP ○ Grievance Mechanism ○ HR Policy ○ Code of Conduct ○ Environment Policy (when applicable) ○ OHS Policy ○ Indigenous Policy (when applicable)

8. Monitoring and Reporting

8.1. Executive Summary

8.1.1. ACAP monitoring and reporting is implemented at two levels. ACAP Portfolio Companies (existing facilities) will monitor their environmental and social activities on an ongoing basis and will report to the ACAP management team on a recurring basis. The ACAP management team will report to investors, donors, and other relevant stakeholders on an ongoing basis.

8.2. Portfolio Company (New and Existing Facility) Level

8.2.1. ACAP companies are expected to continuously monitor ESG performance and activities of its operations. Portfolio Companies (existing facilities) are expected to report to ACAP at regular intervals with metrics and indicators defined in the ACAP ESMS, term sheet, and ESG Action Plan.

8.2.2. The Portfolio Company (existing facility) is expected to use the ESGAP to fill in activities relating to binding agreements from the term sheet. ESGAP requirements are primarily focused on ESG improvements, ESMS building, ESG capacity building, and adopting the proper policies and procedures. Companies are expected to report on ESGAP activity at ESGAP milestones and on an annual basis.

8.2.3. Companies are expected to meet with the ACAP team on a quarterly basis. They will provide a brief update on environmental and social issues. They will also provide an update on any progress with the ESGAP.

8.2.4. Companies are expected to report to ACAP on an annual basis. The annual reports include detailed information on the ESG performance and activities of the Portfolio Company (existing facility). The annual report template is in Annex 7.

8.2.5. Portfolio Company (existing facility) level ESG reporting will be shared with the Advisory Committee to ensure their visibility on ESG matters. The Advisory Committee shall advise on what activities must be changed, evaluate flaws, and set goals for the next year. The ACAP management team shall support the Portfolio Companies (existing facilities) to improve their monitoring and reporting capabilities. If companies demonstrate weaknesses or challenges fulfilling the ESGAP, they may be required to provide more frequent reporting to ACAP.

8.3. ESG Incidents

8.3.1. ACAP companies are expected to report ESG incidents within five days of knowing the ESG incident. A serious ESG incident is an unplanned or uncontrolled event that negatively impacts ACAP personnel, Portfolio Company (existing facility) personnel, community members, any Program affected people, or the environment within the investment's sphere of influence. A serious ESG incident may also materially affect an investment or the reputation of an investment, the Program, or Acumen. The following are considered serious incidents:

- 8.3.1.1. **Fatalities, serious injuries, and accidents at work.** This includes any fatalities, serious injuries and other occurrences affecting: (1) fund employees or contractors, (2) Portfolio Company (facility employees or contractors, or (3) community workers employed by or voluntarily working for the Program. Reporting includes death and injuries from workplace accidents, accidents related to workplace transport or equipment, murder, kidnapping, or workplace violence.
- 8.3.1.2. **Fatalities, serious injuries, and accidents impacting local communities and others.** Fatalities, serious injuries, or accidents where Program staff, Portfolio Company (existing facilities) staff, or Program-related person is at fault or may be at fault are considered serious incidents.
- 8.3.1.3. **Conflicts, disputes, and disturbances leading to loss of life, violence or the risk of violence.** This would include inter-community or inter-ethnic violence caused or exacerbated by investment activities, and conflicts that have the potential for violence towards Program/Portfolio Company (existing facility) personnel and/or local communities.
- 8.3.1.4. **SEAH Incidents:** This covers incidents where ACAP Portfolio Company (existing facility) staff commit sexual exploitation, abuse, or harassment of either other staff or customers on company time.
- 8.3.1.5. **Human rights violations.** This would cover human rights violations or public accusations of human rights violations attributed to Program workers, contractors of community workers or volunteers. It would cover deaths and injuries to suspects arrested in the conduct of law enforcement activities, torture or other forms of unlawful use of force, or unlawful damage to or confiscation of community or private property. It would include violations of human rights that have occurred as a direct consequence of a Program activity and with involvement of Program workers, and violations that have taken place using equipment provided by the Program, including occurrences that have taken place outside the boundary of the Program, where a Program partner was implicated (including members of state security agents). It would also cover sexual and gender-based violence attributed to Program workers, including rape, sexual exploitation, abuse, harassment and physical violence against women. It would also cover the use of, and public accusations of the use of harmful child labor by the Program, contractors or community workers and volunteers.
- 8.3.1.6. **Forced evictions.** This would cover the forcible eviction of people from Portfolio Company (existing facility) owned or operated upon land.
- 8.3.1.7. **Theft, fraud, corruption, or other major financial crimes.** This would cover any fraud, theft, or other major financial crimes worth above \$100,000 and would cover both Program level and Portfolio Company (existing facility) staff.
- 8.3.1.8. **Large, irreversible, and financially impactful property damage.** This would cover any Portfolio Company level activities or Program level activities that resulted in over \$100,000 of property damage.
- 8.3.1.9. **Environmental impacts** or public accusation of significant environmental impacts attributed to investing activities that have led to or could lead to serious contamination, destruction or degradation of natural habitats or areas of high biodiversity value.

8.3.2.ESG Incident Reporting Requirements		
Status	Incidents	Response
Mandatory	<ul style="list-style-type: none"> • Fatalities, serious injuries, and accidents at work • Fatalities, serious injuries, and accidents impacting local communities and others • Conflicts, disputes and disturbances leading to loss of life, violence or the risk of violence • Human rights violations • Forced evictions • Theft, fraud, corruption, or other major financial crimes • Large, irreversible, and financially impactful property damage • Environmental impacts 	Follow the serious reporting procedure including investigating, reporting, and applying lessons learned. Some agreements may not require ESG incident reporting. Be aware of what investors require serious ESG incident reports.
Annual	<ul style="list-style-type: none"> • Minor injuries, HR violations, accidents, and other incidents • Minor or petty theft 	If deemed in the interest of relevant stakeholders, shareholders or other parties, incident could be disclosed in annual ESG reporting

8.3.3.Mandatory ESG Incident Procedure: After receiving a report of an incident, consider the following steps when investigating and reporting a serious incident.

- 8.3.3.1. Receive notice of incident. Portfolio Companies (existing facilities) should be aware of what qualifies as a serious ESG incident and how to report incidents to investors. Investors should have multiple methods of communication available to Portfolio Companies (existing facilities), stakeholders, and other affected parties. Anonymity and whistleblowing privileges should be afforded to those who seek protection from retaliation in reporting ESG incidents.
- 8.3.3.2. Incident recipient notifies Investment Associate and fund team. If the incident is ongoing and the company is not responsive to critical issues like violence, death, severe environmental impact (forest fires, extreme flooding), and human rights violations, please contact the proper authorities.
- 8.3.3.3. Within the first five days, ACAP needs to investigate the ESG incident and establish a description of the incident. Description includes date and time, location of accident/incident, type of incident, name of person(s) involved/injured/deceased, if applicable, narrative and contextual information, state if incident is work or non-work related, cause of incident, and a listing of parties involved in the initial investigation (witnesses, staff, police, or other authorities). Use the incident reporting template also shared with the toolkit.
- 8.3.3.4. Disclose incident with findings from initial investigation to any entity requiring incident reporting which may include Limited Partners, Acumen, and other

stakeholders with contractual requirements for incident disclosure.

- 8.3.3.5. The incident is assessed by relevant parties and a fulsome investigation is continued. This may involve interviewing additional parties to collect more information or bringing in third parties to support the investigation and assessment.
- 8.3.3.6. If an incident is ongoing, seek weekly reminders from Portfolio Companies (existing facilities). If additional events or serious incidents happen in relationship to the original incident, update the report and any tracking mechanism you may have. Please keep Acumen informed of updates regarding the incident.
- 8.3.3.7. If legal procedures or formal inquiry is involved, the incident will be considered ongoing, and the team should cooperate with the relevant authorities.
- 8.3.3.8. The team should, when possible and appropriate, help the Portfolio Company (existing facility) resolve the incident.
- 8.3.3.9. Any lessons are applied internally as appropriate (e.g., updating policies or processes). The Program could seek to improve ESMS, Portfolio Company (existing facility) engagement, or stakeholder outreach.
- 8.3.3.10. When the incident is resolved and the investigation is complete, a full report should be developed for relevant stakeholders and investors. Incident reports should include lessons learned, corrective steps, and resolution of incidents.

8.3.4. Resolutions

- 8.3.4.1. Acumen adheres to the mitigation hierarchy as an overall principle to managing environmental and social risks and impacts, suitable for all instances of GCF-financed activities. The mitigation hierarchy aims to:
 - 8.3.4.1.1. Anticipate and avoid adverse risks and impacts on people and the environment;
 - 8.3.4.1.2. Where avoidance is not possible, adverse risks and impacts are minimized through abatement measures;
 - 8.3.4.1.3. Mitigate any residual risks and impacts; and
 - 8.3.4.1.4. Where avoidance, minimization or mitigation measures are not available or sufficient, and where there is sufficient evidence to justify and support viability, design and implement measures that provide remedy and restoration before adequate and equitable compensation of any residual risks and impacts;

8.3.5. Reporting and Closure

- 8.3.5.1. Every ESG incident must be closed, and ACAP should issue a final report that will mark the closure of the incident. Incidents may be ongoing for long periods of time if there is a criminal investigation or litigation.
- 8.3.5.2. ESG incidents should be closed when the investigation is complete, a resolution is implemented, and the Program has no further actions that they can take.

8.4. Program Level Reporting

- 8.4.1. The ACAP management team will consistently, transparently, and deeply report ESG activities, technical assistance Programs, metrics, impacts, results, incidents, and challenges as aligned with investor expectations and the Program mission and vision. The ESG strategy, ESMS implementation, and ESG activities will be reported to ACAP donors

and investors on an annual basis. ACAP will provide an annual Environmental, Social, and Governance report for investors and a community update for relevant stakeholders.

- 8.4.2. The Annual ESG report will provide ACAP context, ESG risk trends, and standardized reporting metrics across companies so that investors, donors, and stakeholders can evaluate the management team effectiveness, assess trends across the portfolio, and learn about the technical assistance provided to the companies.
- 8.4.3. We also expect to report to stakeholders on an ongoing basis. Stakeholder reporting is outlined in the Stakeholder Engagement Plan. Stakeholders will receive annual community reports with broad, anonymized, and aggregated portfolio level ESG updates. Stakeholders may also participate in annual ACAP webinars that will provide stakeholders with an opportunity to engage with the management team.
- 8.4.4. ACAP also expects to monitor the Program level Grievance Redress Mechanism (GRM). The GRM will act as an important tool to monitor any ESG incidents or weaknesses in the Program ESMS. The ACAP management team shall report on the GRM results to investors on an annual basis.

9. Disclosure of Information

- 9.1. ACAP will engage with investors, donors, stakeholders, and Portfolio Companies with transparency, integrity, and clarity. With these guiding values, the ACAP management team commits to sharing and facilitating access to relevant information about its operations with stakeholders.
- 9.2. ACAP will have Program level activities ensuring proper disclosure of information including the ESMS, the Grievance Redress Mechanism, and the Stakeholder Engagement Plan. These activities outline publicly disclosable information about Program activities. ACAP will also include the Indigenous Peoples Policy, the guidance on Land Resettlement and Livelihood Restoration, and any other relevant ESG materials. The Program will also disclose annual community reports on the Program website. Moreover, each of these documents will be publicly shared when proper online communications channels are developed.
- 9.3. The ACAP Program will also require companies to publicly disclose relevant policies and procedures. This may include their ESMS and their Grievance Redress Mechanism. The program does not intend to have extensive subprograms. In the rare and limited case of Category B investments, the ESIA and an ESMP will be disclosed at least 30 days in advance of the approving authority's decision. The safeguard reports will be available in both English and the local language (if not English). The reports will be submitted to GCF and made available to GCF via electronic links in both the AE and the GCF's website as well as in locations convenient to affected peoples in consonance with requirements of GCF Information Disclosure Policy and Section 7.1 of (Information Disclosure) of GCF Environmental and Social Policy].

Annex 1: ACAP Exclusion List

All ACAP activities will be evaluated using the Exclusion List as defined below. The Accredited Entity shall ensure that the Program does not fund or participate in any activity or investments where the project has concrete evidence of direct investment in, production of, or use of products tied to the Exclusion List.

The Accredited Entity shall ensure that the Executing Entities investigate any potential excluded activity found during due diligence. If the relevant Executing Entity does not have sufficient expertise in the subject, it may hire outside investigators to support the investigation or choose not to proceed with the activity or investment.

Portfolio Companies will be prohibited from engaging in any activity listed on the Exclusion List as part of the term sheet agreement. If an Executing Entity finds that a Portfolio Company engaged in an excluded activity post-investment, that Portfolio Company will be found to be in default on their investment or other financing agreement and forced to return their investment. The Accredited Entity shall ensure that the Executing Entities monitor Portfolio Companies and ongoing activity to ensure that the Program does not participate in, or fund excluded activities:

- a. Forced Labor or child labor
- b. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- c. Production or trade in weapons and munitions.⁴¹
- d. Production or trade in alcoholic beverages (excluding beer and wine).⁴²
- e. Production or trade in tobacco.¹
- f. Gambling, casinos and equivalent enterprises.⁴³
- g. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- h. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- i. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- j. Displacement or resettlement of individuals or communities at the Category A risk level as defined by the IFC Environmental and Social Performance Standards.
 - i. size of land to be acquired or number of persons affected by land acquisition (e.g., not more than 200 PAPs);
- k. Area of critical natural habitat to be converted or adversely affected
- l. Proposals that can cause destruction of cultural heritage resources, sites, or monuments, among others, if possible

The fund will also not invest in companies that have any of the following activities in their supply chain⁴⁴

- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

⁴¹ This does not apply to Project donors or investors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a Project sponsor's primary operations.

⁴² This does not apply to Project donors or investors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a Project sponsor's primary operations.

⁴³ This does not apply to Project donors or investors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a Project sponsor's primary operations.

⁴⁴ Adapted from the IFC exclusion list for financial intermediaries and microfinance institutions.

- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the natural resources or lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Coal-based energy production and coal extraction
- Palm oil production

Annex 2: ACAP ESG Due Diligence Questionnaires (Environmental and Social Audits)

Context: This questionnaire (audit) is the ESG diligence questionnaire for all potential Portfolio Companies (existing facilities) besides the small last mile distributors. The Investment Associates will send this questionnaire to Portfolio Companies (existing facilities). All companies are expected to fully complete the questionnaire.

Acumen seeks to have a holistic understanding of our potential Portfolio Companies (existing facilities). If any of these questions (or any part of this process) are confusing or require clarification, please reach out to the ESG Insights Manager, Sam Jewett, at sjewett@acumen.org for more information.

Please confirm that you do not partake in any activity, distribution, use, trade, purchase, or investment involving:

- a. Forced Labor or child labor
- b. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- c. Production or trade in weapons and munitions.⁴⁵
- d. Production or trade in alcoholic beverages (excluding beer and wine).⁴⁶
- e. Production or trade in tobacco.¹
- f. Gambling, casinos and equivalent enterprises.⁴⁷
- g. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- a. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- b. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- c. Be engaged in any business or be deriving revenues exceeding 10 per cent. (10%) from any business related to fossil fuels.

E&S Policy and ESMS

- a) Do you have a formal Environmental, Social and Governance (ESG) Policy or an Environmental and Social Management System (ESMS)? If yes, please provide the policy or ESMS.

- b) How are staff and stakeholders made aware of the ESMS or ESG policy?

⁴⁵ This does not apply to Project donors or investors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a Project sponsor's primary operations.

⁴⁶ This does not apply to Project donors or investors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a Project sponsor's primary operations.

⁴⁷ This does not apply to Project donors or investors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a Project sponsor's primary operations.

- c) Who is responsible for implementing the ESMS or ESG policy? Who is responsible for oversight of the policy?
- d) How do you ensure organizational capacity for mitigating environmental and social risks?
- e) How do you identify environmental and social risks across the business? How do you mitigate the identified risks?
- f) How do you monitor the environmental and social risks and mitigants across the business?
- g) What business activities are exposed to climate or nature-related risks?
- h) What is the organization's governance structure and process around climate-related risks and opportunities?
- i) Do you have an emergency preparedness plan? How is that communicated to different stakeholders, locations, teams?

Stakeholder Engagement

- a) How does your company engage stakeholders including local communities and community leaders?
- b) How does the company ensure appropriate assessment of communities that you sell your products within?
- c) Does your company have a grievance mechanism? If so, please share the mechanism.

- d) Is there a defined process to screen, assess and resolve the issues raised and to determine how to respond? If yes, please briefly describe the process.

- e) Is there a defined process to screen, assess and resolve the issues raised and to determine how to respond? If yes, please briefly describe the process.

- f) How have you ensured the affected community and other stakeholders are aware of the grievance mechanism?

- g) Is there a log or register to track incoming queries and responses?

- h) Does your company engage or interact with indigenous communities? If so, what is your engagement strategy?

- i) Do you seek free, informed, and prior consent from indigenous communities prior to operating in indigenous territories?

- j) If you do engage with indigenous communities, do you have an Indigenous Peoples' Policy?

- k) Do you use cultural heritage artwork or historical iconography in your logos, marketing materials, or other promotional media? If yes, did you receive consent to use these materials?

- l) If you are purchasing or building on land in non-commercial zones for operating activities, do you employ chance find procedures if artifacts or cultural heritage items are found?

Community Health, Safety, and Security

- a) Do you have security personnel to protect property or staff? If so, have you had any incidents with the community? How do you ensure human rights are protected in engaging with the community?

- b) Do you inform customers about potential hazards of your product?



- c) How do you monitor the potential hazards of your product, especially during extreme weather events?

- d) What are your priority community health and safety concerns regarding your operations? How do you mitigate them?

- e) Do you have a defined process to screen, assess and resolve issues involving construction-related safety; pesticide safety; food safety; spread of infectious diseases; outbreak or increased incidence of vector-borne diseases; building/facility structural hazards? If yes, please briefly describe the process.

Labor and Working Conditions

- a) Who is responsible for ensuring a safe, equitable, and fair work environment?

- b) Does your company ensure the legal, fair, and ethical treatment of employees and contractors? If so, how?

- c) How do employees, contractors, and supervisors know their roles, requirements, and protections?

- d) Does your company commit to non-discrimination and equal opportunities for employees? If so, how?

- e) Does your organization forbid or disallow organizing or union development?

- f) How does your company handle retrenchment? What are the policies and procedures you have to ensure fair and lawful termination of employees?

- g) Does your labor, human resources, and other policies include the following:

HR Policy Contents	Yes/No	Copy is attached (Yes/No)
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Terms and conditions of employment		
Employees/worker's rights related to hours of work, wages, overtime, compensation, benefits		
Employee code of conduct		
Recruitment policy		
Progression policy		
Employee grievance mechanism		
Anti-harassment policies, including Sexual Exploitation, Abuse, and Harassment policy		
Non-discrimination Policy		
Policy prohibiting child labor and forced labor		
Retrenchment Policy or procedures		
Whistleblower Policy		

h) Do you verify that your suppliers do not use forced or child labor and are compliant with international human rights standards? If so, how? Please share a modern slavery policy or statement.

i) Please list your suppliers and the location of operation including city, region and country.

Name of supplier	Product	Location (City, Region, Country)

Gender

a) Please share sex-disaggregated data of your company staff (e.g., average salary, turnover, absenteeism, retention, and promotion). How is the data analyzed and to what extent is data used for decision-making on gender-related efforts?

b) What proportion of sales and distribution agents are women? Does the company collect gender-disaggregated performance of agents? How is the data analyzed and to what extent is data used for decision-making?

- c) How does your company ensure an equitable work environment?
- d) How does your company protect workers and customers from sexual abuse, exploitation, and harassment?
- e) Does your HR staff have training on sexual exploitation, abuse, and harassment?
- f) Does your company maintain records of sexual exploitation, abuse, and harassment? How are records kept confidential?
- g) How does your company ensure that women are engaged at all levels of the company from customers to executives?
- h) Does the business specifically target female customers, or design products or services tailored to women's needs, preferences, and behaviors?
- i) Does your company have a Gender Action Plan?
- j) What staff is responsible for ensuring your company is committed to gender equity with respect to staff and customers?

Occupational Health and Safety

- a) Does your company have an occupational health and safety (OHS) policy?
- b) Does your company train employees on OHS?
- c) Do employees have to use heavy machinery? If so, are they trained on the proper and safe use of heavy machinery. How many hours are they expected to use heavy machinery without a break?

- d) Do employees have access to personal protective equipment as needed?
- e) Do you maintain records of OHS incidents? If so, please share a copy of your records?
- f) Do you monitor workplace noise and air quality?
- g) How do you ensure the safe transport of goods and products?
- h) Do you have driver safety requirements?

Resource Efficiency, Pollution, and Biodiversity

- a) Please describe how your company's water and energy usage for your company operations and production of goods and services are sold?
- b) Please describe how your customers will use energy and water when engaging with the products and services sold?
- c) Does your company have any goals, policies, or criteria for water and energy usage and emissions polluted?
- d) Do you manage the end of your product lifecycle? If so, how?
- e) Do you re-use or recycle products? Are customers aware of e-waste collection, recycling, or refurbishment opportunities? If yes, please explain.



f) Does your company have a waste management plan?

g) If available, please share all current waste disposal contracts.

Source of waste	Quantity generated	Disposal mechanism description
Batteries		
Used equipment collected		
Hazardous waste		

h) Please describe what types of waste your business generates.

i) Do your operations generate air pollution, noise pollution, or water contamination? If so, please describe what measures are taken to manage the pollution.

j) Does your company possess all relevant and up-to-date Health, Safety, and Environment permits and approvals? Please provide copies.

k) Has your company experienced any fines from any HSE violations?

l) Do your environmental policies account for avoiding protected or endangered species, critical or vulnerable habitats, or conservation of biodiversity?

m) Does your company operate in any natural, critical, or vulnerable habitats?

n) Does your company impact any endangered species or habitats?

o) Have your operations ever created habitat loss, degradation and fragmentation and invasive species? How has your company responded?

p) How do you ensure safe management of your operations in these areas?

- q) Do your customers operate in any critical or endangered habitats? What is the impact of your product on the biodiversity in your area of operation?

- r) Are farmers made aware of the potential negative impact of inputs your company sells including biodiversity loss, soil degradation, and pollution? If so, how?

- s) Are farmers trained on the proper usage of the products and services your company provides to limit hazardous waste?

Policies

If applicable and available, please provide the following policies:

Policies or Procedures	Mark if available and attached (X)	Additional Notes
ESMS policy or ESG Policy		
Emergency Preparedness Procedures		
Grievance Mechanism		
Record of grievances received over the past year		
Stakeholder Engagement Plan		
Records of consultations with stakeholders		
Credit Policy		
Write Off Policy		
Data Privacy Policy		
Human Resource Policy		
Employee Handbook		
Company Code of Conduct		
Occupational Health and Safety Policy		
Records of occupational health and safety data		
Sample employee contract		
Sample contractor agreement		
Equal employment policy or statement		
Anti-Sexual Harassment Policy		
Gender Action Plan		
E-waste Policy		
Environmental Action Plan		
Environmental licenses or regulatory approvals		
Other regulatory licenses or approvals		
Procurement Policy		
Company website		

Satellite pictures		
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Annex 3: ACAP ESG Checklist (Audit Checklist)

Context: This is a checklist to be used by the ACAP Portfolio Company Investment Associate in due diligence to ensure all materials have been collected for the ESG due diligence report. This will be completed by the ACAP Investment Associates.

Company Name:	Location:	Date:		
Provisional E&S Category: <i>Please provide rationale for categorization</i>				
Instructions: <ul style="list-style-type: none"> - Please ensure the “Comment” sections are completed. - If a question is marked as Not Applicable, please provide rationale. - Please include an action plan if required. - If IFC Performance Standards are applicable for this transaction, please ensure a sufficient E&S DD report is attached to the initial risk assessment. 				
Applicable Requirements <i>Please select the relevant applicable requirements and comment on the Program’s current compliance status</i>				
Does the Company have any activities on the ACAP’s Exclusion List ?	Y	N	NA	Please provide a list of excluded activities if any
[Confirm compliance with other ACAP’s policies, as applicable]	Y	N	NA	Please provide a list of excluded activities if any
What are the key applicable E&S laws relevant for this transaction? Can the Company provide documented evidence showing compliance i.e., permits, licenses, EIAs etc.?	Y	N	NA	Please provide a list of permits or licenses required for this transaction



Does this transaction need to comply with IFC Performance Standards or other internal standards? (Refer to the ACAP's ESMS)	Y	N	NA	Please state the rationale for PS applicability
E&S Risk (transaction / client) Assessment Please complete the following section based on the site visits and documents reviewed. Please list all relevant documents as applicable.				
Roles and Responsibilities				
Please list the key personnel responsible for environmental, social, health and safety (ESHS) and Human Resources (HR) management.				
Please provide details on the composition of teams responsible for ESHS, SEAH, and HR				
Please provide a summary of internal and external reporting mechanism on ESHS				
Environmental and Social Policies and Procedures	Y	N	NA	Comments
Does the Company have an E&S Policy?				Comment on the E&S Policy (senior management commitment, date, scope, reference framework such as international standards)
Does the Company have an overarching E&S Management System identifying environmental and social risks and impacts associated with its operations?				Comment on the scope and contents of the E&S Management System including key topics covered and respective management plans if any.
Does the Company have a procedure to identify and engage with relevant stakeholders including affected communities? Does this include SEAH activities?				Please list all relevant documents and procedures including by not limited to stakeholder mapping, community grievance mechanism, stakeholder engagement plan etc.
Does the Company have an Emergency Preparedness and Response Plan?				Please comment on what is defined as an emergency i.e., natural hazards, environmental spills etc. and how the plan is communicated to staff including drills and training programs. Does the plan also cover emergencies that could potentially affect



				local communities or any third parties in the vicinity of the Program?
Labor and Working Conditions	Y	N	NA	Comments
Human Resources				
How many employees does the company have?	Please provide the breakdown between direct and contract workers			
Please select whether the Company has the following HR documents;				
HR Policy				Please comment on the contents of the HR Policy e.g., terms of employment, working hours, overtime, payment, leave, freedom of association etc.
Internal Grievance Mechanism				Does the mechanism allow for anonymous complaints? Does it include SEAH provisions? Does the Company record all grievances? Is the grievance mechanism accessible to third party workers, if any?
Code of Conduct				Please include the key requirements under the CoC such as non-discrimination
Do all employees have written contracts?				Please comment on whether terms of employment are clearly included
Have there been any collective dismissals or labor disputes in the past two years?				If yes, please provide details
Does the company have a contractor management plan?				If applicable, please comment on what this plan entails and how company requirements are cascaded to contractors?
Does the company operate in a sector where the primary supply chain can be considered high risk?				Please provide details on how the company monitors its supply chain.
Occupational Health and Safety				
Does the company have a health and safety management plan?				Please comment on the scope and contents including how the H&S requirements are cascaded to contractors.
Does the company have a documented risk assessment?				Please provide a list of high risks areas identified



Does the Company record health and safety incidents?				Please provide the number of serious accidents/incidents including but limited to fatalities in the past year.
Does the company have mechanisms in place to communicate health and safety measures to its employees e.g., training, toolbox talks, permits to work etc.				Please provide details
Resource Efficiency and Pollution Prevention	Y	N	NA	Comments
Does the company generate any air emissions?				If yes, please comment on whether and how the company monitors its air emissions.
Does the company generate any wastewater?				If yes, please provide details on how the company monitors its effluent discharge and confirm the relevant permits are in place.
Does the company generate any solid waste?				If yes, please provide details of the type of waste produced and disposal methods
Does the company generate any hazardous waste?				If yes, please provide details of the type of waste produced and disposal methods
Does the company have mechanisms to monitor the use and improve the efficiency of energy, water, raw materials and other inputs?				If yes, please provide details.
Are diesel storage tanks fitted with secondary containment bunds?				
Is there a process in place to manage spills or accidental discharges?				Please provide details
Community Health Safety and Security	Y	N	NA	
Are there any communities located near the company's facilities?				If yes, please provide details on how the Company identifies and manages community health, safety and security risks.
Are there security personnel on the company's premises?				If yes, please provide details including whether the security staff is armed and the code of conduct expectations. How are these enforced?
In the case of transportation of materials or outputs, does the company have a traffic management plan?				If yes, please provide details.



Other E&S Risks	Y	N	NA	
Is there any land acquisition required for the proposed transaction?				If yes, please provide details
Will there be physical and/or economic displacement because of the land acquisition?				If yes, please comment on how the company will manage this process including but not limited to consultation and compensation
Are the company facilities/operations close to an environmentally sensitive or protected area?				If yes, please provide details and how the company minimizes its impacts on biodiversity
Are there any indigenous peoples who are in proximity or impacted by the Program?				If yes, please provide details on how the company engages with indigenous people.
Are the company facilities/operations close to an area where there are existing or potential areas of cultural heritage?				If yes, please provide details including how the company protects cultural heritage sites or objects

Summary of E&S Issues and Final E&S Categorization

Annex 4: ACAP ESG Due Diligence Report (Audit Findings)

Context: This is the due diligence report that is to be sent to the ACAP investment committee. This is prepared by the Climate Change and ESG Associate. This report is intended to provide the investment committee with relevant ESG information for their investment decision. It also acts as the basis for the term sheet.

Introduction

- Short description of the ESG process: dates and visits, experts involved
- List of reviewed documents (attachment)
- List of interviewed persons (attachment)
- Mention any limitations to the due diligence process
- Relevant standards that were assessed or are applicable:

Company Name:
Company Location:
Founder:
Start Date:

Final Checklist

Standards/requirements	Applicable	Assessed
ESG DD questionnaire response		
Exclusion List		
IFC Performance Standards		
Lender criteria		

IFC Environmental and Social Risk Categorization

Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.

Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.

Investment Risk Category
Risk Category Justification <i>Short summary of the ESG risk profile of the Program at hand when considering Program type, size, and location.</i>

Compatible with local laws



Legislation	Issuing Authority	Approval entitlement (content)	Issuing date	Expiring date	Comments

Compliance with Environmental and Social Requirements

PS1: Assessment and Management of Environmental and Social Risks and Impacts

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
ESMS/E&S Policy				
Company identifying E&S Risks				
Demonstration of E&S organizational capacity				
E&S Monitoring Capacity				
Company emergency preparedness				
Company Stakeholder Engagement				
Grievance Mechanism with SEAH provisions				

Describe which environmental and social risk assessment and mitigation mechanisms are already in place and which are in process to be implemented.

Senior and staff roles and responsibilities, with emphasis on the thematic areas of coordination, environmental management, health and safety and community relations.

Describe the system in place to communicate with relevant stakeholders, particularly with affected communities and indigenous peoples.

Describe and assess grievance mechanisms in place. Are there specific provisions for Indigenous peoples?

PS2: Labor and Working Conditions



Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Human Resources Policies				
Working conditions and terms of employment				
Workers organization/union				
Retrenchment				
Occupational Health and Safety				
Forced Labor				

Do workers have legal contracts and benefits according to the law: social security, minimum age, working hours, collective bargain?

In case the law is unclear about this or does not exist, does the company prevent collective bargain or hire workers under the age of 18 in exploitative forms?

In the case of contracted personnel, is there a reasonable control over these aspects?

How are contracted personnel or sales agents compensated?

Characteristics of working conditions in factories: proper PPE, visible safety warnings and signage, emergency signage, proper lighting, cleanliness, and ventilation.

Is there a health and safety plan in place?

What kind of accidents and incidents have been registered and given due follow up?

PS3: Resource Efficiency and Pollution Prevention

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Resource efficiency				
Water usage				
Pollution prevention				
Pollution emissions				
E-waste management				
Hazardous materials management				

Environmental impacts

Which potential impacts have been identified and included in the ESMS? Have any potential impacts not been considered?

Is there an appropriate management system in place for waste, water and emissions?

PS4: Community Health, Safety and Security

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Traffic and transportation				
Exposure to hazardous materials				
Exposure to disease				
Emergency preparedness and response				
Site security and security personnel				
SEAH protections				
Data privacy				
Repair, refurbishment, and warranty				

Community health and safety

Which main health and safety aspects have been identified (accidents, hazardous materials) that could affect communities? Are any aspects not been considered?

Are adequate mitigation measures in place and included in the ESMS?

Are adequate grievance mechanisms in place?

In case the company hired security personnel, are safeguards in place to minimize potential risk towards people outside the Program area?

Does the company have governance oversight of consumer protection, good customer service, transparency, good product quality, personal data privacy protections, and fair and respectful treatment of customers?

Does the company manage credit risk and customer ability to pay appropriately. What are the customer payment safeguards?

PS 5: Land Acquisition and Involuntary Resettlement

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Program Design				
Compensation and benefits for displaced persons				
Community Engagement				
Grievance mechanism				
Resettlement/livelihood restoration planning				
Physical displacement				
Economic displacement				

Conflicts over land tenure and displacement

Are there any conflicts over land tenure?

Is the Program designed to avoid or minimize physical and/or economic displacement?

If displacement is unavoidable, are resettlement or livelihood restoration plans in place? Is the process participative and does the company offer appropriate compensation?

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Habitat				
Natural habitat				
Critical habitat				
Legally protected and internationally recognized areas				
Identification of risks and impacts on biodiversity				
Application of mitigation hierarchy				

Risk assessment and mitigation hierarchy

Are these risks included in the ESMS according to the scope and scale of the Program and the biological value of the area in which it is located?

Are mitigation measures in place according to the mitigation hierarchy principle, particularly regarding impacts on biodiversity and ecosystem services, especially focusing on habitat loss, degradation and fragmentation and invasive species?

Are differing values attached to biodiversity and ecosystem services by affected communities considered?

PS 7: Indigenous Peoples

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Avoidance of adverse impacts				
Impacts on traditional or customary lands				
Relocation from traditional or customary lands				
Impact on natural resources subject to traditional ownership, use, or occupation				
Principles of FPIC				

Indigenous peoples

How were indigenous peoples included in the risk assessment analysis?

What traditional and customary rights were identified in the process? Were cultural sites considered in the assessment?

Are the principles of FPIC met?

PS8: Cultural Heritage

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Program design to avoid impacts on cultural heritage				
Consultation and community access				

Cultural heritage identification

Which cultural heritage sites did the company identify?

Are appropriate mitigation measures related to cultural heritage in place?

Summary of main findings and gap analysis

Summarize the most important and relevant aspects of the assessment, combining main risks with an assessment of the management set in place to respond to these risks. Then describe the main gaps and the current capacity and willingness of the company to address them.

GAP Analysis Summary								
Area	Current State	Target State	Difference	Compatibility with ACAP requirements	Compatibility with AE E&S Policy	Compatibility with GCF revised E&S Policy	Action Plan	Priority

Vote and suggested ESGAP measures

Statement of decision if this Program can be supported from an environmental and social point of view. In case deficiencies have been detected, decisions can be linked to actions to be taken.

Define necessary actions to be taken by the company to address risks and gaps identified, including them in an Environmental and Social Action Plan (ESAP). To the extent possible, these should include clear timelines, responsibilities, completion indicators and, to the extent possible, estimated costs.



Annex 5: ACAP Sample Environmental, Social, and Governance Action Plan

Context: All companies (existing facilities) will be expected to have and complete an environmental, social, and governance action plan as part of receiving an investment from ACAP. Shared below is the guidance for the various investment facilities and instruments.

ACAP Investments

ACAP Portfolio Companies are expected to undergo the ESG due diligence questionnaire and supplementary questionnaires depending on their business model. They will be required to share policies, procedures, evidence of implementation, and monitoring/tracking tools in due diligence. Some companies may be subject to site visits. They will be expected to be able to have the organizational capacity to identify and mitigate environmental and social risks. If the Program team identifies rectifiable ESG risks or deficiencies that are commensurate with an IFC E&S Risk Category B or below, then the company will be required to have an ESGAP.

The ACAP team may decide that technical assistance will be a mandatory requirement of the ESGAP depending on the nature and complexity of the ESG risks identified in due diligence.

The company must demonstrate that a majority of the investment ESG conditions are fulfilled to be considered for follow on investment.

Summary of risks	Mitigation measures	Risk significance	Responsible party/person	Schedule	Expected results	Cost/Budget
<i>This contains the description of risks and can be derived from the responses to the screening questions in Annex 2.</i>	<i>Options to avoid, reduce, mitigate risks and impacts. This may also indicate additional due diligence and specific management plans</i>	<i>This contains a description of the overall level of risk*</i>	<i>Individual person, unit, or entity tasked to carry out the mitigation measures</i>	<i>Timing of implementation of measures including any additional due diligence and management plans and may depend on the stage of implementation</i>	<i>Expected outputs of the measures</i>	<i>Estimated cost of carrying out the measures</i>



**Risk significance. The probability of occurrence is the likelihood for a risk to occur and can be characterized in terms of the degree to which it will happen (for example, the UNDP screening procedure uses “expected, highly likely, moderately likely, not likely, and slight”). The impact or magnitude of risks is the description of how severe the impacts would be if it were to occur (for example, “critical, severe, moderate, minor, and negligible”). A significant value of the risk (for example low, medium, high) can be obtained by combining the probability and impact values. The risk significance indicates the relationship between probability and severity or magnitude of impacts. The entities or organizations that will be implementing the proposed activities are best positioned to define the probability of occurrence and severity or magnitude of impacts.*

There is no single technique to determine the significance of risks, nor will it apply in all situations. The entities and organizations that will be implementing the activities will need to determine which technique will work best for each situation. Determining risk significance would require an understanding of activities and locations, the urgency of situations, and objective judgment.

Annex 6: ACAP ESG Incident Report Template

Context: This incident report is intended to be used when any ESG incident occurs as defined by the ESMS. The incident report is supposed to be completed by the Investment Associates and the legal team.

**PART A:
SERIOUS INCIDENT REPORT: Portfolio Company (EXISTING FACILITIES) REPORT**

Date of report	
Program and Program Manager	
Contact Person	
Contact Information	
Name of Portfolio Entity Involved	
Date of Invested	
Amount Invested	
Total Portfolio Invested (At Cost)	

1.	Description of Issue	
1.1.	Date and time	
1.2.	Location of Accident (e.g., address and describe the site)	
1.3.	Type of incident: (e.g., environmental issue, fatality, alleged fraud or other)	
1.4.	Name of person(s) involved / injured / deceased, if applicable	

1.5.	Narrative and contextual information	
1.6.	Weather and other conditions on time of incident	
1.7.	State whether incident was work or non-work related	
1.8.	Causes of incident	
1.9.	Status of investigation	
1.10.	Listing of parties involved in investigation (e.g., witnesses and staff, unions, police, other authorities, and other parties)	1)
2.	Company Management Follow-Up Actions	
2.1.	Company manager's view of incident: degree of severity, possible uncertainties, or disputed facts to be investigated	
2.2.	Status of Investigation	
2.3.	Reports received	
2.4.	Immediate actions taken by the fund manager and other parties	
2.5.	Further actions to prevent re-occurrence of incident	
2.6.	Monitoring / reporting arrangements to follow up on efficacy of actions	
2.7.	Results to date of action taken	
3.	Attachments to the incident report (if any):	

3.1.	
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**PART B:
SERIOUS INCIDENT REPORT: FUND TO ADVISORY COMMITTEE**

Date of report	
Program and Program Manager	
Contact Person	
Contact Information	
Name of Portfolio Entity Involved	
Date of Invested	
Amount Invested	
Total Portfolio Invested (At Cost)	

4. Description of Issue	
4.1.	Date and time
4.2.	Location of Accident (e.g., address and describe the site)
4.3.	Type of incident: (e.g., environmental issue, fatality, alleged fraud or other)
4.4.	Name of person(s) involved / injured / deceased, if applicable
4.5.	Narrative and contextual information

4.6.	Weather and other conditions on time of incident	
4.7.	State whether incident was work or non-work related	
4.8.	Causes of incident	
4.9.	Status of investigation	
4.10.	Listing of parties involved in investigation (e.g., witnesses and staff, unions, police, other authorities, and other parties)	
5.	Company Management Follow-Up Actions	
5.1.	Company manager's view of incident: degree of severity, possible uncertainties, or disputed facts to be investigated	
5.2.	Status of Investigation	
5.3.	Reports received	
5.4.	Immediate actions taken by the fund manager and other parties	
5.5.	Further actions to prevent re-occurrence of incident	
5.6.	Monitoring / reporting arrangements to follow up on efficacy of actions	

6.	Conclusion: Next Steps / Action Plan	
6.1.	Next steps: whether to close the case, or proceed with investigations, how to do so, and the rationale for	
7.	. Attachments to the incident report (if any):	
7.1.	<p>Internal Reports from the Portfolio Company Company management</p> <p>External or third-party investigation reports</p> <p>Follow-up action plans by Management, Third Parties or External Advisors</p> <p>Changes to policy or procedures to prevent such incidents</p>	

Annex 7: ACAP Annual ESG Monitoring Report

Context: Companies are expected to share ESG developments on an annual basis. The Investment Associates will send the questionnaire to the companies at the end of the year for them to fill out within 1 month of receipt. The Climate Change and ESG Associate will interpret this material for monitoring, reporting, and implementation purposes.

Name of Company:

Name and position of E&S reporter:

Date:

Status and changes to ESGAP over the past year?

Status and changes to ESMS/E&S Policy?

List of major and minor corrective actions and observations from the last annual certification audit?

Summary of progress on environmental and social challenges.

Difficulties implementing the ESMS?

Have you had any environmental or social incidents?

Did you have any grievances recorded or investigated this year?

Have you made any changes to the HR policy?

Have you made any changes to employee benefits, rights, or compensation?

Have you had any labor issues, organizing issues, or contracting issues?

Have you been fined or found in violation of any local labor laws?

Have you had any emergencies in areas of operation?

Please confirm that your organization has not participated in any of the Excluded Activities?

Annex 8: ACAP Land Acquisition and Resettlement Policy Framework

The Land Acquisition and Resettlement Policy Framework (LARPF) defines the process for screening, assessing, compensating and managing potential risks and impacts from land acquisition and resettlement due to operations supported by a Portfolio Company (existing facility). As soon as the specific sites and the beneficiary communities of the operations have been defined clearly and in detail, the LARP should be expanded into a specific Land Acquisition and Resettlement Plan (LARP) in line with applicable safeguard requirements.

A Land Acquisition and Resettlement Policy Framework provides the necessary background to ensure that any operations that might involve land acquisition and/or resettlement and loss of livelihoods of affected people will comply with the national laws and the Program ESG requirements.

For each operation that would have activities likely to generate resettlement impacts, a LARP will be prepared. The LARPF describes the design criteria for the resettlement of affected persons during implementation of the project, the legal context, the process for the preparation of a LARP, its contents and the process for its execution, and finally the required institutional organization.

Purpose of a Land Acquisition and Resettlement Policy Framework

Land acquisition and involuntary resettlement involve the displacement of people arising from operations that encroach on their productive assets, cultural sites and income sources such as land, grazing fields, other assets, etc. What distinguishes involuntary from voluntary resettlement is that the former involves people who may be displaced against their wishes, as they are often not the initiators of their movement.

The implementation of the various operations of a Portfolio Company (existing facility) may trigger the environmental and social safeguards on involuntary resettlement as the land may be acquired for operations purposes and affected persons will need to be compensated for loss of land, crops, dwellings and other structures, and livelihoods.

The purpose of a LARPF is to appropriately deal with matters such as the necessity for land acquisition, compensation and resettlement of people affected by the implementation of the operations of the Portfolio Company (existing facility).

Objectives of the LARPF

The overall objective of a Land Acquisition and Resettlement Policy Framework is to provide guidance on how to deal with risks and impacts related to land acquisition, compensation and resettlement during the

implementation of the project. Our LARPF ensures that displacement is avoided, and if not avoided, the displaced and resettled persons are compensated for their loss at replacement cost, given opportunities to share in project created benefits, and assisted with the move and during the transition period at the resettlement site.

The specific objectives of this LARPF are as follows:

1. To minimize, as much as possible, acquisition of land for implementation of project operations, where such acquisition or project related activities will result in adverse social impacts;
2. To ensure that where land acquisition is necessary, this is executed as sustainable programs to enable people to share in the project benefits;
3. To ensure meaningful consultation with people to be affected or displaced;
4. To provide assistance that will mitigate or restore the negative impacts of the project implementation on the livelihoods of people affected in order to improve their livelihoods or at least restore to pre-project levels;
5. Outline roles and responsibilities by various stakeholders in the planning, implementation, monitoring and evaluation of resettlement activities;
6. Allow redress among communities affected by project activities; and
7. Reduce stress on project-affected communities/households.

The operational objective of our Policy is to provide guidance to stakeholders participating in the mitigation of adverse social impacts of the project, including rehabilitation/resettlement operations, to ensure that project affected persons will not be impoverished by the adverse social impacts of the project. The target groups for this Policy are all the stakeholders relevant to the implementation of the project operations. This includes project affected persons, communities and NGOs as applicable.

The legal and administrative framework relating to land acquisition and resettlement risks and issues consist of the various pieces of legislation in Pakistan where the project operations will be undertaken and the Program ESG requirements (which include ESG standards of its investors). It is important that at the operation level and as part of the formulation of a Land Acquisition and Resettlement Plan, a gap assessment is undertaken to determine the alignment of the various legal and policy requirements, with a view of adopting the most stringent requirements applicable to the activities and for addressing risks related to land acquisition and resettlement. Key areas of comparison of the legal and administrative

framework include compensation of lost assets, eligibility, level of assistance to affected people for improving standards of living and livelihoods, consultation and grievance redress, census and asset inventory, cut-off dates, the timing of compensation, vulnerable communities, and monitoring and completion.

An important consideration in identifying legal and administrative frameworks at the country level is the specific context related to processes for acquisition and land take, processes for resettlement of affected peoples, land tenure system, customary rights and traditional ownership of lands.

In addition to the national requirements, the subprojects will also need to align with the ESG requirements of the Program. In particular, IFC Performance Standard 5 specific to land acquisition and involuntary resettlement recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. The standard thus has the following objectives:

1. To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs;
2. To avoid forced eviction;
3. To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected;
4. To improve, or restore, the livelihoods and standards of living of displaced persons; and
5. To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites.

Involuntary resettlement in IFC PS 5 refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) because of project-related land acquisition. Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse land acquisition, which results in displacement. Where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities must be carefully planned and implemented.

Legal and Policy Framework on Land Acquisition and Resettlement in Pakistan

Preamble:

This section provides a brief overview of the legal and policy framework governing land acquisition and resettlement in Pakistan. The legal and policy framework governing land acquisition and resettlement comprises: the Constitution of Pakistan (1973), the Land Acquisition Act (1894) and the Draft National Resettlement Policy (2002).

The Constitution of Pakistan (1973):

The Constitution of Pakistan is the main law of the country. It provides for the protection of property rights. Article 24(1) of the Constitution states that “no person shall be compulsorily deprived of his/her property save in accordance with law”. Article 24(2) of the Constitution further states that: “no property shall be compulsorily acquired or taken possession of save for a public purpose and save by the authority of law, which provides for compensation therefore and either fixes the amount of compensation or specifies the principles on, and the manner in which, compensation is to be determined and given”. Article 4 of the Constitution reiterates the protection of property rights by stating that: “No action detrimental to the life, liberty, body, reputation or property of any person shall be taken except in accordance with law”.

Land Acquisition Act (1894):

The Land Acquisition Act is the primary law governing land acquisition in Pakistan. The Act provides for detailed procedures for the acquisition of private properties for public purposes and including compensation requirements. The Act has been amended on several occasions over the years.

Below is a table containing salient sections of the Land Acquisition Act including subsequent amendments.

Key Sections	Key Sections of the Land Acquisition Act (1894)
Section 4	Publication of preliminary notification by District Collector to inform the persons interested that the land in a locality is needed or likely to be needed for public purpose and power for conducting survey

Section 5	Formal notification by District Collector that a particular land needed for a public purpose and inquires for objections or concerns from persons interested (Section 5a)
Section 6	The Government makes a more formal declaration of intent to acquire land.
Section 7	The Land Commissioner shall direct the Land Acquisition Collector to take order for the acquisition of the land.
Section 8	The Land Acquisition Collector has then to direct that the land required to be physically marked out, measured and planned.
Section 9	The Land Acquisition Collector gives notice to all displaced persons that the Government intends to take possession of the land and if they have any claims for compensation then these claims are to be made to him at an appointed time.
Section 10	Delegates power to the Land Acquisition Collector to record statements of displaced persons in the area of land to be acquired or any part thereof as co-proprietor, sub-proprietor, mortgagee, and tenant or otherwise.
Section 11	Enables the Collector to make enquiries into the measurements, value and claim and then to issue the final "award". The award includes the land's marked area and the valuation of compensation.
Section 16	When the Land Acquisition Collector has made an award under Section 11, he will then take possession and the land shall thereupon vest absolutely in the Government, free from all encumbrances.
Section 17	Urgency acquisition.
Section 18	In case of dissatisfaction with the award, displaced persons may request the Land Acquisition Collector to refer the case onward to the court for a decision. This does not affect the Government taking possession of the land.
Section 23	The award of compensation for the owners for acquired land is determined at its market value plus 15% in view of the compulsory nature of the acquisition for public purposes.
Section 28	Relates to the determination of compensation values and interest premium for land acquisition
Section 31	Section 31 provides that the Land Acquisition Collector can, instead of awarding cash compensation in respect of any land, make any arrangement with a person having an interest in such land, including the grant of other lands in exchange.

Draft National Resettlement Policy (2002):

To address the need for a comprehensive land resettlement policy framework that meets the needs of the contemporary cultural, social, economic and environmental landscape in which land acquisition and resettlement is taking place in Pakistan, a draft National Resettlement Policy was formulated in 2002. The draft Policy is aimed towards providing for an equitable and uniform treatment of resettlement issues throughout the whole country. The draft Policy provides direction on how resettlement and rehabilitation of affected persons should be perceived today and is used as national guidance.

Compensation framework

The Land Acquisition and Resettlement Plan that will be prepared for specific Portfolio Company (existing facility) operations assessed to likely generate land acquisition and resettlement risks and impacts will need to define a compensation framework that would provide the payment for loss of lands or assets including access to land and resources. The compensation framework will be guided by the following principles:

1. Provide transparent, fair and timely compensation (prior to land clearance or taking land) for displacement, including compensation for assets in accordance with national regulations and applicable standards;
2. Compensate for lost assets at replacement value; and
3. Restore the livelihoods and welfare of project affected persons and local communities such that their well-being is at the least, equal to their pre-resettlement conditions, or that they are better off.

The LARP will present the types of affected persons (such as landowners, tenants, forest occupants without formal tenure, owners of permanent and non-permanent infrastructures, people potentially losing livelihood and access to resources, etc.) and their compensation entitlements. The LARP will also provide the eligibility of affected people for compensation, for example providing consideration to formal legal rights, with leased rights, without legal rights, those arriving after the cut-off dates, etc.

The compensation framework may use the table below as a baseline:

Type of Land Loss/Impact	Type of Land	Affected Person	Entitlements for Compensation, Resettlement and Rehabilitation
--------------------------	--------------	-----------------	--

Permanent land loss through voluntary acquisition	All land losses (arable, commercial, residential and barren)	Titleholders and landholders under customary rights	Cash compensation for land through private negotiations considering prevailing market rates
		Leaseholders (registered or not)	Renewal of lease in other plots of equal value/productivity of plots lost, or Cash equivalent to market value of gross yield of affected land for the remaining lease years (up to a maximum of 3 years).
		Sharecroppers (registered or not)	Cash compensation equal to the market value of the lost harvest share; two shares if the land loss is permanent, one share if it is temporary.
		Agricultural workers	Cash indemnity corresponding to their salary (including portions in kind) for the remaining part of the agricultural year.
		Squatters/ encroachers	1 rehabilitation allowance equal to market value of 1 gross harvest (in addition to crop compensation) for land use loss.

Entitlement Planning

The LARP will also present the entitlement planning process which would entail determining applicable compensation rates at replacement value and establishing measures to mitigate further impacts of land take including livelihoods restoration initiatives, and vulnerable person assistance measures. In establishing the applicable compensation rates, an independent valuation expert may be engaged to advise on the market values of affected land, crops and other economic assets in the subproject area.

Method of Compensation

Individual and household compensation will be made in cash, in kind and/or through assistance in the knowledge and presence of both man and wife and adult children or other relevant stakeholders where applicable. The type of compensation will be an individual choice although every effort will be made to instill the importance and preference of accepting in-kind compensation, especially when the loss amounts to more than 20% of the total loss of productive assets. It should be noted that when land holdings necessary for the livelihood of affected persons are taken away or reduced in size by the project works, the preferred form of compensation is to offer an equivalent parcel of land elsewhere, i.e., land for land. Where such land is not available, cash payment can be an option even though cash compensation is not the preferred form of compensation in such cases. It should be noted that cash compensation is only appropriate where there is a market for land or other lost assets in the area of the impact. It is unacceptable to offer cash compensation to, say, a farmer, when he/she has no possibility of acquiring new land in the same area.

Other key elements of the LARP preparation are the process for notifying affected people, census and documentation of assets, agreements on compensation and integration in contracts, and the mechanism for delivering compensations to affected people.

Livelihood Restoration

The Portfolio Company (existing facility) operations may also affect access of local communities to resources resulting in losses of livelihoods. The LARF should also include a livelihood restoration strategy to prevent and mitigate the potential adverse impacts on the vulnerable project affected persons as a direct result of the resettlement process.

Key principles guiding livelihood restoration planning

The sustainable approach to livelihood restoration is based on the following principles:

1. Livelihoods are multi-faceted strategies, and a combination of approaches is therefore required to support the restoration of income and the reestablishment of community support networks;
2. Active participation of intended beneficiaries in planning and decision making to ensure proposed support reflects local realities and priorities;
3. Affected people should be provided with choices so that they can self-determine how their household will best benefit from the livelihood restoration options;

4. Transition allowances are necessary, but require clear eligibility and end points;
5. Capacity building should be incorporated into livelihood restoration activities to develop skills, including in agricultural practices. Capacity building acknowledges the different needs of women, men, youth, and vulnerable groups with respect to skills development.

Integration of livelihood restoration in plans

To recognize the potential and magnitude of adverse impacts and develop livelihood restoration options, the following approach may be considered:

1. Livelihood restoration for vulnerable affected peoples should refer to the ecological conditions, livelihoods and socio-cultural characteristics possessed by affected people;
2. Livelihood restoration should be able to support project affected people to gain a similar or even better livelihood, independently. It is important that the land acquisition and resettlement process will not cause dependency to the project which eventually would make more problems in the future;
3. The livelihood restoration should be focused on the characteristics of the vulnerability and potential sources of livelihood assets owned by each household;
4. Involving representatives of both communities, the project-affected people and host populations, in the consultation process to build familiarity and to resolve disputes that are expected to arise during and after the resettlement process.

Land Acquisition and Resettlement Action Plan

Should the Portfolio Company (existing facility) operations require a specific LARP, an outline of the contents that a comprehensive LARP should include, based on the IFC Performance Standards Guidance Notes, is provided in the following:

1. Description of the project: General description of the project and identification of the project area.
2. Potential impacts: Identification of
 - the project component or activities that give rise to resettlement;

- the zone of impact of such component or activities;

- the alternatives considered to avoid or minimize resettlement; and

- the mechanisms established to minimize resettlement, to the extent possible, during project implementation.

3. Objectives and studies undertaken: The main objectives of the resettlement program and a summary of studies undertaken in support of resettlement planning / implementation, e.g. census surveys, socio-economic studies, meetings, site selection studies, etc.

4. Regulatory framework: Relevant laws of the host country, other policies and procedures, performance standards.

5. Institutional framework: Political structure, NGOs.

6. Stakeholder engagement: Summary of public consultation and disclosure associated with resettlement planning, including engagement with affected households, local and/or national authorities, relevant CBOs and NGOs and other identified stakeholders, including host communities. This should include, at a minimum, a list of key stakeholders identified, the process followed (meetings, focus groups, etc.), issues raised, responses provided, significant grievances (if any) and plan for ongoing engagement throughout the resettlement implementation process.

7. Socioeconomic characteristics: The findings of socioeconomic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people, including results of household and census survey, information on vulnerable groups, information on livelihoods and standards of living, land tenure and transfer systems, use of natural resources, patterns of social interaction, social services and public infrastructure.

8. Eligibility: Definition of displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

9. Valuation of and compensation for losses: The methodology used in valuing losses to determine their replacement cost; and a description of the proposed types and levels of compensation under local law and such supplementary measures as are necessary to achieve replacement cost for lost assets.

10. Magnitude of displacement: Summary of the numbers of persons, households, structures, public buildings, businesses, croplands, churches, etc. to be affected.

11. Entitlement framework: Showing all categories of affected persons and what options they were/are being offered, preferably summarized in tabular form.
12. Livelihood restoration measures: The various measures to be used to improve or restore livelihoods of displaced people.
13. Resettlement sites: Including site selection, site preparation, and relocation, alternative relocation sites considered and explanation of those selected, impacts on host communities.
14. Housing, infrastructure, and social services: Plans to provide (or to finance resettlers' provision of) housing, infrastructure (e.g., water supply, feeder roads), and social services (e.g., schools, health services); plans to ensure comparable services to host populations; any necessary site development, engineering and architectural designs for these facilities.
15. Grievance procedures: Affordable and accessible procedures for third-party settlement of disputes arising from resettlement; such grievance mechanisms should consider the availability of judicial recourse and community and traditional dispute settlement mechanisms.
16. Organizational responsibilities: The organizational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services; arrangements to ensure appropriate coordination between agencies and jurisdictions involved in implementation; and any measures (including technical assistance) needed to strengthen the implementing agencies' capacity to design and carry out resettlement activities; provisions for the transfer to local authorities or resettlers themselves of responsibility for managing facilities and services provided under the project and for transferring other such responsibilities from the resettlement implementing agencies, when appropriate.
17. Implementation schedule: An implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts, and implementing the various forms of assistance. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.
18. Costs and budget: Tables showing itemized cost estimates for all resettlement activities, including allowances for inflation, population growth, and other contingencies; timetables for expenditures; sources of funds; and arrangements for timely flow of funds, and funding for resettlement, if any, in areas outside the jurisdiction of the implementing agencies.
19. Monitoring, evaluation and reporting: Arrangements for monitoring of resettlement activities by the implementing agency, supplemented by independent monitors to ensure complete and objective

information; performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities; involvement of the displaced persons in the monitoring process; evaluation of the impact of resettlement for a reasonable period after all resettlement and related development activities have been completed; using the results of resettlement monitoring to guide subsequent implementation.

Annex 9: ACAP Indigenous People Policy Framework

Background

While ACAP's work does not generally present risks to indigenous groups, we want to ensure that our activities comply with the Green Climate Fund's ("GCF") Indigenous Peoples Policy ("IPP") and international best practice for any Programs funded by GCF, in an effort to be more effective in our mission and in serving impoverished communities.

Pakistan Context

The Constitution of Pakistan, 1973 and the country's legal system does not recognize Indigenous Peoples but refers to them as tribal[1]. There are a few constitutional and legal provisions for tribal people living in various parts of Pakistan. Pakistan has also voted for the UN Declaration on the Rights of Indigenous Peoples, 2007 and ratified the ILO Convention on Indigenous and Tribal Populations, 1957, and the International Covenant on Civil and Political Rights, 1966[2]. However, Pakistan has so far not signed the ILO Convention 169 on indigenous and tribal peoples[3].

According to Pakistan's last census in 2017 the national population consists of the following ethnic groups: Punjabis, Pashtuns, Sindhis, Saraikis, Muhajirs, Balochis, Hindkowan, Chitralis, Gujrati and others[4]. Tribes are included with others which consists of Jhabels, Kihals, Mores, Rabari, Bakarwal, Jogi, Kalash and Kutas. The main groups of tribal peoples in the country are the tribal fishing peoples, the pastoral groups of the Middle Indus Valley, the Baloch tribes, fisherfolk of coastal areas, tribal peoples of Sindh, tribal peoples of Gilgit-Baltistan, tribal peoples of Chitral Valley, tribal peoples of Potohar Region, and the tribal peoples of North-west Frontier Province (NWFP) (renamed to Khyber Pakhtunkhwa) and Federally Administered Tribal Areas (FATA) (now referred to as the Newly Merged Districts)[5].

The problems and issues faced by indigenous and tribal peoples include poverty, landlessness, inadequate livelihood skills and opportunities, threatened culture, environmental degradation, gender inequalities, lack of access to basic government services, shortage of water, lack of sanitation, poor health, low educational levels and illiteracy, lack of infrastructure and lack of participation in decision making processes[6]. Their vulnerability increases when development is imposed on them. The construction of big dams, corporate agricultural plantations, commercial logging and large scale mines threaten tribal groups and indigenous peoples with loss of their rights over their lands and natural resources, which can lead to their ultimate extinction[7].

There are several organizations in Pakistan that focus on issues of indigenous and tribal peoples. The Pakistan Fisherfolk Forum is an alliance of the fishing peoples of coastal and inland fishing zones. The Sindh Rural Support Organization tries to improve the livelihoods of tribal groups through community mobilization, skills training and provision of microfinance. International organizations indirectly addressing or providing spaces for indigenous and tribal issues in their programmes are the United Nations Development Programme (UNDP), World Wildlife Fund (WWF), and International Union for Conservation of Nature (IUCN).

[1] IFAD, Country Technical Note on Indigenous People's Issues, 2012, <https://www.ifad.org/en/web/knowledge/-/publication/pakistan-country-technical-note-on-indigenous-peoples-issues>

[2] PPAF, Indigenous People Planning Framework, 2018, [https://www.pfaf.org.pk/doc/regional/9-Indigenous%20People%20Policy%20Framework%20\(IPPF\).pdf](https://www.pfaf.org.pk/doc/regional/9-Indigenous%20People%20Policy%20Framework%20(IPPF).pdf)

[3] ILO, Indigenous and Tribal Peoples Convention, 1989, https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C169

[4] PBS, Pakistan National Census Report, 2017, https://www.pbs.gov.pk/sites/default/files/population/census_reports/ncr_pakistan.pdf

[5] IFAD, Country Technical Note on Indigenous People's Issues, 2012, <https://www.ifad.org/en/web/knowledge/-/publication/pakistan-country-technical-note-on-indigenous-peoples-issues>

[6] ibid

[7] ibid

Definitions

In this policy, the term Indigenous Peoples is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- (a) Self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others;
- (b) Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation as well as to the natural resources in these areas;
- (c) Customary cultural, economic, social, or political systems that are distinct or separate from those of the mainstream society or culture; and
- (d) A distinct language or dialect, often different from the official language or languages of the country or region in which they reside. This includes a language or dialect that has existed but does not exist now due to impacts that have made it difficult for a community or group to maintain a distinct language or dialect.

Commitments

This policy represents ACAP's formal approach to issues affecting Indigenous Peoples. For each of the Programs funded by the Green Climate Fund, Acumen will create and implement an Indigenous Peoples plan framework ("IPPF") for activities conducted under these Programs.

Scope of Applicability

This Framework applies across all of Pakistan and each of tribes identified in the Pakistan context section.

Internal Capacity Building

The ACAP team has sought the guidance and expertise of groups engaging with and representing indigenous communities. As there are no formally recognized indigenous communities, there are few groups representing these groups. As such, The ACAP team initially identified clusters of indigenous and tribal populations in Pakistan through desktop research. Subsequently, they compiled a roster of NGOs, CSOs, and advocacy groups that engaged with these communities. These organizations were then carefully selected and contacted to gain insights into their work with the indigenous populations. A well-structured questionnaire was designed to pinpoint the challenges these groups face in their agricultural

practices, to uncover any successful interventions, to assess the impacts of climate change on their livelihoods, and to explore strategies for making investments that align with their needs.

ACAP took these learnings and applied them both to this IPPF, the stakeholder engagement work, and project strategies moving forward. Learnings are shared below.

Key Takeaways

- **Climate change vulnerability** - Indigenous communities are particularly vulnerable to the adverse impacts of climate change in Pakistan. Changes in weather patterns, extreme events, and environmental degradation directly affect their agricultural practices and traditional livelihoods, leading to food insecurity, displacement, and heightened socio-economic challenges.
- **Limited access to resources** - Indigenous people in Pakistan are constrained from accessing basic services such as finance, education, and healthcare. Cultural stigmatization and socio-economic disparities further contribute to their exclusion from mainstream development processes, perpetuating a cycle of poverty and vulnerability. Outside of their traditional agricultural practices they have limited skills which leaves them extremely vulnerable to external shocks.
- **Land ownership and control** - Indigenous communities in Pakistan frequently grapple with issues related to land ownership and control. This includes struggles with land displacement, inadequate legal protections, and limited autonomy over their ancestral territories, significantly impacting their livelihoods and cultural practices.
- **Investing in socially responsible enterprises** – ACAP Fund should focus on supporting companies that demonstrate a commitment to inclusive practices, cultural sensitivity, and community empowerment that can foster positive socio-economic change for these marginalized groups while promoting sustainable growth and development. Moreover, it is crucial that these companies adhere to environmentally conscious practices, ensuring that their operations do not harm the land and natural resources vital to the livelihoods and cultural heritage of the indigenous communities.

Throughout the fund's lifespan, ACAP seeks to gain internal competence on indigenous peoples. We intend to have the Climate Change and ESG associate trained on indigenous peoples protections on an annual basis over the course of the fund lifespan.

The Fund will also continue to listen to and learn from indigenous communities in Pakistan when feasible and when our activities engage indigenous communities. ACAP also intends to share learnings and program activities with stakeholders including representatives from indigenous communities like CSOs and NGOs.

Implementation and Review

We intend to implement this policy by developing IPPFs and working with the Program teams to see them integrated within the Program. Additional operational guidance, monitoring and review may be provided periodically by the Climate Change and ESG Associate.

Indigenous Peoples Plan Framework

1. **Types of Subprograms to be financed under ACAP**
 - a. Equity, and grant investments in companies bringing climate resilient agricultural products and services to climate vulnerable farming populations in Pakistan.
 - b. Technical assistance grants to Portfolio Companies (existing facilities).

2. Potential impacts to Indigenous Peoples

- a. Positive
 - i. Improved access to affordable off-grid energy and decreased reliance on traditional energy sources, translating into health and financial savings.
- b. Adverse
 - i. Possible displacement if Portfolio Companies (existing facilities) expand operations (factories, warehouses) and acquire land traditionally held by indigenous groups.
 - ii. Manufacturing waste could pollute indigenous lands if factories are located nearby.
 - iii. Potential impacts on natural resources subject to traditional ownership, use, or occupation.

3. Assessment Plan

- a. For each investment contemplated by ACAP, the investment team will ask certain questions during the diligence phase to assess the level of risk presented to indigenous people, and any action to take, as necessary.
- b. Questions may include:
 - i. Does the company operate in areas with known indigenous populations? If not, no further action.
 - ii. If yes, ask questions about business model and the community to understand:
 - 1. Any potential adverse impacts, and, if any, how to mitigate them.
 - 2. How to ensure indigenous groups have equal access to the goods or services provided by the company.
 - iii. During the post-investment period, ACAP may work with the company to develop its protections for indigenous groups, as relevant.
- c. ACAP will also bind its Portfolio Companies (existing facilities) by the same or comparable standards as the IPP, as appropriate.

4. Ensuring Meaningful Consultation and Free, Prior and Informed Consent

- a. In the event that ACAP Portfolio Companies (existing facilities) identify adverse impacts on indigenous groups, Portfolio Companies will construct a plan for engaging in meaningful consultation.
- b. Where activities of a Portfolio Company (existing facility) may result in displacement, the Portfolio Company will obtain free, prior and informed consent, before any such action is taken.

5. Monitoring and Reporting

- a. Where potential impacts have been identified, ACAP will annually ask for updates during their standard review of Portfolio Companies (existing facilities).
- b. ACAP will annually review all engagement with indigenous populations and create investor and public reports on engaging with indigenous communities.

Annex 10: ACAP Stakeholder Engagement Plan

Context and Rationale

Stakeholder engagement is critical to structuring ACAP Fund which as the first-of-its-kind fund will be investing in a largely informal sector where context-specific knowledge and connections will be key to understanding dynamics and ensuring the success of its investments. It will take a strong, committed, and broad coalition to act together to reach millions of beneficiaries that are increasingly climate vulnerable and food insecure. Please see below for a summary of engagement with stakeholders.

Program Development

Over two years, the ACAP team has reached out to a diverse set of stakeholders to effectively develop the fund and deeply embed it in the local context. Our team learned from government entities, investors, donors, corporates, academia, pipeline companies, industry associations, affiliated nonprofits, civil society organizations, and prospective beneficiaries.

For example, speaking with government entities allowed us to understand the regulatory frameworks in place and also facilitated participation with pipeline companies, sector players, policy makers, and the local ecosystem. Engaging with private sector entities (large corporates, prospective pipeline companies) gave us line-of-sight into their day-to-day functioning and their respective roles in the agri sector. Consultants supported our understanding of local climate risks and the investment landscape.

Outreach Methodology

1. **One-on-one meetings:** Our team meets with government entities, pipeline companies, nonprofit organizations, corporates, civil society organizations, and other valuable stakeholders on a one-on-one basis to ensure that we learn their needs and feedback. We ask stakeholder specific questions during one-on-one meetings, build rapport, and create partnerships.
2. **Conferences:** Acumen and the ACAP team has attended conferences virtually and in-person such as the Global Impact Investment Network (GIIN) Impact Forum, COP26 in Glasgow, Global Landscapes Forum (GLF) at COP27, among others. Conferences give the ACAP team opportunities to network with businesses, government entities, investors, and other potential partners. Side meetings, panel discussions, and networking informed fund design, opportunities to create impact, and ESG practices.
3. **Sector Studies:** Acumen and the ACAP team have engaged local sector experts to conduct market scoping studies of specific investment verticals. Acumen engaged Bain & Co. to engage in creating a fund structuring strategy and pipeline sourcing strategy.
4. **Events:** Acumen hosted an agriculture-focused event, inviting public and private stakeholders, sector experts, development finance institutions, multilaterals, and not-profits. Learnings from the event informed our fund strategy.

Summary of Consultations

Over the past two years, in the process of designing and refining the fund concept, the ACAP team has engaged with over 100 different stakeholders cross-sectorally representing a number of different stakeholder groups. The team aimed to learn and seek guidance from stakeholders who have informed the program design and investment thesis.

Assessment

Across program development, implementation, and monitoring, stakeholders will provide important insight into environmental, social, and governance risks both to the Program and the communities we are investing in. We outlined our stakeholders and our engagement strategy in the table below.

Activities

Program development activities include in-person and virtual stakeholder consultations to understand the specific local needs of the communities and stakeholders we serve. We are continuing to source pipeline companies and engage with existing companies to evaluate and understand market dynamics.

Additionally, we remain in conversation with agriculture, climate and local investment experts to further refine the ACAP investment hypothesis, while also engaging with several potential investors as we finalize structuring and implementation arrangements.

Ongoing activities include:

- *Pipeline sourcing:* Generated a list of 200+ companies (sourcing on-going) and are continuing to engage with the entrepreneurs to build a robust understanding of business models.
- *NDA engagement:* The team has regularly engaged with the NDA over the last 18 months to ensure that we create buy-in and incorporate feedback into the ACAP concept note and strategy. We have secured the NOL for ACAP Fund.
- *Engagement with public sector entities:* Ensuring we are engaging with relevant government entities/regulatory bodies to ensure buy-in, feedback, understanding relevant on-going/future work and compliance with policy frameworks. It is important to the team that we create relevant connections and identify future opportunities for knowledge sharing and collaboration.
- *Potential LP engagement:* As we build out the ACAP investment thesis and legal structures, we are continuing our conversations with potential LPs and initial diligence activities.
- *Road shows:* The team continues to engage relevant stakeholders, including local corporate co-investors and potential LPs with updates on activities through regular in-person and virtual meetings. We hope to collect feedback on our activities so we can continue to improve the program scope and refine our insights.
- *Conferences:* As a sector player with almost two decades of on-ground presence in Pakistan, Acumen has used its convening power to create platforms to gather a wide array of sector players, entrepreneurs, Acumen Foundry members (focused on agriculture and climate, among others) to run the first in a series of “Reimagining Conferences”, the first of which (Reimagining Agriculture) took place in July 2022. Reimagining Climate is scheduled for Q2 2023.
- *Relevant climate and agri-focused projects:* The team has met with other organizations and agencies undertaking climate-focused projects to find areas of overlap and synergy. With the fund focus on adaptation, we have prioritized meeting with the WWF team (working on Recharge Pakistan project), the Living Indus team, USAID agri teams that are working on developing a Climate Smart Agriculture activity, and the FAO team (working on FP108 - Indus River Basin project). As we work toward finalizing the fund development and first close, we will ensure that we are collaboratively working with adaptation-focused partners to ensure cohesive and effective implementation.

Stakeholder Engagement

ACAP expects to report on Program activity to a diverse group of stakeholders on a regular basis. The ACAP team will share Program activities, outputs, outcomes, and impacts with these groups. We will also share outcomes of stakeholder engagement activity with select groups including GCF. Moreover, we will seek their feedback and guidance after we share these results.

We will also want to learn from stakeholders what insights and reporting are relevant to them. With that, we hope to influence various stakeholders, policy makers, and private sector leaders as the ACAP team builds the first regional adaptation-focused private sector agriculture program building climate resilience.

ACAP will expect reporting from portfolio companies on their stakeholder engagement activities. This includes reporting on grievance redress mechanisms, ESG incidents, and community outreach. Companies will also be expected to report on improvements or changes required of their stakeholder strategy that may be required as part of the ESG action plans.

Please find below our stakeholder engagement approach below.

Category and Key Issue	Key Stakeholder	Level of Interest and Influence	Stakeholder Engagement
Potential Portfolio Companies	Farmer Platforms and Financial Solutions Businesses	Directly focusing on farmers through providing access to finance/credit solutions, high quality inputs, scalable digital platforms connecting value chain components, and stakeholders networks.	Harnessing tech to reach farmers directly. Potentially high impact models which have previously attracted VC funding. Similar expectations on community engagement as they implement their models.
	Smart Farming Businesses	Technology-based solutions (hardware and software) that improve on-farm productivity and create better resilience outcomes.	Building out these innovative solutions through our own linkages, connect them to build a global-regional knowledge-sharing corridor, with similar expectations on community engagement.
	Post Harvest Technology Businesses	Post-harvest storage, logistics, processing and export market/import substitution potential are critical investment opportunities. Building out high-value markets while also working on improving farmer access to those markets has a high degree of importance to our work.	The ACAP team expects to learn from entrepreneurs and companies about their business models, strategies, and alignment with the ACAP investment thesis. We expect to engage with them throughout potential DD to ensure they appropriately engage with communities.

			Companies are responsible for sharing data with ACAP.
Regulatory/Government entities	Nationally Designated Authority (NDA) – Ministry of Climate Change	ACAP Fund has received the NOL from the PK team. Receiving the NOL has been a result of consistent engagement over the last 18 months with meetings at the Minister, Secretary, Additional Secretary and Joint Secretary (GCF Focal Point) level. The Program team has appropriately and responsibly engaged with the relevant government entity in the program development process. Their input into the program design is very important as NDAs help the team align program goals and activities with national climate goals. NDA input and support has been very valuable for implementation, monitoring, and stakeholder engagement.	Nationally designated authorities are deeply engaged in our Program development and throughout the Program lifecycle. NDA will ensure that our Program aligns with their country's climate and agriculture priorities and give guidance on their expectations of the Program. NDA will also be informed of Program activity on an annual basis. ACAP will ask the NDA to provide feedback on reporting and engagement with relevant stakeholders.
	Ministry of Food Security and Research, Ministry of Finance, Ministry of Poverty, Economic Affairs Division, Board of Investment, National Disaster Relief Management Fund (NDRMF), Sindh Enterprise Development Fund (SEDF), Small and Medium Enterprises Development Authority (SMEDA)	ACAP will want to align with government agriculture, climate adaptation, and private investment goals and priorities. They will have a moderate level of influence over the Program.	We will seek guidance from agriculture-focused ministries and departments to ensure portfolio compliance with local laws and regulations. We will also seek engagement with the relevant ministries to ensure alignment with the key national priority of involving the private sector in the agriculture sector.

	Relevant regulatory agencies – notably, the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP)	ACAP and Portfolio Companies will have to follow local laws and regulations. These ministries will influence the types of activities that the Program and Portfolio Companies can do. They will have a moderate level of influence over the Program.	ACAP will ensure our compliance and portfolio compliance with local laws and other regulations.
Investors and donors	Green Climate Fund, DFIs, multilateral organizations, and other investors	Investors and donors have a high degree of influence over the Program design and implementation. ACAP must abide by the governing documents and investor agreements. Moreover, ACAP must abide by investor and donor policies.	ACAP will engage with GCF, DFIs, and other investors frequently to ensure compliance with investor policies, agreements, and expectations. ACAP will seek investor input into the development of the fund, funded activities, investment strategy, stakeholder engagement, and a number of other management topics. ACAP will also regularly report to investors on financial, impact, and environmental and social aspects.
	Donors include HNWIs, government aid programs, and other large donors	Donors will have a high level of influence over the grant capital that will be used for technical assistance	ACAP will seek to engage donors proactively and listen to their input throughout the life of the fund.
Broader industry, industry associations and connections		Industry associations will have a moderate level of influence over the fund. Their expertise, experience, and access to different stakeholders will help the fund with sharing insights and learning from peers in the industry.	ACAP expects to learn best practices, recent trends, and investing opportunities from industry associations, organizations, and businesses.

<p>Consultants and contractors</p>	<p>Resources Future, Bain & Co., PwC, McKinsey, JP Morgan, Innpact</p>	<p>Consultants will influence the technical assistance, climate, impact measurement, investment themes selection, and gender work. They will have a high level of influence over specific aspects of ACAP activities like gender work, ESG, and impact measurement.</p>	<p>ACAP will seek to engage consultants and contractors in their areas of expertise. Consultants and contractors will provide technical assistance to ACAP portfolio companies on gender, ESG, consumer protection, and business development topics. They will provide expertise and guidance across the fund so that companies can improve business and impact practices.</p>
<p>Academia, universities, and think tanks</p>	<p>University of Oxford, Lahore School of Management Sciences (LUMS), Institute of Business Administration, Tabadlab</p>	<p>Dr. Abrar Chaudhury, a climate finance expert from the University of Oxford will sit on the ACAP IC and will have a small to moderate influence on ACAP. ACAP hopes to include their insights and expertise in the monitoring, evaluation, and reporting of the fund, and to work on developing and better understanding adaptation impact metrics.</p>	<p>ACAP aspires to include academic institutions in our learning throughout the life of the fund. The team hopes that they can support our continued learning on the value of adaptation in building climate resilience for beneficiaries.</p>
<p>Corporates and Banks</p>	<p>Fauji Foods, Engro, HBL Bank, JS Bank, Fatima Group, Al-Karam, PepsiCo, National Foods, Cargill, Jaffer Group, U-Bank, Bank Al-Falah, NRSP Bank, Mobilink/Jazz, Credit Agricole</p>	<p>Key sector players will inform our sector knowledge, engagement with the portfolio companies, pathways to exit, outreach to follow on investment and ecosystem engagement. They have a moderate level of influence.</p>	<p>ACAP has spoken to major corporations and private sector players working in the agriculture sector to understand the learnings and insights they have on the space.</p>
<p>Civil society organizations and non-government organizations</p>	<p>World Wildlife Fund (WWF), Rural Support Pakistan Network (RSPN), National Rural Support</p>	<p>These groups will have a moderate level of influence over specific tools and activities in this program. Their</p>	<p>Civil society groups, advocacy groups, and marginalized communities will be important voices to</p>

	Program (NRSP), British Asian Trust, Prince's Trust, Bankers without Borders, Viamo, Pakistan Agriculture Council	voice will inform the design and implementation of certain fund components.	capture throughout the fund's life. They will inform the gender lens for ACAP investing, activities and other important topics. ACAP seeks to meet with representatives from these groups to learn about their perspective on the fund.
Indigenous representatives and communities	World Wide Fund Pakistan, Aga Khan Development Network	Indigenous representatives and communities will have influence on assessing program risks to indigenous communities, and the development and implementation of the program's Indigenous Peoples Policy.	ACAP seeks to meet with Indigenous organizations during program development. ACAP will ask for advice, counsel, and collaboration with indigenous organizations. During implementation, ACAP will seek guidance from indigenous organizations if there are incidents impacting indigenous communities and report to indigenous organizations as part of their stakeholder outreach.
Women's groups and other representatives of marginalized communities	Aurat Foundation, Women's Action Forum	Women's groups will be an influential partner for ACAP. ACAP seeks to learn from women's groups to assess gender in Pakistan, SEAH, gender lens investing, and gender-based technical assistance activities.	ACAP aims to meet with women's groups during program development to support the building of the program's gender assessment, GAP, and monitoring strategies. During implementation, ACAP will seek the guidance of women's groups when their expertise will be needed, and to report on program activities as part of ongoing stakeholder engagement.
End-users and beneficiaries	Farmers and rural communities	End-users and beneficiaries will have a high degree of	ACAP seeks to engage beneficiaries and end-users with their input

	(including rural women)	influence over the fund. Their voice will influence the pipeline selection process as well as engagement with Portfolio Companies and other stakeholders.	and voice throughout the Program lifecycle. The management team seeks to engage end-users and beneficiaries using a variety of tools.
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Guidance on Company Level Stakeholder Engagement

Portfolio Companies often engage in extensive stakeholder engagement but may have not formalized their processes. Nor may they be aware of the extent of stakeholder engagement activities that they are engaging in. Shared below is short guidance on how companies can create stakeholder engagement plans if and when required to by ACAP.

Companies should include the following in their stakeholder engagement plans:

- Organizational capacity, roles and responsibilities for engaging stakeholders
- Description of communication channels for stakeholder engagement
- List of stakeholders including:
 - Customers
 - Government regulators and other entities
 - Local leaders
 - Academic institutions
 - CSOs and local NGOs
 - Investors
 - Community partners
- Outreach methodologies for each stakeholder group
- Monitoring devices for stakeholder engagement
- Description of how grievance mechanism is shared

Annex 11: ACAP Grievance Redress Mechanism

I. Introduction:

The Program intends to do no harm with its investing and has developed robust environmental and social risk identification and mitigation policies, procedures, and strategies to reduce harm. The Program is aware that its work is especially impactful to marginalized and vulnerable populations, and, as such, has an obligation to listen to the concerns of the communities in which the Program operates. Given that, the Program will implement a Grievance Redress Mechanism (“GRM”) as developed between the AE and the Green Climate Program (“GCF”). The Program’s GRM is a tool for stakeholders to engage with the Program on concerns that affect their communities and livelihoods. The AE and the GCF developed the GRM framework based on the AE’s Environmental and Social Policy, the Ruggie Principles, and the GCF’s Independent Redress Mechanism. The Program-level grievance mechanisms and the Portfolio Companies’ grievance mechanisms are functioning effectively, efficiently, legitimately, and independently in a manner that is accessible, equitable, predictable, transparent, and that allows for continuous learning. The GRM should facilitate the resolution of grievances promptly through an accessible and readily available engagement between the affected party and the ACAP team.

II. Purpose:

The GRM is meant to ensure that communities with eligible environmental and social complaints have a legitimate, accessible, predictable, equitable, transparent, and rights-compatible grievance process. The Program’s GRM intends to:

1. Respond to the needs of beneficiaries and Program-affected people;
2. Serve as a portal for communities to share their input on the impacts of the Program’s investments;
3. Collect information on harms that were unintended or not appropriately mitigated to prevent future harms;
4. Share the Program’s grievance process in a clear and transparent manner;
5. Deter harmful environmental and social impacts through public accountability;

III. Types of Grievances:

The GRM is made available to all parties who have grievances arising from activities related to the Program’s investments. These grievances can be related but not limited to:

1. Environmental, social, community health, safety, and security;
2. Gender bias and harassment;
3. Labor, compensation, and any issues that may arise due to interactions between Portfolio Companies (existing facilities) and host communities;
4. Resettlement-related grievances, such as valuation of assets, amount of compensation paid, level of consultation, non-fulfilment of contracts, and timing of compensations, etc.

Grievances are non-eligible if:

1. The complaint is submitted two (2) years after the Program has been closed;
2. The complaint is submitted two (2) years after the date that the complainant became aware of the negative impacts by the Program’s Portfolio Companies (existing facilities).

IV. Transparency:

The Program commits to transparency with its GRM. The Program will share its GRM procedures online and with stakeholders when making an investment. The Program commits to being both transparent about the process while also maintaining confidentiality when appropriate. The confidentiality of the communities and stakeholders and the Program’s commitment to Portfolio Companies (existing facilities) drive the level of public disclosure. The Program will share grievances

with the AE and annually report to GCF on the number of grievances, their nature, and a summary of resolutions. The report will be made available to GCF and other relevant stakeholders.

V. Accessibility and Availability:

The Program seeks to educate all relevant stakeholders on its GRM. The Program will incorporate several outreach efforts to familiarize said stakeholders with this GRM:

1. The GRM process, eligibility criteria, and relevant staff will be shared on the Program's website;
2. A summary of the GRM is included in the Program's Environmental and Social and Gender Equity policies (featured on the Program's website); and
3. The Program will share the GRM with all relevant nationally designated authorities for which the Program has an NOL.

VI. Lodging Grievances:

The Program aims to make any effort to report a grievance easily accessible through a variety of channels. The Program believes that any stakeholder who has a legitimate grievance should be able to access the Program's GRM via the channel that best fits its needs. The Program seeks to ensure that grievances can be shared by any population including youth, women, and marginalized and vulnerable communities (i.e., indigenous populations). The Program also seeks to ensure that the lodging of grievances does not harm the populations that may participate (by guaranteeing anonymity per the complainant's request or if the Program believes that identification could lead to harm). The following channels are available to lodge a grievance:

1. The Program's GRM webpage has a detailed grievance procedure that details eligible grievances and contains a complaint box where grievances can be shared confidentially if they so choose: [<https://acumencapitalpartners.com/grievance/>];
2. Direct complaints to the Program's GRM investigator, the AE's General Counsel;
3. Direct complaints to the Program's staff;
4. Calling the Program's phone line: [+1 (212) 566-8821];
5. Faxing the Program's fax line: [+1 (212) 566-8817];
6. Mailing the Program's business address: [40 Worth Street, Suite 303, New York, NY, 10013, USA];
7. Emailing the Program's grievance email address: [grievance@acumen.org];

VII. Grievance and Complaints Process:

1. A complaint is received via one of the seven channels above;
2. A complaint is recorded in the Program's Grievance Redress Mechanism Tracker;
3. The complainant is notified of receipt of the complaint and informed of next steps;
4. Involved parties are informed. On occasion, an involved party, particularly the complainant, may be informed later in the assessment to best preserve information and review baseline facts for notice;
5. The complaint is assessed by the AE's General Counsel as it is made. This may involve interviewing parties to collect all relevant information or bringing in third parties to support the investigation. The investigation is conducted by an individual independent of the involved Portfolio Company's (existing facility) management;
6. The complainant is notified when the investigation ends;
7. The response / resolution is decided on by the Program Director and the AE's General Counsel;
8. The response / resolution is communicated to the complainant and all involved parties;
9. The resolution is recorded in the Grievance tracking mechanism; and
10. Any lessons are applied internally as appropriate.

In instances where there is a potential conflict-of-interest, the AE's General Counsel will investigate

the grievance without the Program's Director. AE's General Counsel is an experienced mediator, independent of investment decision making, day-to-day operations, or other interactions with the Program's investment team. In instances when the AE's General Counsel has a potential conflict-of-interest, counsel will recuse themselves.

VIII. Grievance Recording, Assessment, and Documentation:

The Program maintains a Grievance Redress Mechanism registry (the "*GRM tracker*"). The registry includes the description of the complaint, relevant information about the complainant (when possible), records of the investigative process, and the resolution.

Resolutions are assessed based on the size of the impact, the long-term impacts on the community and the investment, and mitigating strategies to reduce the harm. The resolution will be recorded in the registry.

If the complaint is deemed eligible and there has been redress, the Program will follow up with the complainant to ensure that redress (either compensation or Portfolio Company related actions) has been delivered in a timely and transparent manner. Once the complaint has been resolved and the complainant has been contacted, the grievance will be considered closed.

The Program will document all evidence of the grievance in the tracker and a designated Grievance folder in the Program's shared google drive. The AE's General Counsel and their team will be the only individuals with access to the Grievance folder.

IX. Grievance Monitoring and Oversight

The Program will assess the GRM on an annual basis to ensure that it is aligned with the Program's Environmental and Social Policy, as well as the AE's Gender Sensitivity Policy, and the Ruggie Principles. If the GRM needs to be updated, the Program will share any changes with relevant stakeholders for approval.

X. SEAH Provisions

Survivors of SEAH who seek to utilize the ACAP GRM will have a survivor-centered and gender-sensitive lodging mechanism, investigation, and resolution. SEAH survivors will have the option of maintaining anonymity and will receive assurances of absolute confidentiality if so desired in the lodging process.

SEAH survivors will have the opportunity to request a thorough investigation if they choose. Survivors also have the right to lodge a grievance and not request that it be investigated. Survivors will have the right to work accommodations that ensure their privacy and distance from perpetrators. In some cases, ACAP staff who may be survivors, will be granted flexible work opportunities and time off.

Portfolio Companies will be instructed to provide protections and accommodations for the SEAH survivor during the ACAP investigation. ACAP will request that companies suspend or remove workers that are being investigated for SEAH from interacting with other staff or customers while the investigation is ongoing.

The survivor, if ACAP is found at fault due to negligent monitoring of Portfolio Companies (existing facilities), may provide additional resources to the Survivor as necessary including legal support, support with community reintegration, and access to mental health services.

Data must be secured and only accessible to highly relevant parties like investigators and legal authorities. SEAH Survivor must be assured of their privacy and security in the GRM process. Recording SEAH data will only be done by a person trained in SEAH investigation best practices.

SEAH data is kept separately from other data due to sensitivity of the data. The ACAP team will monitor SEAH incidents throughout the course of the ACAP program.

If SEAH incidents occur either at the fund level or at the Portfolio Company level, ACAP and the Portfolio Company (existing facility) must strengthen its internal grievance mechanisms and address issues of anonymous complaints mechanism, company records of all grievances etc.

ACAP intends to share the grievance mechanism with the NDA, CSOs, Portfolio Companies, and other stakeholders with the intention of reaching project beneficiaries and project affected people. The grievance mechanism will also be available in the local language on the ACAP website when it is launched.

XI. Grievance Mechanisms

If companies cannot satisfy customer complaints with their grievance mechanisms, the company should make the Acumen and GCF grievance mechanisms available.

Green Climate Fund Independent Redress Mechanism: <https://irm.greenclimate.fund/>

Acumen Grievance Redress Mechanism: <https://acumencapitalpartners.com/grievance/>

Annex 11a: ACAP Guidance on Portfolio Company Grievance Mechanism

ACAP Portfolio Companies (existing facilities) are expected to have a grievance redress mechanism or complaints mechanism prior to the end of their investing period with ACAP. Complaints Mechanisms and GRMs must be accessible, transparent, and responsive to complainants. Portfolio Company (existing facility) GRM's must align with GCF's IRM, Acumen's GRM, the ACAP guidance on GRMs, and international best practices including the Ruggie Principles. Companies are expected to align their mechanisms with the following sections: roles, lodging, investigation, SEAH provisions, recording, monitoring, and communication.

Roles:

- Companies are expected to have a trained and qualified staff member manage the complaints mechanism;
- Companies are expected to attend grievance trainings through ACAP if their grievance mechanism is found insufficient;

Lodging:

- Companies are expected to have multiple modalities for lodging complaints including in person, via phone, mail, and internet;
- Sales agents are expected to be able to receive complaints when engaging with a customer and to know how to record and share those complaints with relevant staff;
- Companies are expected to offer confidentiality and anonymity for those choosing to lodge a grievance;

Investigation:

- Companies should have a clear and transparent process for investigating complaints
- Investigations should be time bound and complainants should expect to hear from the company at different intervals of the investigation including lodging, fact finding, and resolution;

SEAH Provisions:

- Companies are expected to have gender-sensitive and survivor-centered approaches to SEAH incidents;
- SEAH survivor protections include flexible work plans, time off, counseling if accessible, work accommodations to ensure their privacy and well-being during the investigation;
- Companies are expected to suspend or remove workers being investigated for SEAH from customer or staff facing engagements;
- If the Portfolio Company has an ongoing relationship with customers, the company should make the customer aware of the grievance mechanism at the time of purchase. The company should also make SEAH survivors who report an incident aware of the grievance redress mechanism investigative and resolution provisions.

Recording:

- Grievances should be recorded in a grievance tracker that can only be accessed by relevant investigators or grievance managers;

Monitoring:

- Companies are expected to continuously monitor and report on grievances to the ACAP team;

Communications:

- Please share the following resources with the complainant;
- Green Climate Fund Independent Redress Mechanism: <https://irm.greenclimate.fund/>
- Acumen Grievance Redress Mechanism: <https://acumencapitalpartners.com/grievance/>

Annex 12: ACAP Guidance on Environmental and Social Impact Assessment

Summary: ACAP intends to primarily invest in ESS Category C activities. There may be some Portfolio Companies (existing facilities) who, given the investment size, due diligence results, and other considerations, could be considered ESS Category B. These companies will undergo the regular due diligence required of all ACAP investments. They are expected to undergo further due diligence as described below.

Screening: Companies will be screened on the following topics:

- Exclusion List
- Desktop research on the company
- Initial materials shared from the company
- Market and company type context

If evidence demonstrates that a company may be Category B, the team must consider implementing an ESIA.

Regular ESG due diligence (environmental and social audit for category C and above):

- ESG Due Diligence (Environmental and Social Audit) Questionnaire (Annex 2)
- Company Policies and Procedures
- Site Visit (when applicable)
- ESG Checklist (Annex 3)
- ESG Report (Environmental and Social Audit Findings) (Annex 4)
- ESG Action Plan (Annex 5)

Regardless of whether companies are Category C or B, ACAP will complete both screening and regular ESG due diligence. If the company has evidence of the following Category B activities, there may be additional ESG due diligence activities to develop an ESIA.

General Characteristics (determined on a case-by-case basis)	
Category B	Category C
<ul style="list-style-type: none"> • Agribusiness investment • Must be larger investment: \$3M+ • Due diligence finding any of the following outcomes: <ul style="list-style-type: none"> ○ Funds used for land acquisition outside of commercial zones ○ Significant track record of OHS incidents ○ Pattern of gender or SEAH incidents ○ Pattern of harmful environmental and social impacts ○ Abundant use of fertilizer, pesticide, or water without proper training, usage, or disposal 	<ul style="list-style-type: none"> • Agribusiness investment • Investment smaller than \$3M • Due diligence finds the following: <ul style="list-style-type: none"> ○ Funds used for working capital, accounts receivable, operational expenditures ○ Minimal environmental and social impacts ○ May not have sufficient policies and procedures

<ul style="list-style-type: none"> ○ Suppliers include large landowners who potentially have tenant farmers 	
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ESIA activities may include but are not limited to:

- Executive Summary
- Scope of the Audit
- Regulatory Setting
- Audit and Site Investigation Procedure
- Findings and Areas of Concern
- Corrective Action Plan, Costs and Schedule (CAP)
- Annexes: These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above
- Screening Activities (Required)
- Regular ESG DD Activities (Required)
- Environmental and Social Impact Assessment (Required)
- Third Party Auditor
- Third Party ESG expert investigator
- Stakeholder meeting
- Land survey

ESIAs are expected to include:

- In depth identification of environmental and social risks using the IFC environmental and social performance standards;
- Analysis of community risks and potential grievances
- Analysis of land resettlement or displacement risks
- Analysis of gender and SEAH concerns
- Analysis of environmental and social management of investment
- Gap analysis of E&S risks and E&S capacity
- Mitigant strategy

The ESIA report will be shared with the investment committee. A redacted ESIA may be shared with other entities if needed in cases of regulatory compliance. A summary of the ESIA results may be shared with relevant stakeholders if appropriate and with the approval of the company.

Annex 13: ACAP Chance Find Procedures

Context: The ACAP team has a limited operational footprint. The team is mostly based out of Pakistan and utilizes office space for regular activities. The team may go on site visits for due diligence and have limited exposure to uncovering or impacting cultural objects. Therefore, this guidance is limited to Category B investments made with the funds explicitly earmarked for new construction or land purchase outside of urban or business park areas.

Chance find procedures may be triggered under the following circumstances:

- Companies will utilize significant amounts of land for operations
- ACAP has directly funded the purchase of land or construction

Companies will be requested to do the following:

1. Stop all works in the vicinity of the find, until a solution is found for the preservation of these artifacts, or advice from the relevant authorities is obtained.
2. Delineate the discovered site or area; secure the site to prevent any damage or loss of removable objects.
3. Preliminary evaluation of the findings by archaeologists. The archaeologist must make a rapid assessment of the site or find to determine its importance. Based on this assessment the appropriate strategy can be implemented.
4. Contact local ministries responsible for cultural heritage to ensure compliance with local laws.
5. If human remains or minor artifacts are found, determine if excavation can be accomplished.

If sites are of historical importance or must be preserved the project may be requested to consider other locations for their operations.