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**Disclaimer**

This ESMS document is a draft and has been shared for informational purposes only. The information provided herein is subject to change and does not commit ARAF (Acumen Resilient Agriculture Fund) or Acumen Capital Partners LLC. The final version of the ESMS will be shared as soon as adopted by ARAF II.

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## Environmental, Social and Governance Policy

Date of approval 20 MAY 2024

### PURPOSE AND SCOPE

The ARAF Fund (the Fund) is committed to actively enhancing the livelihoods and climate resilience of smallholder farmers in East and West Africa. The Fund recognizes the importance of addressing climate resilience in developing countries. Through providing finance to activities which promote climate resilience, with sound governance systems, the Fund aims to integrate business activities effectively into sustainable economic development.

In this Policy, the term Portfolio Company refers to the business in which the Fund's resources are invested in.

This Policy outlines the environmental, social and governance (ESG) principles and commitments that underpin the Fund's activities. After an in depth analysis of the environmental and social impacts of the fund, including investment strategy, potential subprojects, geographies and other relevant factors, we assessed this project to fit environmental and social category I-2. The environmental and social risk category has been further rationalized in the ESMS by considering the cumulative environmental and social risks and impacts, as well as the nature, magnitude and complexity of these impacts and specific characteristics of the area of influence. Potential investees, as determined via current pipeline, may be environmental and social risk category B or C. The Fund will not invest in category A companies. All further ESG guidelines, requirements and procedures at Fund and Portfolio Company level shall be developed accordingly.

### PRINCIPLES

The Fund promotes an integrated approach to environmental protection and social development, aligning Portfolio Companies' activities to applicable international and national environmental and social development laws, landscape approaches, strategic planning processes and land use plans.

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The Fund commits to the principles of sustainable development and adheres to the IFC Performance Standard framework.

The Fund applies a precautionary approach to the conservation, management, and sustainable use of resources by investing in Portfolio Companies that include measures to safeguard and, where feasible, enhance environmental and social aspects.

The Fund applies the principle of the mitigation hierarchy, seeking to avoid, and where this is not possible, minimize adverse impacts and enhance positive effects on the environment and affected stakeholders, so as to contribute to the avoidance of any deterioration in the quality of human life, the environment and any net loss of biodiversity and ecosystems.

The Fund promotes the efficient use of natural resources, the adoption of environmental and social safeguards, and the reduction of emissions of greenhouse gases.

The Fund recognizes the importance of addressing the causes and the consequences of climate change in its countries of operations by developing adaptation measures.

The Fund recognizes the responsibility of business to respect human rights and seeks to avoid infringement on the human rights of others and address adverse human rights impacts that financed business operations may cause and contribute to sustainable Environmental, Social and Governance Policy.

The Fund seeks to apply the principles of fair treatment, non-discrimination and equal opportunity for employees and contractors on Fund and Portfolio Company level by complying with the International Labour Organisation Fundamental Conventions.

The Fund seeks to invest in activities that offer a safe and healthy working environment to all workers and safeguard the health and safety of all stakeholders affected by business operations where the Fund's capital is invested.

The Fund seeks the fair treatment of all stakeholders relevant to the activities in which the Fund's capital is invested in by: i) identifying relevant stakeholders; ii) respecting local communities and indigenous peoples legal and customary rights over resources, as well as culturally and socially vulnerable sites; and iii) engaging in participatory, fair and transparent decision making processes.

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The Fund is committed to exhibiting honesty, integrity, fairness, diligence, and respect in all business dealings by adhering to and requiring Portfolio Companies to adhere to the principles of good corporate governance and integrity standards.

The Fund is committed to the principles of transparency, accountability, and stakeholder engagement.

COMMITMENTS

The Fund will only finance Portfolio Companies that comply with this Policy.

The Fund will refrain from making investments included in its Exclusion List and may refrain from financing a Portfolio Company on environmental or social grounds.

The Fund will only finance Portfolio Companies that comply with all applicable local and national laws, as well as international conventions and agreements ratified by the host country.

The Fund will avoid investing in projects or companies which may involve non-resolvable land use conflicts with local communities.

The Fund will only invest in eligible projects, agri-businesses that fit commercial and impact criteria, as to be defined in legal agreements with the Fund's investors.

The Fund will only invest in Category B and C investments as defined by the IFC Performance Standards and the Green Climate Fund Revised Environmental and Social Policy.

The Fund will engage in environmental and social appraisal processes when considering an investment opportunity and will integrate the International Finance Corporation (IFC) Environmental and Social Performance Standards 2012 early in the evaluation process of each investment.

The Fund may require Portfolio Companies to establish an Environmental and Social Management System. The Fund will actively seek senior level endorsement of and

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adherence to its ESG requirements, establishing formal commitments through appropriate tools, targets, budgets, resources, and timetables for implementation.

The Fund will adopt a set of environmental and social key performance indicators to assess Portfolio Companies and will undertake appropriate follow-up and monitoring of the ESG performance of Portfolio Companies throughout the investment process, and provide technical support in the light of difficulties, new challenges, and opportunities for improvement.

The Fund will support Portfolio Companies seeking certifications relevant to their area of business (e.g., GlobalGap, FSC, AWS).

The Fund will engage in a dialogue with relevant stakeholders related to the Fund's environmental and social performance.

#### INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

The Fund will allocate responsibilities and appropriate resources for the effective implementation of this Policy. The Fund will nominate one responsible person and adequate staff resources to oversee the environmental and social appraisal and monitoring processes and to initiate and develop environmentally and socially beneficial projects.

The Fund will develop and maintain appropriate documents to assist in implementing this Policy and will ensure that staff receives appropriate procedures and training on the requirements of this Policy.

This Policy may be amended or updated, subject to the approval of the Investment and Managing Director. In addition, this Policy will be subject to review at least every 5 years.

The Fund will establish a streamlined protocol to obtain feedback and redress grievances associated with the implementation of the Fund's activities and investments.

The Fund will make this Policy public and disclose any relevant related documents or information.



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# 1 Introduction

The Principles and Commitments stated in the ESG Policy included are a cornerstone of all business operations of the Fund. Compliance with the ESG Policy will be achieved through an Environmental and Social Management System (ESMS) implemented at two levels:

- **ESMS at Portfolio Companies:** Portfolio Companies will be required to adhere to the ESG requirements of the Fund. Each Portfolio Company will establish and maintain its own ESMS to assess, address and monitor ESG risks and impacts of company operations in line with the Fund requirements.
- **ESMS at Fund level:** The Fund management team will establish and maintain the Fund ESMS to assess, oversee and support the management of ESG matters by the Portfolio Companies, as well as oversee ESG matters at overall Portfolio level.

These Operational Guidelines aim to provide the information needed to support the implementation and operationalization of the ESMS. They are based on the IFC Policy and Performance Standards on Social and Environmental Sustainability 2012, and its Guidance Notes, which have been harmonized with the FMO and GCF's Environmental and Social Principles and Standards.

These Operational Guidelines are structured as follows:

- Section 2 presents an overview of environmental and social risks and impacts associated with agribusinesses and food production.
- Section 3 provides an overview of the ESMS at Fund level, describing the methods used throughout the investment lifecycle to assess, plan, implement, monitor, and review the ESG performance of Portfolio Companies and their business plans against set standards.

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- Section 4 presents the resources allocated on Fund level to conduct all ESG related activities. It also gives an overview of the expected resources that Portfolio Companies will have to allocate to ESG matters.
  
- Section 5 outlines the ESG requirements and standards of the Fund, including the criteria and requirements regarding the aspects of good governance and environmental and social performance. It also includes a description of the ESMS at Portfolio Company level.
  
- Section 6 describes the monitoring and reporting system set up by the Fund to monitor the ESG performance of Portfolio Companies and report to its investors
  
- Section 7 describes the disclosure requirements and expectations for the ARAF II Fund, Category B investments, and other portfolio company materials.

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## 2 Environmental and Social Impact Assessment for ARAF II agricultural sector

ARAF II conducted a comprehensive and deep analysis of environmental and social risks, impacts, and mitigants associated with the investment and operational activities of ARAF II. To accomplish this, the team engaged a diverse group of stakeholders, researched country-level agricultural context, and dived deep into risks associated with the agricultural sector and specific pipeline companies. The team commits to a continuous learning process to better understand the unique risks and opportunities associated with ARAF II. The impact assessment outlined in the country context section below is in consideration of ARAF II's pipeline companies' operations.

### 2.1 Country Context

#### 2.1.1 Nigeria

##### Environmental

##### **Land and soil**

##### Impact assessment<sup>1</sup>

Risk probability: Medium

Magnitude: Medium

Scale: Medium

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Medium

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

##### Overview

The intensive land use practices employed by farmers in Nigeria aimed at increasing yields and meeting the demand for food often result in land degradation, loss of soil fertility and significant soil erosion. Land degradation has resulted from over-cultivation and over-grazing

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and has furthered desertification and erosion. In Nigeria, soil erosion has been documented as causing the greatest loss of gross national product relative to other environmental problems<sup>1</sup>.

### **Deforestation**

Impact assessment<sup>12</sup>

Risk probability: Medium

Magnitude: Medium

Scale: Medium

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Medium

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

### Overview

Agricultural conversion is the main driver for deforestation in Nigeria. By 2012, 96% of Nigeria's original forest cover had been cleared or degraded due to unsustainable resource extraction, including agro- conversion. Agriculture and conversion to pasture have resulted in deforestation in Cross River National Park, home to the remaining Cross River gorilla population. In Gashaka Gumti National Park in Taraba, nine rangers were killed by illegal loggers and poachers in 2019, and cattle farmers have since moved in<sup>2</sup>.

### **Biodiversity**

Impact assessment<sup>3</sup>

Risk probability: Low

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<sup>1</sup> Babu, Suresh Chandra, George Mavrotas, and Nilam Prasai. "Integrating environmental considerations in the agricultural policy process: Evidence from Nigeria." *Environmental Development* 25 (2018): 111-125.

<https://www.canr.msu.edu/fsp/publications/peer-reviewed-publications/2018%20-%20Integrating%20environmental%20considerations%20in%20ag%20policy.%20Babu,%20Mavrotas,%20and%20Prasai.pdf>

<sup>2</sup> <https://www.forest-trends.org/wp-content/uploads/2022/01/FRC-Legality-Risk-Dashboard-Nigeria.pdf>

<sup>3</sup> <https://www.cbd.int/doc/world/ng/ng-nr-05-en.pdf>

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Magnitude: Medium

Scale: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Medium

IFC Performance Standard 6: Biodiversity<sup>2</sup>

### Overview

Agricultural mechanization through large irrigation schemes, boreholes, and deep artesian wells and their mismanagement has led to water logging and increased soil salinity in some areas. Mechanization has therefore resulted in lower agricultural yields and the ecosystem's capacity to support the diversity of flora and fauna. Biodiversity loss is therefore a significant environmental problem resulting from agricultural mismanagement in Nigeria<sup>8</sup>. Illegal forest conversion for agriculture is also linked to the illegal trade of protected timber and animal species<sup>9</sup>.

### **Waste and pollution**

#### Impact assessment<sup>13</sup>

Risk probability: Medium

Magnitude: Medium

Scale: Medium

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Low

Cumulative impact: Low

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

### Overview

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Soil contamination and water pollution are major environmental concerns in Nigeria. The country has experienced increased water pollution from agricultural activities which is exacerbated by increased erosion, resulting in soil particles being washed into water bodies. For instance, a study conducted in the Kano region found that the main source of heavy metals in agricultural soils used to cultivate vegetables was chemicals and fertilizers as well as poor treatment of wastewater from industrial activities<sup>4</sup>.

### Social

#### **Occupational health and safety**

##### Impact assessment<sup>17</sup>

Risk probability: Medium

Magnitude: Medium

Scale: Medium

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 2: Labor<sup>2</sup>

### Overview

Cultivation, land preparation and post-harvest activities undertaken by subsistent farmers in Nigeria often involve strenuous labor and long working hours with bad posture<sup>12</sup>. In Ibadan state, a study conducted on farm safety revealed that 80% and 75% of the respondents had been prevented from doing their job because of wrist/hand injury and lower back injury, respectively. These injuries therefore resulted in lost time and productivity<sup>5</sup>.

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<sup>4</sup> Edogbo, Blessing, et al. "Risk analysis of heavy metal contamination in soil, vegetables and fish around Challawa area in Kano State, Nigeria." *Scientific African* 7 (2020): e00281.  
<https://www.sciencedirect.com/science/article/pii/S2468227620300193#bib0049><https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8022161/>

<sup>5</sup> Olowogbon, S. T., et al. "Economics of farm safety: The Nigerian scenario." *J Dev Agric Econ* 5.1 (2013): 7-11.  
[https://academicjournals.org/article/article1379492058\\_Olowogbon%20et%20al.pdf](https://academicjournals.org/article/article1379492058_Olowogbon%20et%20al.pdf)

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Farmers practice indiscriminate use of herbicides and pesticides, exposing themselves to different sorts of infections and poisoning from the hazardous agrochemicals<sup>6</sup>. A study conducted on pesticide safety training in Rivers State revealed that almost none of the agricultural workers (2%) interviewed reported proper use of PPE (Personal Protective Equipment) as stated on the pesticide label and almost all agricultural workers stated that they often reuse agrochemical containers for in-home storage purposes. In August 2021, a family of twenty-four individuals, died after consuming ground meal seasoned with fertilizer salt mistaken as food seasoning<sup>7</sup>.

## Labor

### Impact assessment<sup>21</sup>

Risk probability: Low

Magnitude: Medium

Scale: Medium

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 2: Labor<sup>2</sup>

### Overview

Agricultural workers are the most disadvantaged group in Nigeria's labor force. The group accounts for almost half of the country's labor force with welfare levels (consumption per capita) at less than 50% of those unemployed with a college degree. An agricultural worker with no education is 10% worse off than those outside the labor force<sup>8</sup>. The results of an

<sup>6</sup> Oluwasusi, J. O., et al. "Farming Hazards and Safety Practices among Food Crop Farmers in Ikole Ekiti, Ekiti State, Nigeria." *J Waste Manag Disposal* 3.208 (2020): 2.

<https://article.scholarena.com/Farming-Hazards-and-Safety-Practices-among-Food-Crop-Farmers-in-Ikole-Ekiti-Ekiti-State-Nigeria.pdf>

<sup>7</sup> Udoh, Giff Dick, and Jenna L. Gibbs. "Commentary: Highlighting the need for pesticides safety training in Nigeria: A survey of farm households in Rivers State." *Frontiers in public health* 10 (2022): 988855.

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9514859/>

<sup>8</sup> International Monetary Fund. African Dept. "Nigeria: Selected Issues Paper". *IMF Staff Country Reports* 2022.034 (2022), A003. <<https://doi.org/10.5089/9798400200410.002.A003>>. Web. 29 Mar. 2024.

<https://www.elibrary.imf.org/view/journals/002/2022/034/article-A003-en.xml>



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assessment of the quality of life among seasonal farm workers in Nigeria indicated that more than half of the workers attested to working above the national working hours of 40 hours per week. Additionally, most of the workers did not wear PPE while working on the farms<sup>9</sup>.

### **Child labor**

#### Impact assessment<sup>24</sup>

Risk probability: Low

Magnitude: Low

Scale: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 2: Labor<sup>2</sup>

#### Overview

Most smallholder farmers employ the labor of family members on their farms, who are mostly children. The main causes of children's participation in agriculture are poverty, limited education, inadequate farming technology and lack of access to adult labor<sup>10</sup>. Up to 5% of children in Nigeria work at least 14 hours a week, without attending school or missing a considerable number of school days. At least two-thirds of these children's employment is in agriculture. Children engaged in agriculture are mainly involved in land preparation, planting and/or weeding as well as livestock rearing<sup>11</sup>.

<sup>9</sup> Moda, Haruna M., et al. "Quality of work life (QoWL) and perceived workplace commitment among seasonal farmers in Nigeria." *Agriculture* 11.2 (2021): 103.

<https://www.mdpi.com/2077-0472/11/2/103>

<sup>10</sup> Ofuoku, Albert Ukaro, David Eduvie Idoge, and Bishop Ochuko Ovwigho. "Child labor in agricultural production and socioeconomic variables among arable farming households in Nigeria." *Journal of Rural Social Sciences* 29.2 (2014): 4.

[https://www.researchgate.net/publication/274064689\\_CHILD\\_LABOR\\_IN\\_AGRICULTURAL\\_PRODUCTION\\_AND\\_SOCIOECONOMIC\\_VARIABLES\\_AMONG\\_ARABLE\\_FARMING\\_HOUSEHOLDS\\_IN\\_NIGERIA/link/55133a800cf283ee08337769/download](https://www.researchgate.net/publication/274064689_CHILD_LABOR_IN_AGRICULTURAL_PRODUCTION_AND_SOCIOECONOMIC_VARIABLES_AMONG_ARABLE_FARMING_HOUSEHOLDS_IN_NIGERIA/link/55133a800cf283ee08337769/download)

<sup>11</sup> Takeshima, H., and R. Vos. "Agricultural mechanization and child labour in developing countries." (2022).

<https://www.fao.org/3/cb8550en/cb8550en.pdf>

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## Community health and safety

### Impact assessment<sup>22</sup>

Risk probability: Medium

Magnitude: Medium

Scale: Medium

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 4: Community<sup>2</sup>

### Overview

Northern Nigeria, the main agricultural region, experiences conflicts between herders and farmers often because of migration of herders in search for pasture. These conflicts often result in the loss of lives and valuable property as well as destruction of farmlands. Reports indicate that there were over 120 cases of farmers-herdsmen conflict from June 2008 to September 2021, resulting in thousands of deaths and injuries<sup>12</sup>.

Land acquisition also poses a significant socio-economic risk to farmers in Nigeria. The World Bank's Land Governance Assessment Framework found that, in Nigeria, "a large number of acquisitions occurs without prompt and adequate compensation, thus leaving those losing land worse off, with no mechanism for independent appeal even though the land is often not utilized for a public purpose". This is mostly because of several factors, including corruption, limited capacity, insufficient financing, and a legal framework. According to a recent study of compensation procedures established in national laws of fifty countries, Nigeria's compensation procedure lags many of the countries assessed because the Land Use Act mostly fails to adopt international standards on the valuation of compensation<sup>13</sup>.

<sup>12</sup> Okeke, Ngozi Chinenye, and Ngozi Christiana Nnamani. "Migrant Fulani herders and native farmers conflict in Nigeria: Implications for food security and livelihood." *Zik Journal of Multidisciplinary Research* 6.1 (2023). [https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://journals.aphriapub.com/index.php/ZJMR/article/download/2069/1918&ved=2ahUKEwjQmp2khJmFAxU0RPEdHXDgAfo4ChAWegQlBxAB&usg=AOvVaw2Rh\\_ohuBcp\\_JhYEom-aAs](https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://journals.aphriapub.com/index.php/ZJMR/article/download/2069/1918&ved=2ahUKEwjQmp2khJmFAxU0RPEdHXDgAfo4ChAWegQlBxAB&usg=AOvVaw2Rh_ohuBcp_JhYEom-aAs)

<sup>13</sup> Tagliarino, Nicholas K., et al. "Compensation for expropriated community farmland in Nigeria: An in-depth analysis of the laws and practices related to land expropriation for the Lekki Free Trade Zone in Lagos." *Land* 7.1 (2018): 23. <https://www.mdpi.com/2073-445X/7/1/23>

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## 2.1.2 Côte d'Ivoire

### Environmental

#### **Land and soil**

##### Impact assessment<sup>24</sup>

Risk probability: Low

Magnitude: Low

Scale: Low

Direct Impact: Medium

Indirect Impact: Low

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

### Overview

More than 10% of the land in Côte d'Ivoire was degraded between 2000 and 2010, with the rate of degradation increasing since 2010. Degradation in the country is mainly driven by unsustainable agricultural production which is mainly characterized by extensive production of food crops and cash crops such as cocoa, rubber, palm oil, and coffee<sup>14</sup>. With the growth in population and increased food demand, fallow periods have been significantly reduced, resulting in an increase in soil degradation<sup>15</sup>.

The degradation of coastal areas including flooding and pollution could cost 4.9% of the GDP (equivalent to 2017 US\$2 billion), significantly impacting the livelihoods of millions of people.

#### **Deforestation**

##### Impact assessment<sup>27</sup>

Risk probability: Low

<sup>14</sup> <https://openknowledge.worldbank.org/server/api/core/bitstreams/79b4732d-63a6-41ea-bfff-75f656a826f5/content>

<sup>15</sup> [https://aaainitiative.org/sites/default/files/2021-02/Climate-Smart-Agriculture-Investment-Plan-for-Cote-d-Ivoire\\_0.pdf](https://aaainitiative.org/sites/default/files/2021-02/Climate-Smart-Agriculture-Investment-Plan-for-Cote-d-Ivoire_0.pdf)

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Magnitude: Low

Scale: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

### Overview

Côte d'Ivoire's forest cover has declined from 16 million hectares in the early 1960s to 2 million hectares mainly because of the exploitation of forests for timber and energy, bush fires, and agricultural activities<sup>16</sup>. It is estimated that up to 40% of cocoa in the country (i.e., c.800,000 tons/year) is sourced from plantations illegally established in classified forests or protected areas. This represents more than 1.5 million ha and possibly up to 500 000 households living in these protected areas<sup>17</sup>.

### **Biodiversity**

#### Impact assessment<sup>28</sup>

Risk probability: Low

Magnitude: Low

Scale: Low

Likelihood: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

### Overview

<sup>16</sup> <https://www.fao.org/3/ca1322en/CA1322EN.pdf>

<sup>17</sup> <https://documents1.worldbank.org/curated/en/452631564064496467/pdf/Cote-d-Ivoire-Agricultural-Sector-Update.pdf>



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## Social

### **Labour**

#### Impact assessment<sup>31</sup>

Risk probability: Low

Magnitude: Low

Scale: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 3 and 6: Resource Efficiency; Biodiversity<sup>2</sup>

#### Overview

According to the national survey on employment and child labour conducted with the support of the ILO in 2013, 28.2% (just under two million children) of children aged 5 to 17 years are engaged in economic activities with the most affected sectors being agriculture (53.4%) and services (35.6%). About 20% of children (aged 5 to 17) are involved in child labour, three-quarters of whom are under 14 years of age. The National Survey on the Worst Forms of Child Labour (2011) conducted by the National Institute of Statistics (INS) found that 73.5% of boys are child labourers in agriculture compared to 35.2% of girls. Both boys and girls are involved in activities related to cocoa production, including transporting large batches of beans<sup>21</sup>. Due to the state of neighboring nations such as Burkina Faso, Mali and Togo, children are also illegally trafficked into commercial farms in Côte d'Ivoire and forced to work in slave-like conditions<sup>22</sup>.

### **Community health and safety**

#### Impact assessment<sup>34</sup>

Risk probability: Low

<sup>21</sup> [https://www.ilo.org/africa/technical-cooperation/accel-africa/cote-d-ivoire/WCMS\\_764094/lang-en/index.htm](https://www.ilo.org/africa/technical-cooperation/accel-africa/cote-d-ivoire/WCMS_764094/lang-en/index.htm)

<sup>22</sup>

[https://apps.worldagroforestry.org/treesandmarkets/inforesta/documents/cocoa\\_child\\_labour/Hazardous\\_child\\_labour.pdf](https://apps.worldagroforestry.org/treesandmarkets/inforesta/documents/cocoa_child_labour/Hazardous_child_labour.pdf)

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Magnitude: Low

Scale: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

IFC Performance Standard 4: Community<sup>2</sup>

### Overview

Urban areas in Côte d'Ivoire suffer from poor wastewater management, mainly because of inadequate sanitation infrastructures. Because of water scarcity, wastewater is often used for irrigation, which may often lead to disease outbreaks. For instance, local authorities in Yamoussoukro, the political and administrative capital of Côte d'Ivoire, reported over 3,000 cases of diarrhea in 2009 and 2010. The city has used more than ten lakes for irrigating crops in the last decades, which receive storm water as well as untreated wastewater. Septic tanks in the city also discharge fecal sludge into the lakes<sup>23</sup>. Additionally, farmers and consumers face the risk of consumption of produce contaminated by pesticide residue intended to control the contamination of crops at the field and during post-harvest operations<sup>24</sup>.

### **Immigration**

#### Impact assessment<sup>35</sup>

Risk probability: Low

Magnitude: Low

Scale: Low

Direct Impact: Medium

Indirect Impact: Medium

Long term impact: Medium

Cumulative impact: Low

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<sup>23</sup> Kouamé, Parfait K., et al. "Microbiological risk infection assessment using QMRA in agriculture systems in Côte d'Ivoire, West Africa." *Environmental monitoring and assessment* 189 (2017): 1-11.

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5660835/>

<sup>24</sup> Didier, Montet, et al. "The success story of the implementation of the national food safety agency in Ivory Coast." *Egyptian journal of basic and applied sciences* 4.4 (2017): 366-371.

<https://www.sciencedirect.com/science/article/pii/S2314808X1730221X>

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IFC Performance Standard 4: Community<sup>2</sup>

### Overview

Due to the state of neighboring nations such as Burkina Faso, Mali and Togo, Côte d'Ivoire experiences significant migration of persons from these countries. Immigrants from Burkina Faso and Mali are however far worse off than their Ivorian counterparts in cocoa farms, as they experience significant poverty. The immigrants are disadvantaged by their poor education, inability to speak the language, and reliance on non-permanent work. They mostly receive below minimum wage, and often have their children join them in the farms, resulting in their inability to attend school<sup>25</sup>.

## 2.1.3 Uganda

### Environmental Risks

#### **Land and Soil:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 3 and 6:** Resource Efficiency and Pollution; Biodiversity<sup>26</sup>

In Uganda, organic soil matter is relatively low in most areas and is declining at an accelerated rate due to increased soil erosion and poor agricultural practices.<sup>27</sup> Soil PH is a key indicator of soil health, with the optimal soil PH being between 5.5 to 7.0.<sup>28</sup> However, due to the excessive use of agrochemicals, soil PH in some regions of Uganda is as low as 4.8.<sup>29</sup>

<sup>25</sup> Bymolt, Roger, Anna Laven, and Marcelo Tyzler. "Demystifying the cocoa sector in Ghana and Côte d'Ivoire." *The Royal Tropical Institute (KIT): Amsterdam, The Netherlands* (2018).

<https://www.kit.nl/wp-content/uploads/2018/11/Cocoa-desk-research-Cedric-Steijn-1.pdf>

<sup>26</sup> Please see section 2.2 for mitigants for PS 3 and 6.

<sup>27</sup> National Environment Management Authority, National State of the Environment Report 2018-19, 2019.

<https://www.nema.go.ug/sites/default/files/NSOER%202018-2019.pdf>

<sup>28</sup> National Environment Management Authority, National State of the Environment Report 2018-19, 2019.

<https://www.nema.go.ug/sites/default/files/NSOER%202018-2019.pdf>

<sup>29</sup> National Environment Management Authority, National State of the Environment Report 2018-19, 2019.

<https://www.nema.go.ug/sites/default/files/NSOER%202018-2019.pdf>



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Moreover, continuous cultivation without proper soil conservation measures has resulted in soil degradation across various regions of Uganda.<sup>30</sup>

**Waste and Pollution:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3 and 6:** Resource Efficiency and Pollution; Biodiversity<sup>31</sup>

The value of pesticides imported in Uganda increased significantly from 7 million USD in 1995 to 66.9 million USD in 2017.<sup>32</sup> The pesticides imported into Uganda include: insecticides, fungicides, herbicides, fumigants, and rodenticides among others.<sup>33</sup> Due to high levels of toxicity, many of these imported pesticides are banned or heavily restricted in other regions of the world such as Europe.<sup>34</sup> Despite these restrictions, some of the banned toxic pesticides are still in use in Uganda and continue to threaten human health and the natural environment.<sup>35</sup>

**Deforestation:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources<sup>36</sup>

<sup>30</sup> National Environment Management Authority, National State of the Environment Report 2018-19, 2019.

<https://www.nema.go.ug/sites/default/files/NSOER%202018-2019.pdf>

<sup>31</sup> Please see section 2.2 for mitigants for PS 3 and 6.

<sup>32</sup> Elina Andersson and Ellinor Isgren, Gambling in the garden: Pesticide use and risk exposure in Ugandan smallholder farming, 2021. <https://www.sciencedirect.com/science/article/pii/S0743016721000139>

<sup>33</sup> Elina Andersson and Ellinor Isgren, Gambling in the garden: Pesticide use and risk exposure in Ugandan smallholder farming, 2021. <https://www.sciencedirect.com/science/article/pii/S0743016721000139>

<sup>34</sup> Review Uganda's use of pesticides, 2023. <https://www.monitor.co.ug/uganda/oped/editorial/review-uganda-s-use-of-pesticides-4434028>

<sup>35</sup> Review Uganda's use of pesticides, 2023. <https://www.monitor.co.ug/uganda/oped/editorial/review-uganda-s-use-of-pesticides-4434028>

<sup>36</sup> Please see section 2.2 for mitigants for PS 6.

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In the period between 2001 and 2023, Uganda lost 1.10 million hectares of its tree cover, which is equivalent to approximately 14% of its total tree cover.<sup>37</sup> Agricultural activities have intensified deforestation through the conversion of forested areas into agricultural land through bush clearing and the cutting downs of trees.<sup>38</sup> Most of the deforestation in Uganda has been linked to small holder agriculture through the expansion of smallholder farms into forested areas or natural ecosystems.<sup>39</sup>

**Biodiversity:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources <sup>40</sup>

The use of agrochemicals such as pesticides and synthetic fertilizers can have negative environmental impacts.<sup>41</sup> The excessive and improper use of pesticides in Uganda has resulted in the contamination of soil and water sources, which has led to the loss of non-target insect, animal, and plant species.<sup>42</sup>

Social Risks

**Child Labor:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

<sup>37</sup> Global Forest Watch, Uganda, <https://www.globalforestwatch.org/dashboards/country/UGA/>

<sup>38</sup>Ronald Twongyirwe, Mike Bithell and Keith Richards, Revisiting the drivers of deforestation in the tropics: Insights from local and key informant perceptions in western Uganda, 2018. <https://www.sciencedirect.com/science/article/abs/pii/S0743016717309142>

<sup>39</sup> Ronald Twongyirwe, Mike Bithell and Keith Richards, Revisiting the drivers of deforestation in the tropics: Insights from local and key informant perceptions in western Uganda, 2018. <https://www.sciencedirect.com/science/article/abs/pii/S0743016717309142>

<sup>40</sup> Please see section 2.2 for mitigants for PS 6.

<sup>41</sup> Elina Andersson and Ellinor Isgren, Gambling in the garden: Pesticide use and risk exposure in Ugandan smallholder farming, 2021. <https://www.sciencedirect.com/science/article/pii/S0743016721000139>

<sup>42</sup> Elina Andersson and Ellinor Isgren, Gambling in the garden: Pesticide use and risk exposure in Ugandan smallholder farming, 2021. <https://www.sciencedirect.com/science/article/pii/S0743016721000139>

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**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 2:** Labor and Working Conditions<sup>43</sup>

In the Agriculture sector, children are often engaged in intensive crop and livestock production activities which negatively impact their health and lead them to dropping out of school.<sup>44</sup> In Uganda, at least 2 million children are estimated to be involved in child labour, with the vast majority working in the agricultural sector.<sup>45</sup>

**Occupational Health and Safety:**

**Risk probability:** Medium

**Magnitude:** Medium

**Scale:** Medium

**Direct Impact:** Medium

**Indirect Impact:** Low

**IFC Performance Standard 2:** Labor and Working Conditions<sup>46</sup>

The agriculture sector has one of the highest numbers of work-related injuries.<sup>47</sup> According to the Food and Agriculture Organization, even though agriculture employs about seven out of every ten working Ugandans. Stakeholders and workers in the sector continue to operate in poor working and hazardous conditions, arising from the use of unsophisticated machinery and intensive use of chemicals and pesticides.<sup>48</sup>

**Community health and safety:**

<sup>43</sup> Please see section 2.2 for mitigants for PS 2.

<sup>44</sup> Atwine Linard, A critical analysis of the efficacy of the legal framework on child labour in the agricultural sector in Uganda: a case Study of Bushenyi District. 2018. <https://ir.kiu.ac.ug/items/d60a30a9-da13-4c2b-84d2-cc0eae6097cc>

<sup>45</sup> Atwine Linard, A critical analysis of the efficacy of the legal framework on child labour in the agricultural sector in Uganda: a case Study of Bushenyi District. 2018. <https://ir.kiu.ac.ug/items/d60a30a9-da13-4c2b-84d2-cc0eae6097cc>

<sup>46</sup> Please see section 2.2 for mitigants for PS 2.

<sup>47</sup> FAO, Improving health and safety of workers and actors in Uganda's agriculture sector, 2021.

<https://www.fao.org/uganda/news/detail-events/ar/c/1402791/#:~:text=Antonio%20Querido%2C%20FAO%20Representative%20in,arising%20from%20the%20use%20of>

<sup>48</sup> FAO, Improving health and safety of workers and actors in Uganda's agriculture sector, 2021.

<https://www.fao.org/uganda/news/detail-events/ar/c/1402791/#:~:text=Antonio%20Querido%2C%20FAO%20Representative%20in,arising%20from%20the%20use%20of>

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**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 4:** Community Health, Safety, and Security <sup>49</sup>

Water is a key resource in agricultural production, which makes it a highly sought after resource by agribusinesses. However, the excessive use of water can deny local communities access to water. Moreover, the improper use of chemicals can pollute the water used by local communities leading to negative health impacts on local communities. A study conducted by Makerere University on the impacts of water use by agribusinesses in Uganda showed that agribusinesses limited water access to local communities and agrochemicals polluted the water used by local communities leading to potential negative health impacts.<sup>50</sup>

## 2.1.4 Ghana

*Environmental Risks*

**Land and Soil:**

**Land and Soil:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 3 and 6:** Resource Efficiency and Pollution; Biodiversity<sup>51</sup>

Intensive farming practices, such as monocropping and the excessive use of chemical fertilizers and pesticides, have contributed to soil degradation in Ghana.<sup>52</sup> The soil

<sup>49</sup> Please see section 2.2 for mitigants for PS 4.

<sup>50</sup> Byaruhanga Michael, Joseph Obua, Mnason Tweheyo and Bernard Bashaasha, Large-scale Agricultural Investments and their Implications on Water Access and Quality for Local Communities in northern Uganda, 2024. <https://www.diiis.dk/en/research/large-scale-agricultural-investments-and-their-implications-on-water-access-and-quality>

<sup>51</sup> Please see section 2.2 for mitigants for PS 3 and 6.

<sup>52</sup> Isaac Larbi, Land use-land cover change in the Tano basin, Ghana and the implications on sustainable development goals, 2023. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10070080/>

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degradation has resulted in soil compaction, nutrient depletion, and decreased soil organic matter content.<sup>53</sup>

**Waste and Pollution:**

**Risk probability:** Medium

**Magnitude:** Medium

**Scale:** Medium

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3 and 6:** Resource Efficiency and Pollution; Biodiversity<sup>54</sup>

Improper or excessive use of agrochemicals such as pesticides and synthetic fertilizers can have negative environmental impacts.<sup>55</sup> The importation of pesticides in Ghana has significantly increased over the years from estimates of 610,000 litres in 2006, to 36,869,578 litres in 2013.<sup>56</sup> Due to lack of adequate training and knowledge on proper pesticide used, smallholder farmers in Ghana have engaged in improper pesticide use practices such as improperly storing pesticides by exposing them to extreme weather conditions; using pesticides excessively; using hazardous or banned pesticides; and the improper disposal of pesticide waste.<sup>57</sup> These practices have contributed to negative ecological and health outcomes in Ghana.<sup>58</sup>

**Deforestation:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

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<sup>53</sup> Isaac Larbi, Land use-land cover change in the Tano basin, Ghana and the implications on sustainable development goals, 2023. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10070080/>

<sup>54</sup> Please see section 2.2 for mitigants for PS 3 and 6.

<sup>55</sup> James Boafo and Kristen Lyons, A political ecology of farmers' exposure to pesticides in Ghana, 2023. <https://www.tandfonline.com/doi/full/10.1080/23311932.2023.2286728>

<sup>56</sup> James Boafo and Kristen Lyons, A political ecology of farmers' exposure to pesticides in Ghana, 2023. <https://www.tandfonline.com/doi/full/10.1080/23311932.2023.2286728>

<sup>57</sup> James Boafo and Kristen Lyons, A political ecology of farmers' exposure to pesticides in Ghana, 2023. <https://www.tandfonline.com/doi/full/10.1080/23311932.2023.2286728>

<sup>58</sup> James Boafo and Kristen Lyons, A political ecology of farmers' exposure to pesticides in Ghana, 2023. <https://www.tandfonline.com/doi/full/10.1080/23311932.2023.2286728>

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**IFC Performance Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources <sup>59</sup>

In the period between 2001 and 2023, Ghana lost 1.6 million hectares of its tree cover, which is equivalent to approximately 24% of its total tree cover.<sup>60</sup> The conversion of forest land into agricultural land, particularly for cash crop cultivation such as cocoa, palm oil, and rubber, has been a major driver of deforestation in Ghana.<sup>61</sup> Small-scale farmers and large agribusinesses clear forests to establish plantations, leading to habitat destruction and loss of biodiversity.<sup>62</sup>

**Biodiversity:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources <sup>63</sup>

Agricultural activities in or near areas of high biodiversity value, have led to biodiversity loss, due to the expansion of agricultural activities into high biodiversity areas.<sup>64</sup> Biodiversity supports ecosystem services such as pollination which are essential for maintaining healthy and sustainable food systems <sup>65</sup> For instance, trees on cocoa farms in Ghana support ecosystem services by providing a natural habitat for pollinating insects and supporting nutrient cycling.<sup>66</sup>

<sup>59</sup> Please see section 2.2 for mitigants for PS 6.

<sup>60</sup> Global Forest Watch, Ghana,

<https://www.globalforestwatch.org/dashboards/country/GHA/?location=WyJjb3VudHJ5IiwR0hBlI0%3D>

<sup>61</sup> John Tennyson, Eunice Nimo, Basit Lawal and Ian Afele, Deforestation in Ghana: Evidence from selected Forest Reserves across six ecological zones, 2022.

[https://www.researchgate.net/publication/358989016\\_Deforestation\\_in\\_Ghana\\_Evidence\\_from\\_selected\\_Forest\\_Reserves\\_across\\_six\\_ecological\\_zones](https://www.researchgate.net/publication/358989016_Deforestation_in_Ghana_Evidence_from_selected_Forest_Reserves_across_six_ecological_zones)

<sup>62</sup> John Tennyson, Eunice Nimo, Basit Lawal and Ian Afele, Deforestation in Ghana: Evidence from selected Forest Reserves across six ecological zones, 2022.

[https://www.researchgate.net/publication/358989016\\_Deforestation\\_in\\_Ghana\\_Evidence\\_from\\_selected\\_Forest\\_Reserves\\_across\\_six\\_ecological\\_zones](https://www.researchgate.net/publication/358989016_Deforestation_in_Ghana_Evidence_from_selected_Forest_Reserves_across_six_ecological_zones)

<sup>63</sup> Please see section 2.2 for mitigants for PS 6.

<sup>64</sup> IIED, Reducing the biodiversity impacts of agriculture in Ghana, 2022.

<https://www.iied.org/sites/default/files/pdfs/2022-04/20886G.pdf>

<sup>65</sup> IIED, Reducing the biodiversity impacts of agriculture in Ghana, 2022.

<https://www.iied.org/sites/default/files/pdfs/2022-04/20886G.pdf>

<sup>66</sup> IIED, Reducing the biodiversity impacts of agriculture in Ghana, 2022.

<https://www.iied.org/sites/default/files/pdfs/2022-04/20886G.pdf>

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### Social Risks

#### **Labour:**

**Risk probability:** Medium

**Magnitude:** Medium

**Scale:** Medium

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 2:** Labor and Working Conditions<sup>67</sup>

Many agricultural workers in Ghana lack access to social protection mechanisms such as health insurance, pension schemes, and unemployment benefits.<sup>68</sup> Limited access to social protection exacerbates the vulnerability of agricultural workers, especially during periods of economic instability or agricultural downturns.<sup>69</sup>

#### **Child Labour:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 2:** Labor and Working Conditions<sup>70</sup>

In the Agriculture sector, children are often engaged in intensive crop and livestock production activities which negatively impact their health and lead them to dropping out of school.<sup>71</sup> In Ghana, it is estimated that approximately 28% of children aged between 5-17 years are engaged in child labour, with at least 21% working in hazardous working

<sup>67</sup> Please see section 2.2 for mitigants for PS 2.

<sup>68</sup> Asiedu Edward and Anita Asiwome, Social Protection in Ghana: History, Equity-Driven Reforms, Financing and Sustainability, 2021. [https://www.researchgate.net/publication/358696954\\_Social\\_Protection\\_in\\_Ghana-History\\_Equity-Driven\\_Reforms\\_Financing\\_and\\_Sustainability](https://www.researchgate.net/publication/358696954_Social_Protection_in_Ghana-History_Equity-Driven_Reforms_Financing_and_Sustainability)

<sup>69</sup> Asiedu Edward and Anita Asiwome, Social Protection in Ghana: History, Equity-Driven Reforms, Financing and Sustainability, 2021. [https://www.researchgate.net/publication/358696954\\_Social\\_Protection\\_in\\_Ghana-History\\_Equity-Driven\\_Reforms\\_Financing\\_and\\_Sustainability](https://www.researchgate.net/publication/358696954_Social_Protection_in_Ghana-History_Equity-Driven_Reforms_Financing_and_Sustainability)

<sup>70</sup> Please see section 2.2 for mitigants for PS 2.

<sup>71</sup> UNICEF, The New Ghana Accelerated Action Plan Against Child Labour 2023-2027 is launched, 2023. <https://www.unicef.org/ghana/press-releases/new-ghana-accelerated-action-plan-against-child-labour-2023-2027-launched>

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conditions.<sup>72</sup> Most of the child labour takes place in the agriculture sector with over 78 % of child labour cases being attributed to the sector, especially in cocoa production.<sup>73</sup>

**Community health and safety:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 4:** Community Health, Safety, and Security <sup>74</sup>

Commercial agriculture projects can displace Indigenous communities, leading to the loss of livelihoods and cultural heritage.<sup>75</sup> A report on land acquisition in Ghana highlights cases in where land acquisitions for agricultural purposed have resulted in the displacement of local communities without adequate compensation or alternative livelihood options. <sup>76</sup>

**Occupational Health and Safety:**

**Risk probability:** Medium

**Magnitude:** Medium

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 2:** Labor and Working Conditions<sup>77</sup>

Pesticides are commonly used in agricultural activities in Ghana.<sup>78</sup> However, inadequate training and improper handling of pesticides can lead to significant health risks for farmers,

<sup>72</sup> UNICEF, The New Ghana Accelerated Action Plan Against Child Labour 2023-2027 is launched, 2023. <https://www.unicef.org/ghana/press-releases/new-ghana-accelerated-action-plan-against-child-labour-2023-2027-launched>

<sup>73</sup> UNICEF, The New Ghana Accelerated Action Plan Against Child Labour 2023-2027 is launched, 2023. <https://www.unicef.org/ghana/press-releases/new-ghana-accelerated-action-plan-against-child-labour-2023-2027-launched>

<sup>74</sup> Please see section 2.2 for mitigants for PS 4.

<sup>75</sup> Gyimah Edward, Exploring the implication of large-scale land acquisition on human rights in Ghana, 2022. <https://nmbu.brage.unit.no/nmbu-xmlui/handle/11250/3015175?locale-attribute=en>

<sup>76</sup> Gyimah Edward, Exploring the implication of large-scale land acquisition on human rights in Ghana, 2022. <https://nmbu.brage.unit.no/nmbu-xmlui/handle/11250/3015175?locale-attribute=en>

<sup>77</sup> Please see section 2.2 for mitigants for PS 2.

<sup>78</sup> Paul Mintah, Benjamin Annor, Ohene-Mensah Godfried and Kofi Frimpong-Anin, Pesticide contamination and poisoning among small holder vegetable and fruit growers in Ghana: A review, 2019. [https://www.researchgate.net/publication/336718722\\_Pesticide\\_contamination\\_and\\_poisoning\\_among\\_small\\_holder\\_vegetable\\_and\\_fruit\\_growers\\_in\\_Ghana\\_-\\_A\\_review](https://www.researchgate.net/publication/336718722_Pesticide_contamination_and_poisoning_among_small_holder_vegetable_and_fruit_growers_in_Ghana_-_A_review)



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including skin irritation, respiratory problems, and long-term chronic conditions.<sup>79</sup> According to a study by conducted by a research journal, pesticide exposure is a significant concern among Ghanaian farmers, with reported cases of acute pesticide poisoning.<sup>80</sup> Outdoor agricultural work in Ghana exposes workers to high temperatures and humidity, leading to heat stress and related health issues.<sup>81</sup> Prolonged exposure to heat without adequate hydration and rest breaks can result in heat exhaustion or heat stroke.<sup>82</sup> A study published in a research journal highlighted the vulnerability of agricultural workers to heat stress, particularly during the dry season in Ghana.<sup>83</sup>

## 2.1.5 Morocco

### Environmental

#### **Water Scarcity:**

**Risk probability:** Medium

**Magnitude:** Medium

**Scale:** Medium

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3:** Resource Efficiency and Pollution Prevention<sup>84</sup>

Morocco has limited water resources, and agriculture consumes a sizable portion of the available water. Over-extraction of groundwater and inefficient irrigation practices exacerbate water scarcity, especially in arid and semi-arid regions. Morocco's agricultural

<sup>79</sup> Paul Mintah, Benjamin Annor, Ohene-Mensah Godfried and Kofi Frimpong-Anin, Pesticide contamination and poisoning among small holder vegetable and fruit growers in Ghana: A review, 2019. [https://www.researchgate.net/publication/336718722\\_Pesticide\\_contamination\\_and\\_poisoning\\_among\\_small\\_holder\\_vegetable\\_and\\_fruit\\_growers\\_in\\_Ghana\\_-\\_A\\_review](https://www.researchgate.net/publication/336718722_Pesticide_contamination_and_poisoning_among_small_holder_vegetable_and_fruit_growers_in_Ghana_-_A_review)

<sup>80</sup> Paul Mintah, Benjamin Annor, Ohene-Mensah Godfried and Kofi Frimpong-Anin, Pesticide contamination and poisoning among small holder vegetable and fruit growers in Ghana: A review, 2019. [https://www.researchgate.net/publication/336718722\\_Pesticide\\_contamination\\_and\\_poisoning\\_among\\_small\\_holder\\_vegetable\\_and\\_fruit\\_growers\\_in\\_Ghana\\_-\\_A\\_review](https://www.researchgate.net/publication/336718722_Pesticide_contamination_and_poisoning_among_small_holder_vegetable_and_fruit_growers_in_Ghana_-_A_review)

<sup>81</sup> Kwasi Frimpong, Eddie John, Jacques Oosthuizen and Victor Nunfam, Heat exposure on farmers in northeast Ghana, 2016.

[https://www.researchgate.net/publication/305952342\\_Heat\\_exposure\\_on\\_farmers\\_in\\_northeast\\_Ghana](https://www.researchgate.net/publication/305952342_Heat_exposure_on_farmers_in_northeast_Ghana)

<sup>82</sup> Kwasi Frimpong, Eddie John, Jacques Oosthuizen and Victor Nunfam, Heat exposure on farmers in northeast Ghana, 2016.

[https://www.researchgate.net/publication/305952342\\_Heat\\_exposure\\_on\\_farmers\\_in\\_northeast\\_Ghana](https://www.researchgate.net/publication/305952342_Heat_exposure_on_farmers_in_northeast_Ghana)

<sup>83</sup> Kwasi Frimpong, Eddie John, Jacques Oosthuizen and Victor Nunfam, Heat exposure on farmers in northeast Ghana, 2016.

[https://www.researchgate.net/publication/305952342\\_Heat\\_exposure\\_on\\_farmers\\_in\\_northeast\\_Ghana](https://www.researchgate.net/publication/305952342_Heat_exposure_on_farmers_in_northeast_Ghana)

<sup>84</sup> Please see section 2.2 for mitigants for PS 3.

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sector consumers 87% of the country's water sources.<sup>85</sup> Morocco's renewable water resources are estimated at around 22 billion cubic meters per year, which translates to about 700 cubic meters per capita annually.<sup>86</sup> This figure is below the water scarcity threshold of 1,000 cubic meters per capita per year set by the United Nations. Groundwater levels are rapidly declining due to low groundwater recharge and the over expansion of agricultural activities.<sup>87</sup>

**Soil Degradation:**

**Risk probability:** Low

**Magnitude:** Medium

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3:** Resource Efficiency and Pollution Prevention <sup>88</sup>

Intensive farming practices, deforestation, overgrazing, and improper use of fertilizers and pesticides contribute to soil erosion, loss of soil fertility, and desertification. These factors degrade the land, making it less productive over time. Soil erosion in Morocco ranges from 5 to 20 t/ha/year and exceeds these rates in norther and north-western agricultural basins.<sup>89</sup>

Soil degradation costs Morocco approximately 1% of its GDP annually, primarily due to reduced agricultural productivity and increased costs for soil restoration.

**Pest and Disease Pressure:**

**Risk probability:** Medium

**Magnitude:** Medium

**Scale:** Medium

**Direct Impact:** Medium

**Indirect Impact:** Medium

<sup>85</sup>"Morocco's Water Worries: Can Innovation Outrun Drought," (2024) University of Mohammed VI Polytechnic, <https://um6p.ma/fr/moroccos-water-worries-can-innovation-outrun-drought#:~:text=The%20agricultural%20sector%2C%20which%20consumes,of%20water%20usage%20remains%20low.>

<sup>86</sup> World Bank "Morocco Country Climate Development Report: An Example in Parliamentary Engagement" (2023) <https://www.worldbank.org/en/news/feature/2023/03/10/morocco-country-climate-development-report-an-example-in-parliamentary-engagement#:~:text=Water%20inflows%20have%20been%20declining%20%E2%80%93%20between,approaching%20the%20absolute%20water%20scarcity%20threshold%20of>

<sup>87</sup> Hssaisoune M, Bouchaou L, Sifeddine A, Bouimetarhan I, Chehbouni A. Moroccan Groundwater Resources and Evolution with Global Climate Changes. *Geosciences*. 2020; 10(2):81. <https://doi.org/10.3390/geosciences10020081>

<sup>88</sup> Please see section 2.2 for mitigants for PS 3.

<sup>89</sup> International Atomic Energy Agency, "Reducing Soil Erosion in Morocco" <https://www.iaea.org/sites/default/files/21/07/nafa-swm-morocco.pdf>

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**IFC Performance Standard 3: Resource Efficiency and Pollution Prevention** <sup>90</sup>

Changing climate conditions can increase the prevalence of pests and diseases, threatening crop health and yields. The need for more frequent pesticide use can lead to environmental pollution and resistance issues.

Social

**Land Resettlement and Acquisition:**

**Risk probability:** Low

**Magnitude:** Medium

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement** <sup>91</sup>

Morocco has complex land tenure arrangements. There are five categories of land: privatized, titled land, religious land endowments which can be leased but not sold, land granted to members of the military by the monarchy, collective tribal land held in trust by the state, and state-owned land. 76% of agricultural land is privately owned. Differing bodies have significantly different understandings of tribal land. The Moroccan Ministry of Interior identifies 15.4M hectares 34.5% of land as collectively managed tribal land while USAID posits that 42.5% of Moroccan land is managed by tribal groups.<sup>92</sup> Land rights issues and affordability of land for vulnerable groups has made smallholder farming more difficult.

**Labor:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Low

**Indirect Impact:** Low

**IFC Performance Standard 2: Labor and Working Conditions**<sup>93</sup>

<sup>90</sup> Please see section 2.2 for mitigants for PS 3.

<sup>91</sup> Please see section 2.2 for mitigants for PS 5.

<sup>92</sup> Bagley, D, (2015)

<sup>93</sup> Please see section 2.2 for mitigants for PS 2.

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Many smallholder farmers operate in the informal market and live in poverty. Few worker protections, limited capital, and lack of access to formal markets have trapped many laborers in long hours and poor working conditions. However, some workers have seen improvement by collectively bargaining, which Morocco has allowed as part of the Labor Code adopted in 2004.<sup>94</sup>

## 2.1.6 Egypt

### Environmental Risks:

#### **Water Scarcity and Competition for Water:**

##### **Water Scarcity:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3:** Resource Efficiency and Pollution Prevention <sup>95</sup>

Egypt heavily relies on the Nile River for irrigation. Over 85% of its water usage goes to agriculture.<sup>96</sup> Upstream usage by other countries and inefficient irrigation practices further stress water resources.

##### **Soil Degradation:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3:** Resource Efficiency and Pollution Prevention <sup>97</sup>

<sup>94</sup> Solidarity Center, <https://www.solidaritycenter.org/wp-content/uploads/2020/07/Publication.Morocco.Agricultural-Workers-and-Moroccos-Economy-Benefit-from-Collective-Bargaining-Agreements.2020.pdf>

<sup>95</sup> Please see section 2.2 for mitigants for PS 3.

<sup>96</sup> Conventional Water Resources and Agriculture in Egypt, <https://www.springerprofessional.de/en/conventional-water-resources-and-agriculture-in-egypt/16206918#:~:text=The%20Nile%20River%20is%20the,of%20all%20available%20water%20resources.>

<sup>97</sup> Please see section 2.2 for mitigants for PS 3.

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About 35% of Egypt's agricultural land suffers from salinization, reducing soil fertility and crop productivity.<sup>98</sup> Unsustainable farming practices contribute to soil erosion and nutrient loss.

**Desertification:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources <sup>99</sup>

Poor land management and climate change are causing deserts to expand into arable lands. Fayoum, a large agricultural area, has lost 2,224.78 acres of its agricultural land to desertification between 1987 to 2017.<sup>100</sup>

**Biodiversity Loss:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources <sup>101</sup>

Agricultural expansion and monoculture reduce biodiversity, impacting ecosystem resilience and services.

**Pollution:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

<sup>98</sup> Landlinks, Egypt, [https://www.land-links.org/country-profile/egypt/#:~:text=As%20much%20as%2035%25%20of,ecological%20system%20\(Kotb%20et%20al.](https://www.land-links.org/country-profile/egypt/#:~:text=As%20much%20as%2035%25%20of,ecological%20system%20(Kotb%20et%20al.)

<sup>99</sup> Please see section 2.2 for mitigants for PS 6.

<sup>100</sup> 2018. [https://jwadi.journals.ekb.eg/article\\_85200\\_d4be09631126d3f2f4c96769f0400ddc.pdf](https://jwadi.journals.ekb.eg/article_85200_d4be09631126d3f2f4c96769f0400ddc.pdf)

<sup>101</sup> Please see section 2.2 for mitigants for PS 6.

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**IFC Performance Standard 3: Resource Efficiency and Pollution Prevention** <sup>102</sup>

The use of fertilizers and pesticides leads to water and soil pollution, harming ecosystems, and human health.

Social Risks:

**Youth Migration:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 4: Community Health, Safety, and Security** <sup>103</sup>

Young people often migrate to urban areas for better opportunities, leading to labor shortages and an aging farming population in rural areas. Rapid urbanization has impacted agricultural land, and, in turn, young men and women are seeking higher paying opportunities in the urban workforce. Additionally, young men who have moved from rural to urban areas have had welfare loss according to researchers.<sup>104</sup>

**Gender Inequality:**

**Risk probability:** Low

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 4: Community Health, Safety, and Security** <sup>105</sup>

<sup>102</sup> Please see section 2.2 for mitigants for PS 3.

<sup>103</sup> Please see section 2.2 for mitigants for PS 4.

<sup>104</sup> Assem Abu Hatab, Franklin Amuakwa-Mensah, Carl-Johan Lagerkvist, Who moves and who gains from internal migration in Egypt? Evidence from two waves of a labor market panel survey, Habitat International, Volume 124, 2022, 102573, ISSN 0197-3975, <https://doi.org/10.1016/j.habitatint.2022.102573>.

(<https://www.sciencedirect.com/science/article/pii/S0197397522000704>)

<sup>105</sup> Please see section 2.2 for mitigants for PS 4.

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Women, who play a crucial role in agriculture, often have limited access to land, credit, and training. Researchers found that 2% of Egyptian women own land and only own 5.2% agricultural land.<sup>106</sup>

**Pesticide Use:**

**Risk probability:** Medium

**Magnitude:** Low

**Scale:** Low

**Direct Impact:** Medium

**Indirect Impact:** Medium

**IFC Performance Standard 3:** Resource Efficiency and Pollution Prevention <sup>107</sup>

Pesticide disposal is common enough to create hazardous water for human consumption and other uses in main water ways including the Nile River.<sup>108</sup>

## 2.2 Risks and Impacts using the IFC Performance Standards

The following table presents an overview of relevant environmental and social risks for the agricultural sector, based on the IFC Environmental, Health and Safety Guidelines for agribusiness/food production.

### **PS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS**

<b>Indicator</b>	<b>Role</b>	<b>ESMS Reference Guide</b>	<b>Risk and mitigant</b>
ESG Policy	ARAF II ESG officer	Section 1	<u>Risk:</u> Project may not have a policy or sufficient policies outlining environmental and social objectives and principles. Company may not

<sup>106</sup> FAO. 2022. Country Gender Assessment of the Agriculture and Rural Sector: Egypt – Brief. Country gender assessment series – Near East and North Africa. Cairo. <https://doi.org/10.4060/cb7909en>

<sup>107</sup> Please see section 2.2 for mitigants for PS 3.

<sup>108</sup> Dahshan H, Megahed AM, Abd-Elall AM, Abd-El-Kader MA, Nabawy E, Elbana MH. Monitoring of pesticides water pollution-The Egyptian River Nile. J Environ Health Sci Eng. 2016 Oct 7;14:15. doi: 10.1186/s40201-016-0259-6. PMID: 27761264; PMCID: PMC5054583.

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			<p>provide evidence of implementing policy</p> <p><u>Mitigation:</u> Understand the following during due diligence:</p> <ul style="list-style-type: none"> <li>● ESG policies or policies related to ESG during due diligence.</li> <li>● Policy alignment with international standards and local national laws</li> <li>● Evidence that the</li> </ul> <p>Require, through the ESG action plan, the development and execution of ESG Policy aligned with ARAF II standards.</p>
Identification of Risks and Impacts	ARAF II ESG officer and consultants as required	Section 3	<p><u>Risk:</u> Project/Company staff may not have awareness of environmental and social risks and impacts of their operations, products, and services as well as affiliated services (procurement). Company can create harms to communities or environment without awareness of issue.</p> <p><u>Mitigation:</u> Review company's ESMS and ESG policy for risks identified and mitigation hierarchy. Compare policy and ESMS to diligence and team knowledge. If gaps are found, require E&amp;S training in ESGAP.</p>



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Management Programs	ARAF II ESG officer and consultants as required	Section 3	<p><u>Risk:</u> Project/Company may not have or may have insufficient ESMS resulting in mismanagement of environmental and social risks and impacts.</p> <p><u>Mitigation:</u> Review company's ESMS to ensure comprehensive ESMS. If gaps are found, require, through the ESGAP, the company to improve the ESMS to align with ARAF II standards.</p>
Organizational Capacity and Competency	ARAF II ESG officer and consultants as required	Section 4	<p><u>Risk:</u> Project/Company may not have sufficient expertise or resources dedicated to E&amp;S risk identification, prevention, and management of policies and ESMS.</p> <p><u>Mitigation:</u> Understanding in due diligence what resources, internal or third-party expertise, are used to manage environmental and social risks. If insufficient or not existent, ARAF II will require in the ESGAP that the company either gets sufficient training, hire an E&amp;S expertise, or work with appropriate vendors.</p>
Monitoring and Reporting	ARAF II ESG officer, and	Section 4	<p><u>Risk:</u> Company does not report ESG incidents to ARAF II creating greater exposure to E&amp;S risks in portfolio</p>

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	company ESG designee.		<p>creating potential damages to investment and impact viability.</p> <p><u>Mitigation</u>: Company is mandated, via the E&amp;S side letter, to report E&amp;S incidents to ARAF II in a timely fashion.</p>
Stakeholder Engagement	ARAF II ESG officer, company ESG designee, and company board of directors.	Section 5.2.6	<p><u>Risk</u>: Company does not have a sufficient grievance mechanism with SEAH centered provisions. This can harm both customer relations and adversely affect the communities ARAF II intends to serve.</p> <p><u>Mitigation</u>: Company is required to have a sufficient grievance mechanism aligned with international best practices including the ILO and Ruggie principles.</p>

**PS 2: LABOR AND WORKING CONDITIONS**

<b>Indicator</b>	<b>Role</b>	<b>ESMS Reference Guide</b>	<b>Risk and mitigant</b>
Working Conditions and Management	ARAF II ESG officer and consultants as required	Section 3	<p><u>Risk</u>: Company may have gaps in their work plans, HR resources and policies, working conditions, employee contracts, codes of conducts, and other worker protection policies causing negative</p>

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			<p>work environment and unequal access to opportunities and benefits.</p> <p><u>Mitigation:</u> Companies will be assessed for HR policies, HR capacity, employee contracts, codes of conducts, and other worker protection policies.</p> <p>Require, through the ESG action plan, the development and improvement of human resource policies and procedures that provides workers sufficient protections.</p>
Workers' Organization	ARAF II ESG officer, company ESG designee, and consultants as required	Section 3	<p><u>Risk:</u> Company does not provide sufficient protection for workers' right to organize and could retrench employees inappropriately.</p> <p><u>Mitigation:</u> When appropriate, companies are expected to make clear that workers will not be retaliated against for organizing.</p>
Non-Discrimination and Equal Opportunity	ARAF II ESG officer and consultants as required	Section 3	<p><u>Risk:</u> Agricultural companies are male dominated and may not have appropriate policies, procedures, or commitments to non-discrimination and equal opportunity in hiring, promotions. It may be difficult to hire and retain talented female workers.</p>

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			<p><u>Mitigation:</u> ARAF II expects to diligence companies for sex-disaggregated employee data and non-discriminatory hiring and promotion practices in place. Companies may need to address gaps either in ESGAP or their Gender Action Plan.</p>
Retrenchment	ARAF II ESG officer and company ESG designee.	Section 3, 5.2.8	<p><u>Risk:</u> Companies may retrench employees without aligning with local laws or international best practices harming impact viability.</p> <p><u>Mitigation:</u> Companies may be required to have retrenchment plans for any large-scale retrenchment.</p>
Protecting the Work Force: Child and Forced Labor	ARAF II ESG officer and company ESG designee.	Section 3, 5.2.8, Exclusion list	<p><u>Risk:</u> Agricultural supply chains have had issues with forced and child labor.</p> <p><u>Mitigation:</u> Companies are expected to be required to not have child and forced labor in their companies or their suppliers. Must list suppliers and provide procurement policies and supplier code of conduct. ARAF II will not invest in companies with forced or child labor.</p>

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Occupational Health and Safety	ARAF II ESG officer, ARAF II Investment Officer, and company ESG designee.	Section 3, 5.2.8	<p><u>Risk:</u> Companies have a number of occupational health and safety risks including:</p> <ul style="list-style-type: none"> <li>• Operational hazards in field operations, particularly in pesticide application, harvest operations and under extreme weather conditions</li> <li>• Accidents due to machines and vehicles, particularly in land preparation and harvest operations, as well as transport of equipment and teams to plantation sites</li> <li>• Occupational and workplace hazards including accidents caused by inadequate workplace and machine handling, ergonomics hazards, exposure to organic dust, heat, cold, radiation, noise, and vibrations.</li> <li>• Contact with venomous animals.</li> <li>• Exposure to chemicals</li> <li>• Exposure to biological and microbiological agents</li> <li>• Exposure to water-borne diseases in aquaculture</li> <li>• Risk of fire and explosion</li> </ul>
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			<p><u>Mitigation:</u> Companies are expected to answer a number of OHS due diligence questions in due diligence. The ARAF II team intends to, when feasible, conduct site visits and make E&amp;S assessments. ARAF II will require, when risks and gaps are identified, for companies to improve OHS policies and activities via the ESGAP.</p>
Occupational health and safety	ARAF II ESG officer, ARAF II Investment Officer, and company ESG designee.	Section 3	<p><u>Risk:</u> Smallholder farmers may lack the necessary equipment required for agricultural activities and safety, particularly relating to input application, thereby posing a risk to their health. Additionally, primary production companies may lack the appropriate policies and procedures that ensure the safety of farm employees.</p> <p><u>Mitigation:</u> The current pipeline includes companies that offer farmer education through technology platforms and extension services. ARAF will also support companies develop appropriate health and safety protocols for employees.</p>

**PS 3:RESOURCE EFFICIENCY AND POLLUTION PREVENTION**

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<b>Indicator</b>	<b>Role</b>	<b>ESMS Reference Guide</b>	<b>Risk and mitigant</b>
Greenhouse Gas Emissions	ARAF II ESG officer and consultants as required	Section 3	<p><u>Risks:</u> Companies may be engaged in manufacturing, production of agrochemicals, transportation, or other greenhouse gas emitting technologies.</p> <p><u>Mitigation:</u> ARAF II intends to diligence companies on GHG emitting activities in their business models. Companies that produce significant GHG emissions may be expected to monitor GHG emissions and find efficiencies when appropriate.</p>
Water Consumption	ARAF II ESG officer, company ESG designee and	Section 3, 5.2.7	<p><u>Risks:</u> Agricultural companies and farmers may have water intensive</p>

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	<p>consultants as required</p>		<p>operations, products, and services.</p> <p><u>Mitigation:</u> The Fund intends to ask companies about water consumption activities. The Fund expects to pay particular attention to companies using man-made ponds in aquaculture. Measures may include, but are not limited to, the use of additional technically feasible water conservation measures within the Project's operations, the use of alternative water supplies, water consumption offsets to reduce total demand for water resources to within the available supply, and evaluation of</p>
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			alternative project locations. <sup>109</sup>
Pollution prevention	ARAF II ESG officer, company ESG designee and consultants as required	Section 3, 5.2.7	<p><u>Risk:</u> Improper application and disposal of hazardous materials such as agrochemicals may result in drift and runoff, thereby impacting biodiversity, natural resources, and community health.</p> <p><u>Mitigation:</u> Understand the following during due diligence:</p> <ul style="list-style-type: none"> <li>• Current practices concerning the purchase, storage, use and disposal of agrochemicals and other hazardous materials.</li> </ul>

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<sup>109</sup> Ibid.

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			<ul style="list-style-type: none"> <li>• Categorization of agrochemicals in use, particularly whether any pesticides and chemicals are subject to international ban or included in the list of highly hazardous pesticides of WHO.</li> </ul> <p>Require, through the ESG action plan, the institution of relevant hazardous materials management policies and procedures to mitigate identified risks.</p>
Pesticide Use	ARAF II ESG officer, company ESG designee and consultants as required	Section 3, 5.2.7	<p><u>Risks:</u> Companies may sell, produce, or utilize pesticides to combat pests harming crops. Pesticides can</p>

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			<p>contaminate soil, water, turf, and other vegetation. In addition to killing insects or weeds, pesticides can be toxic to a host of other organisms including birds, fish, beneficial insects, and non-target plants. Insecticides are generally the most acutely toxic class of pesticides, but herbicides can also pose risks to non-target organisms.<sup>110</sup></p> <p><u>Mitigation:</u> The project may, where appropriate, formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach targeting</p>
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<sup>110</sup> Aktar MW, Sengupta D, Chowdhury A. Impact of pesticides use in agriculture: their benefits and hazards. *Interdiscip Toxicol.* 2009 Mar;2(1):1-12. doi: 10.2478/v10102-009-0001-7. PMID: 21217838; PMCID: PMC2984095.

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			<p>economically significant pest infestations and disease vectors of public health significance. The project's IPM and IVM program may integrate coordinated use of pest and environmental information along with available pest control methods, including cultural practices, biological, genetic, and, as a last resort, chemical means to prevent economically significant pest damage and/or disease transmission to humans and animals. When pest management activities include the use of chemical pesticides, the project may select chemical pesticides</p>
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			<p>that are low in human toxicity, that are known to be effective against the target species, and that have minimal effects on non-target species and the environment. When the project selects chemical pesticides, the selection will be based upon requirements that the pesticides are packaged in safe containers, be clearly labeled for safe and proper use, and that the pesticides have been manufactured by an entity currently licensed by relevant regulatory agencies.<sup>111</sup></p>
Food waste	ARAF II ESG officer, company ESG	Section 3	Risks: The success and seasonality of

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<sup>111</sup> Ibid.

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	<p>designee and consultants as required</p>		<p>agricultural production could lead to a significant amount of food waste in the absence of sufficient offtake, storage transport, preservation, and processing capacity. This waste further contributes to greenhouse gas emissions.</p> <p>Mitigants: Although the current pipeline of companies aims at improving smallholder farmer yield and quality, they also seek to connect farmers to local and external markets and provide preservation infrastructure such as cold storage thereby reducing food waste. This in line with ARAF's investment thesis of</p>
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			providing bundled solutions.
Soil degradation	ARAF II ESG officer, company ESG designee and consultants as required	Section 3	<p>Risks: Intensive land use practices such as monocropping and intensive use of pesticides and other agrochemicals to meet yield targets may degrade the land and soil. This may result from an increase in the demand for produce by companies.</p> <p>Mitigants: The current pipeline of portfolio companies has the capacity to train farmers on sustainable agricultural practices. Additionally, continual farmer monitoring and visits will enable companies identify non-compliance.</p>

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**PS 4: COMMUNITY HEALTH, SAFETY, AND SECURITY**

<b>Indicator</b>	<b>Role</b>	<b>ESMS Reference Guide</b>	<b>Risk and mitigant</b>
Pollution prevention	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required.</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG consideration s during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p> <p><u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution</p>	<p><u>Risk:</u> Improper application and disposal of hazardous materials such as agrochemicals may result in drift and runoff, thereby impacting the surrounding community and natural resources.</p> <p><u>Mitigation:</u> Understand the following during due diligence:</p> <ul style="list-style-type: none"> <li>• Current practices concerning the purchase, storage, use and disposal of agrochemicals and other hazardous materials.</li> <li>• Categorization of agrochemicals in use, particularly whether any pesticides and chemicals are subject to international ban or included in the list of</li> </ul>



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			<p>highly hazardous pesticides of WHO. Require, through the ESG action plan, the institution of relevant hazardous materials management policies and procedures to mitigate identified risks.</p>
Food safety	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required <u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p>	<p><u>Risk:</u> Improper use of agrochemicals may result in residue in harvested produce which may affect human health. Additionally, the use of wastewater and lapses in post-harvest handling and processing may result in contamination. <u>Mitigant:</u> Review food safety procedures, post-harvest handling and traceability protocols to ensure reduced contamination risks and well as recall /correction capacity/procedures in</p>

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			the event of distribution of contaminated products.
Security force	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required.</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p>	<p><u>Risk:</u> The use of armed security personnel may result in violence against community members, leading to injury, conflict, and death.</p> <p><u>Mitigant:</u> Discourage the use of armed security as much as possible. If this is deemed necessary, especially in volatile regions, ensure that security procedures, including de-escalation, proper use and storage of weapons, and police/relevant authority consultations are in place.</p>
Competition over water and other	<p><u>ARAF II:</u> ARAF II ESG officer and/or</p>	<p><u>Section 3 - ESG considerations during the</u></p>	<p><u>Risk:</u> Large scale agricultural activities may result in over-exploitation of water</p>

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natural resources	consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms <u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution	resources, leading to competition with the members of the community. This is also probable among pipeline companies that operate nucleus farms and supplement supply with smallholder farmer output. <u>Mitigation:</u> Review, during due diligence, water sources and consumption and require, through the ESG Action Plan, the institution programs aimed improving efficient use of water.
Infrastructure and building construction	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 - ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and	<u>Risk:</u> Poorly managed construction areas may pose the threat of injury and accidents during the construction phase while compromised buildings and infrastructure projects may result in death, injury, or property damage due to structural failures.

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		Governance Reforms <u>Section 5 – Environmental and Social: Labor and Working Conditions</u>	Climatic events such as floods and landslides may also compromise buildings and other infrastructure projects. <u>Mitigation:</u> Review current and planned construction and infrastructure projects and ensure that the right professionals, impact assessments and regulatory approvals/requirements have been procured. Ensure that future projects are governed by appropriate policies and procedures as part of the ESG Action Plan.
Community health	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u>	<u>Section 3 - ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment	<u>Risk:</u> The influx of workers may result in the spread of infectious diseases in the community. Additionally, agricultural activities may result in the proliferation of vector diseases such as malaria.

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	ESG designee or any other assigned staff	on ESAP and Governance Reforms	<u>Mitigation:</u> Evaluate the potential risks to the community's health during due diligence and ensure that all risks identified are addressed through the ESG Action Plan. Require the reporting of any health incidents when they occur.
Interactions between workers and the community	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 -</u> <u>ESG</u> <u>consideration</u> <u>s during the</u> <u>investment</u> <u>process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms	<u>Risk:</u> Some workers' interaction with community members may include harassment, violence, intimidation, stalking, and other negative behavior. Additionally, unprofessional company agents, field staff or other staff in charge of smallholder farmer relations may exploit, threaten, or intimidate members of the community. This may have significant negative impacts, including legal action and negative publicity.

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			<p><u>Mitigant</u>: Review the extent of interactions between the company's employees and agents during due diligence and ensure that the company has implemented appropriate policies and procedures governing conduct. Review smallholder farmer feedback during annual impact and similar surveys for reports of negative interactions with the company and its officers.</p>
Emergency situations	<p><u>ARAF II</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company</u>: ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG considerations during the investment process</u>: Screening, ESG Due Diligence and Binding commitment on ESAP and</p>	<p><u>Risk</u>: Agricultural activities, particularly processing activities, bear the risk of emergency situations such as fires and spills which may result in significant danger to the community.</p> <p><u>Mitigant</u>: Conduct site visits or other appropriate due</p>

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		Governance Reforms	diligence procedures to ensure adequate safety protocols are in place. Where possible, ensure that company infrastructure has appropriate buffer zones from community residences. Ensure that all company have instituted appropriate emergency preparedness and safety policies and procedures.
Consumer data privacy	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 - ESG consideration s during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms	<u>Risk:</u> Due to the nature of their interactions with smallholder farmers, companies may be required to collect data on farmers, consumers, and other actors in the value chain. Mismanagement of this data may result in a breach of their privacy, exposing them to malicious attacks which may result in losses.

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			<p><u>Mitigation:</u> Evaluate the data privacy risks associated with the company's operations and require the implementation of the appropriate data protection policies and procedures as part of the ESG Action Plan.</p>
<p>Vehicle and transport risks</p>	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p>	<p><u>Risk:</u> Increased agricultural activities may result in increased traffic and transportation of raw materials, inputs and finished produce to/from the farms.</p> <p><u>Mitigation:</u> Evaluate the traffic potential based on the activities undertaken and the area of operations. Require the institution of a vehicle use and transport policy to ensure road safety and traffic mitigation.</p>



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<p>Consumer credit</p>	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG consideration s during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p>	<p><u>Risk:</u> Activities that enable smallholder farmers to access credit through inputs, payment plans, and cash advances may result in the creation of an undue credit burden on the farmer if their credit capacity is not properly evaluated. Farmers may therefore be locked into perpetual debt and suffer the risk of losing their property. This is a risk among ag-finance pipeline companies that also offer connections between farmers and financial institutions.</p> <p><u>Mitigant:</u> Evaluate the appropriateness of the credit advancements to farmers, company credit policy, credit scoring methods, and historical debt repayment rates. Ensure that the company has the right</p>
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			debt collection policies and procedures in place, and that these are compliant with local laws.
Community conflict	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG consideration during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p> <p><u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution</p>	<p>Risk: As primary production companies compete for similar resources with the community or as companies establish facilities within communities, there is a probability of conflict/dissatisfaction.</p> <p>Mitigants: Due to the need to work with farmers from the smallholder communities while observing local authority protocols, pipeline companies will need to perform continual stakeholder engagements. ARAF will also ensure that portfolio companies conduct stakeholder engagements and implement robust grievance mechanisms.</p>

**PS 5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT**

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Indicator	Role	ESMS Reference Guide	Risk and mitigant
Land acquisition policies and procedures	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 -ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms  <u>Section 5 Environmental and Social Standards:</u> Involuntary resettlement  <u>Annex 4:</u> Guidance for land and resettlement	<u>Risk:</u> Companies seeking to acquire land to begin or expand operations may lack adequate evaluation and acquisition policies and procedures, which involve community consultations and adherence to the requisite legal frameworks, especially in instances of resettlement. <u>Mitigant:</u> Evaluate past and future land acquisition and resettlement activities to ensure that all risks are identified and resolved. Ensure compliance with all regulations and adequate consultations with local communities.

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			<p>Require the development of relevant land acquisition policies and procedures to govern future activities as part of the ESG Action Plan.</p>
<p>Involuntary resettlement, inadequate compensation, and displacement.</p>	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 -ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p> <p><u>Section 5 Environmental and Social Standards:</u> Involuntary resettlement</p> <p><u>Annex 4:</u> Guidance for</p>	<p><u>Risk:</u> The acquisition of land for commercial farms and factory construction may involve the resettlement of members of the local communities or displacement. This may result in the risk of inadequate consultation and compensation, as well as lack of consent, particularly in instances where the resettlement is led by a third party, such as the government.</p> <p><u>Mitigation:</u> Ensure that companies avoid instances of resettlement as much</p>

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		land and resettlement	as possible. In the event where this is necessary, ensure that policies, procedures, and comprehensive resettlement plans are developed and adhered to, in consultation with legal professionals.
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**IFC PERFORMANCE STANDARD 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES**

<b>Indicator</b>	<b>Role</b>	<b>ESMS Reference Guide</b>	<b>Risk and Mitigant</b>
Impact on ecosystem services	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 - ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms	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 supports ecosystem services such as pollination which are essential for maintaining healthy and sustainable food systems. Consequently, biodiversity loss

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		<u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution	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	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 - ESG consideration s during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms  <u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution	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. Mitigant: The ARAF team will pay special attention to where company operations are located. ARAF will also have specific cautions and expectations for companies operating in protected areas. Companies located or operating near protected areas will be monitored. Companies will not be allowed to purchase land using ARAF funds on critical habitats or protected areas. Companies operating in these areas and are capable of having a measurable impact on species or habitats may require an ESIA.

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Impacts to International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered species and habitats	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 - ESG consideration s during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p> <p><u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution</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 ARAF team will pay special attention to where company operations are located. ARAF will also have specific cautions and expectations for companies operating in areas with IUCN vulnerable, endangered, and critically endangered species. Companies located or operating near IUCN critical areas will be monitored. Companies will not be allowed to purchase land using ARAF funds in IUCN critical areas. Companies operating in these areas and are capable of having a measurable impact on species or habitats may require an ESIA.</p>

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Protection of habitats and biodiversity management	<u>ARAF II:</u> ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>Section 3 - ESG consideration s during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms  <u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution	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. Mitigant: Companies are expected to have sufficient environmental policies. Companies found to have an 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.
Deforestation	<u>ARAF II:</u>	<u>Section 3 - ESG</u>	Risks: Agriculture conversion is a key driver of deforestation in many countries. As agricultural



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	ARAF II ESG officer and/or consultants as required  <u>Portfolio Company:</u> ESG designee or any other assigned staff	<u>considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms <u>Section 5 – Environmental and Social Standards:</u> Biodiversity, Resource Efficiency, and Pollution	activities become profitable, and in the absence of sufficient oversight, smallholder farmers may encroach into forests.  Mitigants: Most of the targeted pipeline companies in ARAF's pipeline do not engage in primary production. In instance where the companies work with smallholder farmers, the use of agents who monitor farmers' activities will support the prevention of deforestation. Additionally, ARAF's binding documentation prohibits deforestation practices among portfolio companies.
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**IFC PERFORMANCE STANDARD 7: INDIGENOUS PEOPLES**

Indicator	Role	ESMS Reference Guide	Risk and Mitigant Description
Impacts on Indigenous peoples	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 -ESG considerations during the investment process:</u> Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p> <p><u>Annex 5 – Environmental and Social Standards:</u> Indigenous Peoples</p> <p><u>Annex 5:</u> Guidance on Indigenous people</p>	<p>Risk: Companies may operate in areas with Indigenous peoples or interact 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 could undertake activities that may significantly impact on critical cultural heritage essential to Indigenous Peoples' identity and/or cultural, ceremonial, or spiritual lives. Companies may not have Indigenous peoples' policies and may not have</p>

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			<p>procedures for interacting with Indigenous communities. Companies not having policies and procedures tied to best practices could result in harming Indigenous populations. Mitigant: ARAF has an Indigenous People's Policy that informs engagements with Indigenous people. ARAF 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, ARAF will expect them to have proper Indigenous Peoples' policies and procedures.</p>
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**IFC PERFORMANCE STANDARD 8: CULTURAL HERITAGE**

Indicator	Role	ESMS Reference Guide	Risk and Mitigant Description
Impact upon critical cultural heritage	<p><u>ARAF II:</u> ARAF II ESG officer and/or consultants as required</p> <p><u>Portfolio Company:</u> ESG designee or any other assigned staff</p>	<p><u>Section 3 -ESG considerations during the investment process:</u></p> <p>Screening, ESG Due Diligence and Binding commitment on ESAP and Governance Reforms</p>	<p>Risk: Companies could undertake activities that may significantly impact on critical cultural heritage essential to local communities/Indigenous Peoples' identity and/or cultural, ceremonial, or spiritual lives. Companies could utilize cultural or historical imagery in their marketing materials without consent from relevant communities and stakeholders. This could result in the ARAF funding companies improperly benefiting from cultural materials. This could also harm community trust, stakeholder engagement, and program impact.</p> <p>Mitigant: Due diligence will be</p>

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			<p>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. ARAF expects these types of risks to be minimal.</p>
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In addition, agricultural operations may have unintended impacts, mainly the conversion of natural forests due to displacement of productive activities or to establishment of farms by other stakeholders. To address this, the Fund will always try to avoid, and when that is not possible, minimize any displacement because of its operations. Should any displacement take place, the IFC Performance Standards will be followed, and environmental and social impacts will be mitigated.

## 2.3 Program Environmental and Social Risks

### Environmental Risks

**2.3.1.** While ARAF II has numerous climate, environmental, and social benefits, the ARAF II team recognizes the presence of certain social and environmental risks. There are five major environmental risks: pollution, soil degradation, deforestation, biodiversity loss and water scarcity.

**2.3.2. Pollution:** The agricultural sector produces a significant amount of waste from inputs and produce processing, which can potentially pollute the environment. Additionally, improper management or use of agrochemicals can lead to land and water contamination.

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<sup>112</sup> Excessive use of artificial fertilizers can increase soil acidity and negatively impact soil health.<sup>113</sup> These fertilizers often contain chemical compounds such as nitrogen, phosphorus, and potassium. <sup>114</sup> Phosphorus from artificial fertilizers can accelerate eutrophication in water bodies, while excessive nitrogen fertilizers are a major source of nitrate pollution in groundwater and surface water. <sup>115</sup> Improper pesticide use can also accelerate biodiversity loss, as pesticides targeting certain weeds can be toxic to non-target insects, animals, and plants within ecosystems.

**2.3.3. Soil degradation:** Unsustainable and improper farming methods such as overgrazing and improper land management have contributed to soil degradation. <sup>116</sup> Soil degradation can result in soil compaction, soil nutrient depletion, soil fertility depletion and decreased soil organic matter content. <sup>117</sup> Soil degradation has negatively impacted smallholder farmers by lowering agricultural production and reducing their incomes. <sup>118</sup>

**2.3.4. Deforestation:** Agricultural activities have intensified deforestation through the conversion of forested areas into agricultural land through bush clearing and the cutting

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<sup>112</sup> [Nicholaus Calista, Martin Haikael, Matemu Athanasia, Kassim Neema and Kimiywe Judith, Does Pesticide exposure contribute to the growing burden of non - communicable diseases in Tanzania. 2022.](https://www.sciencedirect.com/science/article/pii/S2468227622001831#:~:text=Another%20study%20conducted%20among%20vegetable,Table%202)

<https://www.sciencedirect.com/science/article/pii/S2468227622001831#:~:text=Another%20study%20conducted%20among%20vegetable,Table%202>

<sup>113</sup> AGRA, Feeding Africa's soils Fertilizers to support Africa's agricultural transformation, 2019. <https://agra.org/wp-content/uploads/2019/11/FeedingAfrica'sSoils.pdf>

<sup>114</sup> AGRA, Feeding Africa's soils Fertilizers to support Africa's agricultural transformation, 2019. <https://agra.org/wp-content/uploads/2019/11/FeedingAfrica'sSoils.pdf>

<sup>115</sup> AGRA, Feeding Africa's soils Fertilizers to support Africa's agricultural transformation, 2019. <https://agra.org/wp-content/uploads/2019/11/FeedingAfrica'sSoils.pdf>

<sup>116</sup> Nora Ririe, Land Degradation in Rural Tanzania, 2014. <https://ballardbrief.byu.edu/issue-briefs/land-degradation-in-rural-tanzania#:~:text=More%20than%2019%20million%20people,economic%20decline%2C%20and%20environmental%20migration>

<sup>117</sup> Nora Ririe, Land Degradation in Rural Tanzania, 2014. <https://ballardbrief.byu.edu/issue-briefs/land-degradation-in-rural-tanzania#:~:text=More%20than%2019%20million%20people,economic%20decline%2C%20and%20environmental%20migration>

<sup>118</sup> Nora Ririe, Land Degradation in Rural Tanzania, 2014. <https://ballardbrief.byu.edu/issue-briefs/land-degradation-in-rural-tanzania#:~:text=More%20than%2019%20million%20people,economic%20decline%2C%20and%20environmental%20migration>

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down of trees.<sup>119</sup> Significant deforestation has been linked to small holder agriculture through the expansion of smallholder farms into forested areas or natural ecosystems.<sup>120</sup>

**2.3.5. Water Scarcity:** Different regions across Africa (including East Africa, West Africa, and North Africa) have limited water resources, and agriculture consumes a sizable portion of the available water. Agricultural activities have led to the over-extraction of groundwater and inefficient irrigation practices have exacerbated water scarcity, especially in arid and semi-arid regions.<sup>121</sup> Groundwater levels are rapidly declining due to low groundwater recharge and the over expansion of agricultural activities.<sup>122</sup>

**2.3.6. Biodiversity Loss:** Agricultural expansion and intensification into high biodiversity areas has catalyzed biodiversity loss. Natural ecosystems support biodiversity and ecosystem services, such as pest control and pollination, which are essential for maintaining healthy and sustainable food systems.<sup>123</sup> Natural ecosystems are threatened by uncontrolled agricultural expansions and unsustainable agricultural practices.<sup>124</sup>

## Social Risks

**2.3.7.** There are five major social risks for ARAF II: labor and working conditions; land resettlement and acquisition; community health and safety; gender and sexual exploitation, abuse, and sexual harassment.

<sup>119</sup>John Tennyson, Eunice Nimo, Basit Lawal and Ian Afele, Deforestation in Ghana: Evidence from selected Forest Reserves across six ecological zones, 2022.  
[https://www.researchgate.net/publication/358989016\\_Deforestation\\_in\\_Ghana\\_Evidence\\_from\\_selected\\_Forest\\_Reserves\\_across\\_six\\_ecological\\_zones](https://www.researchgate.net/publication/358989016_Deforestation_in_Ghana_Evidence_from_selected_Forest_Reserves_across_six_ecological_zones)

<sup>120</sup>John Tennyson, Eunice Nimo, Basit Lawal and Ian Afele, Deforestation in Ghana: Evidence from selected Forest Reserves across six ecological zones, 2022.  
[https://www.researchgate.net/publication/358989016\\_Deforestation\\_in\\_Ghana\\_Evidence\\_from\\_selected\\_Forest\\_Reserves\\_across\\_six\\_ecological\\_zones](https://www.researchgate.net/publication/358989016_Deforestation_in_Ghana_Evidence_from_selected_Forest_Reserves_across_six_ecological_zones)

<sup>121</sup>Byaruhanga Michael, Joseph Obua, Mnason Tweheyo and Bernard Bashaasha, Large-scale Agricultural Investments and their Implications on Water Access and Quality for Local Communities in northern Uganda, 2024.  
<https://www.diiis.dk/en/research/large-scale-agricultural-investments-and-their-implications-on-water-access-and-quality>

<sup>122</sup>Byaruhanga Michael, Joseph Obua, Mnason Tweheyo and Bernard Bashaasha, Large-scale Agricultural Investments and their Implications on Water Access and Quality for Local Communities in northern Uganda, 2024.  
<https://www.diiis.dk/en/research/large-scale-agricultural-investments-and-their-implications-on-water-access-and-quality>

<sup>123</sup>IIED, Reducing the biodiversity impacts of agriculture in Ethiopia, 2022.  
<https://www.iied.org/sites/default/files/pdfs/2022-04/20891G.pdf>

<sup>124</sup>IIED, Reducing the biodiversity impacts of agriculture in Ethiopia, 2022.  
<https://www.iied.org/sites/default/files/pdfs/2022-04/20891G.pdf>

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**2.3.8. Labour and working conditions:** Most of the labourers in the agricultural sector are employed informally. Informal workers are often vulnerable to non-consideration for minimum wages and pension insurance.<sup>125</sup> Agricultural activities, which typically include they use of heavy machinery and tools, exposure to agrochemicals and other hazardous materials, and hazardous environments including extreme heat and in large water bodies, can result in significant occupational health and safety risks.<sup>126</sup> Non-observance of occupational safety and health principles in crop, livestock and fisheries production further aggravates health risks and compromises workers' safety.<sup>127</sup> Child labour remains a significant issue in the agriculture sector, with children often engaged in intensive agricultural activities such as crop harvesting and livestock herding.<sup>128</sup> The prevalence of child labour is driven by factors such as poverty, lack of access to education, and cultural norms that prioritize household income over children's rights.<sup>129</sup>

**2.3.9. Land Resettlement and Acquisition:** Some agricultural projects, such as commercial farming, often result in the displacement of local communities and Indigenous peoples from their ancestral lands, leading to loss of livelihoods, cultural identity, and social cohesion. A report on land grabbing in Tanzania highlighted that Indigenous communities are often marginalized and forcibly evicted to make way for large-scale agricultural investments, leading to social tensions and human rights violations.<sup>130</sup> In Nigeria, land acquisition poses a significant socio-economic risk to farmers. The World Bank's Land Governance Assessment Framework found that, in Nigeria, "a large number of acquisitions occurs without prompt and

<sup>125</sup> FAO, Improving health and safety of workers and actors in Uganda's agriculture sector, 2021.

<https://www.fao.org/uganda/news/detail-events/ar/c/1402791/#:~:text=Antonio%20Querido%2C%20FAO%20Representative%20in,arising%20from%20the%20use%20of>

<sup>126</sup> FAO, Improving health and safety of workers and actors in Uganda's agriculture sector, 2021.

<https://www.fao.org/uganda/news/detail-events/ar/c/1402791/#:~:text=Antonio%20Querido%2C%20FAO%20Representative%20in,arising%20from%20the%20use%20of>

<sup>127</sup> FAO, Improving health and safety of workers and actors in Uganda's agriculture sector, 2021.

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<sup>128</sup> Hagmann Tobias and Mulugeta Alemmaya, Pastoral conflicts and state-building in the Ethiopian lowlands, 2008. [https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann\\_et\\_al-Pastoral\\_conflicts\\_and\\_state-building\\_in.pdf?sequence=1](https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann_et_al-Pastoral_conflicts_and_state-building_in.pdf?sequence=1)

<sup>129</sup> Hagmann Tobias and Mulugeta Alemmaya, Pastoral conflicts and state-building in the Ethiopian lowlands, 2008. [https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann\\_et\\_al-Pastoral\\_conflicts\\_and\\_state-building\\_in.pdf?sequence=1](https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann_et_al-Pastoral_conflicts_and_state-building_in.pdf?sequence=1)

<sup>130</sup> Indigenous groups in Tanzania become victims of land grabbing, 2022.

<https://www.aa.com.tr/en/africa/indigenous-groups-in-tanzania-become-victims-of-land-grabbing/2635793>



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adequate compensation, thus leaving those losing land worse off, with no mechanism for independent appeal even though the land is often not utilized for a public purpose." This is mostly because of numerous factors, including corruption, limited capacity, insufficient financing, and a legal framework. According to a recent study of compensation procedures established in national laws of 50 countries, Nigeria's compensation procedure lags many of the countries assessed because the Land Use Act mostly fails to adopt international standards on the valuation of compensation.<sup>131</sup>

**2.3.10. Community Health and Safety:** Agricultural activities pose community health and safety risks such as the limitation of natural resources, exposure to agrochemicals because of improper application and disposal of hazardous waste, exposure to odors and emissions, and disease prevalence. For instance, malaria prevalence at a cotton and vegetable irrigation scheme was 54% higher than the surrounding, non-irrigated areas. The same scheme also resulted in a 70% prevalence of urinary schistosomiasis among Pokomo schoolchildren a decade after its establishment.<sup>132</sup> Competition for land and water resources among local communities, pastoralists, and agribusinesses often leads to conflicts over land tenure, resource access, and grazing rights.<sup>133</sup> These conflicts can escalate tensions, disrupt social cohesion, and hinder community development initiatives.<sup>134</sup> Agriculture accounts for a substantial portion of water usage in some regions, leading to overexploitation of water resources and contributing to water scarcity in the regions. This scarcity affects both agricultural production and access to clean water for drinking and sanitation, disproportionately impacting rural communities.<sup>135</sup>

<sup>131</sup> Tagliarino, Nicholas K., et al. "Compensation for expropriated community farmland in Nigeria: An in-depth analysis of the laws and practices related to land expropriation for the Lekki Free Trade Zone in Lagos." *Land* 7.1 (2018): 23. <https://www.mdpi.com/2073-445X/7/1/23>

<sup>132</sup> [https://spring-nutrition.org/sites/default/files/understanding\\_the\\_linkages\\_between\\_agriculture\\_and\\_health-ifpri\\_2006.pdf](https://spring-nutrition.org/sites/default/files/understanding_the_linkages_between_agriculture_and_health-ifpri_2006.pdf)

<sup>133</sup> Hagmann Tobias and Mulugeta Alemmaya, Pastoral conflicts and state-building in the Ethiopian lowlands, 2008. [https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann\\_et\\_al-Pastoral\\_conflicts\\_and\\_state-building\\_in.pdf?sequence=1](https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann_et_al-Pastoral_conflicts_and_state-building_in.pdf?sequence=1)

<sup>134</sup> Hagmann Tobias and Mulugeta Alemmaya, Pastoral conflicts and state-building in the Ethiopian lowlands, 2008. [https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann\\_et\\_al-Pastoral\\_conflicts\\_and\\_state-building\\_in.pdf?sequence=1](https://www.ssoar.info/ssoar/bitstream/handle/document/35292/ssoar-afrspectrum-2008-1-hagmann_et_al-Pastoral_conflicts_and_state-building_in.pdf?sequence=1)

<sup>135</sup> Byaruhanga Michael, Joseph Obua, Mnason Tweheyo and Bernard Bashaasha, Large-scale Agricultural Investments and their Implications on Water Access and Quality for Local Communities in northern Uganda, 2024. <https://www.diiis.dk/en/research/large-scale-agricultural-investments-and-their-implications-on-water-access-and-quality>

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**2.3.11. Gender:** Women play a crucial role in agriculture but often have limited access to land, credit, and training. <sup>136</sup> Gender disparities hinder the full potential of the agricultural workforce. <sup>137</sup>

**2.3.12: Sexual exploitation, abuse and sexual harassment (SEAH):** SEAH represent a systemic form of gender-based violence and labour abuse in the agriculture sector, rooted in gender inequality and power imbalances, disproportionately targeting women. <sup>138</sup> In sectors such as the agriculture with a large female workforce the risks of SEAH are significantly high. <sup>139</sup> The vulnerability to exploitation is further exacerbated when women are employed in informal, casual, low-paid positions with limited job security. <sup>140</sup> For instance, in the cut flower export industry in Kenya, women are subject to sexual violence and harassment by male supervisors. Women state that supervisors request sexual favors in exchange for employment, time off, promotion, and bonuses. They also state that they cannot complain as there are no suitable channels through which to communicate such incidents to management. Women also experience verbal and physical abuse, corruption, and wages being docked as a disciplinary measure. <sup>141</sup> Additionally, in 2020, several British supermarkets suspended purchases from a Kenyan avocado supplier during an investigation into 79 allegations of violence and rape by security guards against local community members over a 10-year period. There have also been allegations of sexual harassment in some of the country's largest tea estates. <sup>142</sup>

<sup>136</sup> FAO. 2022. Country Gender Assessment of the Agriculture and Rural Sector: Egypt – Brief. Country gender assessment series – Near East and North Africa. Cairo. <https://doi.org/10.4060/cb7909en>

<sup>137</sup> FAO. 2022. Country Gender Assessment of the Agriculture and Rural Sector: Egypt – Brief. Country gender assessment series – Near East and North Africa. Cairo. <https://doi.org/10.4060/cb7909en>

<sup>138</sup> FAO, The Status of Women in Agrifood Systems, <https://openknowledge.fao.org/server/api/core/bitstreams/e34863d6-a08a-465e-8d65-2b38f611946d/content/status-women-agrifood-systems-2023/chapter1.html>

<sup>139</sup> FAO, The Status of Women in Agrifood Systems, <https://openknowledge.fao.org/server/api/core/bitstreams/e34863d6-a08a-465e-8d65-2b38f611946d/content/status-women-agrifood-systems-2023/chapter1.html>

<sup>140</sup> FAO, The Status of Women in Agrifood Systems, <https://openknowledge.fao.org/server/api/core/bitstreams/e34863d6-a08a-465e-8d65-2b38f611946d/content/status-women-agrifood-systems-2023/chapter1.html>

<sup>141</sup> Henry, Carla, and Jacqueline Adams. "Spotlight on sexual violence and harassment in commercial agriculture lower and middle income countries." Geneva: *International Labour Organization* (2018).

[https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_630672.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_630672.pdf)

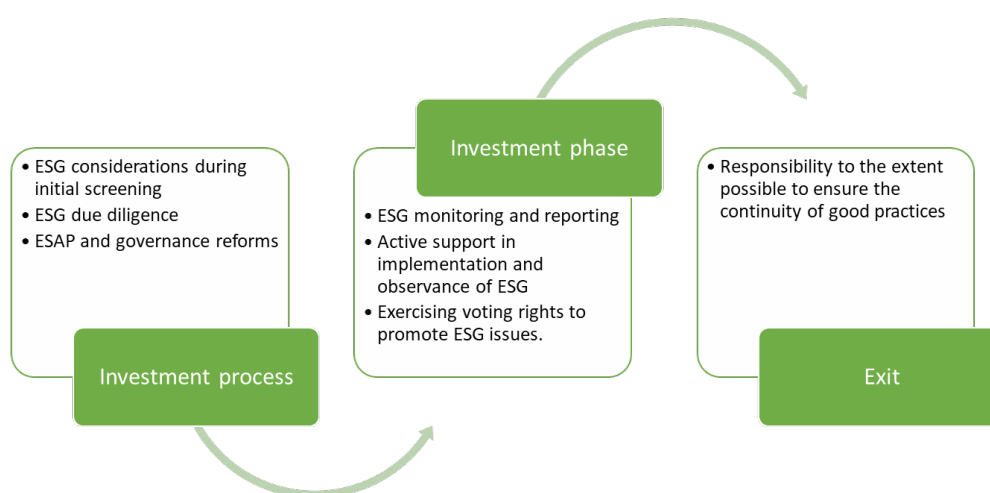
<sup>142</sup> <https://www.ifc.org/content/dam/ifc/doc/mgrt/sectorbrief-addressinggbvh-agribusiness.pdf>

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### 3 ESG management at the fund level

The ESMS of the Fund considers environmental and social requirements and governance and integrity standards from the initial phase of the investment process and throughout the investment lifetime. The integration of ESG into each step of the investment process is presented in the figure below and detailed in the following sections.



#### 3.1 ESG considerations during the investment process

During the investment process, the Fund will assess the ESG risks associated with the potential Portfolio Company and the foreseen project to be developed with the Fund investment, as well as the capacity of the potential Portfolio Company to address them. For the assessment, potential Portfolio Companies are required to present their business outlining the foreseen project that the Fund investment will finance. The project includes all the future activities, operations and subprojects that are foreseen.

In greenfield projects, the assessment will focus on the risks of planned operations and the measures foreseen by the Portfolio Companies to assess, manage, and mitigate such risks. In brownfield projects, the assessment will also consider the ESG performance of the Portfolio Company in their existing operations.

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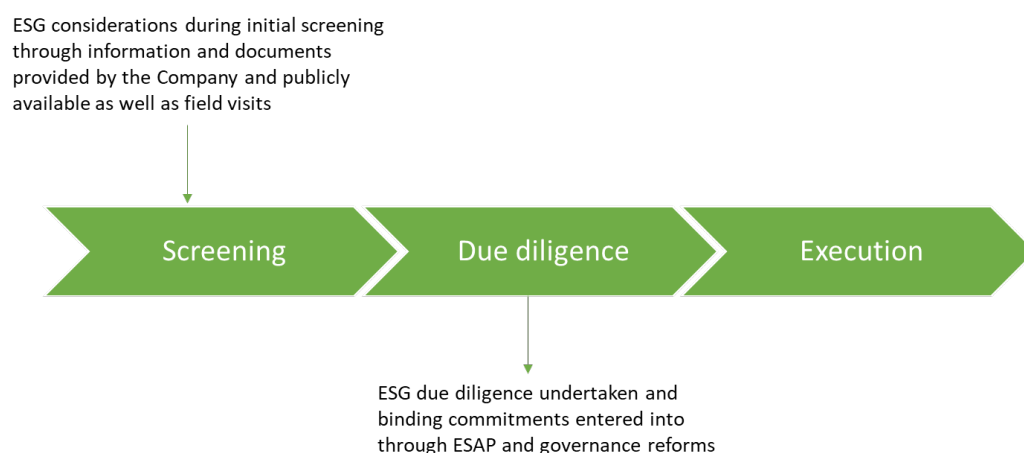
Assessments will also cover processing operations that may be part of a project.

In all cases, the assessment of risks and impacts will consider particularly the following aspects, in addition to those described in this document:

- Occupational health and safety
- Environmental protection and sustenance
- Community health, safety, and security.

In addition, assessments will consider the guidance provided under the relevant IFC Environmental, Health and Safety Guidelines on agribusiness and food production, as well as other sectorial guidelines.

ESG considerations at the different stages of the investment process can be visualized as follows:



### 3.1.1 Screening

The investment, climate and ESG analyst (ESG officer) will be responsible for conducting the assessment of the potential Portfolio Company and for communicating with the

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potential Portfolio Company. The deal team will support the ESG officer by identifying ESG risks associated with the company during site visits and the due diligence process, following which these will be communicated to the ESG officer for inclusion in the assessment and action plan.

During eligibility and screening the ESG officer will assess general information about the potential Portfolio Company and the foreseen project. The ESG assessment shall encompass a review of public information to reveal any environmental, social, business integrity or legal controversy related to the potential Portfolio Company, for example, by reviewing news articles. This evaluation will be enhanced and triangulated by any additional information or documentation provided by the potential Portfolio Company (e.g., policies, management plans, reports, etc.) that are relevant to its ESG performance.

At this stage, the ESG Checklist (template included in Annex 1) will serve the deal manager as guidance to identify deal breaking issues and potential risks associated with the potential Portfolio Company and the foreseen project and get an overview of the ESG performance of the potential Portfolio Company.

### 3.1.2 ESG Due Diligence

The main tool to assess the ESG risks associated with a potential Portfolio Company and its foreseen project and compliance to ESG standards is the ESG Due Diligence (ESG DD) process.

During the DD phase, the ESG officer will rely on site visits conducted by the deal team to the potential Portfolio Company during which inter alia ESG information will be gathered. The potential Portfolio Company will also be required to complete a Q&A for ESG matters and provide supporting documentation. The ESG officer will assess the ESG performance of the company and potential ESG risks associated with the foreseen project. If no deal breaking issues or major concerns are identified during this initial assessment, the project prequalifies, and further ESG DD will be undertaken with the help of additional external ESG experts on specialized areas in which the deal team and the potential portfolio company team lack capacity.

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The ESG officer will provide the deal team with the information gathered through the ESG Checklist and communicate any ESG related concerns that have been identified during site visits. The ESG Checklist will include a risk categorization of the project as:

IFC risk category	Category description	Comparable GCF ESS risk category
A	Potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.	A
B	Potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.	B
C	Minimal or no adverse environmental or social risks and/or impacts.	C

The ESG Checklist will help the ESG officer to identify major risk areas that require special attention in the DD and ES requirements that are commensurate with the risk category, including the need for a full and comprehensive Environmental and Social Impact Assessment (ESIA) and an Environmental and Social Management Plan (ESMP). While the

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Fund is not authorized to undertake category A projects, Category B and C projects will require assessment for the need for a fit for purpose ESIA and ESMP as may be appropriate. The assessment will involve all the subprojects that are part of the project foreseen by the Portfolio Company. In cases of multiple subprojects with different risk levels, the overall project will be rated as the highest risk category identified, while the applicable E&S requirements will be specific for each subproject and proportional to its associated risks. Projects found to be Category B in due diligence will be required to conduct an ESIA and publicly share a disclosable version of the ESIA 30 days prior to the investment committee decision. ESIA's 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
- Translation into local language

The ESG officer will conduct an ESG assessment and provide a gap analysis between the ESG performance of the potential Portfolio Company in its current operations, but also regarding the planned project, by comparing those to the Fund requirements as described in section 5. This will be conducted mainly through documentation review, site visits and interviews with relevant stakeholders.

The resulting information will be compiled, analysed, and presented following the structure and guidance of the IFC Performance Standards, including but not limited to the ESG risks and opportunities of the potential Portfolio Company and foreseen project and its capacity to address those risks internally or with external support. The ESG Due Diligence 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 Fund requirements.



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The ability and willingness of the potential Portfolio Company to undertake such reforms, corrective measures and improvements in a reasonable period and the related allocation of resources to do so shall be assessed by the deal team and be considered for the investment decision.

### 3.1.3 Binding commitment on ESAP and Governance Reforms

If the deal team and the Investment Committee decide to continue with the investment, the ESG reforms considered necessary during the ESG DD will be formulated into an Environmental and Social Action Plan (ESAP). The ESAP will be formulated in negotiation with the senior management of the Portfolio Company, and will include identified priority ESG concerns, risk levels, actions required, delegated responsibilities, implementation timeline and costs involved.

The investment side letter between the Fund and the Portfolio Company will explicitly include the commitment of the Portfolio Company to implement the ESAP, meet reporting duties, and assume ESG related costs, as well as the implications of a breach of ESG requirements. The ESAP will be part of the contract as well, imposing a legally binding commitment to adhere to ESG reforms, including serious consequences for breaching such commitments. The deal team shall clearly communicate ESG requirements to the senior management of the Portfolio Company and its wider implications. Any additional risks, challenges and expectations on both sides shall be clarified at this stage.

## 3.2 ESG considerations during running investment

After Fund investment, the Portfolio Company starts implementing the agreed business plan, i.e., the project that has been agreed as part of such plan and as assessed as part of the DD process of the Fund. The Portfolio Company will also implement the reforms that have been identified as necessary to fully comply with the ESG requirements of the Fund, in a timely and appropriate manner as detailed in the ESAP.

The adherence to such a business plan is part of the legal obligations of the Portfolio Company, and therefore, the Portfolio Company may not proceed with any material

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changes to the business plan without receiving explicit consent from the Board. Should there be significant changes to such business plan, e.g. new or significantly revised subprojects, then, the Portfolio Company is required to conduct the necessary environmental and social assessments and provide the outcome for the Fund to consider in order to decide whether or not the Portfolio Company may proceed with such subproject, and whether or not such new or significantly revised subproject requires amendments to the Portfolio Company's ESAP. The environmental and social assessment of subprojects needs to follow the Fund's ESG requirements (see section 5.2.3).

During a running investment, the engagement of the Fund with its Portfolio Companies will aim at ensuring responsible business operations and increasing the Portfolio Companies' awareness and knowledge regarding ESG issues through:

- Monitoring and reporting;
- Active support in implementation and observance of ESG;
- Exercising voting rights to promote ESG issues.

Monitoring and reporting is one of the major tasks at this stage. As activities of the Portfolio Company are expected to have positive effects on local people, their environment and the climate, stringent monitoring and reporting is necessary to ensure that project implementation leads to such positive impacts. Therefore, the Fund will document and promote ESG measures by applying a pragmatic monitoring approach.

Further details on the monitoring and reporting system are provided in section 6.

### 3.3 ESG considerations during divestment process

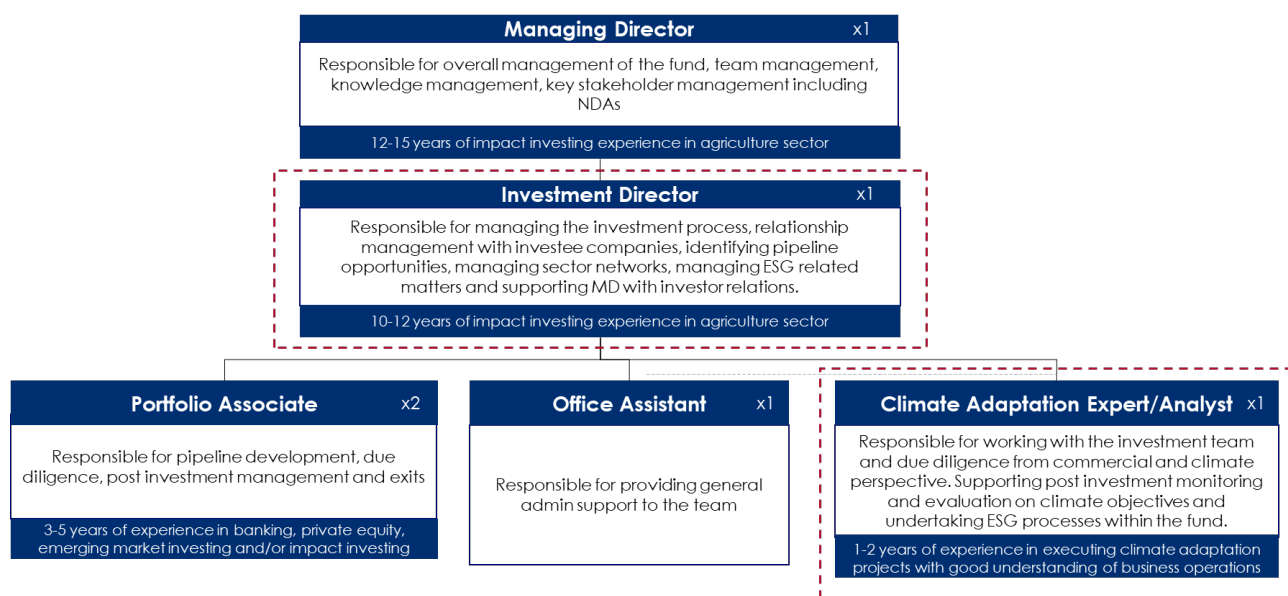
To ensure the sustainability of environmental and social standards the Fund will, to the extent possible, propose to the new investor the need for continuity of high ESG standards and good practices by the Portfolio Company.

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## 4 Allocation of resources, organisational capacity, and responsibilities

### 4.1 On Fund level

To ensure the implementation of the ESMS, the Fund management team includes one designated person responsible for ESG matters (ESG officer) and one ESG manager responsible for overseeing and reviewing day to day ESG operations. Below is the organization chart indicating the people responsible for ESG matters and their respective qualifications.



The ESG officer of the Fund management team will be responsible for overseeing all ESG related processes described in the sections above, namely:

- Overseeing the execution of the ESG DD process and reviewing the ESAP (see section 3.1);
- Keeping the overview of the Portfolio Company's ESG performance against set indicators and ensuring appropriate backstopping and support is provided in case of difficulties or extraordinary events (see section 3.2);

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- Monitoring and reporting to the investors (see section 6);

The ESG manager will be responsible for the review and management of all ESG related processes including the following:

- Review of all ESG documentation prepared by the ESG officer prior to approval and implementation;
- Review of the Fund's ESMS and providing guidance on updates and changes as may be relevant; and
- Monitoring and reviewing the implementation of portfolio companies' ESG action plans and providing guidance on appropriate backstopping measures.

The deal team shall be responsible for identifying ESG risks associated with the company during site visits and the due diligence process, following which these will be communicated to the ESG officer for inclusion in the assessment and action plans.

The fund will conduct ESG training on a as need basis to the investment team in specialized areas. The investment team, led by the ESG officer, will also conduct training sessions involving the assessment of ESG matters on completed deals on a as need basis. When feasible, all new staff undergo ESG training conducted by the ESG office, ESG experts, or third-party providers.

All normal resources associated to the ESG screening and DD process, which includes the assessment of environmental and social risks that is necessary to make an investment decision, will be covered by the Fund. The Fund team may choose to use the Technical Assistance Fund to fund Environmental and Social Impact Assessments. The pre-investment activities, which include due diligence, will be handled by ARAF's ESG officer and, for Category B investments and on a case by case basis, an external consultant. The budget for the ESG officer will be as included in the management fees while the budget for the external consultants will be covered by the direct fund expenses and technical assistance. For Category B projects, ARAF intends on contracting third party ESG experts with local knowledge to conduct an Environmental and Social Impact Assessment.

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The post-investment stage, which mainly relates to implementation and monitoring, will be overseen by the ESG officer and, as the case may be, ESG experts and consultants. The financing of the ESG experts and consultants will be covered by the technical assistance facility.

The actual implementation and monitoring of measures and reforms needed to fulfil and maintain the ESG standards will be introduced by the Portfolio Company. The Fund will facilitate and supervise that all necessary measures are conducted in line with the Fund requirements.

In cases when extraordinary measures call for additional studies conducted by external experts due to a serious breach of the ESG requirements by a Portfolio Company or there is reasonable doubt for high-risk activities, the Fund and the Portfolio Company shall negotiate the resources needed for an independent review.

The Accredited Entity seeks to support the Fund with two positions. The ESG Insights Associate Director intends to advise, support, and monitor the Fund with guidance from the Green Climate Fund and other relevant investors. The ESG Insights Associate Director may support diligence for deals, post-investment support for portfolio companies, or with monitoring and reporting. The ESG Senior Associate will also support the Fund and will play a key role in supporting stakeholder engagement and managing the Nationally Designated Authority relationships.

## 4.2 On Portfolio Company level

Depending on the results of the ESG DD and the gaps identified between current company practices and the compliance with the Fund's ESG requirements, the Portfolio Company is expected to allocate realistic budgets and human and financial resources to ESG matters.

As a minimum requirement, following roles shall be fulfilled in every Portfolio Company:

- **ESG Coordination:** Planning and coordinating ESG measures, monitoring and overseeing ESG performance and compliance with the Fund's ESG requirements, communicating with and reporting to the deal team (role focused on IFC Performance Standard 1).

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- **Environmental Management:** Managing environmental risks, ensuring compliance with local legislation and the Fund's requirements regarding environmental performance (role focused on IFC Performance Standards 3 and 6).
- **Health & Safety Management:** Managing social risks related to labour associated to the company's direct and subcontracted personnel involved in operations, ensuring the implementation of security measures and fair and healthy working conditions (role focused on IFC Performance Standards 2 and 4).
- **Community Relations:** Managing social risks related to relevant stakeholders, particularly local communities living in or adjacent to the project area or depending on its resources. This includes stakeholder engagement, communication, grievance mechanisms and disclosure (role focused on IFC Performance Standards 5, 7 and 8).

The number of personnel dedicated to the roles described above may vary considerably according to the Portfolio Company's risks and adverse impacts, and its phase of development. However, these roles shall be fulfilled to the extent that ensures the implementation and maintenance of the Fund's ESG requirements.

When specific ESG aspects of a Portfolio Company have been classified as bearing high risk during the ESG DD process, the human resources dedicated to them will be set in place or strengthened accordingly by the Portfolio Company. When these high-risk aspects fall into the scope of one of the roles listed above, there shall be at least one fully dedicated person to this role with sufficient knowledge, skills, and authority. Otherwise, an additional position shall be set in place.

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## 5 ESG requirements and standards

### 5.1 General Integrity and Good Governance

#### 5.1.1 Identification of final beneficiaries

The Fund seeks to promote transparency of ownership and control. Accordingly, the Fund shall not enter new investments whenever it is suspected or where there are substantiated allegations that opaque corporate structures or corporate vehicles are being used to hide beneficial ownership.

As part of the Due Diligence the Fund management team will identify the final beneficiary ownership of the potential Portfolio Company.

#### 5.1.2 Integrity Clearance

Widely accepted and internationally recognized "blacklists" (e.g., international sanctions, embargos) will be consulted to verify whether the proposed persons, or entities or their management or shareholders, appear on any of them. If during the Due Diligence process of an investment opportunity integrity red-flags are identified but cannot not be confirmed due to insufficient reliable evidence during the assessment, an additional background check may be commissioned to an independent specialized company. Background checks shall review the potential Portfolio Company's and its officers' current and past compliance with the integrity principles of the Fund and its level of involvement in activities included in the Excluded Investments List.

#### 5.1.3 Excluded Investments List

During the Due Diligence of an investment opportunity the Fund management team will assess whether it is in line with the investment criteria and ESG Policy of the Fund. A main tool at this stage is the Exclusion List (please refer to Annex 3) of the Fund which lists activities excluded to be financed by the Fund. If a potential investment opportunity includes any of the businesses or activities included in the list the investment process may not proceed.

#### 5.1.4 Conviction or serious

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## criminal offences

Conviction of a serious crime of the potential Portfolio Company and/or any member of its management or executive board is a reason to turn down an investment opportunity. As a general principle, in the case of an on-going serious criminal investigation or where someone has been indicted, the Fund shall not enter the relationship until the investigation is either dropped or a decision is made whether to prosecute. The Fund recognizes that in some jurisdictions, criminal convictions and investigations, or the absence thereof, are not in themselves reliable indicators of guilt or innocence. However, a criminal conviction or investigation could expose the Fund to reputational risk which would be difficult to offset no matter what other positive aspects the investment may represent.

In the context of an already on-going investment by the Fund, the Fund management team shall review and analyse the potential impact of situations in which a criminal investigation is opened, or a criminal prosecution is initiated, or a criminal conviction is handed down, immediately upon receipt of the respective information. The same process applies if Portfolio Companies are subject to investigations or sanctions by regulatory bodies.

### 5.1.5 Anti-money laundering and counter terrorism finance

The Fund shall evaluate internal policies and controls in place at the potential Portfolio Company to avoid being used as a platform for any money laundering and/or terrorism financing scheme and the level of compliance of such policies and controls with local and international standards.

### 5.1.6 Links to organized crime

The Fund shall not proceed with an investment where evidence points to involvement with any of the following activities:

- Organized crime or associations with organized criminal groups or criminals;
- Participation in money laundering or terrorist financing operations;



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- Association with acts of violence or threats thereof.

### 5.1.7 Compliance with current tax practices

The Fund shall not proceed with an investment where there is evidence of on-going illegal tax activities. In many cases, especially where tax laws or regulations are evolving, the legality of the practices may not be clear or may be considered marginal.

It is for the Fund management team to decide, taking account of exceptional circumstances (e.g. the practice is “condoned” by local authorities or is in line with generally accepted international practice) whether it can accept a period of uncertainty or minor non-compliance where it is confident that the legal and reputational risk is low.

### 5.1.8 Involvement in questionable business practices

In addition to the cases described above, the Fund shall avoid entering an investment at a potential Portfolio Company where there is evidence of involvement in poor, questionable or dubious business practices. Examples of such practices might include, but are not limited to, systematic abuse of information asymmetries between the potential Portfolio Company and its clients, remuneration of some staff deemed excessive given the size and profitability of the potential Portfolio Company, existence of dubious investment vehicles totally or partially owned by the potential Portfolio Company, allegations of involvement in corruption practices. Evidence found by the Fund management team leading to suspicion of a Portfolio Company or potential Portfolio Company involvement in such practices shall be immediately communicated to the Investment Committee.

## 5.2 Environmental and Social Standards

### 5.2.1 ESG Key Performance

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## Indicators

Through investments in sustainable agribusinesses, the Fund aims at creating a wide range of positive environmental and social impacts. To measure its environmental and social performance, the Fund has defined Key Performance Indicators (KPIs) that reflect direct impacts of Fund operations and can be measured in a transparent and simple manner.

The ESG KPIs include:

- Number of smallholder farmers impacted by the investments of the Fund;
- Impact of the Fund's investments on smallholder farmers' climate resilience; and
- Employment generated by the investments of the Fund;

## 5.2.2 International Environmental and Social Standards

All ES related assessments, monitoring and reporting processes described in Section 3 are based on the IFC Performance Standards 2012. The IFC Performance Standards 2012 will be used as an overarching framework for all these tasks, as they evaluate environmental and social risks and its risk management, entail a holistic approach with a process-oriented focus and are in line with investors' expectations.

To ensure compliance to standards and create synergies between the IFC Performance Standards 2012, the ESG Checklist will be developed including all relevant aspects. Hence, evaluations will follow the structure and wording of the IFC Performance Standards, while at the same time including additional aspects not covered by IFC.

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

### **IFC Performance Standards 2012**

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<b>Performance Standard 1:</b> Assessment and Management of Environmental and Social Risks and Impacts
<b>Performance Standard 2:</b> Labour and Working Conditions
<b>Performance Standard 3:</b> Resource Efficiency and Pollution Prevention
<b>Performance Standard 4:</b> Community Health, Safety, and Security
<b>Performance Standard 5:</b> Land Acquisition and Involuntary Resettlement
<b>Performance Standard 6:</b> Biodiversity Conservation and Sustainable Management of Living Natural Resources
<b>Performance Standard 7:</b> Indigenous Peoples
<b>Performance Standard 8:</b> Cultural Heritage

### 5.2.3 Implementation of an Environmental and Social Management System

In developing an E&S Category I-2 project, ARAF has enhanced the ESMS from ARAF I to ensure the project can appropriately identify and mitigate environmental and social risks to the Fund. The ESMS also details organizational capacity and structure, investing activities, Fund-level and portfolio company level expectations, monitoring and reporting expectations, and the Fund's disclosure activities. The team intends to be trained on the ESMS and ensure appropriate expertise to manage the ESMS.

Portfolio Companies may be required to establish an ESMS in accordance with IFC Performance Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts. This represents an overarching requirement that shall define the framework to manage all environmental and social matters in a structured way throughout the project cycle and thus shall support continuous compliance to all the

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other IFC Performance Standards. (For the ESMS at Fund level and related screening and due diligence processes, please refer to section 3).



*ESMS according to IFC Performance Standard 1 (source: IFC)*

Portfolio Companies will be required to set in place a management system that establishes procedures, tools, and allocates appropriate resources to guarantee the effective implementation of environmental and social requirements. The system shall ensure the involvement of all relevant stakeholders and include all environmental and social requirements. Portfolio Companies shall make sure that the system functions in a dynamic and continuous process, ensuring an effective learning and improvement cycle.

The ESMS shall at least consist of the following four components:

- **Environmental and Social Policy:** Portfolio Companies shall formulate an Environmental and Social Policy that integrates nature conservation, biodiversity protection and social safeguard components with productive objectives, and that is compatible to the Fund's ESG Policy and related guidelines. The Environmental and Social Policy reflects the

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commitment of the Portfolio Company with sustainable development and provides a framework for the environmental and social management on company level. Therefore, it shall be officially endorsed by the senior management of the Portfolio Company and appropriately communicated internally and externally.

- Identification of Risks and Impacts:** Portfolio Companies shall conduct or commission an Environmental and Social Risk and Impact Assessment (ESIA) or an environmental and social audit in case of existing assets, before initiating or expanding business operations and subprojects according to IFC Performance Standards and in line with national legislation. The assessment process shall adjust to the type, scale, and location of foreseen business operations. It shall consider the nature, likelihood, magnitude and materiality of identified risks and impacts. The Portfolio Company shall consult with local communities, local authorities, and other relevant stakeholders during the assessment, particularly when the project area is or has been subject to land use conflicts or/and when vulnerable local communities and Indigenous peoples live in the project area or area of influence. If required or regulated by law in host countries, a formal ESIA process shall be initiated and fulfil all applicable administrative rules and formal procedures for public participation, documentation and decision making. In all cases the Fund management team will assess if the content and scope of the ESIA undertaken by the Portfolio Company is satisfactory. If the ESIA conducted by the company is not satisfactory in terms of identifying risks and impacts according to IFC Performance Standards, the Portfolio Company will be obliged to undertake another assessment which will be evaluated for its quality and completeness by the ESG officer and/or the deal team.

- Management Program:** The management program must be consistent with the company's ESG Policy and provide mitigation and performance improvements to address identified risks and impacts, which may consist of a set of operational documents and procedures. Portfolio Companies shall plan operations according to sound management plans considering the findings of the risk and impact assessment and outline social and environmental safeguards, including tools to safeguard workers, local communities, and Indigenous rights. The management plans must be complemented with operation procedures appropriately socialized and implemented to serve its operational function and guarantee that all operations are conducted

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according to the plan. The management program shall be subject to continuous revision throughout the project cycle.

- Organizational Capacity:** The Portfolio Company shall establish and maintain an organizational structure that defines roles, responsibilities, and authority to implement the ESMS. Key environmental and social responsibilities should be well defined and communicated to the relevant personnel, and the human and financial resources provided shall be sufficient to achieve the Fund's ESG requirements on an ongoing basis (refer to section 4). Furthermore, the personnel should possess the knowledge, skills, and experience to implement the specific measures and actions required under the ESMS.

- Stakeholder Engagement:** Stakeholder engagement is an ongoing process that may involve stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and reporting to affected communities. The nature, frequency, and level of effort of stakeholder engagement may vary considerably according to the project's risks and adverse impacts, and the project's phase of development. Typically, this involves identifying the communities that live in the area or adjacent to potential Portfolio Company's operations or depend on the resources of this area and the initiation and maintenance of a dialog that ensures their involvement in important decision making and safeguards their user rights and livelihoods. Furthermore, effective grievance mechanisms should be developed with culturally appropriate and transparent procedures.

- Monitoring and Review:** Portfolio Companies shall set in place systems to monitor and assess environmental and social matters according to sections 3.2 and 6. The Portfolio Company shall establish clear indicators that allow for an in-depth analysis of the set environmental and social goals formulated in the ESAP and reflect its Environmental and Social Policy. Results of the monitoring system shall be carefully analysed and reported on, and shall be subject to periodic verification, revision, and reporting by the deal team. When business operations are subject to external, independent reviews due to the attainment of the certification schemes, this may considerably minimize efforts undertaken directly by the Fund management team.

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#### 5.2.4 Involuntary resettlement

Land acquisition and restrictions on land use that result from project implementation can have adverse impacts on the communities who use the land. Physical or economic displacement can lead to impoverishment of affected communities and to adverse environmental and socioeconomic impacts in the areas to which they are displaced. For these reasons, the Fund is committed to avoid involuntary resettlement whenever possible, and to minimize and mitigate adverse impacts when involuntary resettlement is unavoidable.

Portfolio Companies will be required to address land acquisition processes in compliance with the IFC Performance Standard 5 – Land Acquisition and Involuntary Resettlement. Portfolio Companies shall identify any potential physical or economic displacement as part of the Environmental and Social Risk and Impact Assessment conducted prior to the start or expansion of business operations. All ownership status should be considered in the assessment.

In cases of unavoidable involuntary resettlement, the Portfolio Company will develop a Land Acquisition and Resettlement or Livelihood Restoration Action Plan (LARP) that will be guided by the overall objectives: avoid forced eviction, avoid, or minimize adverse impacts on displaced persons, compensate for losses and improve livelihoods of displaced persons. The process should be based on appropriate information disclosure, consultation, and participation of the affected communities, with special attention to vulnerable peoples. The Portfolio Company should also explore ways to collaborate with public institutions.

In those cases where the exact nature of displacement is still unknown, Portfolio companies will develop a Land Acquisition and Resettlement or Livelihood Restoration Framework (LARF) that will set the principles to develop specific plans once the project is defined and necessary information becomes available. Such frameworks shall be developed following the requirements of the IFC Performance Standards, the GCF Environmental and Social Policy, standards and requirements of other investors, and applicable national laws and policies.

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A LARP or LARF should address at minimum the components required by the IFC Performance Standard 5:

- Criteria for identification and census of affected communities, with specific ownership status
- Measures to compensate for losses at full replacement cost with provisions to offer several choices and improvement to the displaced persons
- Measures to improve livelihood conditions
- Measures to provide relocation assistance or support until displaced economic activities are restored
- Detailed budget and schedule
- Approach to engage with affected communities: information disclosure, consultation, participation, and establishment of grievance mechanisms
- System to document all measures undertaken
- System to monitor and report on the achievements of the plan
- Provisions for the completion audit

Annex 4 provides additional guidance on the objectives and components that should be considered for LARF and LARP.

### 5.2.5 Indigenous Peoples

The ARAF II team operations are largely contained to office work in Nairobi or remote work. The team may conduct field visits to portfolio companies on a periodic basis. The team seeks to engage with Indigenous communities as part of ARAF II's stakeholder engagement. Given the limited interaction with Indigenous communities in the regular operational activities, most work will be tied to investing work and project and portfolio company engagement with Indigenous communities.



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Projects may be developed in areas where communities of Indigenous peoples are present.

Given that Indigenous peoples are particularly vulnerable to adverse impacts, Portfolio Companies will be required to identify all communities of Indigenous peoples in the area of influence of the project as part of their Environmental and Social Risk and Impact Assessment.

In case project activities may have adverse impacts on Indigenous peoples, the Portfolio Company will adopt specific measures to address them in compliance with the IFC Performance Standard 7 – Indigenous Peoples. Such requirements include:

- Ensure the full respect of their human rights, dignity, aspirations, culture, and natural resource-based livelihoods.
- Avoid adverse impacts, or when unavoidable, minimize and compensate for such impacts.
- Promote sustainable development benefits and opportunities in a culturally appropriate manner.
- Establish a continuous relationship based on Informed Consultation and Participation.
- Ensure Free, Prior and Informed Consent where required.
- Respect and preserve their culture, knowledge, and practices.

In cases where adverse impacts cannot be avoided, Portfolio Companies will develop an Indigenous Peoples Plan to address adverse impacts and explore opportunities to create positive impacts. The plan should include the following elements, based on the IFC Performance Standard 7:

- Baseline information
- Analysis of impacts, risks, and opportunities
- Results of consultations and future engagement

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- Measures to avoid, minimize and mitigate negative impacts and to enhance positive impacts
- Where applicable, community based natural resource management component
- Measures to enhance opportunities
- Grievance mechanism
- Costs, budget, timetable, and organizational responsibilities
- Monitoring, evaluation, and reporting
  - Annex 5 provides additional guidance on Indigenous peoples.

### 5.2.6 Stakeholder engagement

The Fund benefits from strong stakeholder engagement as a part of regular fund activities. ARAF II has developed a robust stakeholder engagement plan to ensure relevant organizations are appropriately consulted on the project and our reporting and insights are appropriately distributed. ARAF II intends to engage agricultural businesses, portfolio companies, beneficiaries including smallholder farmers, investors, co-investors, civil society organizations, government entities, and other organizations. Further details can be found in annex 6 of the ARAF II ESMS.

The Fund acknowledges that solid and constructive relationships between Portfolio Companies and stakeholders are essential to successfully manage environmental and social risks and create positive impacts. Portfolio Companies will be required to integrate stakeholder engagement into business operations as an inclusive and continuous process. The adopted strategies will be adapted to the specific characteristics of the operations, and resources and level of effort will be commensurate with the risks and impacts of the project. Portfolio Companies will follow the guidelines of the IFC Performance Standards, the IFC Stakeholder Consultations Good Practices Handbook, the GCF Sustainability Guidance Note: Designing and ensuring meaningful stakeholder engagement on GCF financed projects.

Stakeholder engagement involves the following elements in varying degrees:

- Stakeholder analysis and engagement planning
- Disclosure and dissemination of relevant information about the Portfolio Company operations

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- Public consultations and stakeholder participation
- Effective grievance mechanism
- Ongoing reporting to affected communities

Annex 6 provides an outline of the contents that a comprehensive Stakeholder Engagement Plan should include, based on the IFC Performance Standard 1.

Annex 7 provides additional guidance related to Grievance Mechanisms that will be operated at Portfolio Company level. In addition to those, the Fund has developed a Complaint Policy (available in Annex 8) and will set up mechanisms to offer stakeholders the possibility to address grievances directly to the Fund management team. Such a mechanism will be made available to stakeholders through the Fund's website.

### 5.2.7 Biodiversity, Resource Efficiency, and Pollution

The Fund seeks to enhance the climate resilience of farmers, which includes investing as responsible stewardship of biodiversity, critical habitats, endangered species.

Given that biodiversity, critical habitats, and endangered species to adverse impacts, Portfolio Companies will be required to identify areas of operations, whether operating in critical habitats, and policies, procedures, and other mechanisms for identifying and monitoring potential adverse impacts on biodiversity. Companies are also expected to demonstrate their compliance with local environmental laws and regulations. Business models with biodiversity risks are expected to align operational practices with IFC performance standard 6. If the ARAF team identifies gaps or biodiversity risks during due diligence, ARAF will seek to ensure that the company commits to improvements in the ESAP.

Some investments, especially companies providing inputs to farmers or engaged in manufacturing, may cause some pollution. ARAF intends to diligence companies on their noise, air, and light pollution and resource efficiency when they are material risks. Companies are expected to reasonably address risks stemming from pollution and resource efficiency as stipulated in ESAPs.

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## 5.2.8 Labor and Working Conditions

ARAF II upholds strong labor standards for our team. Ensuring our team is high performing means creating an equitable and safe work environment. Our team strives to uphold strong internal controls for our small operations team. Our team boasts a diverse and experienced staff with local and international representation both in Kenya and Nigeria, female leadership, and investment, climate, agricultural, and ESG expertise.

Our team intends to diligence companies for labor and working condition issues. Our diligence process and standards align with IFC Performance Standard 2. Labor and working conditions diligence includes reviewing policies, procedures, and activities related to human resources policies, employment contracts, non-discrimination, and equal opportunities, retrenchment, workers' organization, and a number of other policies. If gaps are found, companies are expected to improve operations and policies as stipulated in the ESG action plan. In accordance with IFC Performance Standard 2 paragraphs 8-12, companies are expected to have or develop human resources policies and procedures, clearly (orally or otherwise) defined working conditions and terms of employment, recognize workers right to organize, commit to non-discrimination, and equal employment opportunities, have retrenchment plans, and a grievance mechanism that is survivor-centered and gender responsive. ARAF II will encourage companies to consider developing Environment, Health, and Safety management SOPs/Guidelines for labor/workers should be provided for the portfolio company labor/workers (including women workers) and made part of the code of conduct and contractual agreement with the contractor/hiring authority.

As part of an ESAP, companies may be expected develop or implement labor / working conditions management plan and environment, health and safety SOPs for labor management, which may include a description of terms of employment, workers organization, non-discrimination, equal opportunity, child labor, and forced labor of direct, contracted, and third-party workers. For further details, companies are expected to be or become aligned with IFC PS 2, Guidance Note 8-32.

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The Fund does not invest in companies directly engaging in or directly procuring from businesses using child or forced labor. The Fund aligns with IFC PS 2 paragraphs 21-22 and Guidance Note 61-75. Companies are expected to demonstrate their commitment to not using force or child labor directly or their supply chains via Supplier Codes of Conduct, Standard Operating Procedures, or other relevant tools.

ARAF II may request companies address existing or potential SEAH issues in the workspace through the ESAP with particular focus on codes of conduct (on Children or SEAH).

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## 6 Monitoring and reporting

### 6.1 Process overview

The Fund will implement an ESG monitoring and reporting process on two levels. Portfolio Companies will monitor project activities and report to the Fund management team. The Fund management team will in turn collect the data from Portfolio Companies and report in an aggregated form to investors.

### 6.2 Portfolio Company

The Portfolio Company will be held responsible for continuously monitoring the ESG performance of its operations. The Portfolio Company will report periodically to the Fund on a defined set of indicators. In most cases report templates will consist of a simple table that shall be completed with the defined indicators and updated on a quarterly or annual basis, and a section where additional observations can be described. This approach is considered to lower transaction costs and efforts for internal reporting while at the same time encouraging close follow-up of ESG matters.

The specific set indicators and frequency of reports will be defined case by case, but will in most cases include:

- Quarterly reports: General update on relevant social and environmental issues.
- Annual reports: Detailed information on the ESG performance of the Portfolio Companies.

Contents normally included in the annual reports are included in Annex 9.

Also, ESG matters will be followed up during regular field visits of the Fund management team and will be on the agenda of Board meetings that will be held for the Portfolio Company.

The Board will evaluate the ESG performance of the Portfolio Company against set goals, define the goals for the next year, analyse weaknesses and discuss any necessary adjustments. Furthermore, the Fund management team will support the Portfolio Companies to reach set ESG goals and introduce and enhance the monitoring and

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reporting process if difficulties arise that prevent the Portfolio Company from delivering according to the agreement.

In addition to standard reports, Portfolio Companies will be required to immediately report to the Fund in case of extraordinary events, such as any changes in the scope of the project that entail new ESG risks or opportunities, any serious incidents, or any breach of the ESG requirements. In such cases, additional site visits may be necessary to assess the situation through interviews with management, employees, contractors and affected communities, through relevant environmental checks, and reviews of company records. Furthermore, independent verifications by specialist consultants will be considered only in cases of serious ESG related incidents or reasonable doubt of serious infringements. ESG related incidents will be reported to the LPAC within 5 business days of becoming aware in accordance to the template included in Appendix 9. Incidents will include the following:

- A serious health and safety incident resulting in multiple injuries and/or fatalities and/or impact on continued license to operate;
- A serious product safety incident resulting in harm to consumers and/or a product recall or boycott and/or impact on continued license to operate;
- A serious environmental pollution event resulting in harm to human health and/or the environment and/or impact on continued license to operate;
- A serious employee relations breakdown or trade union action resulting in serious production impact and/or impact on continued license to operate;
- A serious fraud, bribery or corruption incident resulting in a product boycott and/or impact on continued license to operate; or
- A serious cyber security/data security event resulting in a material impact to a business.

### 6.3 Fund level

The Fund management team will report regularly and in a transparent manner about activities, results, and challenges of its business operations in line with its vision and

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mission. ESG issues shall be reported in depth to investors at least once a year mainly through the Annual ES Report of the Fund.

The Fund expects to share the publicly disclosed annual performance report for the Green Climate Fund with stakeholders including Nationally Designated Authorities. Additionally, Fund staff and members of the Acumen staff intend on regularly meeting with NDAs and stakeholders to provide periodic updates on Fund-level activities.

Annual reports will present information on the ESG management at Fund level, as well as key information on Portfolio Companies. To facilitate this, it will be crucial to define with each Portfolio Company standardized and clearly defined indicators. The Fund management team will also report progress against the ESG KPIs according to the methodology described in the Methodological Approach for Environmental, Social and Governance Key Performance Indicators.



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## 7 Disclosure of information

The Fund is committed to transparency in its operations and will seek to share and facilitate access to relevant information about its operations with stakeholders.

ARAF II intends to disclose the Environmental and Social Management on the Fund's website along with the website of relevant entities including the Green Climate Fund. Physical copies of the ARAF II ESMS will be available at the Fund's Kenya office and at the physical locations of the Nationally Designated Authorities. ARAF II also makes the Fund's grievance mechanism publicly available on the ARAF website.

As described in previous sections, the Fund will ensure effective stakeholder engagement in all the projects in which it is invested, including appropriate grievance mechanisms, and has set up a complaint mechanism at Fund level. In addition to these, the Fund will disclose additional reports on environmental and social impact of its projects, in line with the information disclosure policies of its investors, including the GCF.

The Fund will disclose the Environmental and Social Impact Assessment and Environmental and Social Management Plan of potential Environmental and Social Risk Category B investments as may be required, and as appropriate, the Land Acquisition and Resettlement Action Plan, Livelihood Restoration Action Plan, Indigenous Peoples Plan, gender assessment and gender action plan, environmental and social due diligence and audit reports, and any other associated information required to be disclosed in accordance with the GCF and Fund disclosure requirements. ARAF II will disclose ESIA for Category B projects 30 days prior to investment. The disclosure will be on platforms convenient to affected peoples and other stakeholders. The ESIA and other relevant subproject, potential investment, disclosures shall be made available on the GCF website and convenient physical locations in both English and relevant local languages. We shall seek to ensure that materials are understandable by the affected and potentially affected communities, stakeholders, and the general public. The Fund will consider the comments and inputs received in the finalization of the documents.

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	<b>ESG CHECKLIST</b>	

## Annex 1: ESG checklist

### Objectives

- Provide relevant information for a preliminary assessment of potential ESG risks;
- Gather available documents and information on current ESG management;
- Identify to the extent possible any deal breaking issues at an early stage;
- Guide and inform the on-site due diligence process.

This list is not exhaustive, and further issues are considered as identified on a case-by-case basis.

### General information on the potential Portfolio Company

Company Name

First year of activities

Location of project areas, in the case of animal and crop production and/or processing (with geographical coordinates)

Target total and planted area

Current total and planted area

Crops, species, and animal species

Agri processing activities undertaken

### Identification of 'No-Go' issues

- Exclusion List
- Non-compliance with environmental or other legal regulatory requirements

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If there is robust evidence that the project involves any 'No-Go' issues, the project shall not be considered for investment.

## Key ESG information and risks

### Q&A for E&S assessment based on all IFC performance standards

Assessment of key ESG information and risks shall be undertaken by completing the Q&A for E&S matters questionnaire. This is based on each IFC performance standard. An additional assessment will be based on the below questions.

#### Organization – IFC PS 1

Aspect	Observation / Comment	Reference
Senior management aware of main ESG issues?		
Company ESG Policy endorsed by senior management?		
Is there a senior manager responsible for ESG?		
Are personnel assigned specific responsibility for different ESG aspects? Health and safety, community relations, etc. Are these staff suitably qualified to manage E&S risks?		
ESMS implemented according to IFC PS1 requirements?		
Company has conducted an ESIA? Is this publicly available?		
E&S impacts managed via ESAP?		
Application of the mitigation hierarchy?		

## Governance

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	<b>ESG CHECKLIST</b>	

<b>Aspect</b>	<b>Observation / Comment</b>	<b>Reference</b>
Company commits to the Fund's ESG requirements?		
Company operations exclude all activities on the Fund's Exclusion List?		
Company complies with local and national laws and regulations?		
Company adheres to international conventions?		
Company adheres to good corporate governance and integrity standards. Business Integrity AP implemented?		
E&S impacts managed via ESAP?		
Application of the mitigation hierarchy?		

### **Impact**

<b>Aspect</b>	<b>Observation / Comment</b>	<b>Reference</b>
Company activities will promote smallholder farmers' climate resilience	[provide estimate]	
Company will increase smallholder farmers' income	[provide estimate]	

### **Summary and preliminary risk categorization**

The project involves following risk factors:

- Region with no precedents of this type of project

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- Unclear tenure rights and/or evidence of conflicts regarding land tenure
- Local or Indigenous communities in or surrounding the managed area
- Natural environment close to the project area is HCV, critical habitat, protected area
- Endangered or endemic species in the area
- Other significant environmental risk due to local conditions (soil, water, waste, pesticide)
- High share of sub-contracted personnel
- High historical accident / incident rate up to date or one major accident / incident
- Weak institutional framework and law enforcements regarding labor and environment

The project may be classified according to following risk categories with regard to the number, importance and extension of the risks stated above.

**Preliminary risk category**

<b>IFC risk category</b>	<b>Category description</b>	<b>Comparable GCF ESS risk category</b>
A	Potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.	A
B	Potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.	B
C	Minimal or no adverse environmental or social risks and/or impacts.	C

**Justification/Main risks identified**

**Plan and budget for DD**

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- Need of specific experts
- Foreseen date for DD and site visits
- Estimated budget

### Documents received / information used

	Y/ N	Specifications
<b>General documents</b>		
Land titles / leasing contracts		
Business Plan		
Feasibility Studies		
E&S Policy / ESMS		
Environmental Management Plans		
Corporate Governance / Business Integrity Policy / Action Plan		
Organisational Structure		
<b>ESG documents</b>		
ISO / Certifications, audit reports?		
Human Resource Policy		
Health and Safety Plan / Procedures		
E&S Monitoring Procedures		
List of workers and specifications		
Registry of accidents		

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Fire prevention plan / other emergency plans		
Disaster management plan		
EIA / ESIA / ESMP / Action Plan		
Stakeholder Engagement Plan		
Grievance Mechanism		
Environmental Permits		
E&S Monitoring & Review Plan		
<b>Other documents</b>		
Company / Project website		
Press & media / articles		
Satellite pictures		
Others		

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## Annex 2: Environmental and social due diligence report

### 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 DD process
- Relevant standards that were assessed or are applicable:

Standards / requirements	Applicable	Assessed
IFC Performance Standards		
Exclusion list		
ILO Fundamental Conventions		
Other LENDERS CRITERIA		

### Risk categorization

Short information on the ESG risk profile of the project at hand when considering project type, size, and location.

- Project categorization: A, B, or C with short justification.

#### Risk category

IFC risk category	Category description	Comparable GCF ESS risk category
A	Potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.	A



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B	Potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures.	B
C	Minimal or no adverse environmental or social risks and/or impacts.	C

**Justification / Main risks identified**

### **Compliance with applicable local and international law**

Assessment of local laws and international treaties and their requirements, necessary approvals from environmental agencies that exist or will be issued in case approval has been issued which requirements have to be met.

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

### **Compliance with environmental and social requirements**

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Assessment of environmental and social risks following the structure of the IFC Performance Standards, and compliance with additional ES requirements of the Fund.

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

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
<b>ES Policy</b>				
<b>Identification of ES risks and impacts, including</b>				
Baseline data collection				
Alternative analysis				
Evaluation methodology / significance criteria				
Mitigation measures				
Climate change				
Transboundary impacts				
Cumulative impacts				
Business and human rights				
Disadvantages or vulnerable groups				
Gender				
Third party impact				
Supply chains				

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Regional, sectoral, or strategic assessment				
<b>Management program / ESMS</b>				
<b>Organizational capacity and competencies</b>				
<b>Emergency preparedness and response</b>				
<b>Monitoring system</b>				
<b>Stakeholder engagement</b>				
Stakeholder analysis and engagement planning				
Disclosure of information				
Consultation / Informed consultation and participation				
Indigenous peoples				
Private sector responsibilities under government-led stakeholder engagement				
<b>External communication</b>				
<b>Grievances mechanism for affected communities</b>				
<b>Reporting and disclosure</b>				
Periodic reporting to affected communities				

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## ESMS

- Describe which mechanisms are already in place and which are in process to be implemented.
- Documentation available: ES Policy, ES risk and impact assessment, management programs and monitoring system.
- Endorsement by senior management and communication to staff.

### Organizational capacity to implement the ESMS

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

### Stakeholder engagement

- Describe the procedures for identification of and engagement with affected communities and Indigenous peoples.

### External communication and grievance mechanisms

- Describe the system in place to communicate with relevant stakeholders, particularly with affected communities and Indigenous peoples.
- Describe and assess grievance mechanisms in place.

### Reporting and disclosure

- Describe the reporting system, frequency and kind of information reported.

## **PS2: Labour and Working Conditions**

Main aspects	Assessment	Comments
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	Weak	Medium	Strong	
<b>Human Resources Policies</b>				
<b>Working conditions and terms of employment</b>				
Worker's accommodation				
Workers organizations				
Non-discrimination and equal opportunity				
Retrenchment				
<b>Labour grievance mechanism</b>				
<b>Child labour</b>				
<b>Forced labour</b>				
<b>Occupational health &amp; safety</b>				
<b>Management of contractors</b>				
<b>Control over primary supply chains</b>				

### Human resources policies and working relations

- Do workers have legal contracts and benefits according to the law: social security, minimum age, working hours, collective bargain?
- In case the law is silent about this, does the company prevent collective bargain or hire workers under the age of 18 in exploitative forms?

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- In case of contracted personnel, is there a reasonable control over these aspects? Are environmental and social aspects introduced into the contract with service providers?
- Are equal opportunities granted to women and minorities?
- Do working conditions comply with the ILO Fundamental Conventions?

### Occupational health and safety

- Characteristics of working conditions: harvest operations, use heavy machinery, use and management of pesticides.
- Which necessary precautions are in place: trainings, EPI, signalisation, emergency plans? Which are not considered?
- 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	
<b>Resource efficiency</b>				
Water usage and treatment				
<b>Pollution prevention</b>				
Pollutant emissions				
Contaminated land				

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Waste management				
Hazardous materials management				
<b>Pesticide use and management</b>				
To be filled individually for each pesticide used				

### 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?

### Use of chemicals

- Is there a plan for the safe use of chemicals, including application, storage, and disposition?
- Are any pesticides and chemicals being used that are subject to international ban?
- Are any pesticides being used that are included in the list of highly hazardous pesticides of WHO?

### **PS4: Community Health, Safety and Security**

Main aspects	Assessment			Comments
	Weak	Medium	Strong	

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<b>Community health and safety general requirements</b>				
Dust / air quality				
Noise				
Vibration				
Shadow / visual impacts				
<b>Infrastructure and equipment design and safety</b>				
<b>Traffic and transportation</b>				
<b>Ecosystem services / natural resources issues</b>				
<b>Exposure to hazardous materials</b>				
<b>Exposure to disease (water)</b>				
<b>Emergency preparedness and response</b>				
<b>Site security and security personnel</b>				

### Community health and safety

- Which main health and safety aspects have been identified (noise, dust, accidents, hazardous materials, water pollution) that could affect communities? Are any aspects not been considered?
- Are adequate mitigation measures in place and included in the ESMS?



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- Are adequate grievance mechanisms in place?

### Security personnel

- In case the company hired security personnel, are safeguards in place to minimize potential risk towards people outside the project area?
- Are they trained in the Voluntary Principles on Security and Human Rights?

### **PS5: Land Acquisition and Involuntary Resettlement**

Main aspects	Assessment			Comments
	Weak	Medium	Strong	
Project design				
Compensations and benefits for displaced persons				
Community engagement				
Grievance mechanism				
Resettlement / livelihood restoration planning and implementation				
Physical displacement				
Economic displacement				
Private sector responsibilities under government-managed resettlement				

### Conflicts over land tenure and displacement

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- Are there any conflicts over land tenure?
- Is the project 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?

#### UN FAO VGGT

- Does the company follow UN FAO VGGT if applicable?

#### **PS6: 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				
Invasive alien species				
Land use design and planning respecting biodiversity				
Identification of risks and impacts on biodiversity				

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Application of the mitigation hierarchy				
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### Land use plan, conversion of natural forests and HCV assessment

- Describe land use of the project.
- Is there evidence that the project did conversion of natural forests since 1994 or foresee project activities involve conversion of natural forests?
- Is there a target conservation area?
- Have HCV areas been identified in the project area? Has the assessment been approved by local stakeholders? Are there mitigation measures in place and are these monitored?

### Risk assessment and mitigation hierarchy

- Are these risks included in the ESMS according to the scope and scale of the project 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?

### PS7: Indigenous Peoples

Main aspects	Assessment			Comments
	Weak	Medium	Strong	

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Avoidance of adverse impacts				
Risks and impact assessment				
Impacts on traditional or customary lands				
Relocation from traditional or customary lands				
Design and implementation of mitigation measures				
Principles of FPIC				
Compensation and benefit sharing mechanisms				

### 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?
- Are appropriate mitigation measures in place? Are they compensated?

### PS8: Cultural Heritage

Main aspects	Assessment			Comments
	Weak	Medium	Strong	



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## **Vote and suggested ESAP measures**

- Statement of decision if this project can be supported from an environmental and social point of view. In case deficiencies have been detected, decision 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.

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	<b>EXCLUSION LIST</b>	

## Annex 3: Exclusion list

The Fund will not invest in companies in environmental and social risk category A. Potential investees may only be in environmental and social risk category B or C.

The Fund will not invest in companies involved in the production, trade, or use of the products, substances or activities listed below:

- Business models with E&S risk category A products and services, businesses that engage in E&S risk category A activities, or business with E&S category A track records
- Production, use of or trade in any product or activity deemed illegal under host country laws and France or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, products containing PCB's, wildlife or products regulated under CITES;
- Production or trade in alcoholic beverages (excluding beer and wine);<sup>143</sup>
- Production or trade in tobacco;<sup>1</sup>
- Production or trade in gambling, casinos, and equivalent enterprises<sup>144</sup>;
- • Production or use of or trade in asbestos fibers;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;

<sup>143</sup> This does not apply to project sponsors 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.

<sup>144</sup> All direct investment in such projects or activities including such projects (a hotel including a casino for instance). Urban development plans that could include such projects in the future are not concerned.

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- Production or activities involving harmful or exploitative forms of forced labor<sup>145</sup>/harmful child labor;<sup>146</sup>
- Commercial logging operations for use in primary tropical moist forest;
- 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 lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples;
- Operations leading to deforestation and/or deliberate wastage or contamination of natural resources (like land and water);
- Genetically modified organisms;
- Activities that may lead to physical and economic displacement of people; or
- Violation of International Labor Standards as specified by ILO or FAO's Climate Smart Agriculture Framework.
- Destruction<sup>147</sup> of Critical Habitat<sup>148</sup> and any forest project under which no sustainable development and managing plan is carried out.

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<sup>145</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>146</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

<sup>147</sup> Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote [122] [(Cultural heritage)]) is lost.

<sup>148</sup> Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas



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- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- Any business relating to pornography or prostitution.
- Any activity involving significant altercation, damage, or removal of way critical cultural heritage<sup>149</sup>
- Production and distribution of racist, anti-democratic media or production and distribution of media with the intent to discriminate part of the population.
- Exploitation of diamond mines, and commercialization of diamonds, when the host country has not adhered to the Kimberley<sup>150</sup>, or other similar international agreements (actual or to be formed), on similar extractive resources.
- Any sector or service subject to United Nations, European Union, and/or French embargo without limitation.
- Any activity involving the production, use, trade in, or distribution of GMO (Genetically Modified Organism) seeds or transgenic horticultural crops.
- Any activity that has demonstrable and proven land resettlement and acquisition without recourse
- Investments with net greenhouse gas emissions of greater than one million tons per annum of CO2 equivalent.
- Coal, oil, and gas-fired power plants.

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having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

<sup>149</sup> Consists of internationally and nationally recognised historical, social and/or cultural heritage.

<sup>150</sup> The Kimberley Process Certification Scheme ("KPCS"), is a certification standard for diamond production that concerns governments; the diamonds are controlled at each stage of the production chain, from extraction through to retail of the finished product. The KPCS was created to prevent and stop conflict diamond trade. It is designed to certify the origin of diamonds from sources which are free of conflict fueled by diamond production. Member states adhere to adopt national laws on the issue, and to put in place the necessary export and import control mechanisms to implement the KPCS. More than 75 countries involved in the production, commercialization, and transformation of diamonds participate.

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- Coal, oil, and gas (both conventional and unconventional) exploration and production activities or any operations exclusively dedicated to the transport of these materials.
- Infrastructure linked to facilities for the exploration, production, storage, and generation of electricity from fossil-fuel sources if the facility concerned emits greenhouse gases of more than one million tons per annum of CO2 equivalent. Infrastructure is linked to a facility if it meets the following two conditions:
  - the infrastructure would not have been constructed were it not for the presence of the fossil fuel facility; and
  - the fossil fuel facility itself would not be economically viable without this infrastructure.

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	<b>GUIDANCE FOR LAND ACQUISITION AND RESETTLEMENT</b>	

## **Annex 4: Guidance for land and resettlement**

### **Rationale of a LARF**

A Land Acquisition and Resettlement Framework (LARF) 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. As soon as the specific sites and the beneficiary communities of the operations have been defined clearly and in detail, the LARF should be expanded into a specific Land Acquisition and Resettlement Plan (LARP) in line with applicable safeguard requirements.

A LARF 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 Fund ESG requirements.

For each operation that would have activities likely to generate resettlement impacts, a LARP will be prepared. The LARF 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 LARF**

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 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.

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The purpose of a LARF 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.

## **Objectives of a LARF**

The overall objective of a LARF 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. A LARF 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 a LARF 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 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.

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The operational objective of a LARF 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 a LARF 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 of the countries where the project operations will be undertaken and the Fund 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 LARP, 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 framework 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 Fund. 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;

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3. To anticipate and avoid, or where avoidance is not possible, minimise 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.

## **Compensation framework**

The LARP that will be prepared for specific Portfolio Company 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 full replacement value; and

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	<b>GUIDANCE FOR LAND ACQUISITION AND RESETTLEMENT</b>	

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.

## **Entitlement Planning**

The LARP will also present the entitlement planning process, and 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 woman 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

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lost assets around 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 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**



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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 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

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- 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.

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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

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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.

20. Voluntary land donation: Where land is donated by the community or registered landowner, arrangements are required to ensure that the donation is indeed voluntarily given, the donor is the legitimate owner of such lands, and that the donor is fully informed of the nature of the Project and the consequences or terms of donating the land. Demonstrate the appropriateness of the donated land for the project; complete due diligence on the ownership of the land and any assets that will potentially be affected; ensure that the affected persons understand the alternatives to land donation, the conditions under which the donation will be made, and assess and quantify the potential loss to be suffered as a result of the donation; obtain informed consent through written confirmation of the donation; complete the compensation assessment and delivery for any assets to be removed from the land. Full and proper documentation of all consultations, meetings, grievances, and actions taken to address grievances has been reviewed and made available.

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## **Annex 5: Guidance on Indigenous Peoples**

The Fund recognizes that Indigenous peoples in areas where the operations of Portfolio Companies will be implemented comprise social groups distinct from mainstream society, who can include the most marginalized and economically, socially, and legally vulnerable community segments in which they reside. Indigenous Peoples are particularly vulnerable in this regard when investment transforms, encroaches upon, or significantly degrades their lands and resources. Indigenous peoples' vulnerable status can limit their capacity to defend their rights to, and interests in lands and natural and cultural resources, and restrict their ability to participate in and benefit from development and thereby place their languages, cultures, religions, spiritual beliefs, and institutions under threat.

The IFC Performance Standard requirements for Indigenous peoples (Performance Standard 7) apply to any activities supported by the Fund that could affect Indigenous peoples. The ESIA conducted by the Portfolio Company in line with the Fund ESG requirements will determine the applicability of the safeguard standard as well as the GCF Indigenous Peoples Policy. The ESMS of the Portfolio Company will need to provide implementation actions and measures necessary to meet and manage such requirements.

For the purposes of the Fund, the definition of indigenous peoples based on the IFC Performance Standard, the ILO Indigenous and Tribal Peoples Convention and the GCF Indigenous Peoples Policy will be adopted to mean people or group of people comprising a distinct social and cultural group with common characteristics in varying degrees of self-identification to a particular cultural group, collective attachment to geographically distinct habitats, adherence to customary institutions, and/or practicing a distinct dialect or language.

The Fund recognizes that Indigenous peoples' context and circumstances vary from region to region and from country to country. The Indigenous peoples distinct historical and cultural backgrounds and national and regional context will need to be taken into consideration in the ESIA process.

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Where a project may have impacts on Indigenous peoples, the Portfolio Company will undertake the following measures:

(a) Identify Indigenous peoples' communities within the project area, particularly those that may be directly or indirectly affected by the subprojects or investments. In certain circumstances, the Portfolio Company may engage and solicit advice from competent professionals to ascertain whether a group is considered as Indigenous peoples within the context of the activities.

(b) Develop an understanding of the social and demographic context of the local population, including Indigenous peoples by analyzing key community characteristics, the social and political environment, and local socio-economic factors that impact on the Indigenous peoples.

(c) Identify the nature and assess the extent and magnitude of the potential direct and indirect economic, social, cultural (including cultural heritage), and environmental impacts of the activities on the identified communities of Indigenous peoples. This should include an analysis of any existing use by Indigenous people's communities of the degraded landscapes where the activities are proposed, including use of non-tree components or non-timber forest products.

(d) Undertake meaningful engagement of the affected or potentially affected Indigenous peoples and communities to inform them of the activities, its risks, impacts, and measures to manage and mitigate the risks and impacts and provide the Indigenous peoples with the space to provide their views. The level of community engagement shall be designed following the principles of informed consultation and participation and/or good faith negotiation as required under relevant safeguard standards and policies.

(e) Undertake the process of free, prior, and informed consent (FPIC) following the requirements of the IFC Performance Standards, the GCF Indigenous Peoples Policy, and the relevant national laws and policies. The process for undertaking FPIC, the agreement reached between the affected or likely affected Indigenous peoples, and the evidence and outcomes of such process will be agreed upon with the Indigenous peoples taking into

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consideration the preferred and traditional practices of the communities. The documentation of the FPIC shall be prepared as part of the due diligence on the subproject.

(f) Depending on the nature and scope of the project and the implementation structure, engage consulting services, civil society organization and/or relevant government agencies to assist in mobilizing the communities and to prepare them to participate in project planning where necessary.

(g) Consult with Indigenous peoples present in or having collective attachment to the project area regarding the proposed activities, the project design and implementation, and benefits sharing arrangements. The consultation process shall also provide space for Indigenous peoples to inform the Portfolio Company of their views, either in support of or opposing such activities, and recommendations for how they can participate in the subproject design, decision-making and implementation.

(h) The stakeholder consultation shall be guided by a consultation strategy outlining how affected Indigenous peoples will be consulted and participate throughout the subproject cycle. This consultation strategy shall be integrated into a time-bound plan such as an Indigenous Peoples Plan (or a broader plan containing separate Indigenous Peoples components). The scope and scale of this plan will be commensurate with the potential project risks and impacts. Where the Indigenous peoples form most of the affected communities, the Indigenous Peoples Plan may be integrated into the project ESMP.

Indigenous Peoples are often closely attached to their lands on which they depend and related natural resources which are traditionally owned or under customary use. While the affected Indigenous peoples may not possess legal title to these lands as defined by applicable national laws, their use of these lands including seasonal or cyclical use for their livelihoods, ceremonial and spiritual purposes that define their identity and community can be substantiated and documented.

Indigenous peoples are particularly vulnerable if their land and resources are transformed, encroached upon, or significantly degraded. Activities may undermine Indigenous peoples' language use, cultural practices, institutional arrangements, and religious or spiritual beliefs. If the Portfolio Company locates a project on lands traditionally owned by, or under customary

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use of Indigenous peoples, and adverse impacts can be expected, the company will take the following steps:

- (a) Identify and review all property interests and traditional resource uses before purchasing or leasing land;
- (b) Document all efforts undertaken to consider alternative project land areas and affected natural resources and minimize land and natural resources impacts and consider feasible alternative project designs to avoid relocating Indigenous peoples from communally held lands and natural resources subject to traditional ownership or under customary use.
- (c) Ensure that affected communities are informed of their land rights under national law including any national law recognizing customary use rights and in a culturally appropriate manner.
- (d) Undertake a gender inclusive assessment documenting affected Indigenous peoples' communities resource use and management without prejudicing any Indigenous peoples' land claims.
- (e) Offer the affected Indigenous peoples' communities' compensation, and/or offer culturally appropriate and sustainable development opportunities and benefits sharing and follow due process where their land and natural resources may be commercially developed.
- (f) Consider feasible alternative project designs to avoid relocating Indigenous peoples from communally held lands and natural resources subject to traditional ownership or under customary use.
- (g) Avoid undertaking project activities which may impact significantly on critical cultural heritage essential to Indigenous Peoples' identity and/or cultural, ceremonial, or spiritual lives. If this is unavoidable obtain affected Indigenous peoples' communities free, prior, and informed consent. This means that companies must not use indigenous symbols, likeness, or other materials in marketing or commercial purposes without free, informed, and prior consent from Indigenous communities. ARAF does not intend to invest in companies that have a history of harming the cultural heritage of Indigenous communities.



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### Indigenous Knowledge Sharing

ARAF II intends to include Indigenous communities, whenever feasible, in the Fund's stakeholder engagement process. The Fund intends to have regional and country-specific virtual stakeholder engagement sessions annually. In these sessions, ARAF II intends on updating stakeholders on the project and learn from stakeholders on an ongoing basis. We will seek guidance and advice from Indigenous communities on project goals, climate resilience benefits for farmers, and Indigenous knowledge.

We intend to share what we learn from Indigenous communities with our portfolio companies and other relevant stakeholders. We believe that sharing this important knowledge can enhance the impact of these portfolio companies.

Additionally, we expect to update Indigenous communities about our investments to ensure there is no harm to their cultural heritage.

### Countries and Indigenous Communities

Country	Indigenous Peoples	Impact	Knowledge and Cultural Heritage
Cote d'Ivoire	Not Present - In consideration of the GCF definition of "Indigenous People," available at paragraphs 13–16 of the GCF Indigenous Peoples Policy, there are no Indigenous people,	N/A	N/A

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	forest/hunter groups or pastoralist groups present in the areas targeted by the project. The International Work Group for Indigenous Affairs (IWGIA) excludes the presence of Indigenous peoples in Côte d'Ivoire.		
Egypt	While there are no officially recognized Indigenous ethnic groups, Nubians are an ethnic minority residing in Egypt.	Nubian communities rely on agriculture, and some companies may operate in areas near the Nubian community. ARAF II would be positively impactful to this community.	ARAF II has very limited potential negative impact on cultural heritage. Moreover, the Fund intends to publicly share insights on climate resilience for smallholder farmers.
Ghana	Ghana has six main ethnic categories, which can further be sub-categorised into over 90 ethnic groups and sub-groups. <sup>151</sup> Ghana has not formally	There are no groups in Ghana that will meet the definition of 'Indigenous	The Fund does not foresee any negative impacts on cultural heritage or

<sup>151</sup> <https://minorityrights.org/country/ghana/>

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	<p>recognised Indigenous peoples. According to the World directory of minority and Indigenous people in Ghana published by the Minority Group International, there are no groups in Ghana identified as Indigenous people.<sup>152</sup> However, there are two minority groups, the Ewe and Konkomba.<sup>153</sup></p>	<p>groups' as per the requirements of IFC Performance Standard 7. As part of the implementation of this ARAF II fund, it is not therefore foreseen to be any risk associated with Indigenous groups that may trigger the requirement for the preparation an Indigenous Peoples Plan for the program.</p>	<p>Indigenous knowledge.</p>
Morocco	Amazigh	<p>Many Amazigh people work in agriculture. We believe that the companies we invest in will have a positive impact on Indigenous farmers</p>	<p>Amazigh language and culture have clear legal protections. The Fund and investees will have to abide by these laws.</p>

<sup>152</sup> <file:///C:/Users/tchore/Downloads/1997-directory.pdf>

<sup>153</sup> <file:///C:/Users/tchore/Downloads/1997-directory.pdf>

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Nigeria	<p>Nigeria is estimated to have over 250 ethnic groups.<sup>154</sup> The ethnic groups can be broadly categorized into ethnic majorities and minorities.<sup>155</sup> Nigeria has no formal process for recognising indigenous people.<sup>156</sup> Moreover, Nigeria's ethnic diversity makes it challenging to identify indigenous peoples/groups.<sup>157</sup> However, the Working Group on Indigenous Population/Communities of the African Commission on Human and Peoples' Rights identified three ethnic groups in Nigeria that may be classified as 'Indigenous Peoples/groups'.<sup>158</sup> The three ethnic groups include: Ogonis, Ijaws and Nomadic Fulanis.</p>	<p>ARAF II portfolio companies may operate in areas with Indigenous peoples or interact 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 could undertake activities that may significantly impact on critical cultural heritage essential to Indigenous Peoples' identity and/or cultural, ceremonial, or spiritual lives. Companies may not have Indigenous peoples' policies and may not have procedures for interacting with Indigenous communities.</p>	<p>The Fund does not foresee any negative impacts on cultural heritage or Indigenous knowledge.</p>
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<sup>154</sup>[https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria\\_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.](https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.)

<sup>155</sup>[https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria\\_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.](https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.)

<sup>156</sup>[https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria\\_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.](https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.)

<sup>157</sup>[https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria\\_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.](https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.)

<sup>158</sup>[https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria\\_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.](https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.)

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	<p>The three ethnic groups were identified based on the significant challenges they face within the context of land resources, environmental degradation and access to health care and education.<sup>159</sup></p>	<p>Companies not having policies and procedures tied to best practices could result in harming Indigenous populations.</p> <p>ARAF has an Indigenous People's Policy that informs engagements with Indigenous people. ARAF also has a stakeholder engagement plan that incorporates indigenous voice and consent. ARAF will conduct due diligence on companies on their engagement and policies around Indigenous peoples. If companies engage with Indigenous populations, ARAF will expect them to have proper Indigenous Peoples' policies and procedures.</p>	
Uganda	Benet, the Batwa, the Ik, the	The Ugandan government does	The Fund does not foresee any

<sup>159</sup>[https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria\\_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.](https://www.ohchr.org/sites/default/files/Documents/Issues/IPeoples/EMRIP/StudyRRR/Nigeria_NHRI.doc#:~:text=These%20ethnic%20groups%20and%20tribes,and%20ethnic%20minorities'2.)

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	Karamojong and the Basongora	not legally recognize any Indigenous groups. The Fund intends to positively impact Indigenous farmers by investing in agriculture companies selling goods and services that improve climate resilience. The Fund will comply with the IPP when engaging with Indigenous communities regardless of legal status.	negative impacts on cultural heritage or Indigenous knowledge.
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	<b>GUIDANCE ON GRIEVANCE MECHANISMS</b>	

## **Annex 6: Outline of stakeholder engagement plan**

### Overview

- Context and Rationale
- Objectives
- Assessment
- Activities and Next Steps
- Summary of Activities
- Types of Engagement
- Reporting
- Oversight
- ARAF II Stakeholder List
- Stakeholder Engagement Plan Outline

### Context and Rationale

The ARAF II Stakeholder Engagement Plan ("Plan") is an important instrument for including stakeholder learning, communication, and monitoring for both developing and implementing the Acumen Resilient Agriculture Fund II ("ARAF II" or "Fund").

The Plan is an essential component of the ARAF II ESMS as stakeholders inform both project opportunities and potential "Fund" and business risks. The Stakeholder Engagement Plan was created by the ARAF II team and will be overseen by the Managing Director and implemented by the Climate and ESG officer along with the remaining Fund team.

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	<b>GUIDANCE ON GRIEVANCE MECHANISMS</b>	

## Objectives

- To engage in meaningful consultation with a diverse cohort of beneficiaries, stakeholders and relevant organisations representing unique and helpful viewpoints to enhance the ARAF II Project.
- To describe and seek input on the project design of ARAF II.
- To ensure free informed, and prior consent from Indigenous communities invited to the virtual stakeholder engagement webinars.
- To learn from communities on gender norms, local needs, agricultural issues, climate change issues and local solutions.

## Assessment

ARAF II is a small financial organisation with a limited operational footprint with activities largely limited to investment services. Key stakeholders, including Fund investors, seek to ensure that the Fund's limited operational and investing activities both achieve positive social and environmental impact and limit harm to the communities that the Fund serves.

ARAF II regularly engages with stakeholders to ensure a deep understanding of local context, risks to ARAF II, and risks from ARAF's investing activities. ARAF II stakeholders, their importance to the Fund, and strategy for engaging them are shared in the Stakeholder Engagement table.

ARAF II has sought guidance and insights from key stakeholders across ARAF II geographies in the development of the Fund. The team mapped key and diverse stakeholders that can deepen our understanding of opportunities and risks in key markets. Stakeholders include government entities, investors, donors, pipeline companies, industry associations, affiliated nonprofits, civil society organizations, advocacy groups, and prospective beneficiaries. ARAF II sought to create meaningful opportunities for engagement, which includes virtual consultations, stakeholder gatherings, conference attendance, in-person government



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meetings, and field visits. The team tracks stakeholder engagement to ensure fulsome engagement, data collection, and identifying gaps.

Nationally Designated Authorities (NDAs), government organisations responsible for approving GCF projects with no-objection letters, are valuable partners for the Fund's development. NDAs have helped ARAF II align investing activities with country climate priorities and deepen knowledge of country context, risks, challenges, and opportunities in these markets. NDA engagement has helped the Fund enhance market studies, gender assessments, climate assessments, and monitoring and reporting tools.

ARAF II, much like ARAF I, remains committed to learning from smallholder farmers and ARAF beneficiaries. 60 decibel consumer surveys from Fund I have informed investment and impact strategy. The team has learned and seeks to continue learning from farmers what business models, products and services are most impactful to them and generate the strongest climate resilience benefits.

#### Activities and Next Steps

The ARAF II team expects to continually host in-person meetings, consultations, and virtual stakeholder gatherings both during fund development and implementation.

The team has attended a number of important stakeholder gatherings including several conferences with potential fund investors, co-investors in ARAF portfolio companies, and pipeline companies. ARAF has engaged a number of government entities, consultants, civil society organizations, women's groups, and potential pipeline companies.

The team expects to continually ensure the effective engagement of communities and individuals, including transboundary, persons in vulnerable positions and situations, and marginalised groups and individuals that are affected or may be potentially affected by ARAF II activities.

The team seeks to continue learning from and sharing insights with stakeholders through Fund implementation. ARAF intends to share relevant information with stakeholders via virtual stakeholder meetings, consultations, and, when feasible and appropriate, reporting.

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The ARAF team expects to listen to and learn from program beneficiaries on a regular basis. The team, with 60 decibels (a customer surveying company), developed a climate resilience surveying tool that focuses on learning about the climate resilience benefits and challenges farmers attain from ARAF portfolio companies' products and services. The climate resilience survey asks farmers, often via text messages, about benefits like yield increases, access to markets, income increases, productivity increases, and other important climate resilience benefits.

When engaging stakeholders, the team will take into consideration various risks and impacts, including where appropriate transboundary impacts as well as opportunities to enhance environmental and social outcomes of ARAF II.

The team will also listen to and support end-users, beneficiaries, and other program participants with our grievance redress mechanism.

Our team seeks to continuously learn from and communicate with portfolio companies. The team intends to have strong visibility into company operations and activities through board representation, mandated reporting, and field visits.

The team also expects to engage with investors on a regular basis. Investors in the Fund are expected to play an important advisory, compliance, and directional role for Fund activities. Their expertise and experience will benefit the Fund's investing strategy and implementation. The Fund also expects to routinely engage with ARAF II co-investors.

Stakeholder engagement is an iterative process with many types of engagement, the plan and activities are expected to be revisited and evaluated on a regular basis.

#### Types of Engagement

**Meetings:** The team has held meetings with Nationally Designated Authorities, government entities, NGOs, and Civil Society organizations. Meetings serve as our strongest opportunity to get direct, real-time feedback on ARAF II.

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**Webinars:** We host webinars to sensitize key stakeholders to our Fund and investing strategy. This is also an opportunity for our team to get high level feedback from a diverse group of stakeholders:

**Conferences:** The ARAF II team attends conferences to meet pipeline companies, potential investors, and other organizations and leaders in the industry. The team seeks to share our learnings by attending conferences.

**Surveys:** We survey beneficiaries to understand the impact of our investments.

**Reports:** ARAF II intends to provide annual reporting to investors and key stakeholders. Reports are a valuable tool to sensitize stakeholders to ongoing activity and insights we develop in the lifecycle of the fund.

**Grievance Mechanism:** Beneficiaries and project affected people can use the grievance mechanism to share complaints with the Fund team. The grievance mechanism, also known as the Fund's Complaints Policy, is aligned with the Ruggie principles and has survivor-centered protections.

#### Summary of Activities

The ARAF II team has engaged different stakeholder groups including government entities, industry associations, local businesses, women's groups, Indigenous organizations, civil society organizations and other relevant stakeholders through virtual and in-person meetings.

<b>No.</b>	<b>Country</b>	<b>Date</b>	<b>Engagement</b>	<b>Language</b>
1	Côte d'Ivoire	July 2 <sup>nd</sup> 2024	In-person Meeting	English/French
2	Ghana	July 23 <sup>rd</sup> 2024	Virtual Meeting	English
3	Uganda	July 4 <sup>th</sup> 2024	Virtual Meeting	English
4	Morocco	July 24 <sup>th</sup> 2024	Virtual Meeting	English
5	Egypt	July 25 <sup>th</sup> 2024	Virtual Meeting	English
6	Nigeria	3 <sup>rd</sup> June 2024	Virtual Meeting	English

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## Reporting

The ARAF II team intends to report on our investments and activities on an annual basis. We also provide quarterly and semiannual financial reporting to investors including the GCF. We also engage investors during our Limited Partnership Advisory Committee meetings. Investors can share their feedback, advice, and recommendations with the team during our LPAC meetings. Additionally, we report to GCF on an annual basis through annual performance reports.

ARAF II also intends on sharing community reports that may be presented or distributed to various stakeholders including NDAs, NGOs, civil society organizations, and other relevant parties. The reports may be presented or distributed through a virtual or in person stakeholder meeting with different stakeholder groups, which may include government entities, industry associations, local businesses, women's groups, Indigenous organizations, civil society organizations, academic institutions, and other relevant parties. The virtual or in person stakeholder meetings will be undertaken in a manner that is gender-sensitive, culturally appropriate, inclusive, and participatory.

Finally, ARAF II expects reporting from Portfolio Companies. Portfolio Companies are expected to provide impact, financial, and other data. Portfolio companies are expected to report on Gender Action Plans and ESG Action Plans.

## Oversight

Acumen as the Accredited Entity is expected to play an oversight role over ARAF II's stakeholder engagement activities. Acumen will ensure that the team fulfils the Fund's stakeholder engagement obligations.

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<b>ARAF II Stakeholder List</b>			
<b>Category and key issue</b>	<b>Key Stakeholders</b>	<b>Level of Interest and Influence</b>	<b>Stakeholder Engagement Strategy</b>
1. Entrepreneurial ecosystem – access to capital; driving innovation and promoting diversity.	1.1 Early and mid-stage agricultural companies in East, West, and North Africa	The management teams in these companies are aligned to ARAF's goals of building climate resilience in markets of operation.	The ARAF team intends to proactively engage with management teams of potential investees to understand strategies, business model, and alignment with ARAF's investing and impact criteria. Post-investment monitoring both through board representation and mandated reporting focuses on financials, impact, and ESG.

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<p>2. Regulatory – agriculture; climate ambition; NDC's; climate resilience strategies; tax/incentives; duties.</p>	<p>Government Agencies; Relevant Ministries; etc.</p>	<p>National governments and their agencies are aligned to ARAF's mandate of achieving universal electrification and climate mitigation. They are critical to development of an enabling environment for sustainability and growth of the sector.</p> <p>Through GCF funding, National Designated Authorities (NDAs) retain a high level of influence in ARAF's activities. Other regulators have a high level of influence as relates to approvals but have low interest levels.</p>	<p>Engagement of general regulators (Ministries and Agencies) on industry-wide matters will occur primarily through the industry associations (GOGLA and EAVCA) of which ARAF is a participating member. ARAF will also work to ensure compliance with requirements from other relevant agencies such as the Competition Commission.</p> <p>ARAF intends to regularly engage with the NDAs in ARAF countries. The NDA representatives are expected to be invited to quarterly meetings and receive reports highlighting Fund performance. These representatives will also be invited to participate in knowledge-sharing events and round tables hosted by ARAF.</p>
<p>3. Investors</p>	<p>DFI's, Private Equity and Debt Investors, Venture Capital Funds and Family Offices</p>	<p>These stakeholders hold mandates to support climate resilience goals and/or to support allocation of capital to the sector and markets. They maintain high levels of influence and interest as they hold debt or equity investments in ARAF's portfolio companies and/or pipeline opportunities and can determine the terms of investments as well as post-investment strategies. They may also, in some cases, such as with Acumen Fund</p>	<p>ARAF manages these stakeholders closely through calls, meetings, and gatherings. The Fund also holds frequent meetings with co-investors to discuss company specific activities and engagement. Investors who are also LPs into ARAF will receive quarterly updates on Fund financial and impact performance and are invited to an Annual General Meeting to discuss in detail, operational and Fund activities for the year.</p>

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		and GCF be direct investors into ARAF.	
4. Broader Industry – advances in technology; other industry risks	Industry Associations: ClimateShot Investor Coalition, The East African Venture Capital Association (EAVCA)	These institutions share insights and opportunities that are valuable as an investor in Africa and within the agriculture ecosystem. They are expected to have low levels of influence over ARAF's specific activities but remain important in sector-wide representation.	ARAF seeks to provide guidance and insights to relevant associations and conferences to grow the ecosystem and build farmer climate resilience.
5. National and international civil society organizations; International/Intergovernmental organizations; Indigenous people's; women's groups; vulnerable individuals and groups; affected communities	Woman Who Farm Africa  The Indigenous Peoples of Africa Coordinating Committee (IPACC)  Alliance for a Green Revolution in Africa (AGRA)  International Institute of Tropical Agriculture (IITA)  International Fund for Agriculture Development (IFAD)  Food and Agriculture Organization (FAO)	Consulting and engaging with associations and multi-national interest groups representing under-represented, under-served, and marginalized communities is a fundamental component of fund development. These groups will inform the implementation of the ESMS, grievance mechanism, technical assistance facility, and other stakeholder engagement tools.	ARAF will engage these groups during the fund development stage of the process through meetings and webinars both to share the project and to learn about the local and market specific context. Women's groups and relevant industry associations may be engaged to share insights from the gender work across the investing strategy and TAF. Civic organizations and other associations may be consulted if the fund needs support on specific E&S issues.

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6. Beneficiaries and end-users - impact, grievances, and complaints, and impacts	Smallholder farmers, climate vulnerable communities	Creating meaningful impact for beneficiaries is a very important component of ARAF II. Beneficiary and end-user voice will be especially important to portfolio company success and ensuring that we are meaningfully engaging with the communities we serve.	Each of our portfolio companies will have stakeholder engagement plans for the communities they operate within. Additionally, we will commission studies for our companies so that they can better incorporate customer and community feedback. Finally, portfolio companies are expected to have or to develop grievance mechanisms that respond to community concerns.  At the fund level, ARAF II has a robust grievance redress mechanism aligned with international best practices. Additionally, the fund has a strong complaints mechanism, Indigenous Peoples Policy, and Gender Action Plan to ensure vulnerable populations are engaged in the Fund.
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As per the IFC Performance Standards Guidance 1 a comprehensive Stakeholder Engagement Plan should contain the following elements, with scope of level of detailed scaled to fit the needs of the project:

1. **Introduction.** Briefly describe the project including design elements and potential environmental and social issues. Where possible, include maps of the project site and surrounding area.

2. **Regulations and requirements.** Summarize any legal, regulatory or company requirements pertaining to stakeholder engagement applicable to the project. This may involve public consultation and disclosure requirements related to the ESIA process.

3. **Summary of any previous stakeholder engagement activities.** If the company has undertaken any information disclosure and/or consultation to date:



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- Type of information disclosed, in what forms and how it was disseminated.
- The locations and dates of any meetings undertaken to date.
- Individuals, groups, and/or organizations that have been consulted.
- Key issues discussed, and key concerns raised.
- Company response to issues raised, including any commitments or follow-up actions.
- Process undertaken for documenting these activities and reporting back to stakeholders.

**4. Project Stakeholders.** List the key stakeholder groups who will be informed and consulted about the project. These should include persons or groups who:

- Are directly and/or indirectly affected by the project.
- Have interests in the project or Portfolio Company that determine them as stakeholders.
- Have the potential to influence project outcomes or company operations

Examples of potential stakeholders are affected communities that live in the area or adjacent to potential Portfolio Company's operations or depend on the resources of such areas; communities and individuals, including transboundary, persons in vulnerable positions and situations, and marginalised groups and individuals that are affected or potentially affected; local organizations; NGOs; government authorities; politicians; other companies; labor unions; academics; religious groups; national environmental and social public sector agencies; the media.

#### **5. Stakeholder Engagement Program**

- Summarize the purpose and goals of the program (either project-specific or corporate).

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- Briefly describe what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups. Methods used may vary according to target audience, for example: newspapers, posters, radio, television, information centers and exhibitions or other visual displays, brochures, leaflets, posters, non-technical summary documents and reports.

- Briefly describe the methods that will be used to consult with each of the stakeholder groups. Methods used may vary according to target audience, for example: interviews with stakeholder representatives and key informants; surveys, polls, and questionnaires; public meetings, workshops and/or focus groups with specific groups; participatory methods; other traditional mechanisms for consultation and decision-making. Methods used should be culturally appropriate, gender responsive/sensitive, inclusive, participatory and, in certain circumstances, free, prior informed consent should be obtained.

- Describe how the views of women and other relevant sub-groups (e.g., minorities, elderly, youth, etc.) will be considered during the process.

- Describe any other engagement activities that will be undertaken, including meaningful consultation, participatory processes, joint decision-making, and/or partnerships undertaken with local communities, NGOs, or other project stakeholders. Examples include benefit-sharing programs, stakeholders development initiatives, resettlement and development programs, and/or training and microfinance programs.

- Describe the process by which people affected by the project/ stakeholders with complaints can bring their grievances and concerns to the project management's attention, and how they will be considered and addressed.

**6. Timetable.** Provide a schedule outlining dates/periodicity and locations where various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will be incorporated into the company's management system (at either the project or corporate level).

## **7. Resources and Responsibilities**

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- Indicate what staff and resources will be devoted to managing and implementing the company's Stakeholder Engagement Program.

- Indicate who within the company will be responsible for conducting these activities and what budget has been allocated toward these activities.

- For projects with significant or diverse impacts and multiple stakeholder groups, it is good practice for a company to hire a qualified Stakeholders Liaison Officer(s) to arrange and facilitate these activities at the project and/or corporate level. Integration of the stakeholder's liaison function with other core business functions is also important, as is management involvement and oversight.

8. **Grievance Mechanism.** Describe the process by which people affected by the project can bring their grievances to the company for consideration and redress. Indicate who will receive grievances, how and by whom they will be resolved, and how the response will be communicated back to the complainant. Additional guidance on this is provided in Annex 7.

#### 9. **Monitoring and Reporting**

- Describe any plans to involve project stakeholders (including affected communities) or third-party monitors in the monitoring of project impacts and mitigation programs.

- Describe how and when the results of stakeholder engagement activities will be reported back to affected communities as well as broader stakeholder groups.

- Examples include environmental and social assessment reports, company newsletters, annual monitoring reports submitted to lenders, company annual report, company, or corporate sustainability report.

10. **Management Functions.** Indicate how stakeholder engagement activities will be integrated into the company's ESMS and with other core business functions.

- Who will have management oversight for the program

- Plans for hiring, training, and deploying staff to undertake stakeholder engagement work

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- Reporting lines between stakeholders' liaison staff and senior management
- How the company's stakeholder engagement strategy will be communicated internally
- What management tools will be used to document, track and manage the process (e.g., stakeholder database, commitments register, etc.)
- For projects or company operations involving contractors, how the interaction between contractors and local stakeholders will be managed to ensure good relations

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## **Annex 7: Guidance on grievance mechanisms**

A Grievance Mechanism constitutes the system introduced by the Fund with reference to its operations and in relation to the operations of its Portfolio Companies that affords all stakeholders, in particular project affected individuals and communities, the ability to provide feedback, channel their concerns and, thereby, access information and, where relevant, seek recourse and remedy.

A grievance mechanism at the project level constitutes a critical means for the early identification and remedy of undesirable or unforeseen impacts and other concerns arising out of the execution of the project. Its establishment promotes the affected persons' access to remedy and may facilitate resolution of such concerns and grievances linked to the project environmental and social performance.

Such mechanism is introduced at the very outset of project design. In terms of scope, it concerns the entire operations and should possess a lifespan similar to that of the operations.

The Fund will ensure that a grievance mechanism is introduced at Portfolio Company / subproject level, irrespective of other complementary linkages or access to existing public grievance channels in the country concerned. To be effective, it should be designed as a mechanism that is:

- Legitimate and trusted
- Scaled to the risks and potential adverse impacts of the project
- Publicised and accessible, appropriately tailored to all potentially affected persons and communities and other interested parties, irrespective of their literacy and administrative capacity
- Free of cost for the stakeholders
- Include the anonymity option, where feasible, and guarantee confidential handling of requests, if so, requested by the complainant

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- Fair, transparent, and inclusive, compatible with human rights
- Guided by engagement and dialogue
- Predictable in terms of process
- Timely
- Not impeding access to grievance and resolution on grounds of one's financial ability to seek judicial remedy
- A source of continuous learning for all the stakeholders, including the Fund and its Portfolio Companies

The Portfolio Company will introduce an effective feedback system to the mechanism, informing the affected communities about the project grievance process and its outcomes and reporting regularly to the public on its implementation, while protecting the privacy of individuals. The Portfolio Company will also inform the affected communities of their right to independent judicial recourse if grievances cannot satisfactorily be resolved using the project-specific mechanisms. Resolution of a grievance should be confirmed by way of evidence of the satisfaction of the stakeholder/aggrieved party. It is required that the Portfolio Company diligently documents this process.

Where a complaint is not admissible or relevant, the Portfolio Company will refer the aggrieved parties to the relevant authority or other grievance process. The grievance mechanism should not impede access to independent judicial or administrative remedies outside any project specific context; quite the contrary, it should complement and facilitate access to independent bodies (e.g., Ombudsman).

Portfolio Companies are required to monitor the implementation of the stakeholder engagement plan and the performance of the grievance mechanism. Specific attention needs to be given to grievance mechanisms related to workforce, local affected communities and in case of resettlement or Indigenous peoples.

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	<b>COMPLAINT POLICY OF THE FUND</b>	

## **Annex 8: Complaint policy of the fund (Grievance Mechanism)**

### **Rationale**

A complaint means any expression of dissatisfaction raised by investees, investors, co-investors or any other directly affected stakeholders (all jointly "Stakeholders") of the Fund ("the Fund").

Effective complaint handling offers many practical benefits to the Fund and helps to improve the quality of services. Complaints provide evidence of faulty decisions, poor service delivery or potentially poor communication. Considering this, the Fund makes all the possible efforts to conduct its operations in a manner that avoids such complaints.

Stakeholders should be ensured that their complaints are easy to report, acknowledged and dealt with quickly, fairly, and sensitively. To preserve and enhance its reputation, the Fund should identify dissatisfied Stakeholders and work out methods of resolving their complaints.

### **Policy**

To ensure that complaints are managed properly and resolved promptly while always meeting Stakeholders' interests, the Fund has set up a Complaints Management Policy whereby:

1. Stakeholders are given the opportunity to raise their complaints;
2. Complaints must be answered within three months of their reception.
3. All complaints must be documented and reported.
4. The Complaint Policy must work in conjunction with other ESMS related policies and procedures including SEAH guidance, the guidance on Indigenous Peoples, and Guidance for land and resettlement.



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The Complaints Management Policy shall not impede access to other judicial or administrative remedies that might be available under local law, or substitute for complaints mechanisms provided through specific agreements.

No complainant who, in good faith, reports any dissatisfaction shall suffer any harassment, retaliation or adverse consequence. Any director, officer, service provider, who retaliates against any complainant shall be subject to discipline, potentially including termination of office or contract. This protection from retaliation is not intended to prohibit governance bodies of the Fund from taking disciplinary actions within their usual scope of duties based on valid performance-related factors.

**Procedure**

All complaints should be notified to the Fund in written form, following one of the following channels:

a) Communication sent by postal mail at the address:

Acumen Capital Partners LLC

40 Worth Street, Suite 303

New York, NY 10013

b) Communication sent via email at the address:

[email address for complaints to be established and included]

Subject: Complaints –Fund

With a maximum delay of 10 business days after receipt of the complaint, the designated person of contact in the Fund (the “Contact Person”) sends an acknowledgement and informs the complainant of the review action taken. The Contact Person is responsible for the good management of the complaints procedure and is the main contact with complainants throughout the entire process.

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All complaints are dealt within a reasonable timeline. At all times, one designated staff member (the "Complaints Officer"), will always ensure that complaints are treated within the herein described procedure, and escalated without undue delay in accordance with the regulatory and contractual obligations of the Fund as the case may be. The Complaints Officer shall ensure that systemic or recurring complaints are being identified, and that the cause of those complaints is being identified and remedied. The Complaints Officer will also present the lessons learnt on a regular basis to the Board of Managers as well as the actions put in place to avoid/limit complaints in the future.

Complaints received and related reports shall be kept confidential to the extent possible. Confidentiality interests will be balanced with the need to conduct an adequate investigation. Sharing of information in relation to complaints with people not involved in the investigation or management of the complaints procedure is forbidden.

The investigation intends to analyse the reasons behind each complaint through a fair and independent view of the complaint raised by the complainant. The investigation should aim at reaching an objective assessment of the issue with an account of all the known facts and an assessment of how the matter should be followed up, including whether criminal prosecution or other sanctions are considered appropriate. If determined by the Board of Managers, the Fund shall initiate prosecution and/or apply other sanctions against persons or entities suspected of financial irregularities.

The Complaints Officer remains responsible for managing the investigation process, determining the knowledge and skills required to undertake the investigation, and hiring external advisors if needed.

The key considerations the Complaints Officer considers when hiring external experts for investigations are expertise, independence, and impartiality. Those experts will have specific confidentiality requirements.

If the complaint involves the Complaints Officer or a Member of the Board, such individual(s) will not be permitted to participate in the consideration and investigation or determination of the redress of such a complaint.

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The Contact Person shall respond to the complainant in writing no later than two months from the receipt of the complaint, by post or e-mail. The answer shall contain any required information or opinion judged useful to address the complaint in accordance with the general principle of information transparency.

If the complainant does not receive an answer or receives an unsatisfactory answer from the Contact Person within two months from first addressing the complaint, the complainant is entitled to contact the Complaints Officer, at the same addresses provided in this document.

If within a delay of one month from the day on which the complaint was addressed to the Complaints Officer the complainant does not receive an answer or receives an unsatisfactory answer, the complainant may refer the request to the Board of Managers. In this case, the Contact Person will be responsible for ensuring that the complaint is received by the Board of Managers.

Reporting and record keeping (after resolution of the complaint)

The Complaints Officer oversees maintaining the Complaints Report whose objective is to keep a record of all useful information to achieve good tracking of complaints.

Before 1 March of each year and each pre-scheduled meeting of the Board of Directors, the Complaints Officer shall present a Complaints Report to the Board of Directors with an analysis of the complaint's activity of the previous year or period.

All records of complaints shall be maintained by the Complaints Officer, as anonymised to the extent necessary, and will be kept for a minimum period of 5 years.

Complainants have the right to remain anonymous throughout the investigation process. In this case complainants should be aware that they will not receive any notice regarding the status and outcome of investigations and will not be contacted by the Contact Person.

Complainants who have disclosed their identities when lodging their complaints have given their express consent to receive notifications regarding the status of investigations, to be contacted by the Contact Person, the Complaints Officer, or any or several members of the

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	<b>COMPLAINT POLICY OF THE FUND</b>	

Board of Managers, in case further information is required, and to receive an answer to the complaint. **SEAH Procedures**

The Complaint Policy has specific protections to ensure that it is survivor-centered and gender-responsive. Complaints/grievances can be shared with strict confidentiality and/or anonymity. ARAF will encourage complainants with concerns about their safety, if directly working with the Fund or a portfolio company, to have flexible workspaces. SEAH and all grievance data will be ethically and securely stored to ensure privacy. The Fund intends to also seek resolution with the complainant and other parties potentially including:

- Medical care
- Psychological care
- Legal support
- Community-driven protection measures
- Reintegration

SEAH grievances will be tracked safely, ethically, and securely. The ARAF II team intends to analyze SEAH trend data with root cause analysis and other interdisciplinary measures.

### **People Engagement Strategy**

The Fund intends to make the Complaint Policy (Grievance Mechanism) available to all relevant stakeholders. The Fund expects to have a physical copy of the Complaints Policy at the Fund's office location.

The Fund will provide portfolio companies with copies of the Complaint Policy and the guidance on grievance mechanisms.

The Fund will also provide physical copies of the ARAF II Complaint Policy to Nationally Designated Authorities. Additionally, ARAF II intends to host virtual stakeholder engagement sessions with CSOs, NGOs, Indigenous organizations, organizations representing women, and

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other relevant stakeholders. These groups will be informed of the Complaint Policy and will be sent a copy of the policy.

### **Brief on Potential Project Affected People**

ARAF II intends to create strong climate resilient impacts on the communities we seek to serve with our investments. The Fund acknowledges that even with strong environmental and social protections, some people may be impacted by the Fund's investments. To that end, ARAF II has developed a robust Complaint Policy to ensure that grievances are appropriately investigated, recorded, and resolved. Here is a list of potential project affected people:

- Farmers using products and services of Portfolio Companies: Farmers may face issues with the portfolio company including harassment, SEAH, aggressive sales techniques, over-indebtedness, malfunctioning products, and poor customer service.
- Portfolio Company Staff: Portfolio Company staff may face poor working conditions, retrenchment, SEAH, inappropriate workspace behavior, no pay, hostile work environment, and a number of other issues.
- Community stakeholders: Community members may complain about engagement with portfolio company staff, SEAH, violence in the community, impacts to the local environment.
- Rejected Company: Some companies who did not receive investment may reach out to learn more about the investment process.

Complainants also can use the Green Climate Fund Independent Redress Mechanism. More information can be found at:

<https://irm.greenclimate.fund/case-register/file-complaint>

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<b>Environmental and Social Action Plan</b>		

## Annex 9: Environmental and Social Action Plan Template

ARAF II intends to require environmental and social activities for all Investee companies that will be bound in side letter agreements and documented in the Environmental and Social Action Plan (ESAP). The ESAP will be developed by the Investee company and ARAF team to meet the obligations of the ESMS and LP E&S requirements. The ESAP activities are also expected to be derived from findings from the ESG due diligence. ESAPs are expected to be monitored on a quarterly basis and reported on annually.

Shared below is a sample ESAP:

Company name ARAF ESAP									
Action item numbering	Area of ESG concern as identified through DD and management systems questions	Level of ESG risk	Action required	Evidence of compliance	Proposed implementation timeline (start date)	Proposed implementation deadline	Responsibility (company staff, management and board member)	Cost (€)	
<b>Capacity and management gaps</b>									
1	ESMS	Medium	<p>Develop and implement a Group-wide Environmental and Social Management System ("ESMS") in line with ISO 14001 and ISO 45001. The system shall define roles and responsibilities, and other necessary elements (risk identification and evaluation procedures, operational procedures, monitoring and reporting requirements) to enable operations to comply with local laws and IFC Performance Standards. The Group shall maintain an ESG leadership/policy document which shall be endorsed by the Board of Directors. The company shall also ensure that all policies and procedures are endorsed by the Board of Directors or such other member of the executive management team. The ESMS shall include, in addition to the company's existing policies and procedures:</p> <ol style="list-style-type: none"> <li>1. Development of risk management plans and procedures including relevant action plans, performance metrics, persons responsible and applicable timelines.</li> <li>2. Occupational health and safety policy and procedures</li> <li>3. ESG requirements for our growers</li> <li>4. Our grower evaluation policy/procedures</li> <li>5. Waste management plan</li> <li>6. Hazardous material management plan</li> <li>7. External communications and grievance mechanism</li> <li>8. Emergency preparedness and response plan</li> <li>9. Food safety policy</li> <li>10. Vehicle use and safety policy</li> <li>11. Worker grievance mechanism</li> <li>12. Develop and formalize anti-bribery and anti-money laundering commitment.</li> <li>13. Compliance with licensing and permitting regulations.</li> <li>14. Endorsement of all policies and procedures by senior management.</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop an ESMS manual xxx months</li> <li>2. Anti-bribery commitment xxx months</li> <li>3. Anti-money laundering commitment xxx months</li> <li>4. Endorsement of all current and future plans by senior management/board of directors xxx months</li> </ol>	xxx months	[Month] [Year]	CEO/ COO/ HRV Head of quality and assurance/ Head of production etc.		At the option - internally or externally service provider
2	Health and Safety Management Plan	High	<p>Develop and implement a Health and Safety Management Plan and implement training sessions for the staff. This should include guidelines on the use of agro-chemicals by farmers and out-growers, use of equipment, transportation of supplies and finished products, etc.</p> <p>Develop a community health and safety management plan. This should include guidelines on community exposure to pesticides and other hazardous materials, pathogens and noxious odors; sitting from manure, air emissions from fires from burning, vehicles and machinery; injury from increased traffic in the community, etc.</p> <p>Complete the development of the health, safety, security, and environmental management plan, ensuring that it captures the above aspects.</p>	<ol style="list-style-type: none"> <li>1. Health, safety, security, and environmental management plan xxx months</li> <li>2. Community health and safety action plan xxx months</li> <li>3. Evidence of trainings and HRG statistics xxx months</li> </ol>	xxx months	[Month] [Year]	CEO/ COO/ HRV Head of quality and assurance/ Head of production etc.		At the option - internally or externally service provider
3	Our grower Assessment	High	<p>The company shall identify ESG gaps in their internal processes and in the existing out-grower contracts, develop and implement their ESG practices internally, and pass on ESG requirements to out-growers to ensure compliance in their procurement process.</p> <p>The company shall also develop an out-grower evaluation and management policy and related guidelines. The policy shall prohibit the onboarding of out-growers/suppliers within the following areas (or less than 1km):</p> <p>Protected areas listed here:  <a href="https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c">https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c</a>            AZE areas listed here: <a href="https://easaction.org/dlc/identity/2019-global-sac-map/">https://easaction.org/dlc/identity/2019-global-sac-map/</a>            UNEP CO natural world heritage sites:  <a href="https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c">https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c</a>            The policy shall also prohibit deforestation and environmental degradation among out-grower/suppliers. The company shall also develop a referencing tool to map out all the farmer of the smallholder farmer. Before onboarding, verification against the protected areas listed above shall be undertaken through the referencing tool to ensure that there is no overlap.</p>	<ol style="list-style-type: none"> <li>1. ESG requirements for out-growers xxx months</li> <li>2. Our grower evaluation and management policy/guidelines xxx months</li> <li>3. Referencing tool mapping out all nuclear and smallholder farms against the following protected areas: Protected areas listed here: <a href="https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c">https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c</a>  <a href="https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c">https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c</a>            AZE areas listed here: <a href="https://easaction.org/dlc/identity/2019-global-sac-map/">https://easaction.org/dlc/identity/2019-global-sac-map/</a>            UNEP CO natural world heritage sites: <a href="https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c">https://www.usgs.com/home/num.html#id=refcc088b3c41693688b-6559b5c32c</a></li> </ol>	xxx months	[Month] [Year]	CEO/ COO/ HRV Head of quality and assurance/ Head of production etc.		At the option - internally or externally service provider

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	<b>ANNUAL REPORTS ON ES PERFORMANCE</b>	

## Annex 9: Annual reports on ES performance

- Name of the responsible Environmental and Social Officer
- Status / changes in ESMS over the past period
- Status of certification including total hectares and certified hectares
- List of major and minor corrective actions and observations from last annual certification audit
- Summary of progress on environmental and social challenges
- Difficulties and/or constraints related to the implementation of ESMS.
- Status of contractor management and monitoring
- Environmental and social trainings undertaken / planned.
- Any emergencies occurred.
- Incident and accident statistics (including comparison to previous years). An incident/accident reporting template is included below.
- Fire statistics
- Status of environmental and social performance to date, implementation of ESMS and agreed ESAP (if applicable)
- Any improvements in performance with a clear environmental benefit (e.g., energy savings, reducing (hazardous) waste, certification of relevant management systems)
- Any improvements in performance with a clear social benefit (e.g., improvements in labour conditions, community, and/or socio-economic development programs)
- For companies with CO2 equivalent emissions exceeding 25,000 metric tons annually, emissions in accordance with requirements set out in IFC Performance Standard 3
- Status of out grower and community programmes
- Status of third-party timber sourcing (amount of timber and methods to ensure legality)
- List of any environmentally and social relevant audits and studies conducted internally or externally.
- Brief description of NGO or CSO collaboration
- Grievance and complaints statistics with comparison to previous years. Brief description of common themes and most significant cases

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- If applicable number of employees affected by retrenchment and copy of retrenchment plan
- Confirmation that none of the Excluded Activities have been, or are intended to be, undertaken.
- Summary of qualified external and any internal ESIA undertaken and reference to qualification of external expert undertaking assessment if applicable
- Allocated and utilised budget for environmental and social matters
- Media attention to the project
- Use of pesticides

#### **Example of contents for annual report on development effects**

- Direct employment (FTEs) and split by permanent / contractors.
- Female direct employment (FTEs)
  - of which senior management (FTEs)
  - of which middle management (FTEs)
  - of which junior / other worker - skilled (FTEs)
  - of which junior / other worker - unskilled (FTEs)
- Total part-time direct employment (FTEs) and share of women.
- Youth direct employment (FTEs, 30 years old and under)
- Total wage bill (USD)
- Staff turnover (%)
- Revenue (USD)
- EBITDA (USD)



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- Corporate income taxes (USD)
- Other taxes and government fees (USD)
- Total sales (USD)
- Domestic sales (USD)
- Farmers reached (#) and share of women.
- Revenue to local communities (USD)
- Hectares planted (ha)
- Protected area (ha)

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	<b>ANNUAL REPORTS ON ES PERFORMANCE</b>	

<b>SHEET A: REPORT ON ESG SERIOUS INCIDENTS/ACCIDENTS</b>	
<b>Date of report</b>	
<b>Fund/ contact person</b>	/
<b>Date of investment</b>	
<b>Date and time of accident / Date of notification to fund</b>	[Date, Time] / [Date/ explanation of delay]
<b>Type of accident</b>	(e.g., Fatality, major oil spill, explosion)
<b>Victims and damage</b>	<ul style="list-style-type: none"> <li>● Fatalities (including number deceased and differentiating between employee/ contractor fatalities and members of the public).</li> <li>● Number injured (mention hospitalisations/ loss of limb).</li> <li>● Loss/ damage to company facilities or operating environment.</li> <li>● Environmental damage (e.g., Water pollution).</li> </ul>
<b>Immediate response</b>	
<b>Description of issue</b>	<p>Include the following where available or relevant:</p> <ul style="list-style-type: none"> <li>● names of involved (if fatalities)</li> <li>● witnesses (including where relevant staff, unions, police, other authorities, and other parties)</li> <li>● routine/non-routine activity undertaken.</li> <li>● factual statement of what happened.</li> <li>● scene inspection photos/notes</li> <li>● sequence of events pre-dating accident</li> <li>● immediate cause</li> <li>● unsafe acts in sequence</li> <li>● unsafe conditions in sequence</li> <li>● underlying causes of unsafe acts/conditions (initial view)</li> <li>● root cause(s)</li> <li>● corrective / preventive action for EACH significant cause</li> <li>● actioned, timed-bound plan (can be attached)</li> <li>● Interim preventive measures</li> <li>● Other interim actions required cross-check to other activities / locations for lessons learned.</li> <li>● Any negative publicity (including media) resulting from the incident</li> </ul>
<b>Concluding statement</b> -	Outline of accident, key causes, corrective/ preventative actions, final position, and lessons learned.

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<b>Follow-up manager</b>	<b>by</b>	<b>fund</b>	<b>• Complete Sheet B based on preliminary investigation</b>
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<b>SHEET B: FOLLOW-UP CHECKLIST FOR FUND MANAGER</b>	
<b>Areas where further clarity is desired based on current information:</b>	<ul style="list-style-type: none"> <li>• Based on feedback and internal review</li> </ul>
<b>Further information awaited</b> (utilising third party expertise where necessary):	
<b>Critical review of accident and investigation status</b>	
<b>Credibility of causes and corrective /Preventive actions identified</b>	
<b>Outcome based on above:</b>	<ol style="list-style-type: none"> <li>1. Accept report / findings. Or</li> <li>2. Conditionally accept report / require additional / different corrective actions. Or</li> <li>3. Reject report</li> </ol>
<b>Key follow up points</b>	Schedule to check / verify implementation of corrective and preventive actions. Include dates.
<b>Additional plans for verification / close-out of actions?</b>	Is third party expertise required?
<b>Lessons learned that could be shared with other portfolio companies?</b>	

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	<b>ESG Incident Report Template</b>	

## Annex 10: ESG Incident Report Template

### PART A: SERIOUS INCIDENT REPORT: INVESTEE REPORT

<b>Date of report</b>	
<b>Fund and Fund Manager</b>	
<b>Contact Person</b>	
<b>Contact Information</b>	
<b>Name of Portfolio Entity Involved</b>	
<b>Date of Invested</b>	
<b>Amount Invested</b>	
<b>Total Portfolio Invested (At Cost)</b>	

<b>1.</b>	<b>Description of Issue</b>	
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	

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	<b>ESG Incident Report Template</b>	

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)
<b>2.</b>	<b>Company Management Follow-Up Actions</b>	
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	

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	<b>ESG Incident Report Template</b>	

3.	<b>Attachments to the incident report (if any):</b>
3.1.	

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

<b>Date of report</b>	
<b>Fund and Fund Manager</b>	
<b>Contact Person</b>	
<b>Contact Information</b>	
<b>Name of Portfolio Entity Involved</b>	
<b>Date of Invested</b>	
<b>Amount Invested</b>	
<b>Total Portfolio Invested (At Cost)</b>	

<b>4.</b>	<b>Description of Issue</b>	
4.1	Date and time	
4.2	Location of Accident (e.g., address and describe the site)	

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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	
4.1	Listing of parties involved in investigation (e.g., witnesses and staff, unions, police, other authorities, and other parties)	
<b>5.</b>	<b>Company Management Follow-Up Actions</b>	
5.1	Company manager's view of incident: degree of severity, possible uncertainties, or disputed facts to be investigated	



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	<b>ESG Incident Report Template</b>	

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

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	<b>ESG Incident Report Template</b>	

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	<b>Guidance on Environmental and Social Impact Assessments</b>	

## Annex 11: Guidance on Environmental and Social Impact Assessments

Summary: ARAF II intends to invest in ESS Category C and B activities. There may be some investees who, given the investment size, due diligence results, and other considerations, could be considered ESS Category B. ARAF II intends to screen and conduct ESG due diligence for all companies that will be presented to the IC. The screening and due diligence process are shared 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 conduct implementing an ESIA.

Regular ESG due diligence:

- ESG Due Diligence Questionnaire (Annex 2)
- Company Policies
- Site Visit (when applicable)
- ESG Report

If the company has evidence of the following Category B activities, there will be additional ESG due diligence activities as part of an ESIA. ESIA diligence activities and ESIA contents are shared below.

E&S categorization is based on scale of the project/portfolio company, location and presence of sensitive environment and social components, scale of likely impacts whether it can be minimized, mitigated, reversed; significance and sensitivity of E&S components to be affected, project vulnerability to climate change and other relevant factors.

Category B	Category C
General Characteristics (determined on a case-by-case basis)	General Characteristics (determined on a case-by-case basis)

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<ul style="list-style-type: none"> <li>● Investment in aggregator platforms, digital platforms, and innovative financial solutions</li> <li>● Due diligence finding any of the following outcomes: <ul style="list-style-type: none"> <li>● Scale of likely impacts are harmful to communities or environment within project scope</li> <li>● Impacts can only be somewhat minimized, mitigated, or reversed,</li> <li>● Project is especially vulnerable to climate change and could exacerbate issues of climate change</li> <li>● Funds used for land acquisition outside of commercial zones</li> <li>● Significant track record of OHS incidents</li> <li>● Pattern of gender or SEAH incidents</li> <li>● Pattern of harmful environmental and social impacts</li> </ul> </li> <li>● Please see Annex 14 for more details</li> </ul>	<ul style="list-style-type: none"> <li>● Investment in Aggregator platforms, digital platforms, and innovative financial solutions</li> <li>● Due diligence finds the following: <ul style="list-style-type: none"> <li>● Funds used for working capital, accounts receivable, operational expenditures</li> <li>● Minimal environmental and social impacts</li> <li>● May not have sufficient policies and procedures</li> </ul> </li> </ul>
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ESIA activities may include but are not limited to:

- 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

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- Translation into local language

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

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## Annex 12: Environmental and Social Risk Categorization Across Portfolio

ARAF II intends to invest in Environmental and Social Risk Category B and C projects using the IFC E&S risk categorizations and other LP resources including GCF risk categorizations. The team has built an extensive pipeline of investments. Shared below are characteristics of indicative projects that are Category A, B, and C based on existing pipeline. This, however, is not a conclusive or comprehensive risk categorization of the listed projects. The final risk categorization will be determined on completion of a comprehensive ESG due diligence and/or ESIA.

Each project will be evaluated during due diligence, based on the IFC performance standards, for accurate environmental and social risk categorization using the IFC E&S risk categories and the risk evaluation methodologies on LPs. E&S categorization is based on scale of the project/portfolio company, location and presence of sensitive environment and social components, scale of likely impacts whether it can be minimized, mitigated, reversed; significance and sensitivity of E&S components to be affected, project vulnerability to climate change and other relevant factors.

Projects that are assessed as Category B must include an Environmental and Social Impact Assessment, to be completed based on the IFC performance standards and publicly disclosed, as part of the ESG due diligence.

E&S Category	Indicative Types of Projects
Category A	N/A: ARAF II commits to not making any Category A investments
Category B	<ul style="list-style-type: none"> <li>• Projects that include direct manufacturing</li> <li>• Projects that require rural land acquisition that are likely to displace people</li> <li>• Forestry projects that are on public land or are likely to generate GHG emissions</li> <li>• Projects with negative impacts on critical or protected habitats and endangered species</li> <li>• Projects with excessive waste management requirements with potential impacts on community or local environment</li> <li>• Projects with any track record of ESG incidents</li> <li>• Projects that negatively impact Indigenous people</li> <li>• Aquaculture and farming projects that introduce invasive species</li> </ul>

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	<ul style="list-style-type: none"> <li>• Food safety issues including contamination, inadequate storage, and quality control</li> </ul>
Category C	<ul style="list-style-type: none"> <li>• Finance &amp; leasing company for smallholder farmers</li> <li>• Agtech solutions without manufacturing</li> <li>• Transformative PAYGO for access for post-harvest technologies</li> <li>• Offtakers and traders that do not have manufacturing or assembly</li> <li>• Solar-powered cold storage</li> <li>• SaaS solutions for agri-business firm</li> <li>• Small to Medium Scale and distributed Solar-powered irrigation</li> <li>• Insurance products for smallholder farmers</li> <li>• Climate risk management and analytics platform</li> <li>• Edtech platforms for smallholder farmers</li> </ul>

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	<b>Guidance on Chance Find Procedures</b>	

## Annex 13: Chance Find Procedures

Context: The ARAF II team has a limited operational footprint. The team is mostly based out of Nairobi and utilizes office space for regular activity. 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, land purchase outside of urban or business park areas, or financing solutions that include leasing or utilizing large agricultural land.

Chance find procedures may be triggered under the following circumstances:

- Companies will utilize significant amounts of land for operations
- ARAF II 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 artefacts, 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.

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## Annex 14: ARAF II Approach to Sexual Exploitation, Abuse, and Harassment

### Commitment Statement

ARAF II has developed a comprehensive approach to identifying, appraising, and mitigating sexual exploitation, abuse, and harassment (SEAH) for the fund. ARAF II seeks to minimize chances of sexual harassment in our investing strategy. The objectives of this SEAH commitment by ARAF II are:

- To articulate our approach to SEAH risk identification, appraisals, investigation, and mitigation
- To commit the ARAF II staff to strong SEAH protections and ensuring that the team minimizes SEAH risks within fund operations
- To commit to assessing all projects for SEAH-specific risks during the ESIA and ESG process. All portfolio companies are expected to conduct an ESIA or similar E&S risk identification process examining gender and SEAH-related risks.
- To outline a comprehensive approach for monitoring, evaluating, and reporting progress in addressing SEAH at the fund level. At the portfolio level, the AE must ensure that all portfolio companies have appropriate mechanisms to monitor individual company performance in addressing SEAH.

The team has undertaken several proactive approaches to ensure a fulsome approach to SEAH risks across the fund.

- ARAF II developed robust gender assessments across every ARAF II market to ensure a comprehensive understanding of SEAH risks in each ARAF II market
- ARAF II has conducted extensive stakeholder engagement with many civil society and non-governmental organizations representing women, youth, and underserved populations. These stakeholder engagement sessions included representation of women at diverse levels of leadership. In these sessions, we learned about challenges of women and girls in farming and shared our approach to protecting and empowering women in our work.
- ARAF II has developed a Gender Action Plan that articulates our commitment to SEAH identification and mitigation across the ARAF II portfolio and the SEAH requirements of each portfolio company
- ARAF II has developed a Technical Assistance Facility that can support companies improve their gender activities including their approach to SEAH
- ARAF II developed a comprehensive stakeholder engagement plan that identifies ways to inform communities about our engagement, activities, and ability to report SEAH incidents to the ARAF team
- ARAF II has developed an incident reporting template to investigate ESG incidents including SEAH incidents
- ARAF II has developed a grievance mechanism (Complaints Policy) that includes survivor-centered approaches to investigations and remediation

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- ARAF II has developed guidance for portfolio companies on grievance mechanisms that includes expectations for survivor-centered approaches

ARAF II expects to continuously evolve and is committed to continually improving our approach to SEAH.

#### **ARAF II SEAH Roles and Responsibilities**

ARAF II seeks to ensure stakeholders and our investors of our capacity to responsibly identify, manage, and mitigate SEAH risks and respond appropriately to SEAH incidents. To that end, the team has ensured responsibilities for implementing our SEAH approach across multiple levels of leadership. The team has also ensured that they have the capacity and expertise to address SEAH risks and incidents appropriately. Shared below are the roles of various ARAF II team members:

- **Managing Director:** The Managing Director is responsible for overseeing the ARAF II Environmental and Social Management System and ARAF II's approach to SEAH. The MD is also responsible for sharing ESG incidents including SEAH incidents with appropriate investors and stakeholders in a timely manner.
- **Environmental and Social officer and Senior Investment Associate:** The E&S officer is responsible for implementing ARAF II's SEAH approach both in the diligence and reporting cycles across the portfolio
- **Technical Assistance Manager:** The TA Manager is responsible for providing funds or third-party experts to support portfolio companies with their approach to SEAH and other gender-based activities
- **ARAF II team:** The team has zero tolerance for SEAH across internal operations and engagement with investors, companies, and communities we seek to serve. ARAF II team members accused of SEAH will be thoroughly investigated and, if found to have behaved inappropriately, will be subject to penalties up to and including termination. The team is also responsible for supporting SEAH diligence and reporting. The team is committed to continuously learning on best practices around SEAH prevention.

#### **SEAH risks across ARAF II**

ARAF II has conducted fulsome research into SEAH risks across the ARAF II markets that were shared in our gender assessments. SEAH risks are also identified in Section 2 of the ESMS. The following are the primary SEAH risks that the project has identified:

- **SEAH incidents in Portfolio Company operations**
  - Risk Level: Medium
  - Magnitude: Low
  - Risk Probability: Medium
  - Description: Companies may have SEAH incidents impacting internal operations including staff sexually exploiting, abusing, or harassing other staff members. Early-stage companies may also have weak or insufficient SEAH protections for employees. Given ARAF II's early stage investing strategy, we expect that the impacts to be low.
- **SEAH incidents in Portfolio Company engagement with communities**
  - Risk Level: Medium
  - Magnitude: Medium
  - Risk Probability: Low

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- Description: Companies are expected to engage with communities including farmers, agricultural communities, and rural communities. As noted in the ESMS, companies may also engage with Indigenous communities. Portfolio company sales staff, agents, or others may sexually exploit, abuse, or harass community members. This could harm community members, result in litigation against the company, and serves as a reputational risk for the company and ARAF II.

### **SEAH in Environmental and Social Diligence**

ARAF II has developed a comprehensive approach to environmental and social diligence with fulsome investigating of portfolio company approach to sexual exploitation, abuse, and harassment. As ARAF II may invest in Environmental and Social Risk Category B and C business models, ARAF II has two approaches to environmental and social diligence. For Category B projects, the team expects to hire third party experts to conduct an Environmental and Social Impact Assessment. For Category C projects, the team will conduct environmental and social due diligence.

ESIAs are expected to include the following SEAH diligence criteria:

- Third-party E&S consultants with local SEAH expertise and experience
- Diligence on compliance with local SEAH laws (this may also be conducted during legal diligence)
- Site visits and consultations with local stakeholders. Questions are expected to include SEAH concerns
- Comprehensive review of relevant policies and procedures including:
  - Anti-Sexual Harassment Policy
  - Gender Action Plan (if they exist)
  - Code of Conduct
  - Human Resources Policy
  - Grievance Mechanism
  - Sexual Harassment Monitoring Mechanisms (whether they are stand alone or part of other incident trackers)
  - Equal Employment policies or provisions
  - Flexible work plans or approach depending on working requirements
  - Family leave policies
- Write ups or briefs on any SEAH incidents in company history

ARAF II intends to publicly disclose ESIAs prior to investment through multiple communication channels including on the ARAF website, with relevant Nationally Designated Authorities, and hard copy versions at the ARAF office, and other spaces that may be appropriate.

ESG diligence on potential investments with Category C business models includes:

- Questionnaire responses on company-approach to SEAH including their alignment with IFC performance standards on Labor and Working Conditions and Community Health and Safety
- Reviewing the following policies:
  - Anti-Sexual Harassment Policy
  - Gender Action Plan (if they exist)
  - Code of Conduct
  - Human Resources Policy

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- Grievance Mechanism
- Sexual Harassment Monitoring Mechanisms (whether they are stand alone or part of other incident trackers)
- Equal Employment policies or provisions
- Flexible work plans or approach depending on working requirements
- Family leave policies
- Write ups or briefs on any SEAH incidents in company history
- ARAF II team will analyze company ability to address SEAH risks

If ARAF II deems the company approach to SEAH to be insufficient or not aligned with ARAF II's ESMS or ARAF II investor policies, ARAF will bind the portfolio company to improving SEAH activities in a timely manner in the company's mandatory Gender Action Plan.

### **Monitoring and Reporting**

ARAF II intends on monitoring and reporting company activities involving SEAH including:

- Portfolio activities improving SEAH policies and procedures across portfolio companies (may be required as part of company-level Gender Action Plans)
- SEAH incidents across portfolio companies
- Technical assistance or other support provided to portfolio companies to improve their approach to SEAH

At the portfolio level, ARAF II seeks to ensure that all portfolio companies have appropriate mechanisms to monitor individual company performance in addressing SEAH. After making the investment, ARAF II portfolio companies are required to implement Gender Action Plans that may include SEAH provisions depending on diligence and compliance with the ARAF II ESMS. ARAF II expects to engage with companies on a quarterly basis on E&S and gender matters and, at a minimum, on an annual basis on E&S and gender matters. Companies are expected to report on their Gender Action Plan on an annual basis. ARAF II expects to report gender and SEAH activities including portfolio company GAP work, grievances, and fund-level work to investors with gender-based requirements.

### **Portfolio Company SEAH Incidents**

Portfolio companies are also bound to report on ESG incidents including SEAH incidents in a timely manner to ARAF II as part of their legal agreements with ARAF II. ARAF II will investigate SEAH incidents and determine remediation efforts required by the company.

New provisions to the Gender Action Plan may be required because of the incident. ARAF II expects to report on ESG incidents, including SEAH incidents, to investors that require ESG incident reporting.

ARAF II intends to continuously engage stakeholders and will broadly inform stakeholders about our approach to SEAH and publicly disclosable information about ARAF II gender activities.

ARAF II expects to include SEAH tracking as part of the ESG incident tracking system. The team expects tracking systems to include capacity for anonymous tracking of SEAH-related reports and incidents. The teams SEAH incident tracking activities are expected to include:

- Conducting a thorough analysis of such reports and incidents to identify recurring patterns
- Conducting root cause analyses, documenting lessons learned
- Collaborating with companies to implement necessary improvements to systems or physical spaces based on these insights or root cause analyses.

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### **Grievance Mechanism**

The Complaint Policy, ARAF II's grievance mechanism, has SEAH provision to ensure that it is survivor-centered and gender-responsive. Grievances are highly confidential, reporting can be done anonymously, and the team seeks to ensure that investigations minimize harm to survivors. The team also expects to ensure safe and ethical documentation including anonymizing victims, ensuring data privacy and security, and limiting data availability within the ARAF II team. If the investigation proves that ARAF II investment activity may have caused SEAH related harms, the ARAF II team aims to help the remediation efforts that may include:

- medical care
- psychosocial support
- legal support
- community-driven protection measures
- reintegration

### **ARAF II Stakeholder Engagement**

The team intends to inform stakeholders of our approach to SEAH with the publication of the ESMS on the ARAF website, disclosure on the GCF website, sharing print copies with government entities in ARAF II markets, sharing print copies with portfolio companies, and informing stakeholders at our virtual stakeholder engagement events.

### **Commitment to Continuous Improvement**

The team will revisit the ARAF II approach to SEAH on an annual basis to ensure that we are continuously learning and improving our approach.

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## **Annex 15: Guidance for ARAF II Portfolio Companies on Sexual Exploitation, Abuse, and Harassment and other Gender-Based Activities**

### **Objectives**

As an investment fund, ARAF II recognizes that the risks of the project largely pertain to our investments in portfolio companies. To that end, ARAF II intends to support portfolio companies with their approaches to sexual harassment. The objectives of this guidance are to:

- Provide comprehensive guidance to portfolio companies to proactively prevent and mitigate SEAH-related incidents.
- Provide clear guidance to companies, including detailed procedures for reporting, investigation, support services, and redress.

This guidance document will be provided to ARAF II portfolio companies at the time of investment.

### **Company-Level Policies and Procedures**

Companies are expected to responsibly manage their operations and community engagement to minimize the risk of SEAH incidents. Companies are expected to have or develop the following or similar policies and procedures with the following provisions:

- Anti-Sexual Harassment Policy
  - Define SEAH
  - Prohibit SEAH with clear consequences for being found guilty of SEAH activities
  - Clearly defined investigation process with survivor-centered and gender-responsive provisions
  - Clearly defined roles and responsibilities
  - Demonstrate compliance with local SEAH laws
- Human Resources Policy with SEAH provisions
- Code of Conduct with SEAH provisions
- SEAH or equivalent incident tracker
- Grievance Mechanism with SEAH provisions
  - Policy should be survivor-centered and gender responsive
  - Clearly define investigation process
  - Confidential and anonymous reporting mechanisms
  - Safe and ethical documentation of SEAH incidents
  - Remediation measures that are appropriate for local context
- Equal Employment policies or provisions
- Flexible work plans or approach depending on working requirements
- Family leave policies
  - Must, at a minimum, comply with local family leave policies

### **Gender Action Plan**

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The ARAF II team is excited to support portfolio companies on their gender work. ARAF II seeks to invest in companies that demonstrate a genuine commitment to gender equity within their operations. To that end, companies are not expected to be fully compliant on ARAF II's gender-based requirements at the time of investment. ARAF II expects to diligence companies on several gender-based policies, procedures, activities, and incidents to develop a comprehensive understanding of portfolio companies. ARAF II expects to identify areas of improvement and work with the portfolio company to build a Gender Action Plan that the company will need to act on and report upon. These activities may include improvements to policies and procedures related to SEAH. ARAF II seeks to engage companies on gender activities at least on an annual basis.

### **SEAH Incidents**

As a part of receiving an ARAF II investment, companies are expected to report on ESG incidents, including SEAH incidents, in a timely manner to ARAF II. ARAF expects the portfolio company to comply with local laws and regulations if there is a criminal investigation. ARAF will also investigate and expects the portfolio company to comply with the investigation. ARAF II expects to disclose the investigation results with investors but mandates that confidentiality and anonymity must be maintained in reporting.

Companies are expected to investigate SEAH incidents where the company or a company employee (while working on the job) may be at fault. Investigations may stem from a witness reporting an incident, a grievance, or notification from local authorities. There may be other activities that can open a SEAH investigation. SEAH investigations must be survivor-centered and gender-responsive. SEAH survivors and others should be given the opportunity to report SEAH incidents confidentially and anonymously and ensure that a fair and appropriate investigation is conducted. Survivors may need other provisions while the investigation is being conducted including flexible or remote work options. These considerations should be addressed as part of the investigation.

When an investigation is concluded, if the incident was deemed to have occurred and the company was found to be at fault, the company should provide appropriate remediation. Examples of remediation include but are not limited to:

- medical care
- psychosocial support
- legal support
- community-driven protection measures
- reintegration

ARAF II expects portfolio companies to track and maintain data on SEAH incidents in a safe and ethical manner. Companies should conduct SEAH incident analysis to understand root causes and improvements to company operations.

### **Monitoring and Reporting**

ARAF II portfolio companies are expected to engage in a number of gender-based activities as part of the Gender Action Plan. Companies are also expected to, when available, to report on gender-disaggregated data at the employee and customer level. Companies will be asked to provide updates on the GAP and any other gender-based activities or data on an annual basis.

### **ARAF II Supports**

ARAF II has developed a number of supports to assist companies with their gender activities and compliance with the ARAF II ESMS. ARAF II and Acumen intend to share resources, expertise, best practices, templates, and, when feasible and appropriate, technical



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assistance to portfolio companies. Shared below are a list of resources for the portfolio companies:

- Guidance documents from ARAF II
- Policy templates
- Tracking templates
- Webinars or other virtual engagement opportunities
- Analysis on gender gaps and opportunities that will help build the Gender Action Plan
- Technical assistance to help companies improve on their commitment to gender equity

### **Commitment to Continuous Improvement**

ARAF II intends to revisit this guidance on a periodic basis. We seek portfolio company guidance on rightsizing and resourcing this approach appropriately. We acknowledge that companies may need time and resources to improve their gender work. ARAF II is eager to support companies on their commitment to gender equity.