



Investment Principles and ESMS Manual

This document was extracted from the &Green digital ESMS (sailventures.sharepoint.com/SitePages/ESMS) on May 18, 2022. It contains the investment principles underlying all the activities of &Green, the ESMS Manual along with applicable policies, frameworks and templates in their version on the day of extraction. The introductory note for GCF provides an overview of the System, its components and definitions, and aims to facilitate the navigation through the document.



INTRODUCTION AND DOCUMENT GUIDE: &GREEN ESMS and GCF

This document describes &Green's Environmental and Social Management System (ESMS), the underlying principles that guide it, and the tools to operationalise it. The document is set out in three parts (underlined phrases are clickable to facilitate content navigation):

1. [Investment Principles](#) - set out how &Green will ensure effective delivery of &Green's vision and mission. The Investment Principles foster consistent application of &Green's lending and management practices in all aspects of &Green operations, including the ESMS.
2. [Environmental and Social Management System \(ESMS\) Manual](#) – sets out how &Green integrates environmental and social considerations in a systematic, coherent and transparent manner. This is operationalised at the investment level through environmental and social due diligence; risk assessment; and establishment of a management framework tailored to the nature and scale of the activities and the magnitude of environmental and social risks and impacts associated with each investment. The ESMS has been designed in accordance with IFC Performance Standard 1 as well as best practices of ESG management for Funds, such as those provided by CDC Group, FMO, the GCF and IUCN. For efficiency, the ESMS is digital, and operates a system of continuous improvement. This document is an extract and 'mirror' or 'snapshot' of the Sharepoint digital operation system.
3. **Operational Tools** – describes the practical implementation of the ESMS through a set of tools used to establish appropriate Environmental and Social Action Plans (ESAPs) and management systems for each investment. These tools are embedded in the digital ESMS, and include:
 - a) [Policies](#) setting out the requirements and objectives, particularly relating to NDPE (No Deforestation, No development of Peatlands, No Exploitation); and Landscape Protection Plans (LPP), which describe the Client's strategy, and the additionality of the strategy, against sector practices in the landscape in which they operate.
 - b) [Frameworks](#) set out the requirements and guidelines for assessing and structuring the management and reporting of implementation of actions. These include the: Forest and Biodiversity Framework that operationalises the requirements of IFCP56 on the protection and conservation of biodiversity; and the Key Performance Indicators (KPI) Framework that is embedded in the investment process and monitors, reports, and verifies impacts, and assesses progress towards the transformational change aimed for in each transaction. The purpose of the Impact Framework is to provide clear, consistent and meaningful insights into the impacts of &Green.
 - c) [Templates](#) provide examples of the actual documents and tools used in due diligence and investment processes. These are confidential and included here to illustrate how &Green operationalises the ESMS in investments. They mirror the content digitally available through the ESMS sharepoint, which forms the &Green-Client interface, data collection and monitoring systems.



&Green's approach is determined by applying best practice criteria and requirements based on identified risks to investments during due diligence. &Green has built a best-in-class Environmental and Social Management System suiting the transformational investments sought in tropical agri-commodity production. &Green operates a system of continuous improvement, and the ESMS described here, including policies, frameworks and templates, are subject to change for improvement.

The &Green ESMS meets or exceeds all GCF requirements, however, some terminology varies from GCF's. To avoid confusion, the following table aims to identify how and where key issues/terms for the GCF are addressed by &Green's ESMS:

GCF KEY ISSUE	&GREEN TERMINOLOGY/APPROACH	WHERE INCLUDED IN ESMS
Organisational capacity and competence / E&S Governance & Resources / Organisational arrangements	Defines governance over the E&S issues, along with required competence of E&S specialists in Investments Principles. Describes resources and organizational arrangements of E&S operation in the ESMS Manual.	Item 5 of Investment Principles. Item 2 of ESMS Manual
Human resource policy	Addressed outside of ESMS scope. Personnel Policy of Sail Venture available upon request.	n/a
HSSE/ Accident and incident reporting and redress	Health, safety and labour related issues of investees are one of the categories subject to screening and due diligence, with IFC PS and applicable legislation serving as reference framework. In case of any material findings, the mitigation/remediation measures become part of ESAP. Incident reporting protocol makes part of Loan Agreement.	E&S Screening template ToR for ESIA Incident reporting protocol
SEAH	Intimidation of any kind, along with gender inclusion is addressed through Code of Conduct on the corporate level. Gender- and labour-related issues of investees are one of the categories subject to screening and due diligence, with IFC PS, UNGP, applicable legislation and Gender Framework* serving as references. In case of any material findings, the mitigation/remediation measures become part of ESAP.	E&S Screening template ToR for ESIA
Framework to guide development of Management Plans, ESMP	Landscape Protection Plan Policy defines the requirements of an LPP (which corresponds to investee's ESMP).	LPP Policy LPP template
ToC/example ESMP	Theory of Change as well as Transformational Change, are integrated in the investment process since the initial assessment (Investment Rationale) to the final Landscape Protection Plan (LPP) that corresponds to ESMP	Investment Rationale template Landscape Protection Plan template Examples of ongoing LPPs



ToR for identified risk ESIA	<p>Terms of Reference of Impact Assessment are composed of blocks: ToR ESIA (excludes IFC PS6 check), ToR Forest&Biodiversity (focuses on IFC PS6 and additional landscape features).</p> <p>If standard due diligence flagged a material risk, a focused due diligence could be contracted. The second due diligence is very specific, thus no standard ToR applies. An example of specific ToR for indigenous people related issue is available.</p>	ToR ESIA template ToR F&B template ToR IP example
Reference Documents/ Applicable Standards	<p>Reference Framework for ESIA includes:</p> <ul style="list-style-type: none"> • Applicable local, national and international environmental and social (including occupational health and safety) legislation; • &Green Fund's Investment Principles, including guidelines for landscape protection plans (LPP); • &Green Fund's List of Excluded Activities; • IFC Performance Standards (2012); • UN Guiding Principles on Business and Human Rights (UNGPs) <p>Reference Framework for Forest and Biodiversity, in addition to IFC PS6, includes a variety of other references listed in F&B Framework.</p>	ToR ESIA template ToR F&B template
Stakeholder Engagement Framework / Key Stakeholders	Stakeholder engagement process is fully integrated in the investment process of &Green Fund.	Item 4 of ESMS Manual
Affected Communities	<p>&Green follows the terminology of IFC PS.</p> <p>"Communities and social conflicts" is one of the categories subject to screening and due diligence, with IFC PS, UNGP and applicable legislation serving as reference framework. In case of any material findings, the mitigation/remediation measures become part of ESAP.</p>	Definitions E&S Screening template ToR ESIA
Involuntary resettlement	<p>&Green follows the terminology of IFC PS.</p> <p>"Displacements and resettlements" is one of the categories subject to screening and due diligence, with IFC PS, UNGP and applicable legislation serving as reference framework. In case of any material findings, the mitigation/remediation measures become part of ESAP.</p>	Definitions E&S Screening template ToR ESIA
Indigenous Peoples Framework & FPIC	<p>"Indigenous People" is one of the categories subject to screening and due diligence, with IFC PS, UNGP and applicable legislation serving as reference framework. In case of any material findings, the mitigation/remediation measures become part of ESAP.</p> <p>If a material risk is identified, either a second stage of focused due diligence is undertaken, or an action plan to address the risks elaborated and implemented. Explicitly detailed in our Stakeholder</p> <p>UNGP on business and human rights: https://www.ungpreporting.org/resources/the-ungps/</p>	Item 7 of Investment Principles



Human Rights	Human rights and its diverse aspects (Indigenous People, Communities, Labour issues, Child/slave work) are categories subject to screening and due diligence, with IFC PS, UNGP and applicable legislation serving as reference framework. In case of any material findings, the mitigation/remediation measures become part of ESAP.	E&S Screening template ToR ESIA
Gender equality/empowerment	With a specialized consultancy, &Green has established a Gender Framework, that will be incorporated into the digital interface during 2022.	
Information disclosure / Transparency and Disclosure	Communication, reporting and disclosure are explicitly prescribed in the Investment Principles of &Green.	Investment Principles
Grievance mechanism (internal & external)	&Green has a Complaint Management policy that includes all its stakeholders. Effective grievance mechanism of investees is required as prescribed by Stakeholder Engagement process. It is also subject to due diligence in order to reach/keep compliance with IFC PS.	Complaints Management Policy
Grievance redress	&Green has a Complaint Management policy that includes all its stakeholders. Grievance redress at stakeholders is subject to due diligence as per IFC PS requirements.	Complaints Management Policy ToR ESIA



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I. INVESTMENT PRINCIPLES

1. POLICY STATEMENT

1.1 Purpose of these Investment Principles

This document sets out the &Green investment principles underlying all the activities of the Stichting andgreen.fund (hereinafter: &Green); specifically how &Green will ensure effective delivery of the &Green's overarching objectives, and in the process assist with achieving the Paris climate agreement and Glasgow Declaration goals by contributing to the reduction of carbon emissions from Land Use, Land Use Change and Forestry as well as ending deforestation by 2030.

The Investment Principles aim to foster consistent application of the &Green's lending and management practices throughout all aspects of &Green operations and may only be amended in accordance with the relevant provisions of the &Green policy documents.

NOTE: Capitalized terms used but not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the &Green policy documents.

These Investment Principles are intended to be binding on the Investment Advisor and the Board of Directors of &Green. Nothing in these Lending Guidelines is intended to reduce the duties and obligations of the Investment Advisor set out in the Investment Advisory Agreement (or similar document).

In case of discrepancy between this document or other &Green documents including the Investment Advisory Agreement, this document should be considered the governing document.

1.2 Vision statement of &Green

Tropical agricultural commodity production is deforestation free and socially inclusive.

1.3 Mission statement of &Green

&Green works across tropical forest landscapes to support agri-commodity businesses that empower communities, protect forests and optimize production to drive transformational change of global supply chains.

1.4 Theory of Change

&Green's Theory of Change defines our vision as a Fund. By working across tropical forest landscapes to support agri-commodity businesses with capital, expertise and partnerships, &Green aims to transform large-scale tropical agricultural commodity production into a climate-resilient, deforestation-free and socially inclusive model.



&Green's innovative finance aims to transform current low productivity, ecosystem degrading business models to sustainably intensified production. The investments will become blueprints for sustainable land use and management that others in the market can adopt, replicate, and scale significantly. The transactions &Green invests in foster therefore sectoral transformation, through its Clients, beyond the individual investments in the wider landscape and across commodity supply chains, by influencing the practices and policies of all participants in that sector (and possibly similar sectors).

1.5 Principles of Integrity

The portfolio of the &Green, and all lending made by it, will be guided by the principles established in the Code of Conduct¹.

1.6 Compliance with Laws, Regulations

&Green promotes and checks adherence to all relevant regulatory requirements as well as voluntary commitments and best practice standards.

1.7 Transparency via Regular Reporting

&Green will include a section on environmental and social (referred to as E&S) risks and impacts in all reports to the Board of Directors, Advisory Board and the Contributors. To the extent permitted by law, &Green will also inform the Contributors on an ad hoc basis in case of material issues relating to environmental and social incidents in line with the disclosure commitments outlined in this document and other &Green policy documents².

1.8 Approval and Review

These Investment Principles of &Green are approved by &Green's Board of Director only with the express consent of the Advisory Board and will be available to all staff members, clients and third parties acting on behalf of &Green.

The Investment Advisor will manage periodic reviews to assess the continued relevance and efficacy of the systems to deliver on these Investment Principles and to make adjustments and improvements as agreed by the Board of Directors and with the express consent of the Advisory Board.

2. SCOPE

&Green is committed to ensuring that its lending aligns the interests of its clients and the communities in which they operate, with the objectives of &Green and its Contributors. In this

¹ https://www.andgreen.fund/wp-content/uploads/2022/02/211116_Green-Code-of-Conduct.pdf

² See <https://www.andgreen.fund/downloads/>



document &Green defines standards of environmental and social performance that &Green's clients must meet to be financed by &Green.

These Investment Principles are designed to provide concrete guidance to the Investment Advisor and Board of Directors to systematically identify, manage and report on environmental and social aspects and potential impacts of the &Green's lending programme and its clients by:

1. Ensuring that environmental and social factors are part of the decision making as well as monitoring processes throughout the investment cycle;
2. Assisting the &Green Borrower and &Green's Investment Advisor to effectively identify and manage environmental and social risks;
3. Providing a framework to engage with stakeholders on E&S standards and sustainable business performance that &Green intends its clients and co-investors to meet;
4. Providing a framework to monitor performance, identify areas for preventive or corrective action and ensure a consistent approach to E&S across all lending activities and enable continuous improvement;
5. Helping &Green to capture the value of E&S factors, record the lessons of its experiences and demonstrate this E&S track record to new Contributors or new clients.

3. INVESTMENT PHILOSOPHY AND APPROACH

&Green's investment philosophy is to provide a credible proof of concept for the financial markets as to how to provide for inclusive economic growth and forest and peat protection (and potentially restoration) when financing the production of commodities that are sourced from tropical landscapes. It will do so by:

- **Providing credit facilities only in jurisdictions with progressive forest and/or peat protection agendas and sustainable development strategies.**
- **Adding quantitative and qualitative output- and outcome-based environmental and social criteria and targets to the financing of commodity production.**
- **Improving livelihoods of smallholders by including them in high-productivity, sustainable supply chains.**
- **Attracting co-investment into such projects through leading transactions from a credit (financial safeguarding) and environmental (sustainability safeguarding) perspective.**
- **Stimulating innovation in business models and approaches to catalyse financially sustainable, deforestation free, socially inclusive, high productivity agriculture in tropical forest landscapes.**

Additionality Principles

- **All credit facilities provided by the &Green must be additional to the existing market in terms of both Environmental and Social impact and financial impact.**



- **Additionality is here understood as the extent to which something happens as the result of an intervention (e.g. lending) that would most likely not have occurred had this intervention not occurred.**

Sector/industry

&Green is sector and supply chain agnostic (except for sectors on the Exclusion List). It will measure opportunities by the supply chain's sourcing link to the forest, and thus possibilities for forest protection and restoration, climate mitigation and increasing climate resilience.

Borrowers

&Green intends to finance companies which are held under private ownership. It may consider financing state-owned enterprises only where these have their own governance bodies independent of government and operations are free from political interference.

All borrowers must be financially viable businesses.

Lending mechanisms

&Green will provide financing directly to landowners or managers or indirectly via an intermediary or intermediaries. This includes the financing of producer companies and production on their own concession and/or smallholder-controlled land, in conjunction with tropical forest and peat landscape conservation on and/or off their concession.

Taking direct project risk is possible for &Green and may be through a:

- Position in an issued instrument (e.g. a Note, Bond, etc) which meets the &Green criteria;
- Financial institution that develops an underlying portfolio which meets the &Green criteria and shares risk alongside &Green;
- Special purpose vehicle setup by &Green or a project Sponsor to finance an underlying project which meets &Green criteria.

Principles on Taxation:

&Green clients are subject to taxation in their country or jurisdiction of incorporation and domicile. &Green, however, may have preferential tax treatment at times in its own domicile, the Netherlands. In order to minimise its tax obligations in transaction countries, the &Green may make use of onshore and offshore project finance vehicles to reduce withholding tax obligations at source (in transaction countries). That said, &Green will not be part of structures which could be considered outside the spirit of the local law in which it is transacting; &Green will always err on the side of caution with respect to local tax treatment.

&Green may also make use of such vehicles to ensure access to professional intermediaries, or to pool &Green funds with partner financial institutions seeking to use such vehicles to avoid



double taxation in both transaction countries and countries in which the financial institution is domiciled. &Green is able to act as a project promotor if it conveys tax advantages on the financial structure in these cases.

Intermediary vehicles or project finance vehicles may not be established in jurisdictions included in the OECD list of uncooperative tax havens. Furthermore, &Green shall under no circumstances be involved in any arrangement or transaction that can be viewed as tax evasion.

Instruments type

&Green will make use of a range of credit instruments (including term loans, notes, subordinate and senior loans, guarantees), and aims to maximize leverage from co-investors. &Green may seek to structure upside economics through various mezzanine structures, however it will not make equity investments.

Loan sizes

&Green aims to not take more than 25% of an underlying project's total investment requirement. This is determined as the total investment needed by the borrower to complete the project over the life of the &Green loan.

There is no set minimum &Green contribution to a transaction, however all transactions aim to recover their direct costs and a proportionate share of overall &Green costs and include provisions for default risk.

Loan tenors

&Green can provide long-term financing, beyond what is available in the mainstream market. That said, it considers the risks of doing so and will not extend its tenors beyond a commercially viable length, and all transactions must have a defined maturity date at contract signing.

&Green's loan tenors must be in line with its Assets and Liability Management (AML) Policy³, thus not placing &Green under any restrictions for raising further funding to support the growth of its portfolio in order to meet its overall objectives.

Pricing

&Green will price its credit commercially and considering other credit provided in the markets it is operating.

&Green pricing will at a minimum need to cover its credit risk and costs, with the overall objective of maintaining the &Green's capital base in real terms over the long term (i.e., its returns on average covers its costs and losses). &Green will need to ensure sufficient levels of cost recovery to cover the cost of the capital &Green has raised, direct operating expenses as

³ <https://www.andgreen.fund/wp-content/uploads/2022/03/220224-AndGreen-AML-CFT-Policy-approved-by-BOD-1.pdf>



well as transaction costs. Transaction costs include all the costs incurred in developing, contracting, disbursing, monitoring, evaluating, and exiting a particular transaction.

Currency strategy

&Green will transact mainly in USD. However, wherever &Green provides local currency ("LCY") financing it will use derivatives to adequately hedge any LCY exposure. &Green will not provide for unhedged LCY exposure in its portfolio.

The Investment Advisor is expected to propose projects in which &Green will lend responsibly and not provide financing to Borrowers in a currency which they have not proved they can adequately manage their exposure towards.

Security policy (collateral and guarantees)

&Green is able to provide secured and unsecured loans to borrowers. The pricing of the transaction will reflect the security package associated with &Green's loan. As a principle &Green focuses on protecting itself against loss and thus will seek to maximise the protections it can negotiate in transactions it enters into.

4. INVESTMENT PROCESS

4.1 Credit Process Overview

&Green employs a comprehensive range of risk assessment techniques and tools to control &Green's risk exposure, including but not limited to the use of risk rating agencies, initial due diligence assessments, peer group analysis, periodic aggregate credit portfolio reporting and monitoring and active relationship management with the borrowers.

Key elements of this methodology include:

- Deep assessment of the counterparty's financial and operational past performance;
- On-site due diligence, including where needed external expert consultants;
- Quantitative and qualitative assessment of the borrower's risk profile prior to entering new lending and on an ongoing basis until maturity/exit of the lending;
- Active covenant monitoring and early warning systems in place;
- Intensive case and recovery methodology.



4.2 Decision Making across the Investment Process

&Green employs an independent review of all transactions ultimately approved for investment. This is performed by the &Green Credit Committee on behalf of the Board of Directors, and the Credit Committee provides its recommendation directly to the Board of Directors.

The Investment Advisor to &Green proposes all transactions for final approval by the Board of Directors, on advice from the Credit Committee. After final approval the Investment Advisor negotiates all legal documentation with the Borrower in line with the proposal approved.

Prior to this final approval, and before full due diligence is commenced, the Investment Advisor will prepare an expected outline of the proposed transaction (called a 'Deal Note') for review by the Credit Committee. The Deal Note includes an eligibility check against all relevant &Green criteria (e.g. Jurisdictional Eligibility, lending restrictions) and explains the Investment Rationale for the transaction, considering the transformational change impact of the proposal as well as the commercial viability of the transaction.

The Credit Committee provides guidance at this stage which helps to guide the Investment Advisor on its due diligence and final proposal of the project.

Credit Applications will be the main source of information for the Credit Committee to make lending recommendations to the Board of Directors. The Credit Application, including the commercial terms as well as the Landscape Protection Plan, is prepared by the Investment Advisor and sent to the Credit Committee after completion of due diligence and negotiation with the Borrower. The Credit Proposal will document targets and KPIs that will form the basis of quantitative performance monitoring at both transaction and portfolio levels.

There will always be at least one dedicated E&S expert on the Credit Committee, and this expert is required to approve the E&S aspects of the Credit Application. The dedicated Credit Committee member(s) responsible for E&S assessment will provide clear guidance to the Investment Advisor on additional E&S terms to include in transaction documents and may stipulate conditions precedent that need to be fulfilled by the client prior to a transaction proceeding.

4.3 E&S integration into the investment process

Activities at each stage of the investment cycle should integrate E&S considerations. The Investment Advisor will develop procedures and templates that can be adapted on a project-by-project basis.

In addition to conducting comprehensive financial, commercial, technical and legal due diligence, &Green will assess E&S aspects of the prospective client and project.

This due diligence assessment will cover:

- A gap analysis of compliance with IFC Performance Standards;
- Preparation of an E&S Action Plan to address gaps identified;
- Elaboration and review of the Landscape Protection Plan ("LPP");
- Confirmation of the project's E&S risk categorisation;



- Evaluation of the company's commitment, capacity and track record; and
- Costing E&S compliance and incorporation of costs into financial models.

Where required by the ESMS processes or lack of own expertise, the &Green will engage third-party experts to assist with the E&S due diligence assessment.

5. ORGANISATION, ROLES AND RESPONSIBILITIES

The Investment Advisor is responsible for all aspects of the Investment Principles' implementation as well as Fund-level reporting and disclosure to the Board of Directors, the Advisory Board, Contributors and other stakeholders.

The Investment Advisor will employ the necessary E&S management expertise to adequately manage &Green's outstanding portfolio or projects. The Investment Advisor's team must include E&S specialists that can act as a resource to the wider &Green governance bodies, as well as provide E&S related advice and support to clients as required. They should have experience in successfully managing E&S management systems and engaging with clients around E&S management.

Representatives from the Board of Directors, Credit Committee and Investment Advisor who are engaging with clients should have sufficient understanding of and experience with E&S matters and regulatory requirements. Where this is not the case, e.g. for a specific scenario which requires a particular expertise, capacity building should be provided and/or external expertise brought in.

6. INVESTMENT ELIGIBILITY

6.1 Jurisdictional Eligibility Criteria

&Green is permitted to operate in all countries included in the DAC List of ODA Recipients, who also qualify against the Jurisdictional Eligibility Criteria ("JEC") policy of &Green, and subject to Advisory Board approval.

It is the responsibility of the Investment Advisor to maintain a record (list) of Jurisdictions and their status, and only present projects to the Credit Committee which are within &Green-approved jurisdictions.

The Advisory Board may approve other systems assessing jurisdictions that are equivalent to &Green's JEC to determine eligible jurisdictions. The Advisory Board will determine the necessary conditions to safeguard equivalence with &Green's JEC.

6.2 Risk categorisation

The risks/impacts identification process for each project should be carried out by the Investment Advisor, potentially in conjunction with E&S specialists, and followed by a categorization process



that identifies and scores risks and impacts (covering both voluntary commitments, best practice standards and legal requirements) based on considerations such as:

- Scale, intensity and irreversibility of potential risks/impacts;
- Presence of customary or informal tenure claims;
- Government/regulatory support for proposed E&S requirements;
- Proximity to areas of environmental or social value or sensitivity;
- The ability to influence clients and enforce debt covenants.

6.3 Exclusion Criteria

&Green will exclude all projects which would fall under the &Green Exclusion List.

6.4 &Green's approach to carbon

&Green supports efforts from its Borrowers to unlock payments for ecosystem services from clearly attributable, conservatively calculated results from additional activities that are aligned with the legal and regulatory frameworks of international agreements and the jurisdiction in which the transaction takes place.

Consequently, no part of any &Green Loan shall be used by the Borrower, directly or indirectly, to seek additional financing through carbon credits which are not nested in a jurisdictional accounting structure⁴, and any and all efforts by the Borrower or any of its subsidiaries to access carbon markets for any of the Loans based on any claim to have reduced emissions from deforestation and forest degradation (REDD+) over the project areas included as part of the Landscape Protection Plan shall be in full compliance with all relevant decisions passed under the UNFCCC.

6.5 Borrower and Co-Investor Criteria

All lending should comply with applicable local laws and regulations. All borrowers and co-investors should be a legal person and enjoy a legal status that offers sufficient protection to the creditor. Borrowers and co-investors should have good reputational standing, be credible, and show good corporate governance across their organisational structure.

All &Green clients must follow the IFC Performance Standards and submit a Landscape Protection Plan (LPP) as well as making an unconditional written organisational level policy commitment to no deforestation, no development of peatlands, and no exploitation (NDPE).

⁴ As a minimum, the jurisdiction must have a) an ambitious emission reduction level (certified by a disinterested third party) and deliver verified emissions reductions below that level, b) the appropriate jurisdictional authorities must give explicit permission to the project to claim credit for a portion of that results, and c) a transparent registry must exist to provide full transparency on all aspects as well as assurance against double counting/double claiming.



Financial Institutions acting as co-investors in the transaction (i.e syndication) must meet the following requirements:

- Be a partner institution, or client, of a recognized Development Finance Institution (“DFI”), or be a signatory of the Equator Principles;
- Show sound financial standing;
- Have adequate management information systems in place which are able to produce meaningful and reliable reports on the use of the &Greens and the financial standing of the institution,
- Present an adequate risk management system, organisation, governance structure and quality;
- Any other criteria as defined by the Board of &Green.

6.6 Portfolio restrictions

&Green will manage its portfolio development appropriately in line with best practice for portfolio diversification, although taking into account the investment thesis and strategy being deployed.

Concentration limits:

- No single sector (e.g. palm oil, livestock, cocoa) will constitute more than 40% (and any two sectors 70%) of the value of a mature outstanding portfolio;
- No single transaction will constitute more than 10% of the value of a mature outstanding portfolio;
- No single country will constitute more than 30% of the value of a mature outstanding portfolio.

A mature outstanding portfolio is defined as an outstanding portfolio of more than USD 250 million.

The Board of Directors maybe allow for a breach of these concentration limits for a period if valid reasons are provided and the Board is confident that the limits will be reinstated within an acceptable period of time.

7. ENVIRONMENTAL AND SOCIAL IMPACT

7.1 IFC Performance Standards

&Green adopts the International Finance Corporation (IFC) Performance Standards as its framework for the management of environmental and social risks and impacts associated with the projects it seeks to finance.



The &Green requires its clients to obtain the free, prior and informed consent of all local communities (not just Indigenous Peoples) with customary rights to land used for both production and conservation components of projects that the &Green finances.

For the financing of SMEs including smallholders and smallholder cooperatives, other local or international standards (e.g. RSPO principles & criteria in the case of the palm oil sector), including those developed specifically for smallholders, may be used where the performance standards are equivalent but may be more familiar or better adapted to the scale and intensity of management of the client. Where such alternative standards are applied, the &Green's Investment Advisor must document the rationale for use of the standard in the publicly-available E&S information provided for each transaction (see section in this document on 'External Communications and Reporting').

The IFC Performance Standards may be used in conjunction with relevant best practice standards, guidelines and tools (such as: the Voluntary Guidelines on the Responsible Governance of Tenure, the Sustainable Agriculture Standard, RSPO Principles & Criteria, Forest Stewardship Council Principles & Criteria, the High Carbon Stock Approach Toolkit and the Climate, Community & Biodiversity Standards or other emerging best practice standards) where these provide additional detailed guidance or requirements that support compliance with the IFC Performance Standards.

The &Green recognises that its clients may not meet these standards at the point of execution of a transaction, and in these situations the &Green will define a timeframe within which full compliance and/or remediation must be achieved as part of the LPP.

7.2 Forest and Biodiversity Framework

Considering the importance of biodiversity-related impacts in its investments, &Green has a specific process that mainstreams biodiversity concerns into investment decision-making: the Forest & Biodiversity Framework. The framework embeds IFC Performance Standard 6 within &Green's Environmental and Social Management System (ESMS), providing an approach to mainstream biodiversity concerns into investment decision-making. Guidance is provided on the depth of biodiversity specific studies commensurate with the level of biodiversity risk presented by the investment to provide a pragmatic approach for balancing cost-effective risk management whilst maintaining the integrity of IFC Performance Standards.

7.3 NDPE Policy

&Green requires clients to make an unconditional written organisational policy commitment to no deforestation, no development of peatlands, and no exploitation (NDPE). The Fund monitors progress on the NDPE policy commitments throughout the tenor of its investments. Lack of progress is to be addressed with clients, based on contractually defined obligations and ramifications.



7.4 Landscape Protection

&Green requires clients to translate their vision for maximising long-term environmental impacts and social inclusion and for contributing sector transformation into a Landscape Protection Plan (LPP) and to commit to its implementation as part of its investment.

The LPP describes the client's strategy and the additionality of the strategy against sector practices in the landscape they operate. Additionally, the LPP defines the output and outcome targets of the strategy, the client's accountability and the Monitoring, Reporting and Verification framework against these.

8. MONITORING, REPORTING AND VERIFICATION

8.1 Impact Framework

To assess the degree to which investments are transformational and the impacts they deliver, &Green applies an internally developed Key Performance Indicators (KPI) framework. This is embedded in the investment process and monitors, reports, and verifies impacts and progress towards the transformational change aimed for in each transaction. The purpose of the Impact Framework is to provide clear, consistent and meaningful insights into the impacts of the Fund. KPIs have been developed from a review of available best practices.

8.2 Communication and Reporting

Continued engagement with clients following execution of a financial agreement is key to ensuring that E&S management is integrated into client operations, and that the LPP and E&S Action Plans are effectively implemented, E&S risk mitigation and value creation opportunities are realized and that there is regular monitoring and reporting on material events such as serious accidents involving or affecting clients (e.g. fatalities) and other E&S-related developments that have occurred in the reporting period that could affect the implementation of the ESMS and the E&S performance of clients. Where appropriate, clients should adopt their own ESMS and this should be monitored and reported on to the &Green's Board of Directors by the Investment Advisor.

Borrower reports to the Investment Advisor should include but may not be limited to:

- Borrower Financial Statements (periodically as required by the Investment Advisor);
- Annual E&S Reports;
- Annual report of progress against transaction targets and KPIs, including milestones defined in the E&S Action Plan and Landscape Protection Plans (the latter to be reported on biannually for the first two years of a transaction as prescribed in the ESMS);
- Breaches of transaction document covenants;
- Any other matter that could result in legal action against the borrower or generate reputational risk for the borrower or the &Green;



- A brief account of and the lessons learned from any other material risks encountered by the borrower (i.e. fraud, corruption, financial mismanagement, environmental, health and safety, gender, equality and human rights aspects if any), including how these have been identified and handled in the reporting period, and how previous recommendations have been followed-up if any;
- Other reports including payment demands, renewal of credit, and others as deemed necessary by the Investment Advisor.

Reporting to the Board of Directors by the Investment Advisor should include but are not limited to:

- Quarterly Financial Statements of &Green;
- Quarterly E&S performance of the portfolio;
- Annual detailed E&S Reports from each underlying transaction;
- Report of progress against &Green targets and KPIs; and
- Breaches of transaction document covenants or significant deterioration in the portfolio risk profile;
- Any other matter that could result in legal action against a borrower or the &Green or generate reputational risk for a borrower or the &Green; and
- A brief account of and the lessons learned from any other material risks encountered by the borrower (i.e. fraud, corruption, financial mismanagement, environmental, health and safety, gender, equality and human rights aspects if any), including how these have been identified and handled in the reporting period, and how previous recommendations have been followed-up if any.

The Investment Advisor must inform the Board of Directors of any material breach of loan covenants within 5 business days of becoming aware of breaches, and all breaches are to be documented in the Investment Advisor's reporting..

On a 5-yearly basis the &Green aims to complete a detailed Impact Assessment by a third party which will evaluate the performance of &Green and its portfolio of projects against &Green's impact objectives.

External communication and reporting

&Green should systematically identify and engage with relevant stakeholders as well as participating in initiatives and developing partnerships which it believes support enhanced ESMS implementation. This engagement may involve communities, industry groups, government agencies, policy fora, as well as civil society organisations and social enterprises. Where appropriate, &Green will seek to ensure that this level of external engagement is replicated at client level. &Green will report on progress with ESMS implementation and performance in its public annual reports.



8.3 Disclosure

&Green, having as its mission the provision of public goods, will publicly disclose its activities in accordance with the highest standards of transparency and public accountability to the extent permitted by law.

There is a presumption in favour of disclosure with respect to a) information about the &Green itself ("Organisational Information", detailed below) and b) information regarding the activities supported by the &Green ("Investment-Related Information", detailed below).

The Organisational Information to be considered public and to be disclosed by publishing on the website of the &Green, include, but are not limited to:

- the notarised Articles;
- the Lending Policy and ESMS adopted by the Board of Directors of &Green;
- the Code of Conduct adopted by the Board of Directors of &Green;
- the Complaints Management Policy adopted by the Board of Directors of &Green;
- the eligible jurisdictions assessments as approved by the Advisory Board;
- the annual audited financial statements of &Green, including the balance sheet, profit and loss statement and notes thereto, as well as the accompanying management report and audit statement;
- the annual report of &Green approved by the Board;
- the projects financed by &Green including descriptions of the projects and rationale for the decisions taken;
- the E&S action plan and Landscape Protection Plan, with targets and milestones for each project, and the respective regular progress reports, including third party verification;
- any impact studies and evaluation reports approved by the Board of Directors of the &Green.

Other Organisational Information to be considered public and to be available upon request, include, but are not limited to:

- the procurement policy adopted by the Board of Directors of the &Green;
- the travel and expenses policy adopted by the Board of Directors of &Green.

The Investment-Related Information &Green and or its Contributors can publish on their websites are:

- the name of &Green and the Investment Advisor;
- a description of &Green, its mission statement, objective and Investment Principles;
- decisions in relation to eligible jurisdictions in which &Green can operate;
- the aggregate amount of the Contributor's Contribution in &Green, the total capital held by &Green's and the total capital committed to &Green;



- place of establishment of &Green and the geographic and market sectors in which &Green operates;
- general description of projects financed by the &Green, such as type of activity and objective, rationale for &Greening the project, identity of project initiator, date of signing of main transaction documents and total size of projects financed by the &Green;
- aggregate data regarding size of projects invested in by the &Green in a particular jurisdiction.

The reason why certain policies and &Green documents are not publicly available are:

- The primary responsibility for disclosing information regarding borrowers supported by the &Green lies with the relevant borrower, however &Green encourages its borrowers to be more transparent about their businesses to help broaden understanding of their projects and how it contributes to the mission of the &Green and the &Green publishes Investment-Related Information as detailed above.
- In carrying out its mission, &Green receives from its borrowers and other parties information that is not publicly available for the purpose of enabling the &Green to assess investment opportunities, to monitor and evaluate existing investments, the confidentiality of which &Green has a duty to respect.
- To preserve the integrity of the deliberation processes of the &Green and to safeguard the candid exchange of ideas between members of the governance bodies of the &Green, the &Green does not disclose any documents, memoranda or other communications where they relate to such deliberation or decision-making processes, including documents at in their draft stage and internal communications with the &Green's counsel, consultants or other service providers.
- Consistent with restrictions imposed by banking laws, &Green does not disclose information that would violate such law, such as the financial, business, proprietary or other non-public information provided to the &Green by its borrowers, Service Providers or other third parties, to do so would be contrary to the legitimate expectations of such parties.

8.4 Transaction Documentation

Ensuring that appropriate E&S representations, warranties and covenants are incorporated into transaction documents (e.g. loan agreements) is required from the Investment Advisor.

E&S terms should cover preventive and corrective action to be taken by the client (including the contents of the E&S Action Plan), its specific commitments under the LPP, ongoing E&S obligations (such as maintaining compliance with IFC Performance Standards and the list of excluded activities), conditions for disbursement of follow-on capital linked to E&S action plan and LPP milestones, and consequences for breaches of key covenants (e.g. an E&S termination clause) along with remedy clauses.



&Green should develop and maintain a set of standard E&S terms and conditions, which can be adapted to each investment based on the findings of due diligence and the &Green policy documents, including this document. These standard E&S terms should include reference to the Exclusion List.

8.5 Complaints Management

The Fund takes all reasonable precautions to conduct its operations in a manner that avoids complaints towards the Fund. Effective complaint handling offers many practical benefits to the Fund and helps to improve the quality of services. Complaints provide evidence of poor decisions and/or poor service delivery. The Fund works to ensure its stakeholders that their complaints are easy to report, are acknowledged and are dealt with quickly, fairly and sensitively. In order to preserve and enhance its reputation, the Fund should identify dissatisfied counterparties and work out methods of resolving their complaints.

&Green relies on a Complaints Management Policy that is based on the following principles that all:

- All stakeholders are given the opportunity to raise their complaints;
- Complaints must be answered within three months from receipt; and
- All complaints must be documented and reported.

The Policy is publicly available at [&Green's website](#).



II. ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS) MANUAL

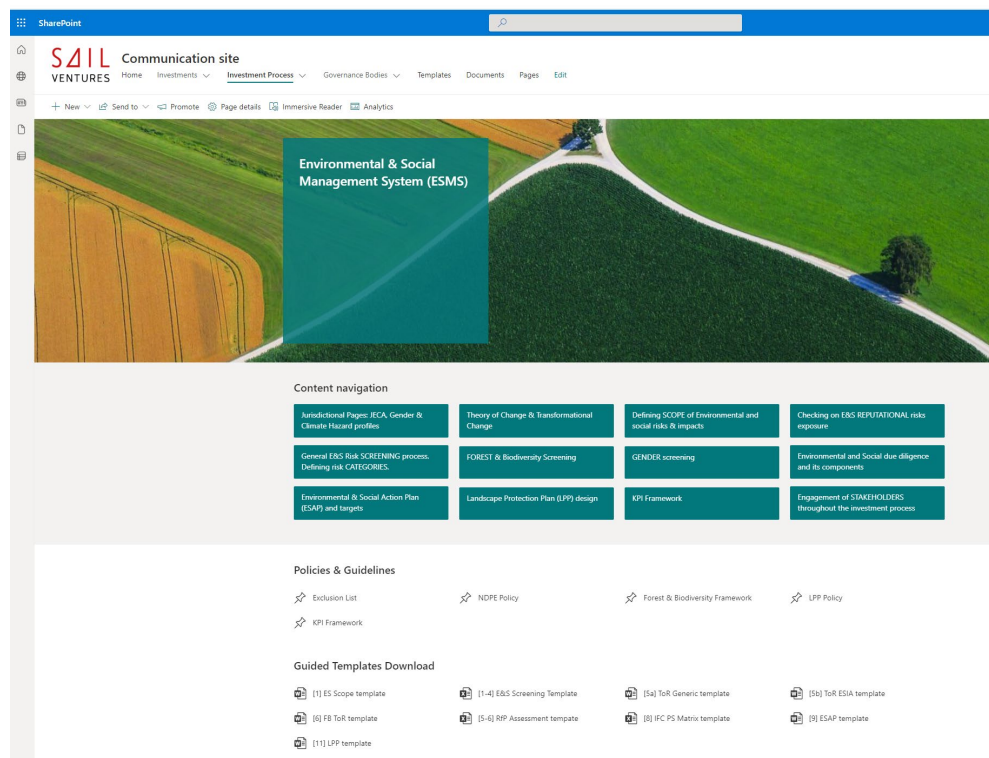
1. OVERVIEW

An ESMS is an overarching framework that enables the operationalization of the Investment Principles of &Green Fund. An ESMS allows &Green to integrate environmental and social considerations in a systematic, coherent and transparent manner at the investment activities through environmental and social due diligence, and risk assessment, and through a management framework tailored to the nature and scale of the activities and the magnitude of environmental and social risks and impacts.

The ESMS is composed of a set of policies, guidelines, tools and templates, cross-referenced in this document that mirrors the content digitally available at ESMS sharepoint. It has been designed in accordance with IFC Performance Standard 1 as well as best practices of ESG management for Funds, such as those provided by CDC Group, FMO, IUCN and other guidance and toolkits.

&Green operates a system of continuous improvement, undertaking benchmarking and self-assessments, e.g. IFC ESMS Diagnostic Tool that recently resulted in "State-of-the-Art" level. The ESMS operates at sharepoint, providing easy access to all system's documents, tools and references.

Figure 1. &Green ESMS operating via sharepoint site.





Hence, this document mirrors current content of the site, and any templates or requirements provided in this document, are subject to improvement. The templates and formats provided (including those with yellow highlight) in this ESMS documentation are intended to be illustrative and aid understanding, but they may change during implementation. Changes are not expected to be substantive.

2. E&S MANAGEMENT AND ORGANIZATIONAL ARRANGEMENTS

The E&S Team has overall responsibility for the management of E&S related activities related to the investments of &Green both on jurisdictional and transactional levels. The E&S team is composed of:

- **E&S Head** that oversees implementation of Investment Principles and coordinates the E&S team;
- **E&S Specialists** that manage the E&S risks and impacts of &Green's transactions (one E&S specialist is assigned per transaction); they are also responsible for maintenance and in-house development of management tools of ESMS;
- **GIS Specialist** responsible for geospatial intelligence and portfolio monitoring of the Fund;
- **Jurisdictional Analyst** responsible for on-going macro-economic (including climate and forest policy) coverage of &Green's approved jurisdictions.

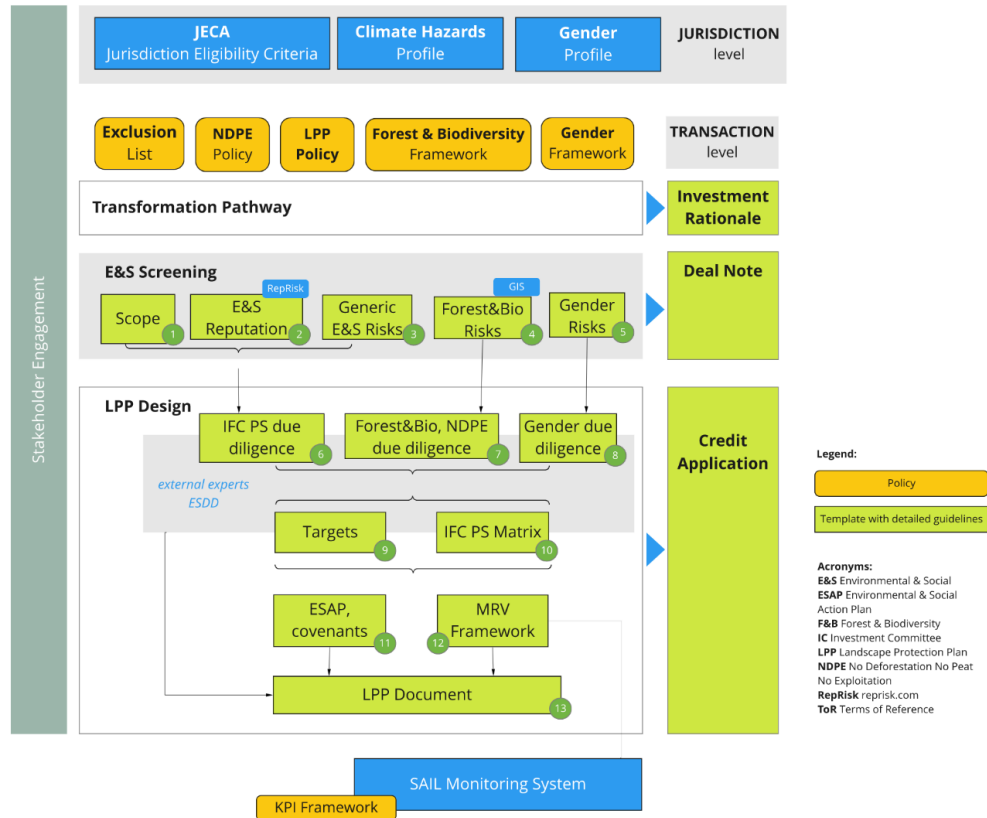
The team is horizontal and cross-functional, with each member offering a distinct expertise. The team members have individual annual targets, that reflect both performance and capacity building in order to ensure constant improvement of the team expertise.

3. E&S RISKS AND IMPACT MANAGEMENT

The &Green Fund assesses and manages social and environmental impacts of its (future) investments, using a comprehensive Environmental and Social Management System, developed and operated in-house by the E&S specialists of its investment advisor SAIL Ventures. The system operates on two levels - jurisdictional and transactional - and is fully integrated in the investment process of the Fund, from the development of the investment rationale until the exit evaluation (Figure 1).



Figure 2. Overview of &Green's ESMS and its elements.



Jurisdictional level

JECA: &Green's approved jurisdictions are countries, regions or provinces governed by authorities that are committed to addressing deforestation. The Fund takes an active approach to pre-selecting the jurisdictions considered for investment. The results of the screening through a Jurisdictional Eligibility Criteria Assessment (JECA), an internal tool, shows whether a jurisdiction has a progressive forest and/or peat protection agenda, and if local authorities are committed to the reduction of deforestation and the protection of valuable ecosystems.

For approved jurisdictions, the Fund maintains updated Climate Hazard and Gender jurisdiction profiles. These profiles, in addition to contextualizing the respective risks in the jurisdictions and the supply chains of interest, facilitate the integration of climate change resilience and gender mainstreaming in &Green's the to design Transformation Change rationales. The jurisdictional profiles can be found on t Jurisdiction Pages.

Transactional level

For each transaction, the ESMS aims at management and monitoring of:

- **Transformational Change (TC);**
- **Environmental & Social risks** of the investments; and



- **Landscape Protection Plan (LPP)** that enables the TC and generates social and environmental impacts.

The System embeds the IFC Performance Standards requirements, systematized through a set of policies, guidelines and procedures. It also integrates proprietary methodologies such as Transformational Change (TC), the Forest & Biodiversity Framework (developed in-house with support of The Biodiversity Consultancy), the Gender Framework (currently under development) as well as a series of automatized processes and templates that enhance the efficiency of the investment process.

The ESMS includes six policies/frameworks that guide the identification, assessment and management of E&S risks and impacts throughout the investment process: the Exclusion List, NDPE Policy, LPP Policy, Forest & Biodiversity Framework, Gender Framework and Impact Framework.

The following sections describe each step in the investment process in more detail:

- the **Transformational Change Assessment** Phase, described in an Investment Rationale;
- the **Screening Phase**, which is documented in a Deal Note and includes macro processes of Defining the Scope, E&S Risk Screening (including Reputation Screening, Forest & Biodiversity Screening and Gender Screening) and Risk Categorization;
- the **LPP Design**, which is documented in the Credit Application and comprises due diligence (ESDD), ESAP that contains TC milestones, impact targets, IFC PS matrix.

Following these sections, the ESMS describes &Green's approach to Stakeholder engagement which is present throughout the investment process.

3.1 Transformational Change Assessment

The investment rationale of every transaction which &Green completes must be in line with our mission to delink commodity production from deforestation, and to do so by driving inclusive, sustainable production models and value chains. At the initial stage, &Green's Investment Committee analyses the transformational change potential of a transaction, designed based on &Green's own methodology of Transformational Change.

The assessment of TC is itself an important part of thinking through and envisioning each investment's pathway to transformation. Hence, &Green assesses and reports TC progress to:

- reinforce focus on transformational rather than incremental changes within investments;
- show to investors and mainstream financiers the transformational nature of investments and the &Green portfolio in a replicable, transparent way;
- complement the Investment Rationale of &Green's investment process and allows for annual monitoring of progress.



The assessment and report of TC is built into every phase of investment process. The initial jurisdictional assessments contain the transformational pathways for the main supply chains of commodities.

The Investment Rational assesses the TC potential and provides Every Transformational Change Rationale containing:

- **Baseline**
 - Description of the sector within the jurisdiction
 - Sector challenges to sustainable practices
 - Relation to deforestation, lack of social inclusion
- **&Green vision for the sector** with a future scenario where the sector operates according to &Green's vision
- **Pathways to change**
 - Systems Change; improved operations, innovation, optimized systems, intensification
 - Scale; expansion, replication, market share, create leverage or incentives for the sector to adopt responsible practices
 - Sustainability; mainstreaming sustainable operating practices through regulatory, financial or market impulses

The pathways to change are linked to milestones and deliverables that the Client commits to achieving throughout the loan period, thus monitoring of the TC makes part of the MRV system of each Client.

The practical approach on application of Transformational Change perspective on &Green's transaction is available in the guided Term Sheet template.

3.2 E&S Screening

The E&S Screening aims to organize and evaluate the initial informational on the environmental and social impacts and risks of a deal. For the Deal Note, E&S specialists conduct an in house screening, using a series of templates and relying on GIS automated assessments. The E&S Screening serves to:

- collect and systematize the initial information on the deal. Sources: (i) Client submits such information at the Information Request page, (ii) SAIL team collects information through ArcGIS system (lan cover maps, IBAT maps, indigenous lands maps, etc.), RepRisk and general search;



- identify, record and assess the E&S risks, as well as attribute the E&S Risk category. This category is used to: (i) screen out the high risk deals; and (ii) differentiate between substantial and medium risk deals, defining the scope of environmental and social due diligence (ESDD); and
- check deal's activities against the Exclusion List of the &Green Fund.

The following outputs of the E&S Screening serve as a direct input to the Deal Note document:

- Preliminary list of material E&S risks;
- E&S Risk category matrix;
- Check against the Exclusion List;
- Proposed ESDD scope.

The screening is done using guided templates that include Scoping, verification of E&S reputation risks as per RepRisk, mapping of environmental and social risks, including those related to the Exclusion List.

3.2.1 Screening objectives, types of risks and impacts assessed

The E&S screening is based on the four types of checks that will serve as a basis for further detailed assessments:

- **Reputational exposure check** of Client's involvement in controversial issues and respective media coverage is assessed based on RepRisk findings. These findings are used as a contextual assessments for all other types of assessments and provide a proxy for reputational exposure on all the levels (global / national / jurisdictional);
- Check of **existing policies and commitments** involves both screening of available public information and documents requested through the Client Info;
- **Context check** for the majority of impacts is based on publicly available information such as Client's website, Annual or Sustainability Report, studies conducted by the moment of screening (e.g. ESIA, green bond reports or similar), certification reports sector-specific reports, national/international databases and similar;
- **Geo-referenced information** such as proximity to indigenous people or other special communities' lands and to HCV/HCS/KBA sites, protected and culturally-important sites, historical data on land use change, occurrence of fires and deforestation events is sourced from ArcGIS Online, Global Forest Watch and IBAT. Use the LULC Protocol and Nature Protocol available in the Tools sections below.

&Green adopts a systematic approach to risks and impacts screening, and groups the findings into ten standard groups, as shown on Figure 3. The groups reflect the structure of IFC Performance Standards, as well as &Green's Exclusion List and potentially relevant impacts (e.g. Gender). Such systematization allows for integrated and efficient risk and impact management process.



Figure 3. Ten groups of risks/impacts, used by &Green Fund to systematize the findings on relevant E&S risks and impacts. **Human rights** make part of different groups and during screening are assessed on policy level; **SEAH** makes part of the Gender Issues group, and during screening is also assessed on policy level only). The **levels of Impact and Likelihood** provide all the options available for assessments, are illustrative and do not relate to the risk types on this chart.

Source: template for E&S risk screening.

Type of risk/ impact	IMPACT		LIKELIHOOD
	Scale of potential impact	Its potential Intensity	Likelihood of occurrence
PS2 Health, safety, labour	very large scale	permanent, irreversible	common occurrence
PS3 Water, soil, air	large scale	certain duration but reversible	almost certain
PS4 Communities, social conflicts	site-specific	temporary	likely
PS5 Displacement, resettlement	small scale	short duration	not expected
PS6 Biodiversity	large scale	permanent, irreversible	almost certain
PS7 Indigenous People	n/a	n/a	n/a
PS8 Cultural heritage			
BI Child/forced labor			
BI Gender Issues			
BI Animal welfare			

To collect the initial information on the deal, E&S Specialist will set up the client interaction sharepoint site cloning the **Client Site** as per **Guidelines on Sharepoint for Clients**, then customize the Information Request page and invite client to fill it out.

The findings are registered in the E&S Screening template:

Figure 4. Start page of E&S Screening excel template.

Go to:	Follow these steps to screen the deal:	Status
Client Info	Fill in the 1.Client Info with the information received from the Client <form XX in sharepoint>.	pending
RepRisk	Assess the Client/sector in RepRisk and save the screenshots in 2.RepRisk Data	pending
Scope	Define the scope of risks and impacts assessments in 3. Scope	pending
Biodiversity	PS6: run the GIS analysis as per <XX Protocol>. Register the assessment results in 3.Biodiversity . Provide a quick summary of the results under the respective category in "Screening Results". If there are distinct risks related to biodiversity, register each one separately under the respective category.	pending
Screening	Based on information received from the client, identify potential risks and register them per applicable category in 4.Screening Results .	pending
Risk Category	Attribute Scale, Duration and Likelihood to each risk in 5.Risk Category .	pending
Guidelines	(Follow the Guidelines to select the criteria (specific parameters for Biodiversity are listed in PS6 Screening)	

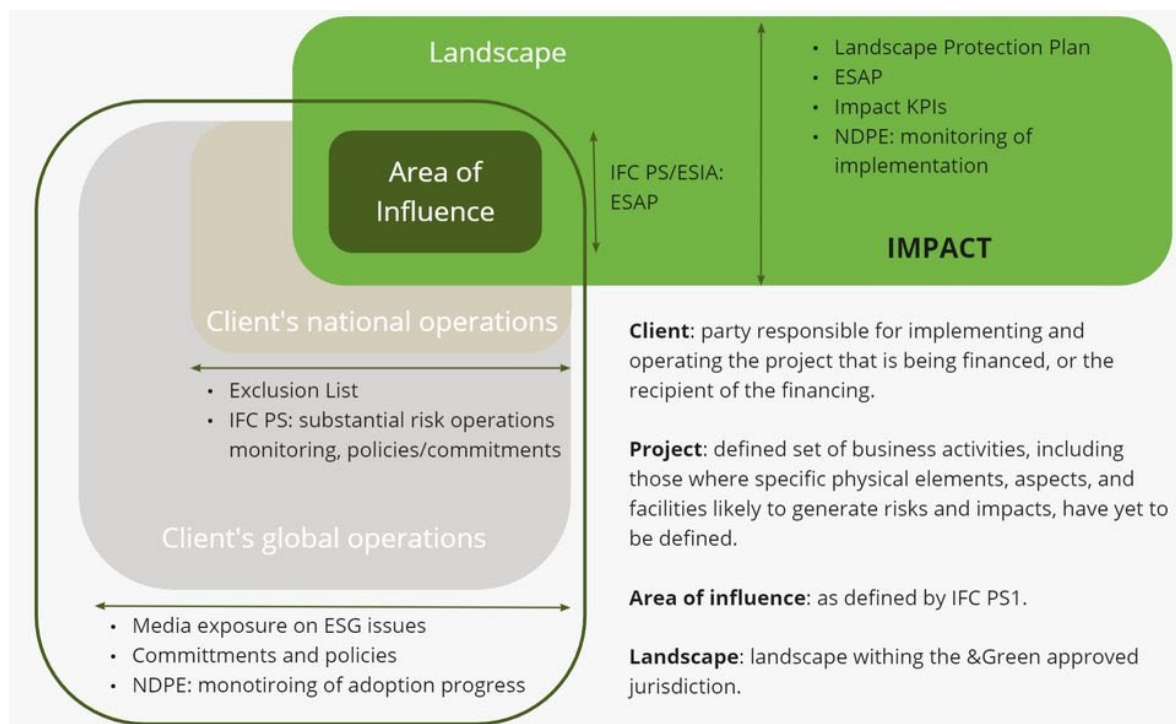


3.2.2 Defining the Scope

&Green Fund adopts a dual approach to screening, monitoring and management of Environmental and Social aspects of its investments. E&S risk management covers reputational exposure and operational risks.

- **Reputational E&S risks exposure** assessment is based on the exposure to media coverage of controversial issues a Client has been involved in, on the global level.
- **Operational E&S risks assessment** aims to exclude the possibility of Client's involvement in a certain range of activities, as well as to map substantial risks in Client's operations and supply chain on the national level and to monitor related developments and commitments.

Figure 5. Defining scope for E&S risk and impact assessment.



Business relations scope:

Client's existing and planned assets and operations, directly owned, operated or managed in the country of the deal. Exception: those with negligible risk due to the type of activities/location (low risk to be demonstrated).

Primary supply chains: the ones known to contribute to controversial issues within the national and international context. The supply chains known for low impact, can be omitted (low risk to be demonstrated).

Security providers within the country prioritized on risk-based approach. For omitted, low risk will be demonstrated.

**Spatial scope:**

Area of current and planned managed assets;

Area of associated facilities which are likely to generate impacts (if any);

Areas of influence of supply chain (current and potential, if expansion is planned) and on local communities, including indigenous people and vulnerable groups. To be defined applying the contextually appropriate radius (e.g. distance from the client's facilities based on common practice);

Area of assessment relevant for impacts on biodiversity as per IFC PS6 (Forest & Biodiversity Framework).

Temporary scope:

Contextual check (yes/no) of the cumulative impacts;

Reputational E&S risks: 5 years back;

Operational E&S risks: as of Screening assessment onwards;

The scope and related findings are registered in the Scope template.

3.2.3 E&S reputational risk exposure screening

ESG-related reputation check serves as a proxy of potential risks that can't be addressed through performance-oriented analysis. To screen negative perception of Clients by market, &Green uses RepRisk platform. RepRisk captures and analyzes information from media, stakeholders, and other public sources external to a company. The tool exclusively focuses on risks to capture adverse information that can have a reputational, compliance, and financial impact on a company.

In addition to potential controversial issues, through this platform &Green also screens those stakeholders that should be considered both in due diligence and LPP design phases from the risk understanding/mitigation perspective (e.g. NGOs, local associations and similar).

The instructions on using RepRisk are provided in the E&S screening template.

3.2.4 Forest & Biodiversity screening

Considering the importance of biodiversity-related impacts in its investments, &Green has a specific process that mainstreams biodiversity concerns into investment decision-making: the Forest & Biodiversity Framework. The framework embeds IFC Performance Standard 6 within &Green's Environmental and Social Management System (ESMS), providing an industry-leading approach to mainstream biodiversity concerns into investment decision-making. Guidance is provided on the depth of biodiversity specific studies commensurate with the level of



biodiversity risk presented by the investment to provide a pragmatic approach for balancing cost-effective risk management whilst maintaining the integrity of IFC Performance Standards.

The Forest & Biodiversity screening aims to:

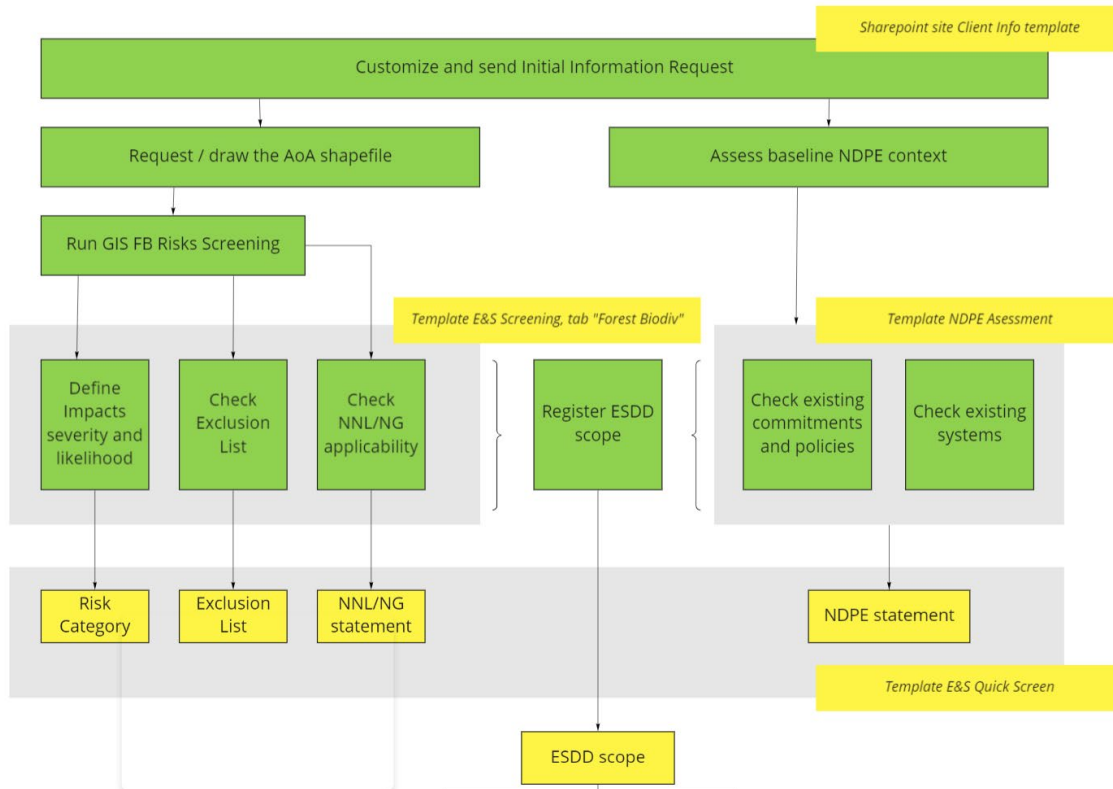
- Understand the land use and land use change dynamics in the transaction's area of impact;
- Assess the biodiversity-related risks that should be considered for alignment with IFC PS6 requirements;
- Assess the priority areas in terms of biodiversity importance and sensitivity that can be considered in the LPP to mitigate negative impacts and maximize positive ones;
- Define the scope and inform proper resources planning of the due diligence.

The expected outcomes include:

- Outcome 1. Risk Category (high, substantial, medium or low), based on which the scope of due diligence will be defined.
- Outcome 2. Potential trigger of "Destruction of HCV" (one of the Excluded Activities), to contribute to due diligence scope if applicable.
- Outcome 3. Statement on No Net Loss and Net Gain (NNL/NG) requirement applicability, to contribute to due diligence scope if applicable.
- Outcome 4. Statement on initial assessment of NDPE baseline, to contribute to due diligence scope. Outcome 5. Scope and details to be checked during ESDD.
-



Figure 6. Forest & Biodiversity screening procedures and tools.



The findings are registered under *4. Forests Biodiv* tab of the screening template (Figure 8).

The details on how to run Forest & Biodiversity screening are provided in Forest&Biodiversity Framework.

3.2.5 Gender and SEAH Screening

Although gender-related impacts are not the focus of &Green's mission, the worldwide climate crisis, loss of biodiversity and continuing gender inequality are intrinsically linked. It is widely acknowledged that gender equality and women's empowerment are catalysts for reaching sustainable development, including in forest conservation. Women's participation in decision-making has both value and instrumental importance in addressing equity and environmental degradation.

&Green recognises the importance of gender considerations to achieve Transformational Change in the supply chains it invests, and integrates them into its investment process.

The gender screening aims to scope future due diligence that will:

- Identify the different roles, circumstances, and opportunities of female and male farmers/workers/managers
- Identify the different stakeholders in the value chain/landscape and how they influence the existing gender dynamics



- Identify how these roles, circumstances, and opportunities contribute to transaction's impacts
- Identify how &Green's transaction itself may improve or deteriorate these circumstances and opportunities.

Depending on each transaction circumstances, the Fund differentiates between gender-sensitive or gender transformative approaches.

The **gender sensitive approach** is makes part of the risk-based approach of &Green, verifying that clients are committed to avoid activities that are opposed to the Fund's vision. This approach is streamlined through the IFC Performance Standards compliance, NDPE considerations and Exclusion List alignment.

GENDER SENSITIVE

Acknowledging the different needs and constraints of women and men without changing the status quo. An organization may, for example, realize that the work of female smallholders in the supply chain is not sufficiently recognized, which limits their access to training. When providing training to female smallholders, the organization could focus on the activities they perform and attempt to limit the negative effects of a gendered distribution of responsibilities, such as a heavier workload for women, without challenging the gendered differences themselves.

Gender sensitive approaches can be easily integrated into existing training structures on other topics since they don't require underlying gendered behavioral patterns to be addressed, however, they can fall short of alleviating systemic inequalities.

The **gender transformative approach** contributes to achievement of Transformational Change. If there is a potential to its application, during the screening it is important to scope the future due diligence that will:

- Conduct a gender analysis study
- Establish the gender baseline for the LPP
- Deep dive into potential gender issues such as representation in value chain, leadership positions, capacity to leverage gender issues, financial literacy.
- Integrate gender-specific targets, outcomes and activities into the ESAP.

GENDER TRANSFORMATIVE

Addressing gender imbalances, changing gendered power relations, and actively building equitable social norms and structures. An organization is aware that women and men do not have equal opportunities in the household, at community level or at work. They may, for example, create equal working conditions for women and men, recognizing that special means may be required to increase the number of women in management positions or to achieve an environment free from gender based violence (GBV).

Gender transformative approaches are characterized by explicitly centering gender norms and are thus common for interventions that have the primary goal of addressing gender issues and transforming gender relations to promote equality.

Additionally, &Green recognises the imperative to prevent and respond effectively to SEAH and to protect persons, especially vulnerable individuals, and victims of **SEAH** in Fund-related Activities. During the E&S Screening, E&S specialist checks to which extent the Client's policies and grievance mechanisms address SEAH-related risks. The more detailed assessment of such risks is done by third party during the due diligence stage.



3.2.6 Exclusion List Verification

Preliminary verification of Exclusion list by E&S team aims to identify potential triggers that will be investigated during the due diligence. The verification makes part of the E&S Screening process and uses the same E&S Screening template to register the findings:

Figure 7. Exclusion List verification template. The selection of applicability criteria and rationale is purely illustrative.

Excluded activities as per &Green Exclusion List	Applies	Policy	Rationale/evidence to back up the claim	DD verification points
1. Forced labour [1] or child labour [2]	yes	yes		
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:				
a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;	yes	yes		
b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	
c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	
4. Destruction of High Conservation Value areas	yes	yes		
5. Radioactive materials [5] and unbounded asbestos fibres	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	
6. Pornography and/or prostitution	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	
7. Racist and/or anti-democratic media	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	
8. In the event that any of these following products form a substantial part of a project's primary financed business activities [6]:				
a) Alcohol beverages (except beer and wine); b) Tobacco; c) Weapons and munitions; or d) Gambling, casinos and equivalent enterprises	no	n/a	The Client does not engage in the activity in reference due to the nature of the deal's business.	

3.2.7 Due Diligence (ESDD) scope

All the preliminary findings from the screening are registered in the E&S Screening template and summarized in the Scope template to compose the scope of future due diligence. This includes both the questions to be addressed by third-party experts and E&S team's investigations.



3.2.8 E&S Risks categorization

&Green Fund classifies all deals into one of four classifications: High Risk, Substantial Risk, Moderate Risk or Low Risk, based on the occurrence likelihood and potential negative impact severity.

The High and Substantial categories correspond to the IFC category A, and follow the same procedures in terms of due diligence and risk management requirements. The risk classification is reviewed on a regular basis thus it may be adjusted throughout the time of investment. Moderate and Low categories correspond to IFC categories of B and C, respectively. Category B deals are subject to limited scope ESIA.

Any deal that involves resettlement (unless the risks or impacts of such resettlement are minor), adverse risks or impacts on Indigenous Peoples or major risks or impacts on the environment, community health and safety, labour and working conditions, biodiversity or cultural heritage, are classified as high or substantial risk.

Both the initial E&S risk screening and ESDD follow the same methodology of risk categorization, that analyses potential impact and likelihood of identified risks (methodology details available under "Guidelines" in E&S Screening template"). Specifically for forest- and biodiversity related risks, the proxies for risk categorization are detailed in the Forest & Biodiversity Framework.

To determine the risk category, other factors should also be considered:

- type, location, sensitivity, and scale of the deal;
- the likelihood and magnitude of the potential environmental and social risks and impacts;
- the capacity and commitment of Client to manage environmental and social risks and impacts in a manner consistent with IFC PS, its governance structure, association with corruption and laws violations;
- nature of mitigation and technologies used;
- stability, conflict or security.

During screening, E&S team conducts preliminary categorization which is later verified by due diligence external team, and adjusted if applicable.

3.3 Landscape Protection Plan (LPP)

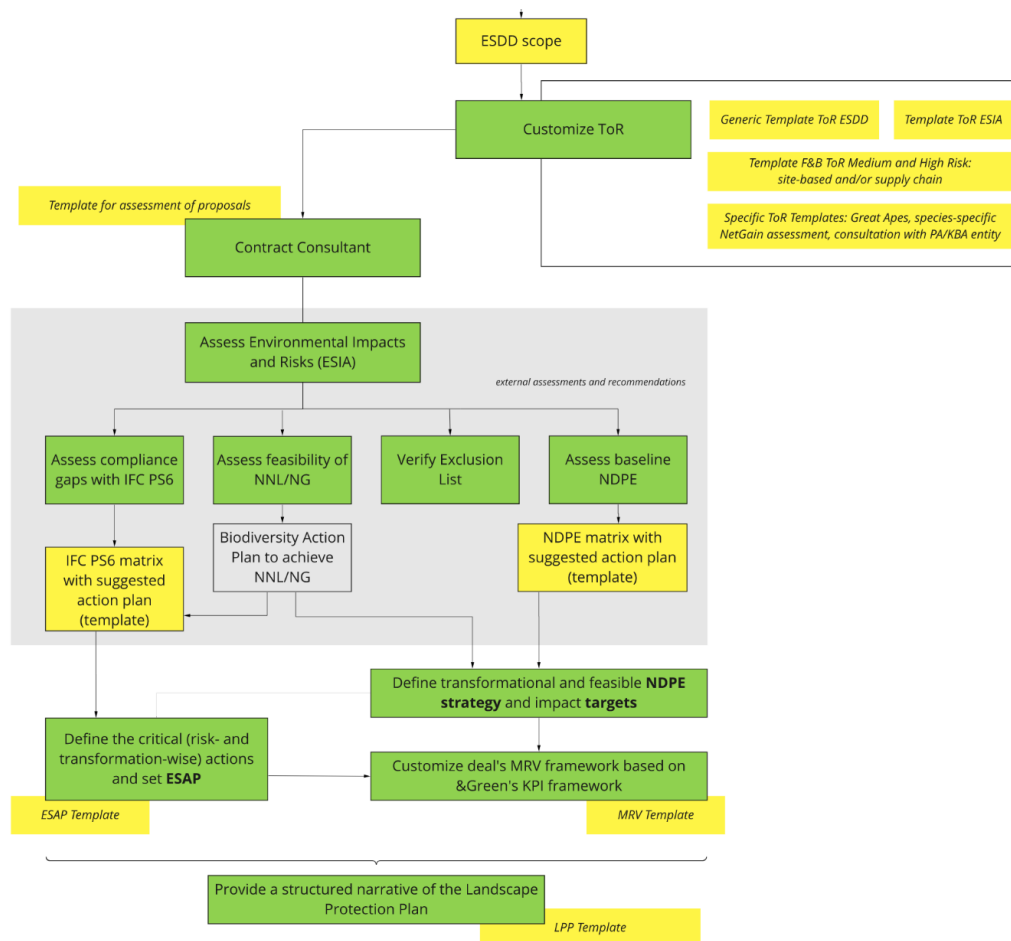
The Credit Application is the final decision-making step related to the approval of a new investment. &Green requires clients to translate their vision for maximising long-term environmental impacts and social inclusion and for contributing sector transformation into a Landscape Protection Plan (LPP) and to commit to its implementation as part of its investment.

The LPP describes the client's strategy and the additionality of the strategy against sector practices in the landscape they operate. Additionally, the LPP defines the output and outcome targets of the strategy, the client's accountability and the Monitoring, Reporting and Verification framework against these. Preparation of the LPP relies on an external Environmental and Social Due Diligence (ESDD) that provides inputs for targets feasibility and definition, for IFC PS gaps



action plan, for monitoring of transformational change milestones and MRV system for impact KPIs. After receiving ESDD results, SAIL Ventures specialists develop all the elements of the LPP using diverse templates and tools. LPP greatly relies on the Forest & Biodiversity Framework for inputs.

Figure 8. LPP design process.



3.3.1 Due Diligence (ESDD)

Prepare for the due diligence, using the scope defined in the screening phase and eventual questions that surged during further communication with Client. The main deliverables of ESDD include the following standard items, in addition to those added on the transaction level, if necessary:

- Environmental and Social Impact Assessment (ESIA), that also includes assessment of Forest & Biodiversity as well as Gender related risks and impacts, according to respective frameworks of &Green Fund. Depending on the transaction circumstances and complexity, ESIA can be conducted either by the same consultant, or by specific consultants for each component (ESIA and human rights; Forest & Biodiversity; Gender).
- Verified List of Excluded Activities of &Green Fund,



- (Re)confirmed Risk Category,
- IFC Performance Standards gap assessment, according to &Green's template for IFC PS management,
- Environmental and Social Action Plan (ESAP).

The typical **reference framework** used for ESIA includes:

- Applicable local, national and international environmental and social (including occupational health and safety) legislation;
- &Green Fund's Investment Principles and ESMS Manual, including respective policies and frameworks;
- &Green Fund's List of Excluded Activities;
- IFC Performance Standards (2012);
- UN Guiding Principles on Business and Human Rights (UNGPs).

Due diligence related to **IFC PS6, forests and biodiversity** should be contracted using a specific ToR as prescribed by the Forest & Biodiversity Framework, using the prescribed reference framework.

Due diligence related **gender issues, including SEAH** should also follow the guidelines of Gender Framework and use specific ToR.

If the screening or initial due diligence flagged a high risk related to specific issue such **human rights, indigenous peoples, SEAH, land acquisition/resettlement or similar**, an additional focused due diligence should be considered in order to establish an effective risk mitigation plan⁵.

3.3.2 Elaboration of Terms of Reference (ToR) and contracting consultants:

- Use as a basis the Generic ToR template with the information about &Green.
- Depending on the preliminary E&S Risk category and scope, add up respective sections from F&B and Gender ToRs templates.
- Send out Requests for Proposals (RfP) to potential consultants, following internal procurement policy.
- Evaluate proposals using RfP assessment template.
- Select consultant(s) that best meet the requirements.
- Engage back-office team to initiate contracting process.

⁵ The additional due diligence is usually highly customized for the circumstances, thus no template exist. The recent ToRs for additional due diligence processes are available upon request.



3.3.3 Content of LPP document

All of &Green's clients publicly commit to transitioning to sustainable agricultural practices and protecting their wider Landscape from deforestation. As part of this commitment they draft a Landscape Protection Plan, or LPP. An LPP is a sustainable land use and management plan, which quantitatively sets out how the impact will be generated during the financing period.

The LPP covers matters such as:

- History of the landscape, Business as Usual Scenarios and Project Scenarios for different landscape elements;
- Stakeholders and their roles in the landscape and in the project;
- ESAP that includes Targets for Environmental Returns and Social Returns and related milestones, as well as IFC PS compliance timeline; and
- Monitoring, Reporting and Verification strategy and schedules.

To design the LPP, use the guided LPP template and follow LPP Policy.

A standard content of the LPP includes:

LANDSCAPE PROTECTION PLAN FOR [DEAL]	4. COMPANY'S PRACTICES
1. &GREEN'S INVESTMENT IN [COMPANY]	4.1 History of company's land assets (if own production assets)
1.1 The Objectives: Transaction and its LPP	4.2 Historical land use change
1.2 Environmental and Social Due Diligence (ESDD) Overview	4.3 Production features
1.3 The project area: the scope of the landscape protection plan	4.4 Supply chain management
2. LANDSCAPE CHARACTERISTICS	4.5 Overview of company's current management of environmental and social impacts
2.1 Legal land classification	5. COMPANY'S LANDSCAPE PROTECTION STRATEGY
2.2 Topography and soils	5.1 &Green's Vision for the [XX] sector and [COMPANY]'s commitments
2.3 Climate and Hydrology	5.2 [Intervention #1 – system change/scale]
2.4 Ecological features	5.3 [Intervention #2 – system change/scale]
2.5 Socio-economic features	5.4 [Intervention #3 – system change/scale]
3. DEFORESTATION AND RELATED PRACTICES	5.5 [Intervention #n – system change/scale]
3.1 Deforestation trends in the landscape	6. MONITORING, REPORTING AND VERIFICATION
3.2 Current land use practices in the commodity's sector	ANNEX 4.1: ESAP
	ANNEX 4.2: KEY PERFORMANCE INDICATORS AND DEFINITIONS

The undergoing LPPs of active investments are publicly available at [&Green's website](#).

3.3.4 Environmental and Social Action Plan (ESAP)

All the priority actions related to the implementation of transformational change, accomplishment of environmental and social impacts (returns) expected from the transaction, as well as mitigation of E&S risks are addressed through the Environmental and Social Plan (ESAP) that makes part of the transaction contract.



ESAP contains the following three sections, each with specific scope and type of targets:

Figure 9. Summary of ESAP. Source: ESAP template.

Client's commitments related to implementation of the LPP are reflected in the ESAP:

- A.** Strategic items related to **[supply chain]** management which contain description of the milestones and respective timelines;
- B.** Environmental and social returns, expected to result from the implementation of LPP, with quantitative targets and respective timelines; and
- C.** Environmental and social management (ESMS) improvements expected to be implemented by CLIENT in order to achieve compliance with IFC Performance Standards, with quantitative targets and priority actions.

Client will report its progress of LPP implementation using the template to be provided by &Green, adjusted to integrate existing reporting practices of **Client**, such as **[GRI]** and similar.

The frequency and the scope are provided below:

REPORTING SCOPE	2022 - 2023	2023 FORWARD
A. Progress on implementation of the strategic items, as per Table 1	2 per year: Self-report by Client , and Annual independent audit	Annual independent audit
B. Monitored figures of environmental and social return targets	Annual independent audit	Annual independent audit
C. IFC Performance Standards compliance	Annual independent audit	Annual independent audit

ESAP template makes part of LPP template. It is also available for download as a standalone template that is expected to be submitted to IC as part of Credit Application package.

3.4 Impact Framework

To assess the degree to which investments are transformational and the impacts they deliver, &Green has developed a Key Performance Indicators (KPI) framework. This is embedded in the investment process and monitors, reports, and verifies impacts and progress towards the transformational change aimed for in each transaction. In 2021, &Green updated the Impact Framework to improve its ability to track transformational change and impacts important for its growing community of stakeholders and investors.

The purpose of the Impact Framework is to provide clear, consistent and meaningful insights into the impacts of the Fund. The indicators have been developed from a review of available best practices.

The Impact Framework is made up of:

- **KPIs** - summary, 'headline' impact indicators;
- **OPIs** - Operational Performance Indicators - a more detailed set of indicators that sum to, &/or supplement the information in KPIs.



- **Monitoring Indicators** - investment or project level monitoring indicators that underpin the KPIs and OPIs.

Data and information that contributes to the indicators are sourced from clients' reported ESAP outcomes, or calculated through further analysis by the Investment Advisor using client data and/or publicly available data.

KPIs are publicly reported as a 'dashboard' at the portfolio level, showing targets (where applicable) and annual and cumulative progress. The portfolio results are a sum of individual investment KPIs, which will also be available publicly, at a less prominent level, for example, in Fund annual reports, and under the 'Portfolio' dropdown.

OPIs will be publicly reported at the portfolio level, but less prominently. They will be available in annual reports, and may be accessible by 'drilling down' on the &Green website. As with KPIs, portfolio OPIs are the sum of the individual investments' OPIs. These individual investment OPIs will also be publicly available, except in some circumstances where they are redacted for commercial-in-confidence reasons.

The KPIs overview

The Impact Framework is made up of qualitative and quantitative indicators grouped in seven areas: Strategic; Forest and Climate; Production; People; Financial; Partnership and Support; Compliance.

Short definitions of the seven KPIs (see Figure 12 for the overview) :

KPI1: Progress toward Transformational Change

A qualitative metric that assesses progress toward the Transformational Changes set out in investment rationales, that support the &Green mission. It is judged by monitoring evidence of progress against milestones relating to System Change, Scale, and Durability of the Transformation.

KPI2: #ha of Forest Protected

Monitors the area of identifiable forest conserved plus forest restored, plus peatland conserved or rehabilitated². 'Forest' uses national definitions relating to crown cover, minimum area, land use type, and excludes plantation forests. Any reversals are deducted.

KPI3: #tCO₂e of Climate Benefits

Monitors the mitigation benefits in tonnes of Carbon Dioxide equivalent (tCO₂e) from emissions reductions plus emissions sequestration. Emissions reductions are generated from changes in farm management practices. Emissions sequestration results from regrowth and densification in degraded forests that are conserved, and from tree growth and establishment in forest restoration areas. Any reversals (and hence emissions) are deducted.

KPI4: # ha of ecosystems with improved resilience

Monitors the area of land rehabilitated, restored or protected, made up of the: area of forest protected (KPI2); plus area of non-forest ecosystems restored or improved; plus areas of degraded land restored through regenerative agriculture, silvo-pastoral agriculture or agroforestry.

**KPI5: # people with increased resilience**

Monitors and conservatively assesses the number of people where a benefit or service is provided or made possible to improve the resilience of livelihoods.

KPI6: # of People Benefiting

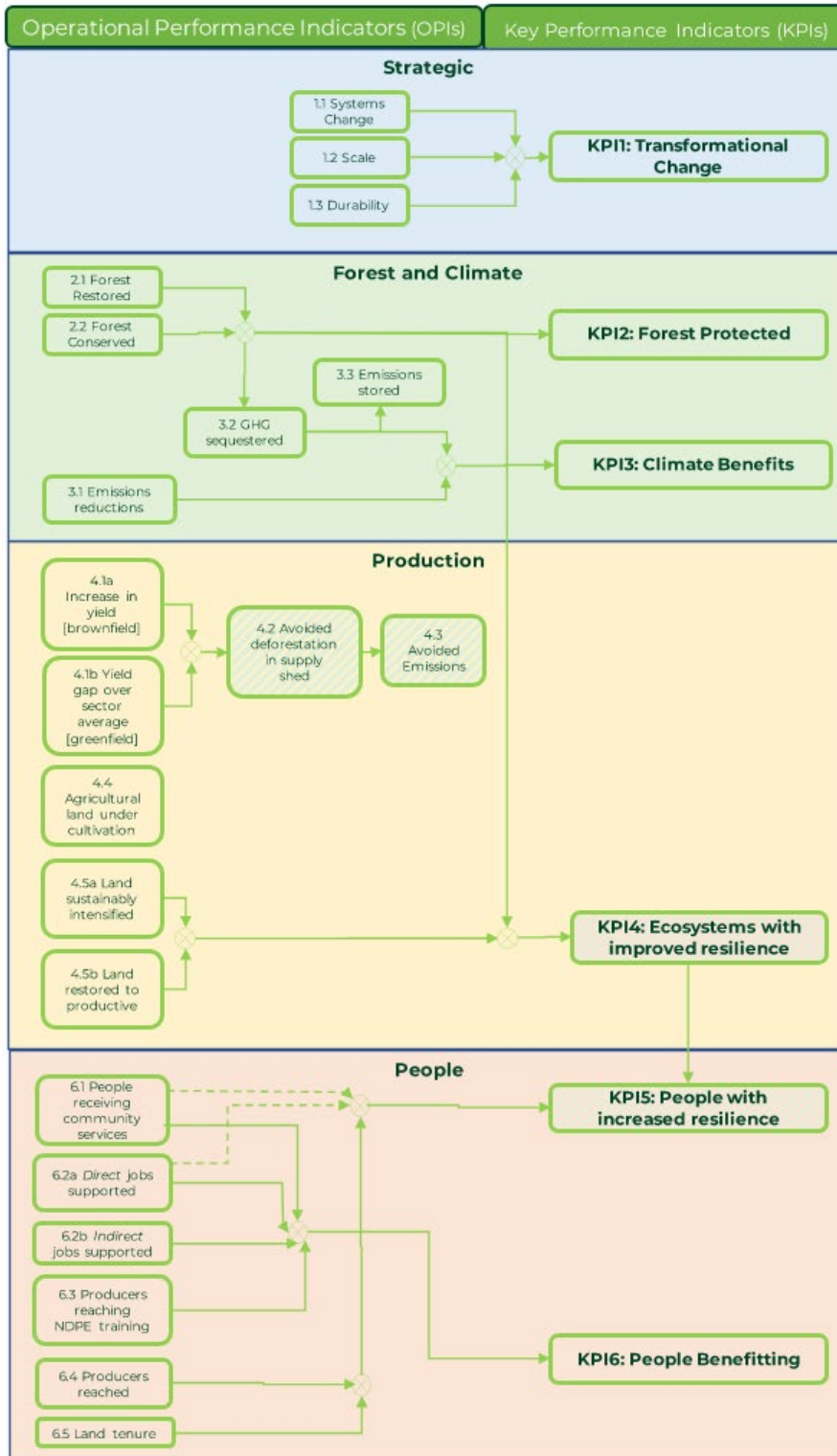
Monitors the number of individuals benefitting from &Green's transactions, and is the sum of: number of producers reached; community services provided to individuals; individuals benefiting from secured land tenure agreements; and jobs supported.

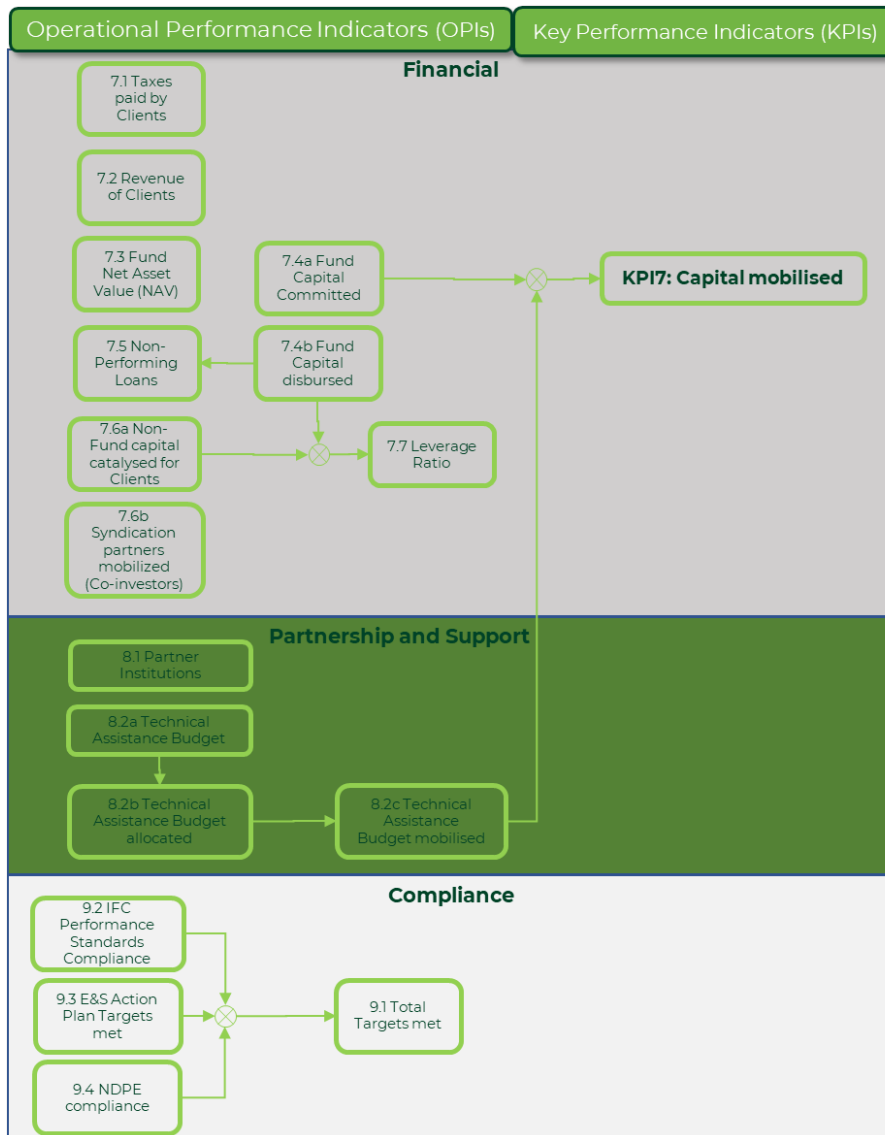
KPI7: USD of Capital Mobilised

This KPI monitors the ability to attract and direct capital towards supporting and implementing &Green's investment principles.

The approach to Monitoring, Reporting and Verification of these indicators is discussed in &Green's Environmental and Social Management System (ESMS) manual. The Impact Framework will be reviewed annually, and where appropriate, updated. Any updates that may materially change the interpretation of impact results will be transparently reported in the Annual Report.

Figure 10. Overview of Impact Framework.





Area of Influence, Level of Assurance and Attribution

&Green makes no claim of ownership of results. Rather, &Green participation facilitates and catalyses impact. The ESMS and NDPE policy sets out how to define the 'Landscape' and Area of Influence (AoI) of an investment (see Scope). NDPE applies at different levels across the Client's operations: the Client is required to have a company-wide NDPE published for its global operations, but will only be held accountable for the monitoring/implementation of this policy at the landscape level.

The Level of Assurance (LoA) of impact attribution relates to management control. For land-related KPIs and OPIs (KPI2: ha of forest protected, and KPI4: ha of ecosystems with improved resilience) it is important to differentiate management control of outcomes. This is closely related to the degree of geographical identification, with decreasing Level of Assurance:

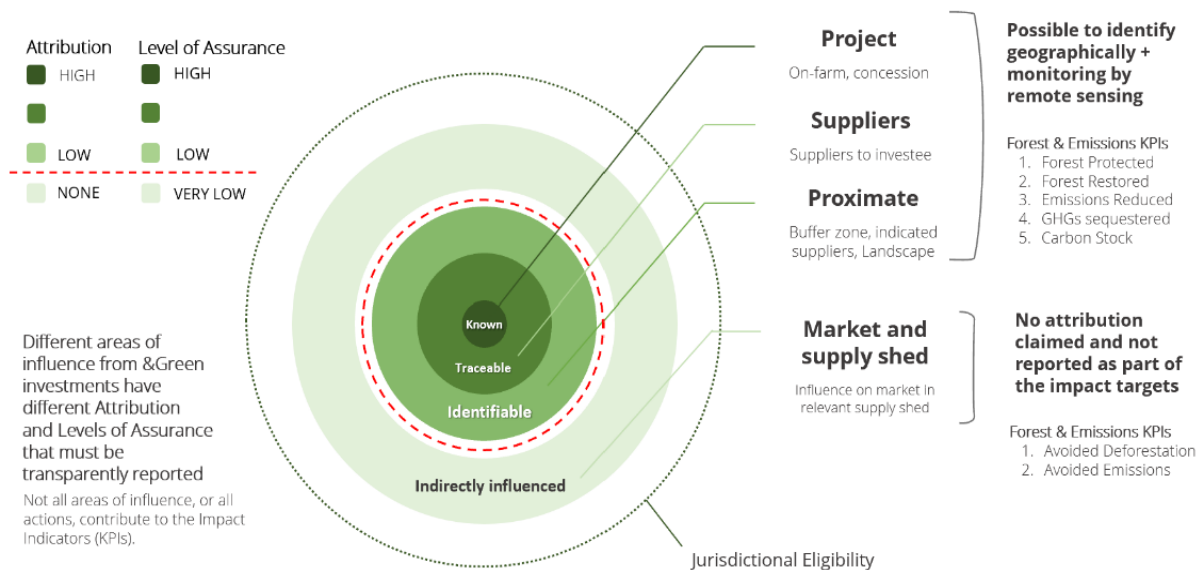


For land-related KPIs and OPIs (KPI2: ha of forest protected, and KPI5: ha of ecosystems with improved resilience) it is important to differentiate management control of outcomes. This is closely related to the degree of geographical identification (refer to diagram below), with decreasing Level of Assurance:

- Project – Known;
- Suppliers – Traceable; and
- Proximate – Identifiable.

These are qualitatively different to market indirect impacts in the supply shed (outside the red dotted circle), which have very low assurance and no attribution. This is relevant to avoided deforestation, and avoided emissions associated with avoided deforestation. Market indirect impacts can NOT be added to Attributable impacts.

Figure 11. Attribution and Level of Assurance in &Green's transactions.



The Attribution and Level of Assurance should be reported transparently to reflect these qualitative differences. Wherever possible, the Level of Assurance of each set of actions should be characterised. For example, differentiating between forest protection with high control and Assurance (Project – on the leasehold or owned farm) and lower Level of Assurance for suppliers or proximate areas within the landscape.



Action and location	Attributed	Level of Assurance	ESMS & NDPE policy link
Project – Known	Yes	High	Area of Influence defined by IFC PS
Suppliers – Traceable	Yes	Low	Landscape defined by deal
Proximate – Identifiable	Yes	Low	Landscape defined by deal
Market – supply shed	No	Very Low	Jurisdiction

4. STAKEHOLDER ENGAGEMENT

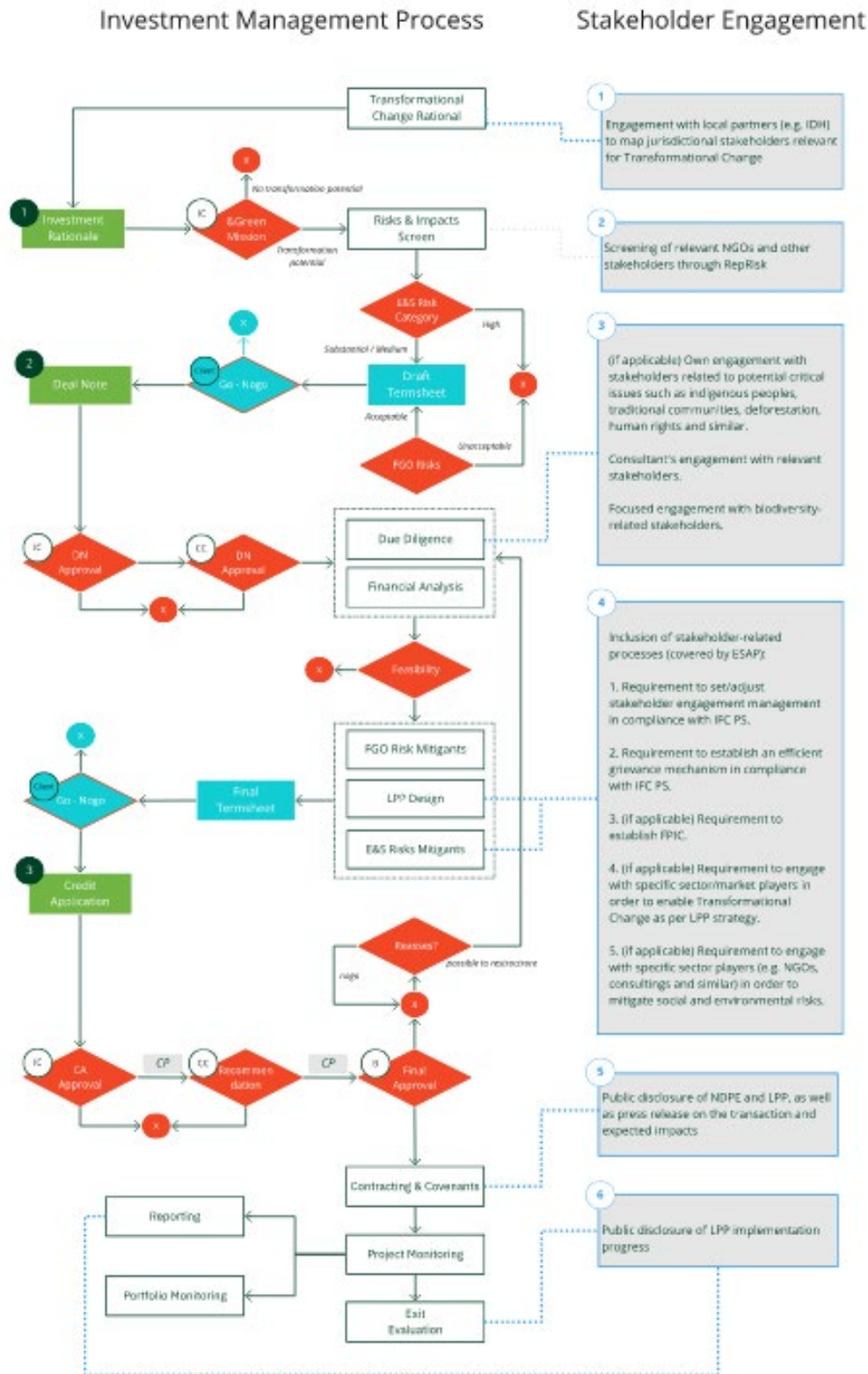
In order to enable **Transformational Change**, maximize positive impacts and mitigate E&S risks, &Green Fund employs forms of local stakeholder engagement throughout the investment management process. Similarly, &Green ensures such process from the client's side. Figure 1 summarizes the moments and types of stakeholder engagement both from &Green and client sides.

When assessing the transformational potential of transaction, &Green engages with its local partners (e.g. IDH) in order to map potentially relevant stakeholders. These stakeholders may enable the transformational change in the landscape, thus their engagement may be considered as an element of LPP later on. They may include local farmer's associations, non-profits, governmental bodies, research institutes etc.

The **E&S screening phase** aims to identify main material risks. In addition to the identified stakeholders (in Step 1), &Green screens those actors that should be considered both in due diligence and LPP design phases from the risk understanding/mitigation perspective (e.g. NGOs, local associations and similar). This screening is done through RepRisk platform.

The **due diligence** scope is defined by the screening results, but depending on the severity of findings, &Green may consult some local actors (e.g. research institutions, civil rights organizations, certification bodies and similar) in order to better scope the third-party due diligence process. During the due diligence, third party decides on necessary stakeholder engagement to investigate, provide dimension and mitigation options for the E&S risks. For the biodiversity-related risks, third party follows the requirements of Terms of Reference as per &Green's Forest and Biodiversity Framework, including for the level of stakeholders consultations and engagement – these stakeholders may become part of stakeholder engagement by client in future LPP, if relevant.

Figure 12. Stakeholder engagement integrated in the investment process.





In order to achieve compliance with the IFC PS, as required by &Green's Lending Guidelines, third party will provide a recommended action plan on gaps that include the stakeholder engagement management, efficient grievance mechanism, FPIC mechanism, relationship with Indigenous Peoples, traditional communities and similar. All these improvements in stakeholder management processes will be required to be integrated into the client's ESMS during the first years after disbursement:

Following the requirement of IFC PS compliance, client will improve/set the stakeholder management processes relative to all applicable standards, based on the third party recommendations as per due diligence.

Client will design/improve an efficient grievance mechanism as per due diligence recommendations.

If applicable, &Green will require client to integrate FPIC principles into its stakeholder management system.

To enable implementation of transformational change in the landscape, &Green may request engagement with certain local sector or market players, aiming at implementation of improved land use practices, market transformation and similar.

For instance, IDH is often an efficient facilitator of engagement with farmers in jurisdictions it operates, that can provide its expertise and technical assistance – client may have a target to engage with IDH in order to set a feasible strategy for forest restoration by local farmers. Another example includes request to engage with sector entities and associations, in order to improve local procurement practices.

To mitigate material social and environmental risks, &Green may require client to engage with certain local stakeholders aiming to make their policies more robust (e.g. human rights, indigenous peoples, local communities) and feasible.

For instance, client may have a target to engage with a local expert in order to develop a robust policy and feasible strategy for Engagement with Indigenous Peoples.

Transparency is an essential principle of stakeholder engagement, thus &Green requires investees to publicly disclose their LPP and NDPE at the moment of transaction event. From its side, &Green publishes a press release with main expectations of social environmental impacts of the transaction.

&Green requires that client annually discloses the ESAP progress, assuring transparency on transaction impacts.

In addition, &Green operates its own Complaints Management Policy, publicly available at &Green's website.



DEFINITIONS

Affected Communities: local communities directly affected by the project (IFC).

Additional conservation measures: An intervention designed to deliver Net Gains for priority biodiversity values for which Critical Habitat was designated, after mitigation measures have eliminated significant adverse project impacts

Avoidance: Measures taken to anticipate and prevent adverse impacts on biodiversity before actions or decisions are taken that could lead to such impacts.

Area of Assessment (AoA): an ecologically appropriate area of analysis to determine the presence of critical habitat for each species with regular occurrence in the project's area of influence, or ecosystems. Boundaries of AoA should be defined taking into account the distribution of species or ecosystems (within and sometimes extending beyond the project's AoI) and the ecological patterns, processes, features, and functions that are necessary for maintaining them.

Area of influence encompasses, as appropriate:

The area likely to be affected by: (i) the project and the client's activities and facilities that are directly owned, operated or managed (including by contractors) and that are a component of the project; (ii) impacts from unplanned but predictable developments caused by the project that may occur later or at a different location; or (iii) indirect project impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent.

Associated facilities, which are facilities that are not funded as part of the project and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable.

Cumulative impacts that result from the incremental impact, on areas or resources used or directly impacted by the project, from other existing, planned or reasonably defined developments at the time the risks and impacts identification process is conducted.

Baseline: a reference against which any future changes associated with a project can be assessed and offer information for subsequent monitoring of biodiversity performance. This reference serves the basis of comparison for setting and achieving targets.

Biodiversity: defined by the Convention on Biological Diversity (CBD) as 'the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems'.

Biodiversity Action Plan (BAP): a document that describes (i) the composite of actions and a rationale for how the project's mitigation strategy will achieve net gain (or no net loss), (ii) the



approach for how the mitigation hierarchy will be followed, and (iii) the roles and responsibilities for internal staff and external partners. BAPs are living documents that should include agreed-on timelines for regular review and update as new information arises, project implementation progresses, and conservation context changes over time.

Collective attachment: means that for generations there has been a physical presence in and economic ties to land and territories traditionally owned, or customarily used or occupied, by the group concerned, including areas that hold special significance for the group, such as sacred sites; (d) “Cultural heritage” is defined as resources with which people identify as a reflection and expression of their constantly evolving values, beliefs, knowledge and traditions.

Concession: legally allocated plots of land managed by the company.

Commitment: a statement(public or internal, in the form of a policy)by a company that specifies that actions that it intends to take or the goals, criteria, or targets that it intends to meet with regard to its management of or performance on environmental, social and/or governance topics. Commitments may also be titles or referred to as policies, pledges, or other terms. Commitments, as defined here, are distinct from the operational policies and procedures (i.e. sourcing codes, supplier requirements, manuals, and standard operating procedures) by which companies may operationalise their commitments or sustainability initiatives.

Critical habitat: A subset of Natural or Modified Habitat identified by the presence of high biodiversity values (including (i) Critically Endangered and/or Endangered species; (ii) endemic and/or restricted-range species; (iii) globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes) as defined by International Finance Corporation Performance Standard 6

Cut-off date (related to no-deforestation commitments): The date after which deforestation or development on peat renders a given area or production unit non-compliant with no-deforestation or no-development on peat commitments, respectively. Under the NDPE policy ‘cut-off’ date is treated independently from the baseline year for determining Net Gain requirements (as per the Forest & Biodiversity Framework), as a consequence of a forward-looking impact oriented approach.

Deforestation: Loss of forest cover as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; iii) severe and sustained degradation.

Direct impacts: Impacts that are a direct result of project activities or decisions. They are predictable, usually occur near to project activities, occur during the project lifetime, and are easily identified during planning and the EIA.

Due diligence (ESDD): In the context of environmental and social management system, means the process of investigating potential investments to confirm all facts, such as reviewing environmental and social safeguards, audits, assessments, and compliance before consideration of funding or entering into an agreement with another.

Ecosystem: A community of plants, animals and smaller organisms that live, feed, reproduce and interact in the same area or environment.

Ecosystem Services: The benefits that people obtain from ecosystems.



Environmental and social impact assessment (ESIA): Refers to a process or tool based on an integrated assessment where the scale and type of potential biophysical and social, including, where appropriate transboundary risks and impacts of projects, programs and/or policy initiatives, are predicted, acknowledged and evaluated. It also

Environmental and social impact assessment (ESIA): Refers to a process or tool based on an integrated assessment where the scale and type of potential biophysical and social, including, where appropriate transboundary risks and impacts of projects, programs and/or policy initiatives, are predicted, acknowledged and evaluated. It also involves evaluating alternatives and designing appropriate mitigation, management and monitoring measures to manage the predicted potential impacts;

Forest: Area that meets national forest definitions of land use and crown cover. This definition of forest is taken from the updated KPI definitions of the Fund. Details on how to quantify forest are found in the specific guidance document of the Fund's Forest and GHG KPI.

Forest degradation: Changes in forest areas that significantly and negatively affects its structure without reaching a point that could be considered as deforestation.

Habitat: An ecological or environmental area that is inhabited by a particular species of animal, plant or other type of organism. It is the natural environment in which an organism lives, or the physical environment that surrounds (influences and is used by) a species population.

High Conservation Values (HCV): HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level. All natural habitats possess inherent conservation values, including the presence of rare or endemic species, provision of ecosystem services, sacred sites, or resources harvested by local residents.

Human rights: Human rights are defined in a series of UN conventions and agreements, including the International Bill of Human Rights and in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. Human Rights aim to secure dignity and equality for all.

Indirect impacts: Those which result from interactions of the project with social, economic, political and environmental factors and also with actors such as local communities, migrants, government and project personnel. They tend to result from government decisions and the actions and practices of nearby communities or immigrants, in response to the presence of the project. Compared to direct impacts, they often have: a larger geographical scope (cover a broader area); a lower intensity (a lower impact per unit affected); a lower predictability, and thus more complex a priori mitigation; a higher likelihood of involving third parties not directly related to or under project authority; unclear boundaries of responsibility. Also known as secondary, or induced impacts.

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



Land acquisition: Refers to all methods of obtaining land for project purposes, which may include outright purchase, expropriation of property and acquisition of access rights, such as easements or rights of way.

Livelihood: Refers to the full range of means that individuals, families, and communities utilize to make a living, such as wage-based income, agriculture, fishing, foraging, other natural resource-based livelihoods, petty trade, and bartering;

Minimization: Measures taken to reduce the duration, intensity, significance and/or extent of impacts (including direct, indirect and cumulative impacts, as appropriate) that cannot be completely avoided, as far as is practically feasible. (Minimize as used here does not imply an intention to 'reduce to zero', which is its legal meaning in some jurisdictions. Some companies have chosen to avoid using the words Minimize/'Minimization' and instead use words like 'Limit/'Limitation' and 'Reduce/'Reduction'.)

Mitigation hierarchy: The sequence of actions to anticipate and avoid, and where Avoidance is not possible, Minimize, and, when impacts occur, Restore, and where significant residual impacts remain. Offset for biodiversity-related risks and impacts to affected communities and the environment.

Minimal level (of deforestation or of development on peat): A small amount of deforestation or area under development that is negligible in the context of a given site because of its small area and because it does not significantly affect the conservation values of natural ecosystems and services. Minimal levels of deforestation or development at the site scale do not necessarily violate no-deforestation. However, these minimal levels should be assessed cumulatively over space and time as multiple small instances may lead to an actor being considered non-compliant. Minimal levels of deforestation or area under development can be also specified, depending on what is technically possible from the monitoring tools available.

Modified habitats: Areas that may contain a large proportion of plant and/or animal species of non-native origin, and/or where human activity has substantially modified an area's primary ecological functions and species composition (paragraph 11: IFC, 2012a). In practice, natural and modified habitats exist on a continuum that ranges from largely untouched, pristine natural habitats to intensively managed modified habitats.

Peatland: &Green applies national or jurisdictional definitions of peatland. When they do not exist &Green defines peatland as soil with cumulative organic layer(s) comprising more than half of the upper 80 cm or 100 cm of the soil surface containing 35% or more of organic matter (35% or more Loss on Ignition) or 18% or more organic carbon.

Natural habitats: Natural Habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition.

Net Gain: Additional conservation outcomes that can be achieved for the biodiversity values of an area. Net gains may be achieved through the implementation of on-the-ground programs to enhance habitat, and protect and conserve biodiversity, or through the development of a biodiversity Offset, when offsets emerge through application of the Mitigation Hierarchy.



No Net Loss: The point at which project-related impacts on biodiversity are balanced by measures taken according to the Mitigation Hierarchy on an appropriate geographic scale (e.g. local, ecosystem-level, national, regional). May be assessed relative to underlying rates of loss.

No Exploitation of People and Local Communities: Respect of human rights and support the Universal Declaration of Human Rights.

Offset: Measurable conservation outcomes, resulting from actions applied to areas not impacted by the project, that compensate for significant, adverse project impacts that cannot be avoided, minimized and/or rehabilitated/restored, in order to achieve no net loss or a net gain of biodiversity and/or ecosystem services.

Quality hectare: A metric for quantifying impacts to biodiversity which uses a combination of two measures: area or extent, and condition or quality. In this metric, a theoretical “benchmark” pristine habitat is considered the highest quality, at 1 (100 percent (%)). A degraded habitat is then considered at a lower percent condition. Quality can be objectively measured based on a set of criteria such as species composition, habitat structure, degree of fragmentation, or hunting intensity. Alternatively, expert judgement can be used to give a less precise estimate.

Remediation and remedy: The process of providing redress for a negative impact and the substantive outcomes that can counteract, or make good, the negative impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, restoration, financial or non-financial compensation, as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

Residual impacts: Project-related impacts that might remain after on-site mitigation measures (Avoidance, set-asides, management controls, abatement, rehabilitation/restoration etc.) have been implemented. Any reliable determination of residual impacts on biodiversity needs to take into account the uncertainty of outcomes due to mitigation measures.

SEAH: Means Sexual Exploitation, Sexual Abuse and Sexual Harassment. Sexual Abuse: means the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions. Sexual Exploitation means any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to profiting monetarily, socially, or politically from the sexual exploitation of another. Sexual Harassment includes unwelcome sexual advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature, that interferes with work.

Stakeholders: Individuals or groups that are directly or indirectly impacted by a project either by interest or by their capacity to influence the result of it in either a positive or negative way.

Vulnerable people: Actors who may be at greater risk of having their rights violated. Vulnerability is not an absolute term or descriptor and is influenced by various factors that can change depending on geographic region, industry, and season. These types of factors throughout global supply chains can create specific vulnerabilities for populations such as women, young workers, migrant workers, minority populations (IP and local communities) and temporary workers.

Zero net deforestation: No net loss in forest area between two points in time, considering both losses from deforestation and gains from forest regeneration and restoration. Zero net deforestation would typically be assessed with a reference to a given geographic area and a given timeframe. &Green requires clients to apply ‘net deforestation’ requirements for



historical deforestation through its net gain framework. However, in the context of the NDPE policy, &Green uses no gross deforestation approach, as defined in the 'no deforestation' definition below. No deforestation: commitment to produce or source from commodities that do not cause or contribute to deforestation. No deforestation is in an &Green context the same as no 'gross deforestation'.

Policies



EXCLUSION LIST

&Green List of Excluded Activities

1. Forced labor⁶ or child labor⁷
2. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - a) Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length)
3. Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations
4. Destruction⁸ of High Conservation Value areas⁹.
5. Radioactive materials¹⁰ and unbounded asbestos fibres.
6. Pornography and/or prostitution.
7. Racist and/or anti-democratic media.
8. In the event that any of these following products form a substantial part of a project's primary financed business activities¹¹:
 - a) Alcohol beverages (except beer and wine)
 - b) Tobacco
 - c) Weapons and munitions; or
 - d) Gambling, casinos and equivalent enterprises.

⁶ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

⁷ Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.

⁸ Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

⁹ High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see <http://www.hcvnetwork.org>).

¹⁰ This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

¹¹ For companies, "substantial" means more than 10% of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio.



NDPE POLICY

&Green's vision is that tropical forests and peatlands are protected and restored, smallholder livelihoods are improved, and production is increased. &Green's mission is to invest in commercial projects in agricultural production value chains in order to protect and restore tropical forests and peatlands and make agriculture more sustainable and inclusive. To do so, &Green finances inclusive, sustainable and deforestation-free commodity production that can be commercially viable and replicable.

To achieve its goal, it is essential for &Green to be financing companies that themselves adhere to the Fund's vision and who aim to eliminate deforestation and respect human rights in their operations and within their supply chains.

&Green therefore requires clients to make an unconditional written organisational policy commitment to no deforestation, no development of peatlands, and no exploitation (NDPE).

The Fund monitors progress on the NDPE policy commitments throughout the tenor of its investments. Lack of progress is to be addressed with clients, based on contractually defined obligations and ramifications.

&Green's NDPE policy is using internationally recognized guidance as a reference, provided for instance by the IFC Performance Standards, the Accountability Framework, as well as examples of major consumer goods companies.

This policy is supported by guidance notes to inform &Green's approach to its application, including the definition of key terms "no deforestation", "no development on peat" and "no exploitation of people".



GUIDANCE NOTES ON APPLYING THE NDPE POLICY

1. Context and objectives

Through its NDPE policy, &Green aims to help clients demonstrate their commitment to transform their operations, their supply chains and their sector at a broader scale. To achieve this, the Fund performs its deals by **focusing on maximising impact**, through catalysing innovation and leadership in forest protection and social inclusion, where the risk of tropical deforestation is the highest (i.e. tropical forest countries and &Green approved jurisdictions, with a specific focus on the soy, livestock, palm oil, rubber and forestry sectors). At the same time, the Fund expects all of its clients, including outside the countries affiliated to the project it finances, to adhere to the similar principles addressing deforestation and negative human right impacts. To achieve this, the Fund takes **a risk-based approach** to verify that clients are committed to avoid activities that are opposed to the Fund's vision.

Additionally, **&Green's NDPE policy is forward-looking** and seeks to address future risks of deforestation. In recognizing however the importance of addressing legacy issues of clients, &Green applies a Net Gain framework in addition to its NDPE, which aligns with the IFC Performance Standards.

The objective of this guidance document is to clarify the application of the NDPE policy, based on a consistent approach to deliver on both risk management and impact objectives.

It is using internationally recognized guidance as a reference, provided for instance by the IFC Performance Standards, the Accountability Framework, as well as sourcing practices of major consumer goods companies such as for example Unilever, Mars, etc.

Lastly, the implementation of the NDPE policy and this guidance note must be understood within the context of &Green's ESMS. It is embedded in and dependent on other &Green ESMS processes.

2. Dual approach to NDPE implementation

&Green's clients can be various types of organisations and structures with material influence on land use and land use change. Namely, this can include clients that are single asset or multi-assets companies; local or international; have single product- or have multiple products- lines; upstream or mid-stream (i.e. with or without a material upstream supply chain).

Similarly, &Green's clients may or may not already have an NDPE.

&Green uses both risk-based and impact-based approaches to its investments, and the same is applied for implementing its NDPE policy. Irrespective of the type of clients and current NDPE practices, when implementing &Green's NDPE requirements for a client, both approaches are applied, throughout the investment process (figure 1). These are not exclusive of one another, but complimentary:

- **An approach focused on maximising impact** The objective is to deliver impact and additionality for the sector and the client. The building blocks of this approach are a set of requirements applied to all transactions and in the approved jurisdictions of the Fund. This



implies (a) a detailed assessment of the client's commitment and practices and (b) the design of an ambitious transformative journey with tangible, timebound and quantitative impact targets. This approach is complemented by other elements of the &Green ESMS.

- **An approach focused on managing risk:** the objective of this approach is to ensure that clients are aligned with the Fund's vision, not only within the approved jurisdictions of the Fund, but throughout all of their global operations, when applicable. Actions of this approach include assessing and striving for the alignment of commitments between the different global operations of the clients.

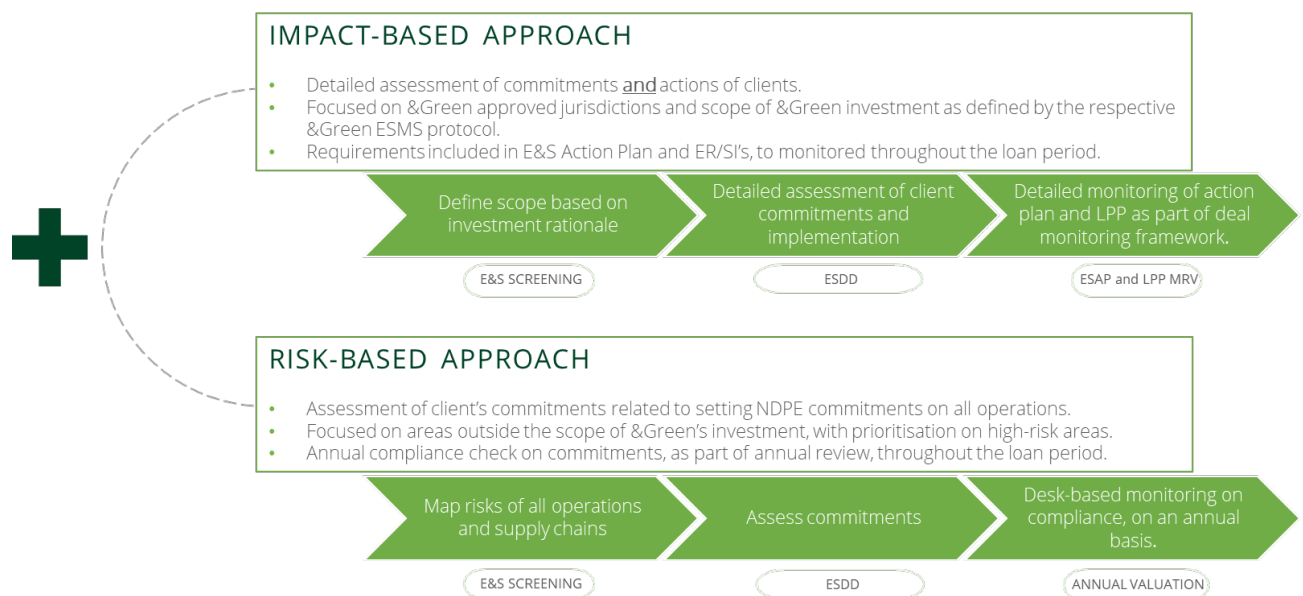


Figure 13: Dual approach to implementing the NDPE policy

As both approaches are applied concurrently, **they apply to different scopes** (figure 2). The impact-based approach focuses on the landscape(s) of the transaction (which include project area and area of influence), as defined by the Due Diligence scope as defined by the ESMS of &Green (refer to Guidelines Scopes and Boundaries Definition for more details). These are located within the approved jurisdictions of Fund. For operations within these geographies, **&Green will assess commitments and implementation on NDPE**. The risk-based approach looks at operations that fall outside the boundaries set for the impact-based approach, should client have global operations. There **&Green assesses commitments on NDPE**.

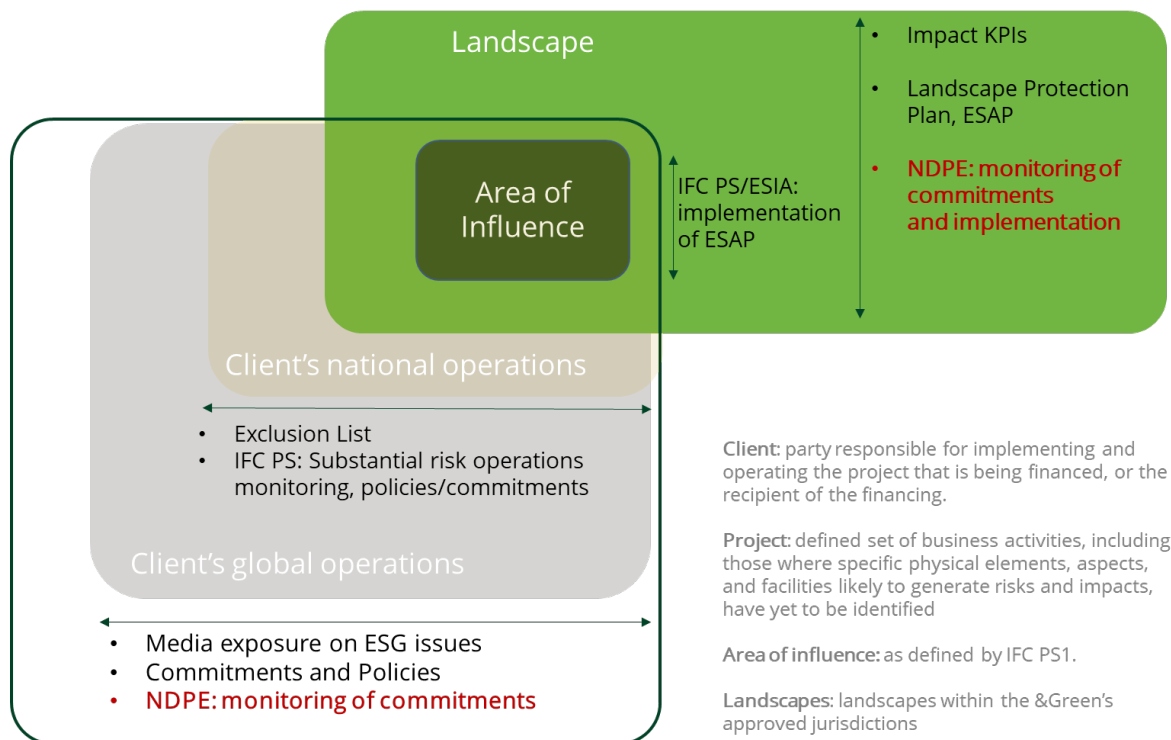


Figure 14: NDPE scope for impact- and risk- based approaches

3. Definitions

This section defines key terms that are used in the &Green policy, guidance note and operational protocols (additional specification can be found in the operational protocols where needed).

Commitment: a statement (public or internal, in the form of a policy) by a company that specifies that actions that it intends to take or the goals, criteria, or targets that it intends to meet with regard to its management of or performance on environmental, social and/or governance topics.

Commitments may also be titles or referred to as policies, pledges, or other terms. Commitments, as defined here, are distinct from the operational policies and procedures (i.e. sourcing codes, supplier requirements, manuals, and standard operating procedures) by which companies may operationalise their commitments or sustainability initiatives.

Forest: area that meets national forest definitions of land use and crown cover. This definition of forest is taken from the updated KPI definitions of the Fund. Details on how to quantify forest are found in the specific guidance document of the Fund's Forest and GHG KPI.

Deforestation: loss of forest cover as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; iii) severe and sustained degradation.

Forest degradation: Changes in forest areas that significantly and negatively affects its structure without reaching a point that could be considered as deforestation.

Zero net deforestation: no net loss in forest area between two points in time, considering both losses from deforestation and gains from forest regeneration and restoration. Zero net



deforestation would typically be assessed with a reference to a given geographic area and a given timeframe. &Green requires clients to apply 'net deforestation' requirements for historical deforestation through its net gain framework. However, in the context of the NDPE policy, &Green uses no gross deforestation approach, as defined in the 'no deforestation' definition below.

No deforestation: commitment to produce or source from commodities that do not cause or contribute to deforestation. No deforestation is in an &Green context the same as no 'gross deforestation'.

Baseline: a reference against which any future changes associated with a project can be assessed and offer information for subsequent monitoring of biodiversity performance. This reference serves the basis of comparison for setting and achieving targets.

Cut-off date (related to no-deforestation commitments): the date after which deforestation or development on peat renders a given area or production unit non-compliant with no-deforestation or no-development on peat commitments, respectively. Under the NDPE policy 'cut-off' date is treated independently from the baseline year for determining Net Gain requirements (as per of the Net Gain framework), as a consequence of a forward-looking impact oriented approach.

Minimal level (of deforestation or of development on peat): a small amount of deforestation or area under development that is negligible in the context of a given site because of its small area and because it does not significantly affect the conservation values of natural ecosystems and services. Minimal levels of deforestation or development at the site scale do not necessarily violate no-deforestation. However, these minimal levels should be assessed cumulatively over space and time as multiple small instances may lead to an actor being considered non-compliant. Minimal levels of deforestation or area under development can be also specified, depending on what is technically possible from the monitoring tools available.

Peatland: &Green applies national or jurisdictional definitions of peatland. When they do not exist &Green defines peatland as soil with cumulative organic layer(s) comprising more than half of the upper 80 cm or 100 cm of the soil surface containing 35% or more of organic matter (35% or more Loss on Ignition) or 18% or more organic carbon.

No Exploitation of People and Local Communities: Respect of human rights and support the Universal Declaration of Human Rights.

Human rights: Human rights are defined in a series of UN conventions and agreements, including the International Bill of Human Rights and in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. Human Rights aim to secure dignity and equality for all.

Vulnerable people: Actors who may be at greater risk of having their rights violated. Vulnerability is not an absolute term or descriptor and is influenced by various factors that can change depending on geographic region, industry, and season. These types of factors throughout global supply chains can create specific vulnerabilities for populations such as women, young workers, migrant workers, minority populations (IP and local communities) and temporary workers.

Remediation and remedy: the process of providing redress for a negative impact and the substantive outcomes that can counteract, or make good, the negative impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, restoration, financial or



non-financial compensation, as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

4. Impact based approach

This section provides the framework for assessing client's commitments and actions, based on a set of requirements. Where there are perceived gaps, these requirements become building blocks to help set, implement, and monitor effective NDPEs. Through this requirements &Green is looking to support clients in achieving **transformational change** of their operations, supply chain and sector, in the approved jurisdictions of the fund.

&Green recognises that not every client in which it invests can meet all these requirements at the date of investment, and it is part of &Green's mandate to help clients to commit to and implement NDPEs and the associated supply chain transformation in a verifiable, time-bound manner. In such cases, &Green will work with clients to develop the plan that seeks to achieve alignment over a reasonable time frame, taking into consideration the risks and opportunities specific to that business and its size and resources. &Green will only finance clients that are committed and expected to meet these requirements.

&Green will follow the Environmental and Social Screening process, followed by Environmental and Social Due Diligence, defined as per its ESMS, to assess clients and develop plans to achieve these requirements. The most important protocols linked to the impact-based NDPE approach of &Green are for instance the initial assessment of environmental and social impacts, the E&S baselines assessment during due diligence process, etc.

The fund will assess the robustness and alignment of client's commitments, management systems, and performance against a set of key requirements that range from setting commitments to implementing, monitoring, and verifying progress. Tools will be used as a diagnostic means to help assess the relative strengths and gaps in a company's commitment and management practices. Where improvements need to be made, they will become part of the ESAP of the client.

4.1. NDPE commitments

Getting clients to commit to robust and meaningful action aligned with &Green's impact framework is an essential element of &Green's NDPE approach. &Green requires clients to include three key elements when setting or deepening commitments:

- Commitment to protect forests: Clients shall commit to eliminating deforestation. Commitments should also specify (a) taking appropriate measures to support protection of forests and (b) taking appropriate actions when it has caused or contributed to deforestation in violation of its commitments. Scope is defined by activity, and we include both the operations and the supply chain of the clients within the approved jurisdictions. Cut-off dates shall be specified. Different cut off dates may apply per supply Tier. Cut-off dates should not dilute national legal requirements and they should be set in the past where possible and additional or at minimum at the year of the transaction with &Green. In addition, the cut-off dates need to be seen in context of different cut-off dates for legacy deforestation impact of clients, which will typically be even further in the past.



- Commitment to no new development on peat: Clients shall commit not to carry out any new development on peatland. Commitments should also specify (a) taking appropriate measures to support protection of peat and (b) taking appropriate actions when in violation of its commitments. Scope is defined by activity, and we include both the operations and the supply chain of the clients within the approved jurisdictions. Cut-off dates shall be specified. Different cut off dates may apply per supply Tier. Cut-off dates should not dilute national legal requirements and they should be set in the past where possible and additional, or at minimum at the year of the transaction with &Green. Minimum amount of subsidence may be acceptable in the context of preserving the peatlands in the wider hydrological unit. Acceptable threshold of subsidence is determined on case-by-case basis, investigated during due diligence and in close coordination with relevant stakeholders.
- Commitment to respect human rights: Clients shall commit to respecting internationally-recognised human rights, including those of affected and vulnerable groups, at all times. Clients should provide specificity in their commitment by including, for instance: commitments to implement FPIC processes, to prevent or mitigate negative human right impacts, to provide grievance mechanisms to address harms to human rights and to provide for or cooperate in providing remediation where negative human rights impacts have been caused. Affected and vulnerable groups are context specific and will be defined during the ESDD. Scope is defined by activity, and we include both the operations and the supply chain of the clients within the approved jurisdictions.
- Additional commitments: In addition to deforestation, development of peat and human rights, &Green recognizes that protection of other natural ecosystems in jurisdictions where &Green is active, such as savannah lands, is important. &Green screens clients against its exclusion list criteria, including screening against destructions of HCV (which covers non forested natural ecosystems). In addition, where other natural ecosystems are found, clients shall comply with IFC PS 6 and pay due consideration to the mitigation hierarchy developed to address any potential impact on natural ecosystems, using the guidance of &Green's Net Gain Framework.

4.2. Time-bound plans for implementation

Client shall have time-bound plans and milestones to demonstrate that they have developed a strategy for implementing commitments. When these are missing, &Green can support in the development or detailing of time-bound plans together with clients. Target date by which client intend to have fully implemented commitments should not be after the end date of &Green's loan tenor.

Time bound plans in principle should be developed prior to the transaction date and be embedded in the client's Action Plan agreed with &Green. If necessary due to the circumstances (e.g. lack of data to define timebound plans), developing such time-bound plans for implementation should be included as a priority item in the Action Plan. In addition, &Green will make the development of an NDPE by the Client a condition precedent or condition for disbursement.



4.3. Quantification of results: outcome KPIs and impact ER/SI Targets

Clients shall quantify the Environmental Returns and Social Inclusion (“ER/SI”) to be generated via the implementation of the NDPE policy within their operations (“Outcomes”). When feasible, ER/SI to be generated within the client’s supply chains should also be quantified; at a minimum, clients shall report on the ER and SI generated overtime, during &Green’s investment. Quantification of ER/SI shall follow the &Green Impact Framework and broken into a KPI schedule. Targets shall be set against baselines using a baseline year set as one calendar year before the signing date of the contractual agreement with &Green. Additional verifiable process-metrics (“Outputs”) may be added as KPIs, following the time-bound plans milestones to verify progress (i.e. supply chain is 100% traceable, 100% compliant, etc.).

4.4. Implementation of commitments

Having systems and processes to effectively promote and facilitate implementation of commitments is essential in realizing the targeted impacts. In principle, implementation of the IFC Performance Standards (IFC PS) should enable clients to implement their NDPE commitments effectively. Where specific systems and capabilities are required, which are not covered by the IFC PS, the Fund may require clients to adopt other best practice standards and implement systems and programmes.

Traceability or origins of materials in supply chains and operations shall be known and controlled to a sufficient extent where material to ascertain that the production and processing units of origin comply with commitments or to determine the extent and nature of issues that must be resolved. If not initially available, then it shall be progressively improved to these levels over a defined timeline, prioritising the riskiest settings. By knowing and asserting control over suppliers, raw materials or processes materials can be assessed for non-compliance or risk of non-compliance with commitments.

Management of the entire supply chain and own operations shall be made to fulfil commitments, identify non-compliance, and resolve any issues effectively. Target date for reaching 100% compliance should be set at an earlier date than &Green’s investment tenor. In the context of managing compliance and where this does not generate additional material deforestation, clients should support engagement of smallholders, to avoid their exclusion from supply chains. Furthermore, clients should support effective long-term land management within their area of influence in alignment with their requirement to develop and implement a landscape protection plan.

Lastly, clients shall establish policies, procedures, and systems to enable the right for remediation of affected and vulnerable groups and to facilitate environmental restoration, where commitments have not been fulfilled. An effective grievance mechanism shall be in place to facilitate access to remedy.

4.5. Monitoring, verification, and reporting

Client shall regularly monitor their suppliers and their performance relative to the time-bound targets associated with each commitment and using suitable methods for assessing outcomes related to the NDPE commitments.



Fulfilment of commitments (and progress towards such fulfilment) should be periodically validated through independent verification processes.

Client may choose to report publicly on NDPE commitments, time-bound plans and progress against these, as is considered good practice for demonstrating accountability and transparency towards stakeholders.

5. Risk-based approach

The objective of this approach is to ensure clients demonstrate alignment between their ambition to implement a strong NDPE in the project area and their commitments for all their other operations and supply chains, especially where risks of deforestation and human right abuses are severe.

The transformation of a far-reaching business spread over many jurisdictions and product lines cannot happen overnight, especially if this transformation is about shifting from a current system to a fundamentally new system. The aim for &Green is to see this new system be adopted elsewhere, thereafter forming the mainstream norm.

Where clients have operations outside the ones that are scoped under the impact-based approach, they shall demonstrate commitment to an NDPE in other countries and jurisdictions, prioritising the high-risk areas, and be able to demonstrate this commitment to &Green.

As part of its ESMS processes, &Green conducts exclusion list verification for Client's national operations (refer to Guidelines for Verification of the List of Excluded Activities) as well as a ESG reputational risk assessment (refer to Guidelines for Reputational Risk Assessment) at a global scale, to verify risks and commitments of clients including amongst others on deforestation and human rights.

6. Monitoring, verifying, and reporting on our clients' commitments and progress

The Fund monitors progress against NDPE commitments throughout the tenor of its investments. &Green's process for monitoring and verifying client's progress against their NDPE commitments follows the overall MRV protocols of the Fund, using the investment's specific KPIs.

Lack of progress shall be addressed with clients, based on contractually defined obligations.

6.1. Under the impact-based approach

The Fund shall monitor client's performance against the reporting requirements of the agreed in the covenants of the transaction. Typically these include:

- (a) delivery of NDPE-related action items, as described in the Action Plan and,
- (b) delivery of Environmental Returns and Social Impacts generated through the Landscape Protection Plan (LPP), measured against the KPIs as defined with the client.

The Fund shall require clients to report progress against the agreed upon milestones through regular self-reporting (i.e. 6-monthly basis during the first two years of the transaction, and annually for the remaining tenor of the &Green loan). Clients may be required to undertake



periodic satellite-based monitoring of the project area as defined in the LPP. In addition, &Green will maintain, where this is possible, its own satellite monitoring of areas identified for respective clients to monitor changes in the crown cover and deforestation alerts.

Clients shall be required to commission third-party verification to confirm the self-reported information on an annual basis. Annual third-party verification results will be disclosed on &Green's website.

6.2. Under the risk-based approach

The Fund shall conduct an annual review of reputational risks within client's operations and supply chain and of client's commitments where new risks are found, during the implementation of the transaction (post execution).



LPP POLICY

&Green takes a landscape approach for the impact of its investments and works with clients to maximise long-term environmental impacts and social inclusion as well as contribute to broader transformational change of their sector.

& Green requires clients to translate their vision for maximising long-term environmental impacts and social inclusion and for contributing sector transformation into a Landscape Protection Plan (LPP) and to commit to its implementation as part of its investment. The LPP describes the client's strategy and the additionality of the strategy against sector practices in the landscape they operate. Additionally, the LPP defines the outputs and outcomes targets of the strategy, the client's accountability and the MRV framework against these.

The submission of a LPP is a pre-condition of the Fund's participation in a transaction. The LPP is created with the support by &Green, in the final stages of &Green's due diligence of the transaction, as the document that summarises the application of &Green's ESMS to the specific deal. Once approved, the LPP is owned and implemented by the client. The implementation, monitoring and verification of clearly defined milestones within the LPP are included in the environmental and social covenants of the loan agreement. The LPP is to be implemented during the loan period of &Green's investments.

This policy is supported by our investment process (the machine) which includes templates, protocols) to inform &Green's approach to working with clients to help them develop their landscape protection plan, to monitoring their progress.



COMPLAINTS MANAGEMENT POLICY

The Stichting andgreen.fund is hereafter also referred to as the “**Fund**”.

1. DEFINITIONS

- 1.1. A “**complaint**” means any expression of dissatisfaction raised by a stakeholder.
- 1.2. A “**stakeholder**” means any grant (or redeemable grant) provider, lender, co-investor, borrower and/or any other stakeholder of the Fund.

2. RATIONALE

- 2.1. The Fund takes all reasonable precautions to conduct its operations in a manner that avoids complaints towards the Fund.
- 2.2. Effective complaint handling offers many practical benefits to the Fund and helps to improve the quality of services. Complaints provide evidence of poor decisions and/or poor service delivery.
- 2.3. Stakeholders should be ensured that their complaints are easy to report, are acknowledged and are dealt with quickly, fairly and sensitively. In order to preserve and enhance its reputation, the Fund should identify dissatisfied counterparties and work out methods of resolving their complaints.

3. POLICY

- 3.1. This document sets out the Fund’s policy for ensuring that complaints are handled properly and resolved promptly (the “Policy”) based on the following principles:
 - 3.1.1. All stakeholders are given the opportunity to raise their complaints;
 - 3.1.2. Complaints must be answered within three months from receipt; and
 - 3.1.3. All complaints must be documented and reported.
- 3.2. This Policy shall not impede access to other judicial or administrative remedies that might be available under local law, or substitute complaints mechanisms provided through specific agreements with the Fund.
- 3.3. No complainant who, in good faith, reports any complaint shall suffer any harassment, retaliation or adverse consequence. Any director, officer or service provider who retaliates against any complainant shall be subject to discipline, which process may result in termination of office or contract. (This protection from retaliation is not



intended to prohibit governance bodies of the Fund from taking disciplinary action within their usual scope of duties based on valid performance-related factors.)

4. PROCEDURE

4.1. Submission of the complaint

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

- Communication sent by postal mail to :

&Green - Stichting andgreen.fund

Attn.: Complaints Officer – Stichting andgreen.fund

Basisweg 10, 1043AP

Amsterdam

The Netherlands

with copy to:

Innpact S.A. – &Green Board Advisor

5 rue Jean Bertels

L-1230 Luxembourg

Luxembourg

- Communication sent via email to:

complaints@andgreen.fund

Subject: Attn: Complaints Officer – Stichting andgreen.fund

with copy to:

andgreen@innpact.com

4.1.2. The details of complaints notification channels must be easily available to stakeholders. This includes publishing them on the Fund's website.

4.1.3. For complaints received by a specific service provider of the Fund, that service provider shall ask the complainant to redirect their complaint to the Fund as per the channels specified in paragraph 4.1.1.



4.2. Acknowledgement of receipt of complaints

- 4.2.1. The designated person of contact in the Fund (the “**Contact Person**”) shall consider the complaint and direct it to the Complaints Officer as defined below in paragraph 4.3.1.
- 4.2.2. Within 10 business days after receipt of the complaint by the Contact Person in accordance with paragraph 4.1.1, the Contact Person shall respond to the complainant with an acknowledgement and a description of the review action taken.
- 4.2.3. The Contact Person is responsible for the good management of the complaints procedure and is the main contact with the complainant throughout the whole process.

4.3. Complaints Officer

- 4.3.1. The Fund’s board of directors (the “**Board**”) shall designate one of its members (the “**Complaints Officer**”) to ensure that complaints are treated as set out in this Policy, and are escalated, without undue delay, in accordance with the regulatory and contractual obligations of the Fund as the case may be.
- 4.3.2. The Complaints Officer may delegate the management of the complaints to another member of the Board.
- 4.3.3. The Complaints Officer remains responsible for the Fund’s Complaints Register (as defined in paragraph 5.2 below), managing the investigation process, determining the knowledge and skills required to undertake the investigation, and hiring external experts, if needed, subject to the Board approval. The key considerations the Complaints Officer takes into account when hiring external experts for investigations are expertise, independence, and impartiality. Those experts will have specific confidentiality requirements.
- 4.3.4. If the complaint involves the Complaints Officer or a member of the Board of Directors, such individual(s) will not be permitted to participate in the consideration and investigation or determination of the redress of such a complaint.
- 4.3.5. The Complaints Officer shall ensure that systemic or recurring complaints are identified, and that the cause of those complaints is identified and remedied. The Complaints Officer will also present any lessons learned as well as the actions put in place to avoid/limit complaints in the future on a regular basis to the Board.



4.4. Investigation of the complaint(s)

- 4.4.1. The Complaints Officer shall (or delegate to an appropriate party to) investigate the complaint.
- 4.4.2. The investigation will analyse the reasons behind each complaint through a fair and independent view on the complaint raised by the complainant aiming to reach 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.
- 4.4.3. If the Board determines it to be necessary, the Fund shall initiate prosecution and/or apply other sanctions against persons or entities suspected of financial irregularities.

4.5. Answer to the complaint

- 4.5.1. The Contact Person shall respond to the complainant in writing no later than two months from the receipt of the complaint in accordance with paragraph 4.1.1.
- 4.5.2. The answer shall contain any required information or opinion determined by the Complaints Officer to be useful in addressing the complaint. The content of the answer shall be in accordance with the Articles of Association of the Fund and the general principle of information transparency.
- 4.5.3. If the complainant does not receive an answer or receives an unsatisfactory answer from the Contact Person, the complainant is entitled to request an answer, or a more detailed answer, from the Complaints Officer by submitting that request in the same manner set out in paragraph 4.1.1.
- 4.5.4. The Complaints Officer will respond to the request set out in paragraph 4.5.3 within one month from the receipt thereof. If the complainant does not receive an answer or receives an unsatisfactory answer from the Complaints Officer, the complainant may refer the request directly for the attention of the Board, in the same manner set out in paragraph 4.1.1. In this case, the Contact Person will be responsible for ensuring that the complaint is received by the Board.
- 4.5.5. 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 and/or any members of the Board, in case further information is required; and
 - to receive an answer to the complaint.



5. REPORTING AND RECORD KEEPING

- 5.1. The Complaints Officer shall report any complaint received to the Board at the next Board meeting.
- 5.2. All records of complaints shall be maintained by the Complaints Officer in the Fund's complaints register (the "**Complaints Register**"), anonymised to the extent necessary, and will be kept for a minimum period of 5 years. Any information 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 the Complaints Register and/or information in relation to complaints with persons not involved in the investigation or management of the complaints' procedure is forbidden.
- 5.3. The Complaints Officer is responsible for maintaining the Complaints Register and the complaints reports of the Fund, which are to be prepared using the template attached as (each, a "**Complaints Report**"). The purpose of the Complaints Register and Complaints Report (please refer to the report template set out in Schedule 1) is to keep a record of all useful information in order to achieve good tracking of complaints.
- 5.4. At the first meeting of the Board each calendar year, the Complaints Officer shall present a Complaints Report to the Board of Directors with an analysis of the complaints activity of the previous year. The Complaints Officer shall present to the Board the details (or any updates) on any complaints received since the previous Board meeting. A nil Complaints Report shall be presented if no complaints have been received by the Fund during the previous year.

6. WHISTLE BLOWING

The provisions relating to whistle-blowing by stakeholders, including civil society organizations, are set out in the Fund's Code of Conduct. In choosing whether to report under the whistle-blower provisions or this Policy, the following should be considered:

- 6.1. The whistle-blower provisions are generally for the benefit of any concerned party who may or may not be directly affected by the issue that they are raising.
- 6.2. Whistleblower reports are generally anonymous by default, unless the whistleblower volunteers the disclosure of their identity. Anonymity of whistle-blowers also signifies that the whistle-blowers will not receive any notice of acknowledgement by the Fund or any other follow-up investigation queries or reports related to the issue.
- 6.3. This Policy is generally for the benefit of persons who, themselves, have been treated incorrectly or who have otherwise been treated in a sub-standard way.
- 6.4. Complainants under this Policy may choose to remain anonymous when reporting under this Policy, or to request the deletion of their personal data at any time. Please note that if the complainant chooses to remain or to become anonymous, such complainant will not, or will no longer be able to receive any notice of



acknowledgement by the Fund or any other follow-up investigation queries or reports related to the issue in question.

7. GRIEVANCE MANAGEMENT AND REMEDIATION BY THE FUND'S BORROWERS

- 7.1. Notwithstanding the provisions set out in this Policy, the Fund also requires its borrowers (each, a **"Borrower"**) to design and implement effective grievance mechanisms and remediation processes to safeguard vulnerable groups and to receive, and facilitate the resolution of, the concerns and grievances of the stakeholders of the Borrower, which could also be stakeholders of the Fund.
- 7.2. The grievance mechanism, process or procedure of each Borrower should address concerns promptly and effectively, using an understandable and transparent process that is culturally appropriate and readily accessible to all segments of the affected communities, at no cost and without retribution.
- 7.3. The mechanism should not impede access to other judicial or administrative remedies that might be available under law or through existing arbitration procedures, nor should it substitute for grievance mechanisms provided through collective agreements.
- 7.4. Grievances should be acknowledged and recorded by the relevant Borrower regardless of whether they were received in writing or verbally. The complainant should receive an acknowledgement of the receipt of the complaint within a prescribed and reasonable timeframe, preferably in writing. Lodging a grievance should not incur any cost to the complainant.
- 7.5. Generally, the Borrower should allow for flexibility and make sure that grievances are not dismissed on grounds of an administrative formality and/or procedure.
- 7.6. Each Borrower should keep a simple database as a useful register to manage and monitor grievances. Good practice is to log all grievances, including recurrent ones and grievances that will eventually be dismissed as unreasonable.
- 7.7. Regardless of the actual establishment of such a database, typically Borrower documentation on grievances should keep track of:
 - 7.7.1. the name and contact details of the complainant, if appropriate;
 - 7.7.2. the date and nature of the grievance;
 - 7.7.3. the name of the technical staff or entity charged with addressing the complaint, if appropriate;
 - 7.7.4. any follow up actions taken;
 - 7.7.5. the proposed resolution of the grievance;



- 7.7.6. how and when relevant project decisions were communicated to the complainant;
 - 7.7.7. whether longer-term management actions have been taken to avoid the recurrence of similar grievances in the future, if applicable
- 7.8. The following indicative timeframe can be used as a guideline for most projects, both for workers' and communities' grievances:
 - 7.8.1. written acknowledgement of receipt of the grievance within 7 days of receipt; and
 - 7.8.2. proposed resolution within 30 days of receipt.
- 7.9. The Borrowers will inform the Fund of any stakeholders' concerns related to a specific project/Borrower in a timely manner.
- 7.10. If the complainant does not receive an answer, or receives an unsatisfactory answer from a Borrower within the period set out in paragraph 7.8, the complainant is entitled to direct the grievance to the Complaints Officer in the same manner set out in paragraph 4.1.1, and the procedure set out in paragraph 4 will apply.

Frameworks



IMPACT FRAMEWORK OVERVIEW

&GREEN IMPACT

The &Green mission statement is:

&Green works across tropical forest landscapes to support agri-commodity businesses that empower communities, protect forests & optimize production to drive transformational change in global supply chains.

&Green maximises the environmental impact and inclusion of smallholders in all its investments. In addition to a robust compliance framework, &Green requires clients to deliver strong Environmental and Social Inclusion impacts over &Green's investment (loan tenor). The level of impact ambition, and therefore the Investment Rationale for &Green, is material for the terms and conditions of the loan, which may include pricing incentives.

The Fund achieves impact through investments':

- Compliance with IFC PS;
- Compliance with NDPE policy;
- Alignment with Net Gain Framework;
- outcomes of Environmental and Social Action Plans (ESAP);
- Other actions and certifications.

These approaches are structured in the Landscape Protection Plan (LPP). The Fund tracks impacts through the Impact Framework.

THE FRAMEWORK

The purpose of the Impact Framework is to provide clear, consistent and meaningful insights into the impacts of the Fund. KPIs have been developed from a review of available best practices.

The Impact Framework is made up of:

- **KPIs** - summary, 'headline' impact indicators;
- **OPIs** - Operational Performance Indicators - a more detailed set of indicators that sum to, &/or supplement the information in KPIs.
- **Monitoring Indicators** - investment or project level monitoring indicators that underpin the KPIs and OPIs.

Data and information that contributes to the indicators are sourced from clients' reported ESAP outcomes, or calculated through further analysis by the Investment Advisor using client data and/or publicly available data.

KPIs are publicly reported as a 'dashboard' at the portfolio level, showing targets (where applicable) and annual and cumulative progress. The portfolio results are a sum of individual



investment KPIs, which will also be available publicly, at a less prominent level, for example, in Fund annual reports, and under the 'Portfolio' dropdown¹².

OPIs will be publicly reported at the portfolio level, but less prominently. They will be available in annual reports, and may be accessible by 'drilling down' on the &Green website. As with KPIs, portfolio OPIs are the sum of the individual investments' OPIs. These individual investment OPIs will also be publicly available, except in some circumstances where they are redacted for commercial-in-confidence reasons.

Summary of KPIs

KPI1: Progress toward Transformational Change

A qualitative metric that assesses progress toward the Transformational Changes set out in investment rationales, that support the &Green mission. It is judged by monitoring evidence of progress against milestones relating to System Change, Scale, and Durability of the Transformation.

KPI2: #ha of Forest Protected

Monitors the area of identifiable forest *conserved* plus forest *restored*, plus peatland conserved or rehabilitated¹³. 'Forest' uses national definitions relating to crown cover, minimum area, land use type, and excludes plantation forests. Any reversals are deducted.

KPI3: #tCO₂e of Climate Benefits

Monitors the mitigation benefits in tonnes of Carbon Dioxide equivalent (tCO₂e) from emissions *reductions* plus emissions *sequestration*. Emissions reductions are generated from changes in farm management practices. Emissions sequestration results from regrowth and densification in degraded forests that are conserved, and from tree growth and establishment in forest restoration areas. Any reversals (and hence emissions) are deducted.

KPI4: # ha of ecosystems with improved resilience

Monitors the area of land rehabilitated, restored or protected, made up of the: area of forest protected (KPI2); plus area of non-forest ecosystems restored or improved; plus areas of degraded land restored through regenerative agriculture, silvo-pastoral agriculture or agroforestry.

KPI5: # people with increased resilience

Monitors and conservatively assesses the number of people where a benefit or service is provided or made possible to improve the resilience of livelihoods.

KPI6: # of People Benefiting

¹² For example: <https://www.andgreen.fund/royal-lestari-utama/>

¹³ The Forest KPIs include protection of peatlands. They are not mentioned in the indicators for brevity of communication.



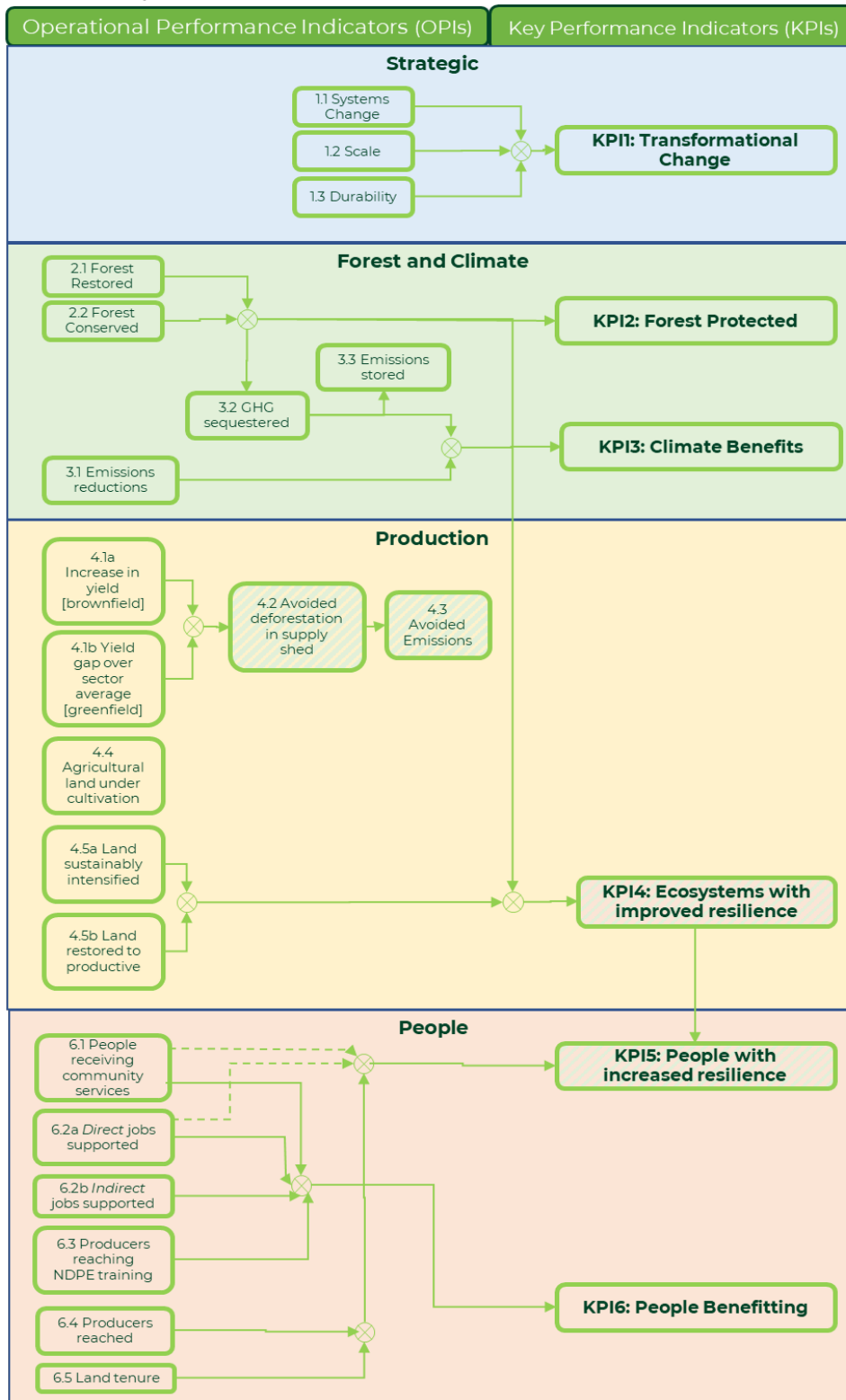
Monitors the number of individuals benefitting from &Green's transactions, and is the sum of: number of producers reached; community services provided to individuals; individuals benefiting from secured land tenure agreements; and jobs supported.

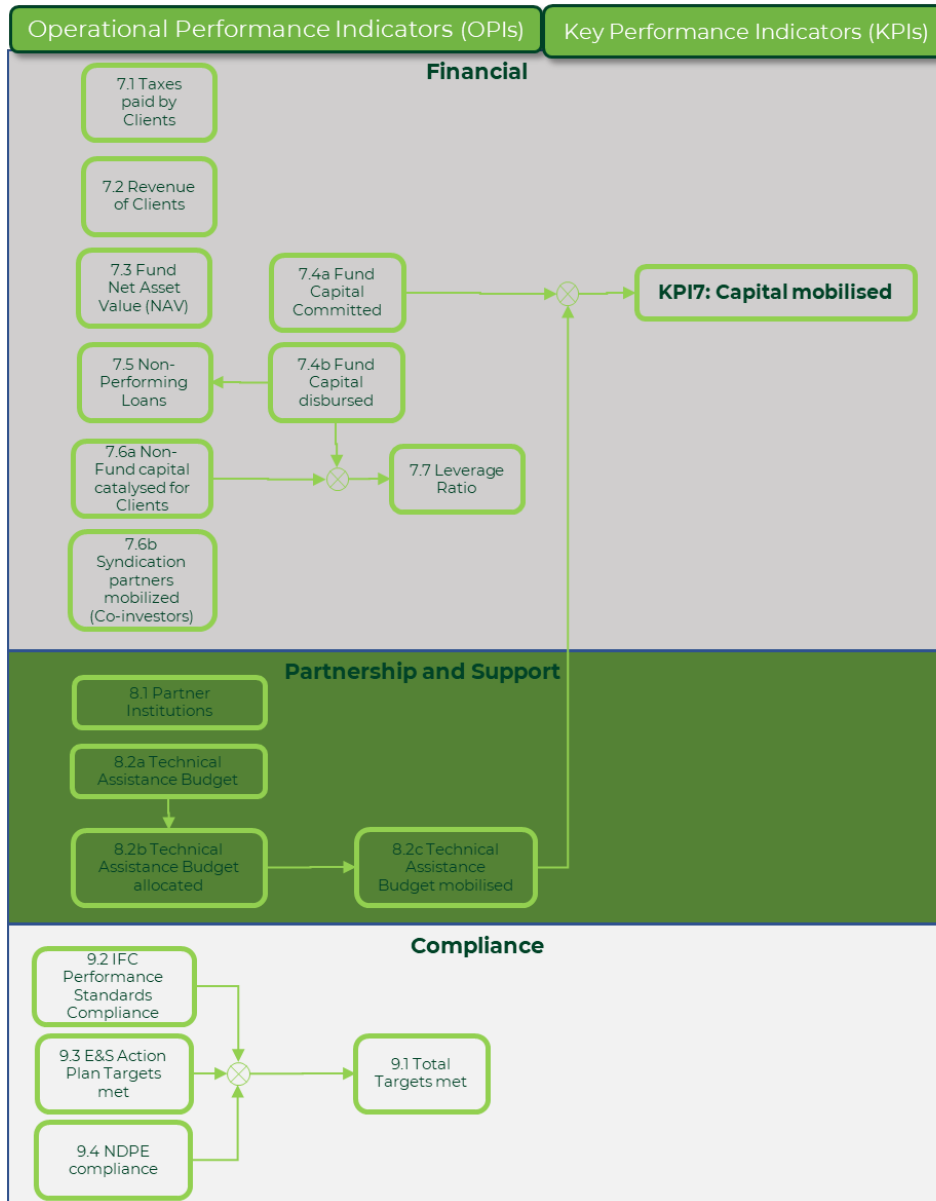
KPI7: USD of Capital Mobilised

Monitors the ability to attract and direct capital towards supporting and implementing &Green's investment principles.



The hierarchy of KPIs and OPIs are set out in the schematic below.





The approach to Monitoring, Reporting and Verification of these indicators is discussed in &Green's Environmental and Social Management System (ESMS) manual. The Impact Framework will be reviewed annually, and where appropriate, updated. Any updates that may materially change the interpretation of impact results will be transparently reported in the Annual Report.

Documentation of Impact Framework

In addition to requirements and approaches applicable to all KPIs (this document), there are specific requirements for each KPI. A tiered documentation approach is used to:

- operationalise the Impact Framework to enable coherent aggregation of results;



- ensure consistency of application by different users (staff and clients) across investments and over time; and
- provide transparency to demonstrate to investors and stakeholders the validity and credibility of the reported results.

The documents lengths are not prescribed, but simply illustrate the relative detail per document.

The full set of KPIs and OPIs, with their definitions and Tiers of documentation, form part of &Green's ESMS. The Tier A KPI text is provided above. The tiered documentation (A to D) is systematically stored in &Green's database.

Approach and requirements for all KPIs

The KPIs have been established from the original &Green KPI set, stakeholder engagement, further evolution after initial road-testing and alignment with commonly accepted practices and norms.

Principles

The &Green Impact Framework is the basis of &Green's impact reporting. Impacts are credible when they adhere to the TRACCC principles:

Transparent; Relevant; Accurate; Complete; Consistent; Conservative¹⁴.

With any quantification there may be a range of applicable values or ambiguity in selection of factors. Lower bound or near lower bound values should be selected from uncertainty ranges to ensure any calculated results are conservative. Where data is highly uncertain, unavailable or unclear it should be excluded from estimates that contribute to impacts. If included, any assumptions must be clearly and transparently stated. If uncertain data is potentially negative, it should not be excluded, but estimates conservatively taken. This ensures overall conservativeness of KPI quantification and any impact statements.

Reporting aggregation and application

Results are reported:

As achieved and against targets;

Compared to baselines or base year;

at different aggregation levels:

- action

¹⁴ For further detail, refer to the 'Principles' section of the GHG Protocol: <https://ghgprotocol.org/corporate-standard>



- investment
- portfolio
- annually and cumulatively.

Each investments' contributions to OPIs and KPIs are based on:

- maintaining, protecting and/or extending existing activities¹⁵;
- improvements, increases or gains above the baseline or base year;
- activities within the Area of Influence as defined in the ESMS¹⁶;
- meeting the inclusion criteria for the OPI or KPI; and
- are relevant to the Transformational Change narrative &/or &Green's Theory of Change.

Baseline data is primarily drawn from investment clients' Landscape Protection Plans (LPPs, which include an ESAP). Monitoring data is drawn from clients' Annual Reports, supplemented by external independent data (from public research reports, and remote sensing). LPPs and Annual Reports are made publicly available.

To maximise impacts, each investment is tailored to client needs and thus flexibility is required in the Impact Framework. KPIs 2, 3 and 7 (relating to forest, climate and capital) use the same definitions and inclusion criteria. For other KPIs, it is not possible to define in advance all actions & circumstances, therefore definitions and inclusion criteria are defined deal by deal. To ensure consistency on what is (and isn't) included, deal specific criteria must:

- apply the TRACCC principles (above);
- meet the contribution criteria (above); and
- show that the contribution is material¹⁷ in the context of the investment.

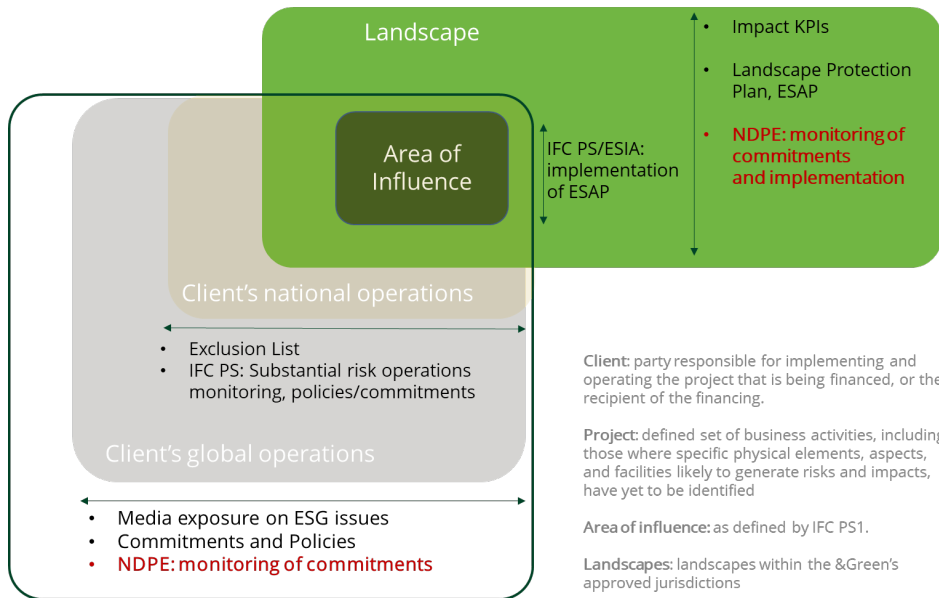
Area of Influence, Level of Assurance and Attribution

&Green makes no claim of ownership of results. Rather, &Green participation facilitates and catalyses impact. The ESMS and NDPE policy sets out how to define the 'Landscape' and Area of Influence (Aol) of an investment. NDPE applies at different levels across the Client's operations: the Client is required to have a company-wide NDPE published for its global operations; but will only be held accountable for the monitoring/implementation of this policy at the landscape level.

¹⁵ In particular conservation of existing forest, peat or other natural ecosystems, and supporting livelihoods within the landscape.

¹⁶ Primarily defined by IFC PS and the Net Gain Framework.

¹⁷ That is, the actions are not BaU for the investment or sector, and are not 'noise' in data.



The Level of Assurance (LoA) of impact attribution relates to management control.

For land-related KPIs and OPIs (KPI2: ha of forest protected, and KPI5: ha of ecosystems with improved resilience) it is important to differentiate management control of outcomes. This is closely related to the degree of geographical identification (refer to diagram below¹⁸), with decreasing Level of Assurance:

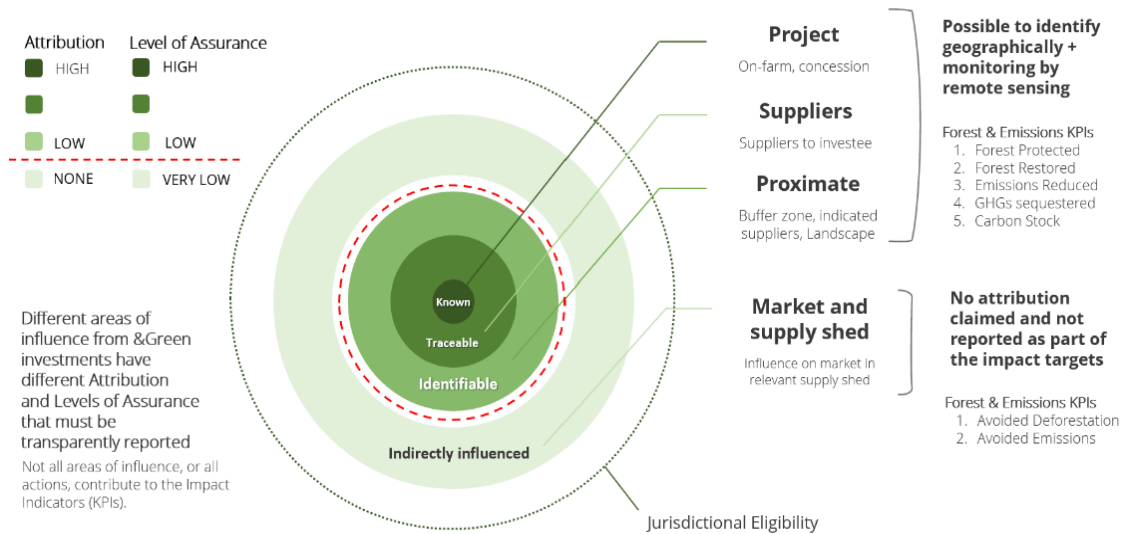
Project – Known;

Suppliers – Traceable; and

Proximate – Identifiable.

These are qualitatively different to market *indirect* impacts in the supply shed (outside the red dotted circle), which have very low assurance and no attribution. This is relevant to avoided deforestation, and avoided emissions associated with avoided deforestation. Market indirect impacts can NOT be added to Attributable impacts.

¹⁸ The diagram refers to forest and climate impacts, but is applicable to all KPIs. The full list of KPIs/OPIs are not included to maintain clarity of the diagram.



The IFC PS and Net Gain requirements apply within the AoI, and generally have high LoA. In the Landscape, the IFC PS is applied at a risk-based level, and generally has lower LoA.

Action and location	Attributed	Level of Assurance	ESMS & NDPE policy link
Project – Known	Yes	High	Area of Influence defined by IFCPS
Suppliers – Traceable;	Yes	Low	Landscape defined by deal
Proximate – Identifiable	Yes	Low	Landscape defined by deal
Market – supply shed	No	Very Low	Jurisdiction

The Attribution and Level of Assurance should be reported transparently to reflect these qualitative differences. Wherever possible, the Level of Assurance of each set of actions should be characterised. For example, differentiating between forest protection with high control and Assurance (Project – on the leasehold or owned farm) and lower Level of Assurance for suppliers or proximate areas within the landscape.

Independent review

Each investment's annual report is subject to external review²⁰ to assess progress toward the ERs, and, by extension, contribution to KPIs.

The review focus will be directed by the Transformational Change narrative, and activities that are most relevant to the changes sought.

¹⁹ There may be cases where management control is not (yet) fully established in the AoI, or may never be fully established. For example, buffer zones and National Parks and reserves adjacent to investment leaseholds.

²⁰ This has also been referred to as an 'audit' or 'verification', here it is referred in the more general term 'review'.



The degree of scrutiny (number of samples, evidence collected, time spent in review) should also be proportional to the claimed Level of Assurance (LoA). That is, the reviewer should direct most attention and critique to the high LoA statements, such as areas of forest protection in the 'Project – Known' category, and less attention/detail to the lower LoA statements related to Suppliers and Proximate areas. This may include different materiality thresholds, for example 1% on high LoA, and 5% on lower LoA statements.

The review does not address the supply shed impact quantifications as &Green does not claim attribution. Review guidelines and terms of reference are separately documented.

Data availability

Without the timely provision of reporting, &Green cannot meet their own annual reporting requirements. Unavailable or provisional client data cannot be included in &Green impact statements without caveats. Data should either be excluded, or if included, clearly indicated as 'provisional data' and/or 'expected impacts'.

Carbon neutral claims and carbon credits

Some clients may seek to make public statements on 'Carbon Neutral' to improve sales and/or build reputation, and include data or KPI reporting information from &Green. There is no conflict in making such claims (ie: no double-counting) with &Green also reporting impact. However, to make statements of carbon neutrality, an assessment of the on-farm emissions inventory (such as methane emissions for cattle investments), including Scope 2 and Scope 3, must be established. It is not sufficient, and could lead to charges of greenwashing, to take some positive impacts, such as forest protection sequestration results, and compare them to a sub-set of on-farm emissions.

Where &Green KPIs or quantifications are used in any carbon neutral claims, &Green should review such claims to ensure they are sufficiently supported and credible, and do not undermine &Green's impact statement credibility.

Clients may seek additional revenue by generating carbon credits from &Green supported transactions. The &Green General Lending Policy states (p.10):

...a proportional amount of such credits that can reasonably be said to derive from Fund contributions, shall accrue to the Fund whereupon such credits will automatically be retired.. the fund will not co-invest in projects seeking to receive additional financing through carbon credits that are not nested in a jurisdictional carbon accounting structure

Thus, carbon credits do not readily fit with &Green's investment mandate. There may be scenarios where credit generation is viable outside this definition (for example, in soil organic carbon accumulation). These must be assessed on a case by case basis.



RELEVANT OPERATIONAL INDICATORS (OPIs)

PARTNERSHIP AND SUPPORT

There is no KPI for partnerships and support. Four OPIs provide context:

- 8.1 Partner institutions
- 8.2a Technical Assistance budget
- 8.2b Technical Assistance budget allocated
- 8.2c Technical Assistance budget mobilised

OPI 8.1 Partner institutions

organisations with which &Green has a formal partnership to protect and restore tropical forests.

OPI8.1 reports all formal partnerships &Green has established to pursue its operations, with private sector, public sector, NGOs, and other organisations. To be included as a *formal* partnership, &Green must have a signed legal agreement (for example: MoU, Lol, partnership agreement, etc.) which may be binding or non-binding.

This indicator excludes contractual agreements with: investors in &Green; Clients; and specific service providers (i.e. consultancies).

This is a cumulative indicator for the portfolio and related management of the Fund. It includes partnerships that have 'expired', that is, a partnership remains included even after the expiry date of the agreement.

Data points	METRIC	Data source	Owner
Organisations which have signed a formal agreement with &Green.	# (cumulative)	Legal database	&Green

OPI 8.2a Technical Assistance budget

USD of Technical Assistance resources available to &Green operations

OPI8.2a reports all funding that can be made available for TA projects within the &Green TA account. TA funding is preserved in a separate bank account managed by &Green, and can only be spent on projects eligible as per &Green's TA guidelines.

The funds available for TA is the sum of all funding available in the TA account, *minus* the TA funds that have been contracted and are therefore expected to be spent, *plus* the TA funds that have been contracted as reimbursable grants, and which are confirmed as receivables.

Data points	METRIC	Data source	Owner
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Funds available in the TA account of &Green	USD	Bank statement of &Green TA account	SAIL Ventures
TA funding contracted	(USD) ²¹	TA tracking sheet	SAIL Ventures
TA funding contracted as reimbursable grants, confirmed as receivables.	USD	TA tracking sheet	SAIL Ventures
Funding available for TA	USD	TA tracking sheet	

OPI 8.2b Technical Assistance budget allocated

USD of Technical Assistance resources allocated, by &Green or by third parties, to technical assistance (TA) projects to support &Green's operations.

OPI8.2b relates to all funding allocated to TA: completed, on-going or future TA projects, at the &Green fund level. This indicator is cumulative over time.

Projects can be categorised as TA projects provided they fit the 'TA scope' as defined in the TA guidelines, whether they are funded by &Green or by third parties.

For completed projects financed by &Green, funds allocated are recorded as funds *disbursed* through the &Green TA account. This may vary from contracted amounts.

For on-going or expected projects financed by &Green, a TA contract must be signed, formally committing the funds to a specific project. The amount recorded as TA allocated is the contracted amount.

For projects supported by third parties, funds allocated funds that have been *reported as contracted or disbursed* by either the third party financier or by &Green's Client that is supported by the project, see OPI8.2c below.

Data points	METRIC	Data source	Owner
Funding disbursed by &Green to finance TA projects	USD	TA tracking sheet	Sail Ventures
Funding contractually committed by &Green to TA projects	USD	TA tracking sheet	SAIL Ventures
Funds committed by third parties to support TA projects directly contributing to implementing &Green transactions	USD	3 rd party funds or by the Client	SAIL Ventures

²¹ Entered as a negative value.



TA budget allocated	USD		
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OPI 8.2c Technical Assistance budget mobilized

USD of funding allocated by third parties to technical assistance (TA) projects to support &Green's operations.

OPI8.2c relates to the funding allocated by third parties to completed or on-going TA projects, at the &Green fund level.

Projects are categorised as TA projects if they fit the 'TA scope' as per TA guidelines. TA budgets supported by third parties relate to funds that have been *reported as contracted or disbursed* by either the third party financier or by &Green's Client supported by the project.

Data point	METRIC	Data source	Owner
Funding committed by third parties to support TA projects that directly contribute to implementing &Green investments	USD	3 rd party funds or by the Client	Sail Ventures
TA budget mobilised	USD		



COMPLIANCE

There is no KPI for Compliance. Four OPIs provide context:

- 9.1 Total targets met
- 9.2 IFC PS compliance
- 9.3 E&S Action Plan targets met
- 9.4 NDPE compliance

Each &Green transaction has Client specific Environmental and Social Action Plans (ESAPs). The NDPE and IFC PS compliance are requirements for all transactions, but the targets and milestones on the journey to compliance may vary between Clients. These OPIs uniformly report proportion (%) of targets and compliance met, while the targets and compliance milestones themselves are transaction-specific.

The portfolio of &Green transactions are assessed against compliance annually. Each transaction is assessed individually against their targets. The portfolio results are aggregated for OPIs 9.2, 9.3 and 9.4 as simple (non-weighted) averages of transactions.

OPI 9.1: Total targets met

% of targets met.

OPI9.1 is a simplified summation of the proportion (%) of targets met under OPI 9.2, 9.3 and 9.4.

It is an annual overall status that can increase or decrease (as progress is made in transactions, and as new transactions enter the portfolio respectively). The relative importance of IFC PS compliance, ESAP targets and NDPE compliance are assumed as equal, recognising the importance of each will vary with each transaction.

OPI9.1 is a simple (unweighted) average of OPI 9.2, 9.3 and 9.4.

OPI 9.2: IFC PS compliance

% of transactions' compliance with IFC Performance Standards.

OPI9.2 summarizes the number of transactions that have reached and remain in compliance with IFC standards.

Every IFC PS must be addressed in every transaction. The importance and relevance of individual IFC PSs will vary between transactions, and different parameters may be monitored to assess PS compliance. In aggregating PS compliance within a transaction, the default is equal weighting per PS. Weightings may vary to reflect the relevance of each PS, when one or more PSs are disproportionately important (or, alternately, less significant) for the transaction. The assessment of compliance per PS and aggregation of PSs is defined in each transaction's ESAP.

Aggregation of transactions to OPI9.2 is a simple (unweighted) average.



OPI 9.3: E&S Action Plan targets met

% of ESAP targets met on time.

Each transaction has specific milestones, targets and timelines in its Environmental and Social Action Plan (ESAP). OPI9.3 summarizes the proportion (as a %) of ESAP targets met on time. This is assessed during the E&S transaction, and for each &Green annual report.

Aggregations within and between transactions are unweighted.

OPI 9.4: NDPE Compliance

% progress in implementing the &Green NDPE policy.

This indicator monitors Clients' progress in implementing their NDPE commitments from the time of approval.

Progress is assessed against a matrix that defines milestones ranging from 0 to 100% (on 20%-point intervals), validated through a checklist of criteria.

Progress milestones reflect stages of implementation of the &Green NDPE policy: 0% reflects implementation of minimum requirements as per the NDPE (i.e. an NDPE has been published online at group level). 100% reflects the implementation of all requirements included in the NDPE policy.

A baseline must be established by &Green before contracting, using the NDPE progress matrix. The baseline is set to coincide with the impact assessment base year: the calendar year prior to the year of signing an investment.

Progress against the matrix milestones is assessed annually by Sail Ventures.

By monitoring all transactions against the same matrix and milestones, benchmarks can be established for &Green's Clients, as well as an aggregation of the status of all transactions in the &Green portfolio.

Data point	Baseline	Progress	Data source	Owner
Assessment of progress against (pre-defined) NDPE implementation milestones	%	%	NDPE progress assessment tool	Sail Ventures



FOREST & BIODIVERSITY FRAMEWORK

Background: IFC PS6 REQUIREMENTS

IFC PS6, para 10:

For the protection and conservation of biodiversity, the mitigation hierarchy includes biodiversity offsets, which may be considered only after appropriate avoidance, minimization, and restoration measures have been applied.

A biodiversity offset should be designed and implemented to achieve measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity;

however, a net gain is required in critical habitats. The design of a biodiversity offset must adhere to the “like-for-like or better” principle and must be carried out in alignment with best available information and current practices. When a client is considering the development of an offset as part of the mitigation strategy, external experts with knowledge in offset design and implementation must be involved.

IFC PS6, para 17-18 on NetGains:

17. In areas of critical habitat, the client will not implement any project activities unless all of the following are demonstrated:

No other viable alternatives within the region exist for development of the project on modified or natural habitats that are not critical;

The project does not lead to measurable adverse impacts on those biodiversity values for which the critical habitat was designated, and on the ecological processes supporting those biodiversity values;

The project does not lead to a net reduction in the global and/or national/regional population of any Critically Endangered or Endangered species over a reasonable period of time; and

A robust, appropriately designed, and long-term biodiversity monitoring and evaluation program is integrated into the client’s management program.

18. In such cases where a client is able to meet the requirements defined in paragraph 17, the project’s mitigation strategy will be described in a Biodiversity Action Plan and will be designed to achieve net gains of those biodiversity values for which the critical habitat was designated.

Supply Chain, para 30

Where a client is purchasing primary production (especially but not exclusively food and fiber commodities) that is known to be produced in regions where there is a risk of significant conversion of natural and/or critical habitats, systems and verification practices will be adopted as part of the client’s ESMS to evaluate its primary suppliers.

The systems and verification practices will (i) identify where the supply is coming from and the habitat type of this area; (ii) provide for an ongoing review of the client’s primary supply chains; (iii) limit procurement to those suppliers that can demonstrate that they are not contributing to significant conversion of natural and/or critical habitats (this may be demonstrated by delivery of certified product, or progress towards verification or certification under a credible scheme in certain commodities and/or locations); and (iv) where possible, require actions to shift the client’s primary supply chain over time to suppliers that can demonstrate that they are not significantly adversely impacting these areas.

The ability of the client to fully address these risks will depend upon the client’s level of management control or influence over its primary suppliers.



CONTEXT: &GREEN'S ESMS

&Green Fund takes a landscape approach for the impact of its investments and works with clients to maximise long-term environmental impacts and social inclusion as well as contribute to broader transformational change of their sector.

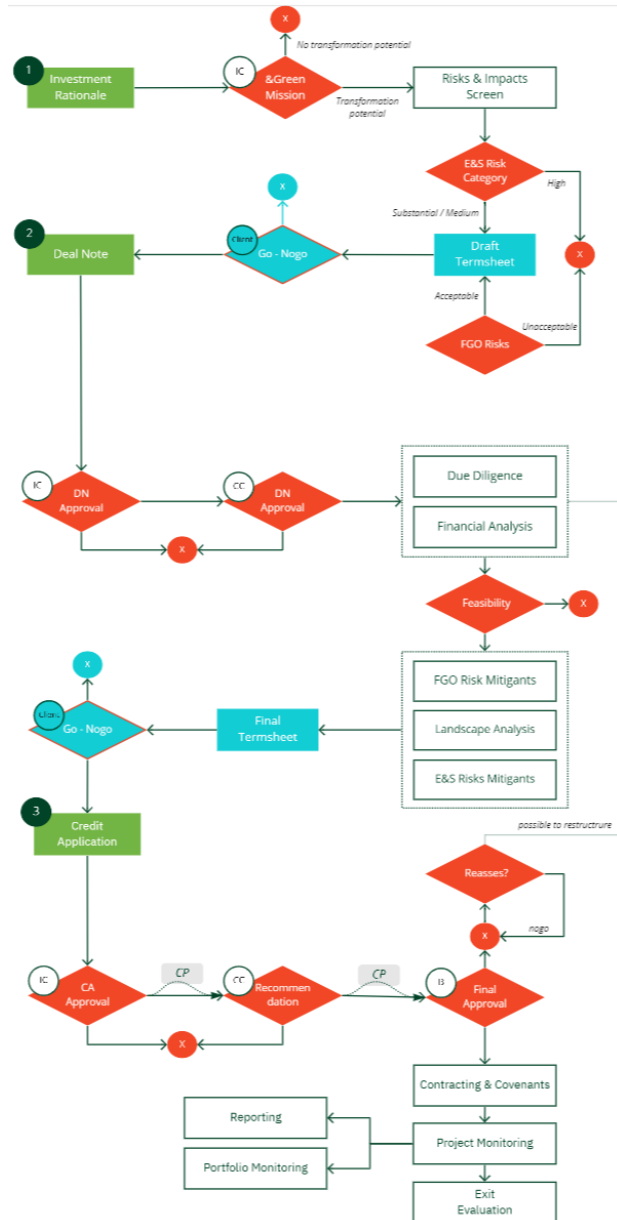
The Fund performs its deals by **focusing on maximising impact**, through catalysing innovation and leadership in forest protection and social inclusion, where the risk of tropical deforestation is the highest (i.e. tropical forest countries and &Green approved jurisdictions, with a specific focus on the soy, livestock, palm oil, rubber and forestry sectors). At the same time, the Fund expects all of its clients, including outside the countries affiliated to the project it finances, to adhere to the similar principles addressing deforestation and negative human right impacts. To achieve this, the Fund takes a **risk-based approach** to verify that clients are committed to avoid activities that are opposed to the Fund's vision.

&Green Fund requires clients to translate their vision for maximising long-term environmental impacts and social inclusion and for contributing sector transformation into a Landscape Protection Plan (LPP) and to commit to its implementation as part of its investment. The LPP describes the client's strategy and the additionality of the strategy against sector practices in the landscape they operate. Additionally, the LPP defines the outputs and outcomes targets of the strategy, the client's accountability and the MRV framework against these.

The LPP is created with the support by &Green, in the final stages of &Green's due diligence of the transaction, as the document that summarises the application of &Green's ESMS to the specific deal.

This Protocol defines how the &Green's ESMS should be applied to a deal in order to assure compliance with IFC Performance Standards as well as to provide all necessary inputs for LPP.

Figure 15. &Green Fund's investment process.

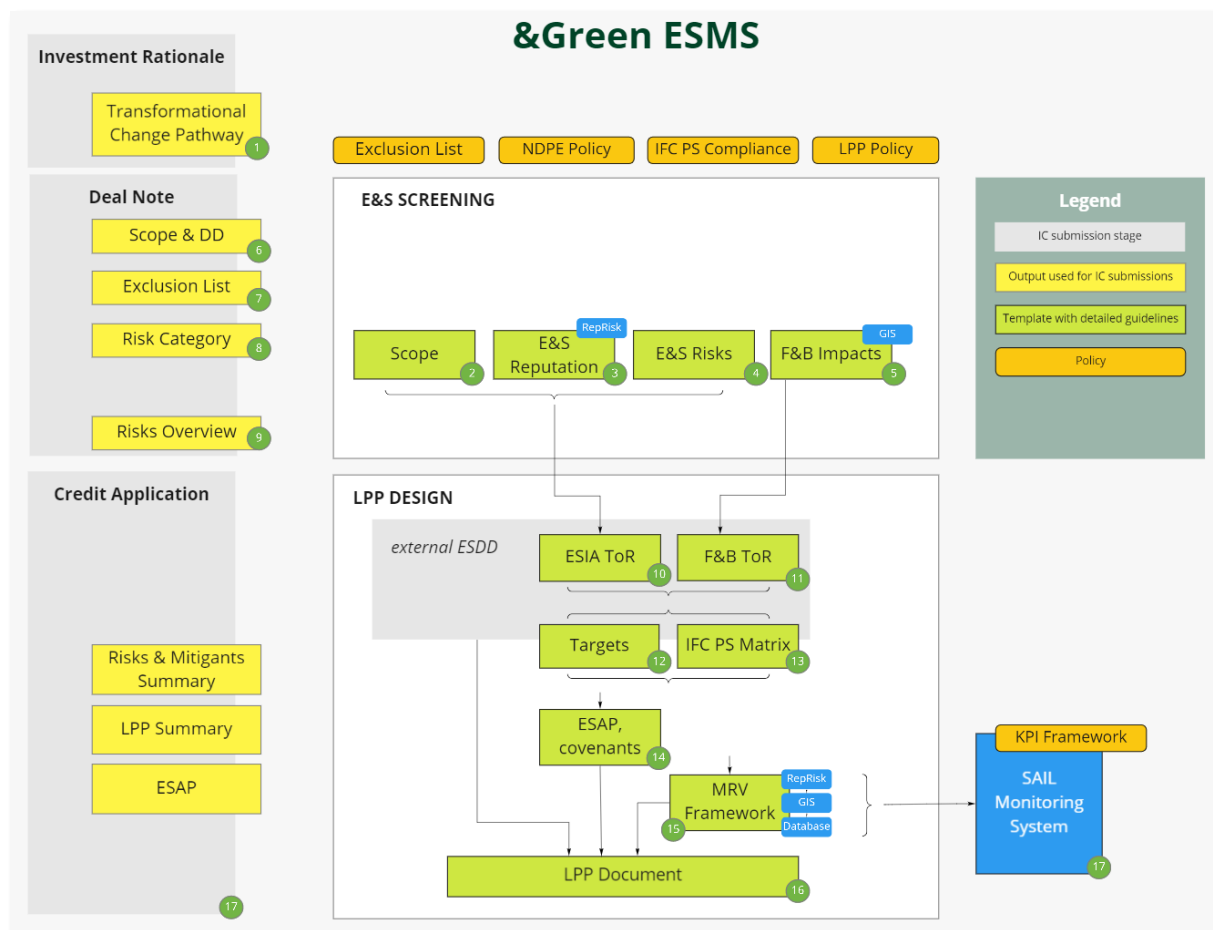




4.1 Overview of Screening and LPP design phases

Consideration of potential forest- and biodiversity-related risks and impacts are integrated into the &Green's investment process since the early stage throughout the overall investment process (Figure 2). The Fund's ESMS relies on a series of tools, protocols and templates as shown on Figure 1).

Figure 16. &Green Fund ESMS: overview of policies and guided templates to support the investment process.



SCREENING phase aims to identify potential material risks and impacts of the deal, as well as relevant past environmental and social legacies of the client. It involves a rapid check of four aspects for each potential investment that will serve as a basis for detailed assessments. This includes a definition of deal's scope (item 2 on Figure 1), reputational check (item 3), mapping of material E&S risks along with a check of existing policies, commitments and relevant context (item 4), and assessment of potential past and future forest- and biodiversity-related risks and impacts (item 5).

The templates for screening provide detailed guidelines on how to collect data for Forest & Biodiversity Risks screening as per related template.



The outputs of the F&B Risks screening provide inputs for Exclusion List check, initial E&S category and risks overview, needed for the Deal Note document. It also sets the stage for the LPP Design and defines the scope of further due diligence.

LPP DESIGN phase aims to ensure that both the risk mitigation and impact maximization are consistently assessed and properly addressed in the LPP, its targets and ESAP. It relies on external due diligence (with a templated ToRs, items 10 and 11), targets setting (item 12), detailed IFC PS Matrix with assessed gaps and recommendations on how to reach compliance (item 13), defined Environmental and Social Action Plan (ESAP) and applicable covenants (item 14), customized MRV Framework for client to measuring, verify and report to &Green the indicators (item 15) that feed into the &Green's Impact Framework (item 17). All the relevant findings and their interpretation are used as inputs for LPP document 16).

Forest- and biodiversity-related risks are commonly addressed in a unique Environmental and Social Impact Assessment (ESIA), and similarly later in IFC PS gaps analysis. **Considering the importance of the topic for &Green as well as the fact that forest- and biodiversity-related risks and impacts often involve a specialized knowledge, &Green has specific ToR for forests and biodiversity assessment (FB ToR, item 11).**

1. FOREST & BIODIVERSITY RISKS AND IMPACTS SCREENING

The FB screening aims to:

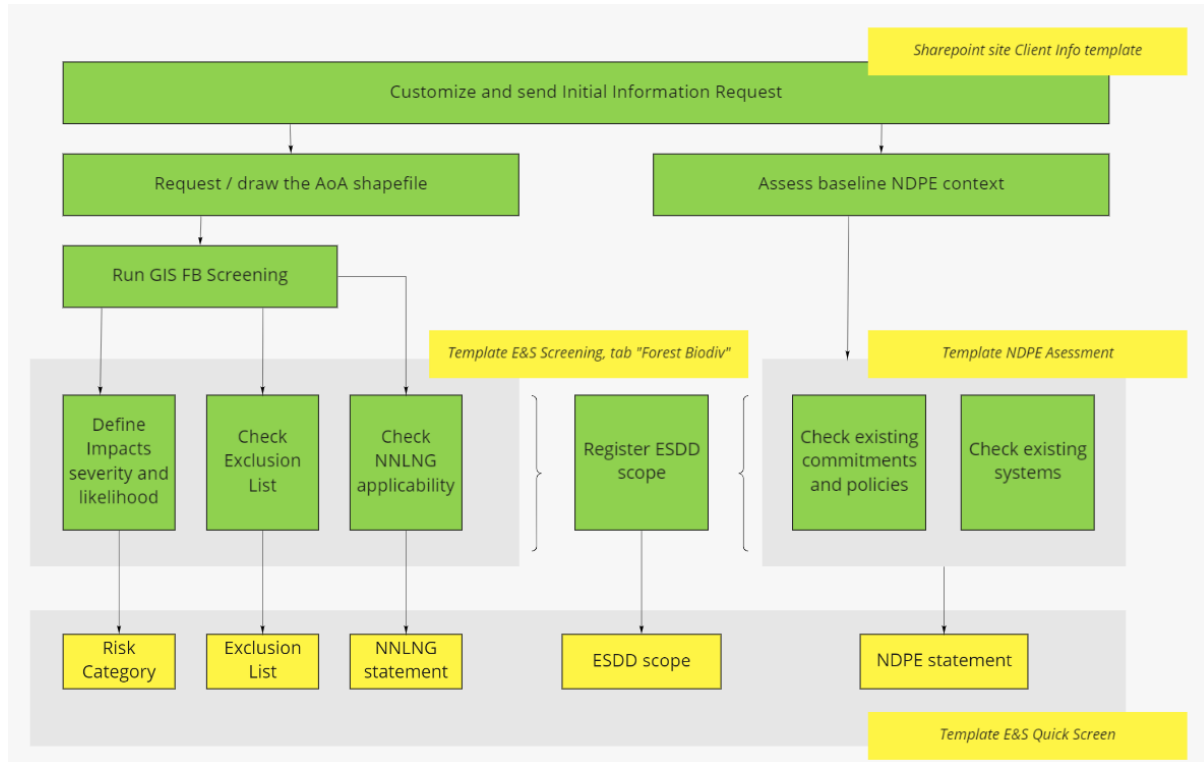
- Understand the land use and land use change dynamics in the deal's area of impact;
- Assess the biodiversity-related risks that should be considered for alignment with IFC PS6 requirements;
- Assess the priority areas in terms of biodiversity importance and sensitivity that can be considered in the LPP to mitigate negative impacts and maximize positive ones;
- Define the scope and inform proper resources planning of the due diligence.

The expected outcomes include:

- Outcome 1. **Risk Category** (high, substantial, medium or low), based on which the scope of due diligence will be defined.
- Outcome 2. **Potential trigger of "Destruction of HCV"** (one of the Excluded Activities), to contribute to due diligence scope if applicable.
- Outcome 3. **Statement on No Net Loss and Net Gain requirement applicability**, to contribute to due diligence scope if applicable.
- Outcome 4. **Statement on initial assessment of NDPE baseline**, to contribute to due diligence scope.
- Outcome 5. **Scope** and details to be checked during **ESDD**.



Figure 17. Activities and outcomes of the Forests and Biodiversity Screening



Scope definition

Geographical scope: Independent approaches have been designed for two investment scenarios; site-based²² and supply-chain²³ context (or a combination of both). In any case, the assessment is GIS-based²⁴, with Area of Assessment (AoA) polygon(s) used as an input. AoA is defined as per procedure below. It basically contains the Area of Influence and depending on the ecological and/or deal-specific features can be expanded. It is represented by the "Landscape" on Figure 20:

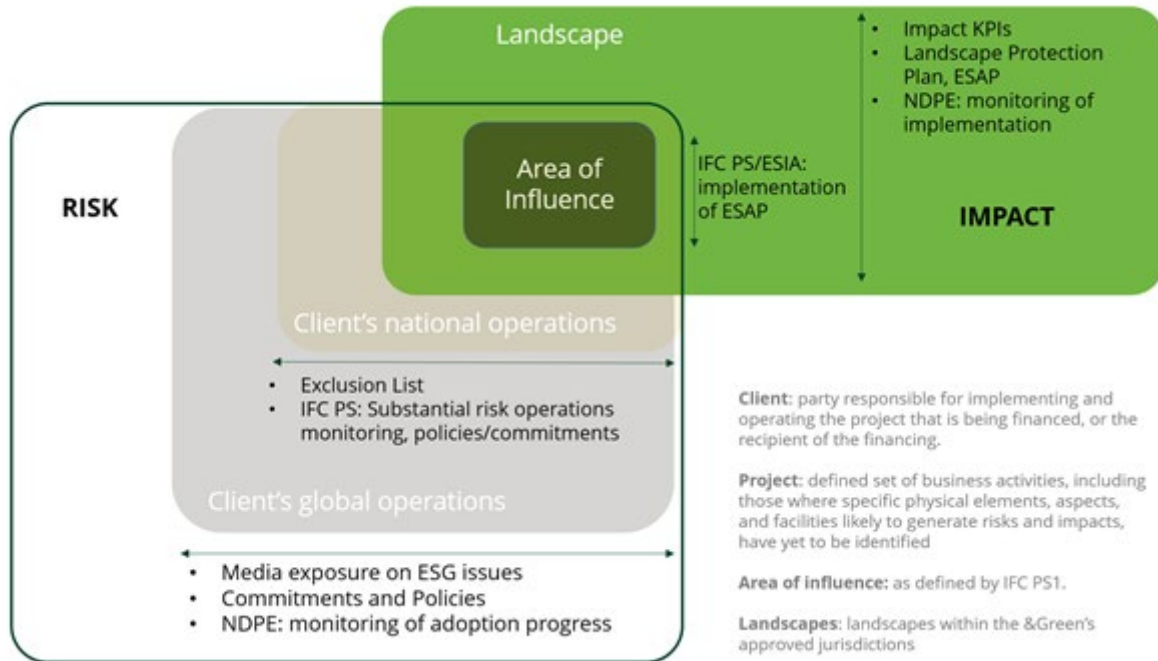
²² **Site-based context** applies to investments where the clients owned and operate one or multiple production and/or processing assets. The company therefore may also be exposed to supply chain risks if it externally sources raw material into its processing facilities.

²³ **Supply-chain context** applies to investments where the clients do not own/operate any production assets. Therefore, is only exposed to biodiversity risks indirectly through its supply chain from externally sourcing raw material into its processing facilities.

²⁴ **Exclusion list** check for biodiversity-related issues, that is within the national operations but out of the geographical AoA, is initially assessed through RepRisk check.



Figure 18. Scope definition for Risk and Impact approaches.





Definition of Area of Assessment (AoA)

The information request (<through Client Info portal, to built into questionnaire>) to define the Area of Assessment should contain:

- (1) Polygon (shapefile) or map of client's production assets (concession/farm/similar boundaries);
- (2) Polygon (shapefile) of clients' processing facilities;
- (3) Polygon (shapefile) or map of clients' supply chain sourcing areas (direct suppliers (Tier 1) and suppliers of suppliers (Tier 2).

Other options of input data in case the shapefile is not available (in order of preference):

- Map that can be digitalized;
- A geographic coordinate/reference and solid assumptions to draw a polygon (e.g. logistically/commercially feasible distances, points of reference or similar).

For supply chain investments, use the relevant, most granular geographical unit of known sourcing areas as the AoA (e.g., district or municipality as rough AoA boundary), if an aggregate shapefile of known supply chain is not available. It is possible to have several AoA 'polygons' when sourcing areas are in distant and non-adjacent municipalities/sub-districts/districts.

Compile the data in GIS format and save under <pathway to the standard folder>, save a memo on the rationale of AoA delineation.

Important: At this stage, the objective is to delineate a rough AoA that will be used for early risk screenings and early identification of protection/restoration opportunities under the LPP workstream. The AoA is therefore not a management unit and will be refined further by the consultants who will be undertaking the due diligence work later. There is no need to be extremely precise at this point, in fact it may be useful to apply the precautionary principle which may lead to a relatively large AoA to ensure that no risks are overlooked.

PS 1 and PS6 specifications on AoA

Aligning with IFC Performance Standard 1, the area of assessment should encompass the Project's Area of Influence (Aol), which includes areas of Project's direct impacts (e.g., footprint), indirect impacts (e.g., impacts through supply chain), and associated facilities.

Associated facilities are facilities that are not funded as part of the project and that would not have been constructed or expanded if the project did not exist and without which the project would not be viable (e.g., district roads developed to allow exports of goods from concessions to mills nearby).

IFC PS6 requires the AoA to be 'ecologically appropriate' (para. 59 of GN6). Defining the boundaries in consideration of distribution of species or ecosystems (within and sometimes extending beyond the project's area of influence) and the ecological patterns, processes, features, and functions that are necessary for maintaining them. In practice, this means considering the catchments, large rivers, and/or geological features associated with the project's Aol.

The Aol is concerned with assessing impacts, the AoA's purpose is to identify important biodiversity features which may be affected by project activities.



Scope quality control checklist:

- Does the AoA include all project's direct footprint? (concessions, farms, processing facilities, warehouses, transmission lines etc.)
- Does the AoA include areas affected by typical indirect impacts to biodiversity associated with the Project²⁵?
- If a site-based deal has planned expansion, is there a separate shapefile for that?
- *If applicable*: Does the AoA include known/mapped sourcing areas of Tier 1 suppliers?
- *If applicable*: Does the AoA encompass relevant administrative boundaries associated with the Project? Check using the **GDAM dataset** or any other regional/national datasets of administrative boundaries that are accessible.

Assessments of preliminary risk category

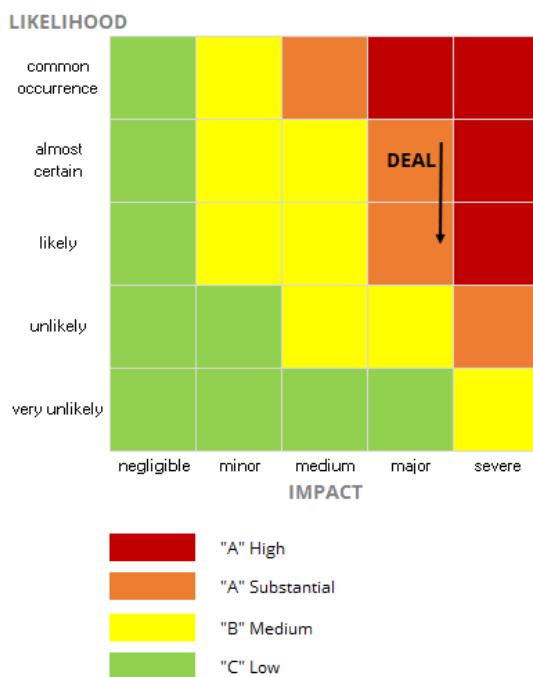


Figure 19. Risk matrix used by &Green Fund to assess E&S risk category.

&Green Fund classifies all deals into one of four classifications: High Risk, Substantial Risk, Moderate Risk or Low Risk, based on the occurrence likelihood and potential negative impact severity. High and Substantial risk categories correspond to **IFC category A**, but allow for better differentiation between the unavoidable high and manageable substantial impacts. Moderate and Low categories correspond to **IFC categories of B and C**, respectively.

The risk assessment is forward looking and considers the severity and likelihood of future (i.e. from the moment of &Green investment's on) impacts attributable to the deal.

Based on the overall impact and likelihood assessment, E&S specialist will attribute²⁶ the risk category. To conduct the E&S risk assessment, the tab "Forest" of the E&S Screening template is used.

²⁵ Typical significant indirect impacts from agricultural projects include indirect habitat loss/fragmentation/degradation driven by the Project's supply chain, and exacerbated pressure to biodiversity due to project's induced access and/or in-migration. Check to see whether these areas are already encompassed by the AoA.

²⁶ The risk category selection is based on the combination of the factors, and is not an automatic process.



Risk category assessment for site-based deal: IMPACT SEVERITY

AoA shapefile is processed in SAIL GIS system using the standard datasets as per table below. Run a separate analysis for current operations, and then for expansions, if applicable. The output table with automatic interpretation is used as a basis of overall impact assessment that depends both on scale and combination of criteria. The criteria, references and ranges for assessment are available in the template/ArcGIS.

Risk category assessment for site-based deal: IMPACT LIKELIHOOD

The **assessment of likelihood** is a subjective assessment conducted by E&S specialist based on the perception of the deal based on the criteria and ranges provided in the template/ArcGIS.

Risk category assessment for supply chain deal: IMPACT SEVERITY

AoA shapefile is processed in SAIL GIS system using the standard datasets as per table below. The output table with automatic interpretation is used as a basis of overall impact assessment that depends on combination of criteria. The criteria, references and ranges for assessment are available in the template/ArcGIS.

Risk category assessment for supply chain deal: IMPACT LIKELIHOOD

The **assessment of likelihood** is a subjective assessment conducted by E&S specialist based on the perception of the deal based on the criteria listed in the template/ArcGIS.

Screening of Exclusion List potential triggers

&Green's LoEA stipulates that any activities that lead to the destruction of HCVs are excluded from potential financing by the Fund. In addition, as &Green require adherence to the IFC PS, the Fund will also apply the IFC PS6 exclusions. Paragraph 55 of PS6 Guidance Note specifies that projects located in the following areas will not be eligible for financing, with the possible exception of projects specifically designed to the conservation of the areas²⁷:

- UNESCO World Heritage Sites
- Sites that fit the designation criteria of the Alliance for Zero Extinction (AZE)

Assessing against HCV triggers may not always be feasible when HCV assessments have not yet been completed. As there are commonalities between the Critical Habitat and the HCV framework (Figure 3), when it is not feasible to assess HCV presence, &Green will approximate through assessing likely presence of Critical Habitat. Likely presence of CH will be interpreted as likely presence of HCV.

Decision to exclude an investment from ESDD step (post Deal Note) will be made by the &Green team in consideration of the results from this screening against the LoEA. Further clarification with the client and fact finding will be required to verify the results of this screening and support decision-making.

²⁷ With &Green's nature of investments, it is unlikely that this exception applies.



To apply the Exclusion List check and record the findings, use the “Exclusion List” tab of the [E&S Screening template](#).

Table 1. Exclusion list assessment for site-based deals

Criteria	Source/Reference	Interpretation
Location in Critical Habitat	[IX]. Critical Habitat	Yes: ESDD will conduct the check No: Exclusion List is unlikely to be triggered.
Overlap with UNESCO WHS	[XV]. UNESCO World Heritage Sites (WHS)	Yes: ESDD will conduct the check No: IFC PS6 exclusion OK
Overlap with AZE sites	[XVI]. Alliance for Zero Extinction (AZE) sites)	Yes: ESDD will conduct the check No: IFC PS6 exclusion OK

Table 2. Exclusion list assessment for supply chain deals

Criteria	Source / Reference	Interpretation
Overlap with UNESCO WHS	[XV]. UNESCO World Heritage Sites (WHS)	Yes: ESDD will conduct the check No: IFC PS6 exclusion OK
Overlap with AZE sites	[XVI]. Alliance for Zero Extinction (AZE) sites)	Yes: ESDD will conduct the check No: IFC PS6 exclusion OK

NNL/NG applicability screen

No Net Loss Net Gain principle is applicable only to the operations of site-based type.

The process and results of NNL/NG applicability screen should be recorded in “Forest” tab of the [E&S Screening template](#).

The aim of the screening phase is to assess if the NNL/NG principles applies to the deal, i.e:

[does not apply] Company operate in- predominantly Modified Habitat.

[No Net Loss applies] Company operates in predominantly Natural Habitat.

[Net Gain applies] Company operates in predominantly Critical Habitat.

Table 3. Definitions related to NNLNG requirements as per IFC PS6.

Net Gain (NG)	Additional conservation outcomes that can be achieved for the biodiversity values of an area. Net gains may be achieved through the implementation of on-the-ground programs to enhance habitat, and protect and conserve biodiversity, or through the development of a biodiversity Offset, when offsets emerge through application of the Mitigation Hierarchy.
No Net Loss (NNL)	The point at which project-related impacts on biodiversity are balanced by measures taken according to the Mitigation Hierarchy on an appropriate geographic scale (e.g. local, ecosystem-level, national, regional). May be assessed relative to underlying rates of loss.



Critical Habitat (CH)	Areas of high biodiversity value based on IFC PS6 CH framework, this may include areas that are not yet protected like Key Biodiversity Areas. Investing in companies who operates in CH means that Net Gain should be achieved, which would require considerable resources and certain tech. capacity. This pose a compliance risk to &Green when the company is not well positioned to operationalise a pathway towards Net Gain.
Natural Habitat	Areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition.
Modified Habitat	Areas that may contain a large proportion of plant and/or animal species of non-native origin, and/or where human activity has substantially modified an area's primary ecological functions and species composition. In practice, natural and modified habitats exist on a continuum that ranges from largely untouched, pristine natural habitats to intensively managed modified habitats.

The screening method will follow one of the scenarios:

- If a similar screening or due diligence (e.g. HCV assessment for RSPO) has been conducted previously, the screening will rely on its results.
- If no similar screening or due diligence has been done, the location of the AoA will be assessed in terms of its overlap with Critical Habitats in combination with historical land use change.
-

Table 4. Screening for applicability of>NNLNG of a site-based deal.

Criteria	Source/Reference	Interpretation
Location in Critical Habitat	[IX]. Critical Habitat	Yes:>NNLNG is applicable if the second criteria is also yes. No:>NNLNG is likely not applicable, but this will be cross checked in ESDD.
Historical land use change from non-agricultural to agricultural	[VII]. Land cover classification	Yes: if AoA is located in Critical Habitat, and there is a detection of land use change from non-agricultural to agricultural,>NNLNG is applicable and should be investigated in ESDD. No:>NNLNG is likely not applicable, but this will be cross checked in ESDD.

NDPE components screen

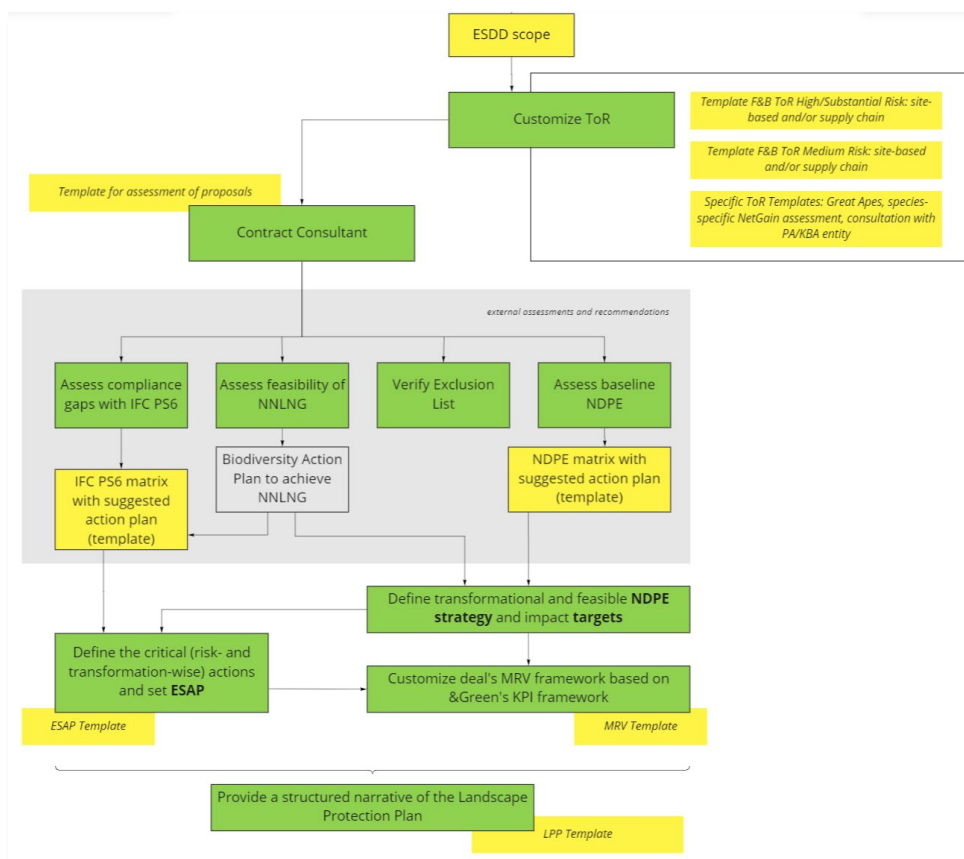
The initial assessment of current systems and policies related to NDPE will contribute to definition of ESDD scope. For screening, only the check list of commitments and policies is used (Table 9). Additionally, if feasible, the current monitoring systems are checked (The E&S specialist will use the template NDPE Assessment to register the findings and verification items for ESDD.



2. LPP DESIGN

After the Deal Note has been approved by the Investment Committee, the effective design of the Landscape Protection Plan takes place. It builds upon the results of third-party consultant due diligence, and includes defining the NDPE's ambitions and implementation strategy and the action plan (ESAP) to mitigate material risks as well as to enable transformational change. The Once the NDPE targets and ESAP items are set, E&S specialist customizes deal's MRV framework (based on &Green Fund's Impact Framework) and provides the narrative of the LPP (its summary is further used as a part of Credit Application). The process is based on a series of guided templates, which usage is explained below.

Figure 20. Landscape Protection Plan design.



2.1 Third-party ESDD with focus on forests and biodiversity

The objective of ESDD is to collect all information necessary to set an ambitious NDPE strategy, to mitigate the E&S risks as well as to maximize the deal's positive impacts.

The scope of the due diligence is set during the Screening phase. It is integrated in standard ToR templates which differ for risk category, deal type (site-based and/or supply chain) and may include deal-specific items to cover issues such as Great Apes or other species impacts, consultations with PA/KBA entities, as applies.



The standard scope of ESDD includes:

- Qualitative **gap analysis against IFC PS6 requirements**, registering the findings and recommendations in the standard IFC PS Matrix used by &Green. The analysis will also indicate which of the risks are material, i.e. need to be specified in the ESAP (other items will be part of IFC PS compliance plan). If applies, demonstration of alignment with specific requirements for investments with potential adverse impacts to **Great Ape species**.
- If applies, demonstration of feasibility of achieving **No Net Loss of Natural Habitat and Net Gain of Critical Habitat** qualifying features through initial quantitative biodiversity loss-gain accounting at the habitat/ecosystem level. The Biodiversity Action Plan to achieve NNL/NG will provide a recommended strategy and a timeline to deliver the identified feasible biodiversity offsets. Based on the requirements, E&S specialist will integrate the achievement of NNLNG into the ESAP.
- Verification of **Exclusion List**, specifically, the item related to HCV destruction/degradation as per initial findings of Screening.
- Assessment of **baseline NDPE components** of client as well as testing of &Green's **assumptions around NDPE's targets and strategy**. &Green has a specific NDPE assessment tool that allows for setting feasible but transformational targets, and further translates into NDPE implementation KPI, a part of &Green's Impact Framework. The ESDD will use the &Green's NDPE matrix to assess the baseline NDPE components (see Tables 9-13 below).

The templates provide guidelines on setting the customized scope. To assess the quality of the candidates, the FB Proposal checklist will be helpful.

2.2 Definition of NDPE strategy and impact targets

To implement the expected transformational change (as per investment rationale), E&S specialist will rely on own knowledge of the jurisdiction and market context, client's business model as well as on the findings of external ESDD. Both the NDPE strategy and impact targets need to be feasible and additional. It is the responsibility of the E&S specialist to provide the rational of feasibility and additionality.

2.3 Critical items to be considered in ESAP

IFC PS compliance matrix, used by &Green, allows for tracking the progress of client's compliance with IFC PS. It contains recommended actions to address the identified gaps and the timeline to achieve compliance (which is contractually binding).

The selection of the items to be listed in the ESAP will follow the standard procedures of &Green Fund, where the material risks, i.e. those that need to be addressed immediately (usually in the first 1-2 years of the deal), and respective actions make part of the ESAP, while other findings of ESDD are listed as recommendations in the IFC PS compliance matrix. It is the responsibility of the client to implement these recommendations, and it is the responsibility of the external audit to verify progress in IFC PS compliance. The matrix is sent as an annex to the ESAP, with % targets of compliance being contractually binding.



2.4 Customization of MRV framework

Customizable MRV template allows for collecting high-quality data that meets the &Green's Impact Framework requirement. A customized MRV framework provides guidelines for each client on which data should be collected, how it should be monitored and how it should be verified.

2.5 Landscape Protection plan narrative

The narrative is constructed using a guided template.



INDIGENOUS PEOPLES PLANNING FRAMEWORK

Introduction

&Green recognises the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the critical importance of respecting the rights of Indigenous Peoples (IPs) and of avoiding any adverse impacts on IPs which may arise as a result of a Project subject to &Green investment transactions.

&Green will seek to avoid proceeding with a transaction where adverse impacts cannot be avoided. When avoidance is not feasible, &Green will require the client to minimize, mitigate or compensate for these impacts in a culturally appropriate manner, in compliance with IFC Performance Standard 7 requirements, with compensation considered as the last resort.

Objectives

This Indigenous Peoples Planning Framework (IPPF) follows the risk-based approach adopted by &Green Fund to manage the environmental and social risks and impacts of its transactions, aimed to verify that clients are committed to avoid activities that are not aligned with the Fund's vision.

The IPPF specifies the procedures related to IPs within the standard process of E&S Screening, mandatory 3rd party Due Diligence on all IFC PS aspects, including IFC PS 7²⁸ and UN Guiding Principles on Business and Human Rights.

The IPPF also provides guidance for situations where high and/or substantial risk related to IP has been confirmed during due diligence. With the mandatory engagement of a 3rd party IP specialist consultant, the IP plan ("IPP") is made contractually binding. &Green's client is responsible for implementing the IPP, subject to &Green's monitoring of such implementation through the mandatory Environmental and Social Action Plan ("ESAP").

References

This IPPF is informed by the requirements of IFC PS7, the associated guidance note, and the Green Climate Fund Indigenous Peoples Policy and associated Operational Guidelines.

Definition of Indigenous Peoples

&Green adopts the description of Indigenous Peoples as per IFC PS7, using the term in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

²⁸ See: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps7



- Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- Collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories;
- Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or
- A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

Scope

The requirements of this IPPF apply to communities of Indigenous Peoples identified within each Project Area of Influence of each &Green transaction.

Identification of IP Communities in Project Area of Influence

&Green's E&S specialist, responsible for a transaction, identifies the potential for IP to be located in the Project Area of Influence during the standard E&S Screening phase, following the requirements of IFC PS. This is done using the latest international and national GIS databases, RepRisk tool and internal jurisdictional databases of &Green's team.

The due diligence phase aims to confirm the existence of IPs in the Project Area of Influence. It is mandatorily conducted by an external specialist as a part of ESDD, using the Fund's standard Terms of Reference Templates (ToR).

Potential Impacts of Projects on IP Communities

The range of potential E&S impacts of each Project varies due to various factors such as the type and size of Project, the location, the baseline conditions, the social and cultural context and similar. As IP communities may be more vulnerable to the impacts of a Project, and may be differently impacted when compared with other members of a local community, the vulnerabilities of IPs will be considered as a specific aspect of an assessment, following the IFC PS7 Guidance Note.

Requirements of the IPPF

Typically, &Green will not proceed with any Projects with a risk of significant adverse impact on IP communities and subsequent trigger of FPIC process.

&Green will require the Client to put all measures in place to avoid adverse impacts on IP communities. If avoidance is not feasible, &Green will require the Client to minimize, mitigate &/or compensate for these impacts in a culturally appropriate manner. The proposed actions will be developed with the informed participation of affected Indigenous Peoples and included in a



time-bound Indigenous Peoples Plan (IPP). &Green will make such requirements contractually binding and monitor their implementation via the ESAP.

&Green will implement the following procedures, informed by and aligned with the GCF's Indigenous People's Policy, to assess and mitigate potential adverse impacts on IPs:

Box 1. Procedures required to assess and mitigate potential adverse impacts on IPs.

Required Procedure	Description
Impact Assessment	<ul style="list-style-type: none">Identify potential IP communities within the Project area of influence during the in-house E&S Screening.If one or more IP communities are identified during the E&S Screening, address the requirement of detailed impact assessment in ESIA.Refer to Box for the IP-specific requirements to be factored into the ESIA process.
Participation and Consent	<ul style="list-style-type: none">The Client shall aim to establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project's life-cycle, obeying the requirements of the applicable legislation.Consultation should start as early as possible in the risks and impacts assessment process.The client will undertake an engagement process with the Affected Communities of Indigenous Peoples, following the requirements of the IFC Performance Standard 1, as well as of the applicable national legislation.The Client will engage with the affected IP community through a process of information disclosure and informed consultation and participation (ICP). In some specific cases, it will be necessary to obtain Free, Prior and Informed Consent (FPIC) from the IP community. Refer to Box 2 for further guidance on the requirements for IP consultation and participation including FPIC.Specialists shall be engaged to assist Projects to design and implement an appropriate approach to meaningful consultation and participation.
Institutional Arrangements	<ul style="list-style-type: none">The following institutional arrangements will be established²⁹ by the Client in the Project area of influence where IP communities are confirmed to exist:<ul style="list-style-type: none">Grievance mechanism and management process that is culturally appropriate and accessible for IP communities;Access to IP experts to support with ongoing management of IP-related commitments;Project information available in an understandable format, using indigenous languages where appropriate;An Indigenous Peoples Plan (IPP) specific to the Project and proportionate to potential risks and impacts (see Box 4).
Impacts on traditional or customary lands³⁰	<ul style="list-style-type: none">The Client shall consider alternative Project designs to avoid being located on, and/or causing adverse impacts to the livelihoods or cultural, ceremonial, or spiritual uses of traditional or customary lands that define the identity and community of the IPs.If this is not possible, and adverse impacts are expected, the Client shall ensure that a process of FPIC is followed as part of the ESIA.As part of the FPIC process the Client will:

²⁹ Obeying the applicable national legislation.

³⁰ Indigenous peoples have association with their customary lands and the natural and cultural resources on the land. The use of the land, including seasonal or cyclical uses, by the indigenous peoples and communities for their livelihoods, or cultural, ceremonial, or spiritual purposes that define their identity and community, must be substantiated and documented as part of the ESIA.



Required Procedure	Description
	<ul style="list-style-type: none"> - Document efforts to avoid or at least minimize the proposed Project footprint; - Document land uses in collaboration with the affected IP communities without prejudicing their land claim; - Inform affected IP communities of their rights with respect to their land under national laws, particularly those recognizing customary rights or use; - Offer affected IP communities fair compensation and due process such as benefit-sharing mechanisms; and/or land based and/or in-kind compensation in lieu of cash compensation where feasible; and - Enter in to good faith negotiations with the affected IP communities and document their informed participation and outcomes of consultations.
Relocation of indigenous peoples	<ul style="list-style-type: none"> • The Client shall consider alternative Project designs to avoid relocation of indigenous peoples from their communally held traditional or customary land. • The Project resulting in involuntary resettlement of IPs, including physical displacement (i.e. relocation, including relocation needed as a result of loss of shelter), whether full or partial and permanent or temporary, or economic and occupational displacement (i.e. loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of the activities, will not be financed by &Green Fund unless they meet the following criteria: <ul style="list-style-type: none"> - free, prior and informed consent has been obtained as per requirements of IFC PS& - they are authorized by national law; - they are carried out in a manner consistent with the obligations of the state directly applicable to the activities under relevant international treaties and agreements; - they are in compliance with IFC PS and national legislation. • &Green will not proceed with any transaction that results in unavoidable relocation, unless there has been good faith negotiation with the affected indigenous peoples communities, and documented evidence of FPIC as an outcome of the negotiation. • Any relocation of Indigenous Peoples will need to be consistent with IFC PS 5 (Land Acquisition and Involuntary Resettlement). The option for relocated indigenous peoples to return to their traditional or customary land, should the reason for their relocation cease to exist, should remain throughout the Project cycle.
Cultural resources	<ul style="list-style-type: none"> • Where a Project proposes to use the cultural resources, knowledge, or practices of indigenous peoples for commercial purposes, the Client will document and inform the IPs of: <ul style="list-style-type: none"> - their rights under national laws; - the scope and nature of the proposed commercial development; and - the potential consequences of such development.
Development Benefits	<ul style="list-style-type: none"> • Through the ESIA process and subsequently as part of ongoing engagement, opportunities shall be identified for culturally appropriate development benefits. Such opportunities should be commensurate with the degree of Project impacts, aimed at improving their living standards and livelihoods in a culturally appropriate manner, and to foster the long-term sustainability of the natural resources on which they depend. • The benefits and the agreed process for sharing benefits will be documented in the IPP (and in the Project's Community Development Programme) and be provided to the IP communities as part of an ongoing process of transparent inclusion, engagement and decision-making.



Box 2. Items to be addressed in ESIA.

Topic	Description
Scope for IP Impact Assessment (component of ESIA)	<ul style="list-style-type: none"> • Description of the Project and potential issues or impacts to indigenous peoples, including an indication of any potential impacts that are expected to affect IPs differently to other groups within the affected community. • Baseline information on the demographic, social, cultural, and economic characteristics of the IP community including consideration of any specific vulnerabilities (see below) within the IP community. • Assessment of the potential adverse impacts on IPs and benefits to IPs that are likely to be associated with the Project. • Summary of preferences and concerns of the IP community in relation to Project objectives, access and cultural appropriateness of Project benefits, mitigation of any adverse impacts, and Project implementation arrangements.
Participation and Consent	<ul style="list-style-type: none"> • Engagement with IP communities shall be undertaken in accordance with the standard requirements IFC PS1 and in addition will: <ul style="list-style-type: none"> - Involve IP representative bodies and organisations (e.g. councils of elders or village councils) as well as members of the affected communities of IPs; - Be inclusive of both women and men and of various age groups in a culturally appropriate manner; - Respect and provide sufficient time for the decision-making processes followed by the IP community; and - Facilitate the expression of views, concerns, and proposals in the language of the IP community's choice, without external manipulation, interference, or coercion, and without intimidation. • Projects with IP communities in the Project area will facilitate the communities' informed participation on matters that affect them, such as proposed impact mitigation measures, sharing of development benefits and opportunities, and implementation issues.
Free Prior and Informed Consent (FPIC)	<ul style="list-style-type: none"> • In some specific cases, it will be necessary to obtain Free, Prior and Informed Consent (FPIC) from the IP community. • The circumstances in which FPIC is required are where: <ul style="list-style-type: none"> - The Project may lead to impacts on lands and natural resources subject to traditional ownership or under customary use (IFC PS7 paragraphs 13-14); - Indigenous Peoples will need to be relocated from lands and natural resources subject to traditional ownership or under customary use (IFC PS7 paragraph 15); and/or - Critical cultural heritage may be significantly impacted by the Project and or the Project proposes to use the cultural heritage for commercial purposes (IFC PS7 paragraphs 16-17). • The aim is to obtain and maintain free, prior and informed consent for the Projects. This determination generally is based upon collective and evidenced expression of supportive views regarding Project purposes, plans, and implementation arrangements. This determination does not require unanimity as support may exist even when there is internal disagreement within the community or when there is limited opposition to Project purposes or proposed arrangements. • The IPP will describe the basis of the determination as well as the consultation process undertaken.
Assessment of Vulnerabilities	<ul style="list-style-type: none"> • A key aspect of the assessment is understanding the relative vulnerabilities of the affected indigenous peoples, how the Project may affect them and how the Project may enhance their role in contributing to transformative climate action. • The ESIA shall include participatory process to define vulnerability and its criteria, such as a questionnaire or other tools developed in such a way that is understood and usable by communities. • The analysis of vulnerability will include consideration of IPs:



Topic	Description
	<ul style="list-style-type: none"> - Economic, social and legal status; - Status, including under national and customary law, of the lands, territories and resources to which they have collective attachment (see below); - Institutions, customs, culture and/or language; - Dependence on natural resources, including through customary and traditional livelihoods; and - Past and ongoing relationship to dominant groups and the mainstream economy.
Collective Attachment	<ul style="list-style-type: none"> • The ESIA shall determine the level and type of collective attachment that may exist among the IP community. • When determining and evaluating collective attachment, consideration shall be given to the fact that IP groups live under many different circumstances with varying levels of attachment to the areas in which they live. • Refer to Box 3 for further guidance on the interpretation of the term 'collective attachment'.
Consideration of Differential Impacts	<ul style="list-style-type: none"> • Indigenous peoples may be heterogeneous and may comprise multiple groups and different social units within these groups (such as individuals, clans, communities, and ethnic groups). Issues of cultural identity, geographic access, language, governance structures, cohesion and priorities may differ greatly between groups. • Projects also may have different impacts on different subgroups within a community. For example, land for a Project may be acquired from one clan, but such acquisition could impact other clans' traditional access to and use of such land and the resources located on it. • The social assessment carried out as part of the ESIA shall form the basis for identifying the different groups and understanding the nature and significance of potential impacts on each of them.
Natural Resources and Ecosystem Services	<ul style="list-style-type: none"> • Projects can adversely impact indigenous peoples' identity, natural resource-based livelihoods, food security, and cultural survival. The ESIA shall consider the extent to which such impacts may arise. • The Client shall seek to avoid such impacts and instead explore viable alternative Project designs in consultation and with the participation of IPs. • The advice of competent experts shall be sought in an effort to avoid such impacts.

Box 3. Definitions related to collective attachment. Source: FC PS7 Guidance Note (2012)

Collective Attachment

- Collective attachment signifies that the groups generally consider their lands and resources to be collective assets interlinked with their culture and identity. It also signifies that these groups' livelihoods, economies, modes of production, social organization and cultural and spiritual circumstances are generally linked to particular territories and natural resources.
- Collective attachment may be held over geographically distinct habitats, ancestral territories, areas of seasonal use or occupation and the natural resources therein, and, therefore, groups with collective attachment may include:
 - IP communities resident upon the lands or waters affected by the Project. This could also include those who are nomadic or who seasonally migrate, and whose attachment to the area affected by the Project may be periodic or seasonal in nature;
 - IP communities that do not live on the lands affected by the Project but who retain ties to those lands through traditional ownership and/or customary usage, including seasonal or cyclical use, and cultural or spiritual attachment;
 - IP communities that have lost collective attachment to lands and territories affected by the Project because of forced severance, conflict, involuntary resettlement programmes by governments, dispossession from their lands, natural calamities or incorporation into an urban area;



- IP groups that reside in mixed settlements in the area affected by the Project, such that they only form one part of the broader community; or
- IP communities with collective attachment to Project-affected ancestral lands located in urban areas.

Content of an IPP

Where IPs are present in a Project area, and adverse impacts cannot be avoided, a time-bound Indigenous Peoples Plan (IPP) shall be established in accordance with IFC P7 (and accompanying guidance note) and the requirements described in this IPPF. The IPP will include defined actions to be adopted by the Project Company to mitigate and manage adverse impacts. The actions will be developed with the informed participation of affected IPs. Opportunities to deliver benefits to IPs will also be incorporated into the Project's Community Development Programme. The scope of the IPP will include as a minimum the content specified in Box 4.

Box 4.Box Contents of an Indigenous Peoples Plan (IPP).

Component of IPP	Description
Baseline Information	<ul style="list-style-type: none">• Summary of relevant baseline information that clearly profiles IPs, including indigenous women, their circumstances and livelihoods, with descriptions and quantifications of the natural resources upon which indigenous peoples depend.• Description of the methodology and references that describe how the baseline information was obtained (e.g. through the ESIA and associated participatory process).
Key findings and analysis of impacts, risks and opportunities	<ul style="list-style-type: none">• Summary of key findings, analysis of impacts, risks and opportunities• Overview of the recommended possible measures to (i) avert or mitigate adverse impacts; (ii) enhance positive impacts, (iii) conserve and manage the IP's natural resource base on a sustainable basis; and (iv) achieve sustainable community development in line with the IP's own plans.
Measures to avoid, minimize and mitigate negative impacts and enhance positive impacts and opportunities	<ul style="list-style-type: none">• Description of the measures agreed to in the process of information disclosure, consultation and informed participation to avoid, minimize and mitigate potential adverse effects on indigenous peoples, and to enhance positive impacts.• Inclusion of an action plan that details the measures to be taken, the responsibilities and agreed schedules, including for implementation (who, how, where and when). Avoidance or preventative measures will be given primacy over mitigatory or compensatory measures.
Community-based natural resource management (where applicable)	<ul style="list-style-type: none">• Description of the arrangements to be adopted that ensure the continuation of livelihood activities (e.g. grazing, hunting, gathering or artisanal fishing) key to the survival of the affect IP communities and their traditional and cultural practices.• Description of the measures to be adopted for the conservation, management and sustainable utilisation of the natural resources upon which IPs depend, and the geographically distinct areas and habitats in which they are located.
Result of consultations, the FPIC and future engagement plans	<ul style="list-style-type: none">• Description of the process of information disclosure, consultation and informed participation and where relevant the FPIC process, including good faith negotiations and documented agreements with indigenous peoples, and how issues raised have been addressed.• The consultation framework for future engagement shall clearly describe the process for ongoing consultations with, and participation by IPs (including women and men), in the process of implementing and operating the Project.



Component of IPP	Description
Benefit sharing plans	<ul style="list-style-type: none"> Description of the measures to enable IPs to take advantage of culturally appropriate opportunities brought about by the Project, and to conserve and manage on a sustainable basis the utilization of the unique natural resource base upon which they depend.
Tenure arrangements	<ul style="list-style-type: none"> Description of who has rights over the targeted Project land, both in State laws and under customary law, and how the legal status of the land will change under the Project and what effect this has on rights-holders.
Grievance redressal mechanism	<ul style="list-style-type: none"> Description of the appropriate procedures to address grievances by IPs arising from Project implementation and operation. When designing the grievance redress mechanism and procedures, the availability of judicial recourse and customary dispute settlement mechanisms among IPs will be taken into account. Indigenous women and men must be informed of their rights and the possibilities of administrative and legal recourse or remedies, and any legal aid available to assist them as part of the process of consultation and informed participation. The grievance mechanism shall be readily accessible to IPs, including being able to engage with IPs in a language and mode most comfortable to them. The grievance redress mechanism should ensure anonymity; provide for fair, transparent and timely redress of grievances without costs to those who raise grievances; and, if necessary, provide for special accommodations for women, youth and the elderly, and other vulnerable groups within the community, to make their complaints.
Costs, budget, timetable, organizational responsibilities	<ul style="list-style-type: none"> Inclusion of a summary of the costs of implementation, budget and responsibility for funding as well as the timing of expenditure and organizational responsibilities in managing and administering Project funds and expenditures.
Monitoring, evaluation and reporting	<ul style="list-style-type: none"> Description of the monitoring, evaluation and reporting mechanisms, including responsibilities, frequencies, feedback and corrective action processes. Monitoring and evaluation mechanisms shall include arrangements for ongoing information disclosure, consultation and informed participation with IPs (both women and men) and for the implementation and funding of any corrective actions identified in the evaluation process. Participatory monitoring such as community-based monitoring and information systems shall be considered and supported.



RESETTLEMENT PLANNING FRAMEWORK

Introduction

&Green Fund recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons, such as physical displacement (relocation, loss of residential land, or loss of shelter), economic displacement (loss of land, assets, or access to assets leading to loss of income sources or other means of livelihood), or both. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs for instance in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

IFC Performance Standard 5 sets the standards for addressing and mitigating risks resulting from involuntary resettlement. “Involuntary resettlement” as used in this document refers to physical displacement (relocation or loss of shelter) and economic displacement, including loss of assets or restriction of access to assets that lead to loss of income, as directly or indirectly affected by project activities.

Involuntary resettlement shall be avoided where feasible, or minimized, exploring all viable alternative project designs, and through adopting a ‘willing seller-willing buyer’ approach to acquire the land. Where involuntary resettlement cannot be avoided – for example an alternative Project location cannot be identified, or a negotiated settlement is not successful - the requirements of involuntary land acquisition under this Resettlement Policy Framework (RPF) will be implemented. &Green’s clients shall refer to the requirements of this framework as well as those of the IFC PS and GCF’s safeguard standards on land acquisition and involuntary resettlement.

Objectives

This Resettlement Policy Framework (RPF) provides guidance on the resettlement screening, assessment, institutional arrangements, and processes regarding land acquisition and involuntary resettlement that &Green Clients should comply with.

The objectives of the RPF are to:

- avoid involuntary resettlement or, when unavoidable, minimize involuntary resettlement by exploring project design alternatives.
- avoid forced eviction.
- mitigate unavoidable adverse social and economic impacts from land acquisition or restrictions on land use by providing timely compensation for loss of assets at replacement cost and assisting displaced persons in their efforts to improve, or at least restore, their livelihoods and living standards to pre-displacement levels or to levels prevailing prior to the beginning of project implementation.



- ensure that resettlement activities are planned and implemented with appropriate disclosure of information, meaningful consultation, and the informed participation of those affected.

References

This RPF is informed by the requirements of IFC PS5³¹ and the associated guidance note.

Minimum Requirements

The following minimum requirements shall be adhered to in all situations where involuntary resettlement is necessary:

- The potential E&S impacts of involuntary land acquisition and resettlement on affected persons and their livelihoods shall be assessed in accordance with IFC PS5 and other good international industry practice.
- The affected persons and their respective entitlements shall be identified.
- A process of consultation with and participation of Project affected people shall be conducted to (i) inform the preparation and planning of any involuntary land acquisition and resettlement, as well as (ii) share information with affected people.
- Meaningful consultations shall be conducted with affected people, including those without legal title to land and assets.
- Willing seller-willing buyer negotiations shall be conducted transparently and shall be free of pressure and coercion.
- If determined to be necessary, in accordance with IFC PS 5, a Resettlement Action Plan (RAP) or a Livelihood Restoration Plan (LRP) shall be prepared in alignment with the requirements of IFC PS5.
- Compensation for lost assets shall be compensated at full replacement cost.
- Disclosure of relevant information and participation of Affected Communities and persons will continue during the planning, implementation, monitoring, and evaluation of compensation payments, livelihood restoration activities, and resettlement Mechanisms for grievance redress and monitoring shall be established, communicated and maintained.

Local Legal Requirements

The Client will assess local laws and policies related to land acquisition. An assessment of the extent of alignment and any gaps between local laws and policies and the IFC PS and GCF safeguards standards shall be conducted and actions defined to address any gaps. This assessment will at minimum consider the local legal requirements to be met in acquisition and

³¹ See: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/



resettlement, eligibility for compensation, valuation, people without formal tenure to the land or properties, requirements for stakeholder consultation and grievance redress.

Assessment to Determine Extent of Resettlement and Compensation

As part of the process of assessing the extent of the required resettlement and compensation, the following aspects will be assessed:

- Temporary and permanent impacts of land acquisition or expropriation.
- Number and type of persons/households affected, number of lands/plots affected, land use before and after the acquisition and number of owners.
- Socioeconomic situation of affected households to understand the adverse impacts on livelihoods of displaced persons and to define the restoration measures required to compensate for any incurred losses.
- Valuation and compensation standards applied for temporary and permanent loss of land, loss of crops, loss of productive trees, loss of residence and businesses following the requirement for full replacement cost.
- Availability of replacement land and description of resettlement areas, if relevant.

Eligibility criteria for affected persons and cut-off dates

For the purposes of this framework, basic³² eligibility criteria for an affected person include:

- Any person or household adversely affected by the acquisition of assets or change in use of land due to the Project, subject to a cut-off date³³. Any vulnerable and affected person including indigenous peoples, women, destitute, artisans, tribal communities, squatters, etc.
- Those with usufruct rights, poverty groups depending for livelihood upon the land to be acquired by the project.
- Any other person who may prove and establish their right as an affected person.

The cut-off date for eligibility for compensation in the absence of host government procedures, the client will establish a cut-off date for eligibility. Information regarding the cut-off date will be well documented and disseminated throughout the project area. Information regarding the cut-off date will be well documented and disseminated throughout the project area.

Entitlement

Affected people will be entitled to value compensation, rehabilitation, and resettlement support, where relevant. An entitlement framework will be compiled for all categories of displaced persons.

³² Other criteria may take place on case by case basis as per detailed eligibility analysis.

³³ Individuals taking up residence in the project area after the cut-off date are not eligible for compensation or resettlement assistance, as per IFC PS5.



Monitoring and Verification

The client will establish procedures to monitor and evaluate the implementation of a Resettlement Action Plan and take corrective action as necessary. The extent of monitoring activities will be commensurate with the project's risks and impacts. For projects with significant involuntary resettlement risks, the client will retain competent resettlement professionals to provide advice on compliance with this Performance Standard and to verify the client's monitoring information. Affected persons will be consulted during the monitoring process.

The client to commission an external audit to verify the compliance with IFC PS5 on an annual basis.

Any discrepancies or non-compliances will be brought to the attention of &Green and will be recorded as a grievance for resolution.

Contents of Resettlement Action Plan

The table below provides an outline of the required contents of a RAP, where such a plan is required based on the potential impacts identified as part of the ESIA process.

Component of RAP	Description
Description of the Project and potential impacts	<ul style="list-style-type: none">• General description of the project and identification of the project area.• Description of the potential impacts including:<ul style="list-style-type: none">- 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 minimise resettlement; and- the mechanisms established to minimise resettlement, to the extent possible, during project implementation.
Purpose and Objectives	<ul style="list-style-type: none">• Outline the purpose and main objectives of the resettlement programme
Supporting Studies	<ul style="list-style-type: none">• Summary of studies undertaken in support of resettlement planning / implementation, e.g. census surveys, socio-economic studies, meetings, site selection studies.
Regulatory and Institutional Framework	<ul style="list-style-type: none">• Description of the relevant laws of the host country, client policies and procedures, performance standards.• Overview of the national, regional and local political and institutional structures; civil society and non-governmental organisations that may have an interest in the Project.
Stakeholder Engagement	<ul style="list-style-type: none">• Summary of the public consultation and disclosure associated with resettlement planning, including engagement with affected households, local and/or national authorities, relevant CSOs and NGOs and other identified stakeholders, including host communities.• The RAP should include, at a minimum, a list of key stakeholders identified, the process followed (e.g. meetings, focus groups), issues raised, responses provided, significant grievances (if any) and plan for ongoing engagement throughout the resettlement implementation process.
Socio-economic Characteristics	<ul style="list-style-type: none">• Description of the findings of socioeconomic studies conducted as part of the ESIA 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.
Eligibility	<ul style="list-style-type: none">• Definition of displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.



Component of RAP	Description
Valuation of and Compensation for Losses	<ul style="list-style-type: none"> Definition of the methodology to be used in valuing losses to determine their replacement cost. 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.
Magnitude of Displacement	<ul style="list-style-type: none"> Summary of the number of persons, households, structures, public buildings, businesses, croplands, religious or spiritual structures, etc., that will be affected.
Entitlement Framework	<ul style="list-style-type: none"> Framework showing all categories of affected persons and what options they were/are being offered, preferably summarised in tabular form.
Livelihood Restoration Measures	<ul style="list-style-type: none"> The various measures to be used to improve or restore livelihoods of displaced people.
Resettlement Sites	<ul style="list-style-type: none"> Details of site selection, site preparation, and relocation, alternative relocation sites considered and explanation of those selected, impacts on host communities.
Housing Infrastructure and Social Services	<ul style="list-style-type: none"> 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.
Grievance Procedure	<ul style="list-style-type: none"> Affordable and accessible procedure for third-party settlement of disputes arising from resettlement; such grievance mechanisms should take into account the availability of judicial recourse and community and traditional dispute settlement mechanisms.
Organisational Responsibilities	<ul style="list-style-type: none"> Organisational 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.
Implementation Schedule	<ul style="list-style-type: none"> Implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts, and implementing the various forms of assistance. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.
Costs and Budget	<ul style="list-style-type: none"> Tables showing itemised 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.
Monitoring, Evaluation and Reporting	<ul style="list-style-type: none"> 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.



INCIDENT & CRISIS COMMUNICATIONS PROTOCOL

Given the sectors, types of activities and nature of the investments, &Green and its client companies are subject to a certain level of risk, which could lead to reputational damage and negative impact on parties' activities and respective collaborators. The following Incidents and Crisis Communication (ICC) Protocol proposes a lean set of coordinated actions should incidents or crises related to the transaction, the underlying project and/or the parties emerge. This protocol is part of the communication disclosure documents developed for all of &Green's transactions, and that include a press release, a website disclosure and a Q&A to be used internally.

The following Protocol is a more detailed implementation of the 'Notification of Incidents' and 'Environmental and Social Claim' (Annex 1) included in every deal's Loan Agreement (clause 5.3.6 and 5.3.7) and that provide a contractual framework to deal with arising incidents and claims.

The matrix below (Table 1) should be used to assess an incident or crisis based on its risk probability and risk severity. Risk probability considers the likelihood, or chances, for a risk to occur; risk severity considers the harshness, or negative impact, of an incident on the company's reputation and/or activities. A risk that is assigned a score of 1 or 2 is considered an incident and remains on the green side of the matrix; a risk that receives a score of 3 or more is considered a crisis and is assigned a yellow, orange, or red code, based on its severity and likelihood to happen.

For example, if a fire happens unexpectedly on a company site but is promptly contained and extinguished, the risk receives a score of 2 – the risk severity of an unforeseen fire is significant, but its likelihood to happen again is very low. If a news article making serious allegations against a client company or its main stakeholders is published in local or international media, the risk may receive a score of 4 or 5 - the risk severity is significant or severe and its probability to be picked up by other news sources is high ("Likely").

The risk matrix (Table 1) is a visual tool that helps to quickly categorize a risk; however, such matrix should always be used with the more detailed risk categorization provided below (Table 2), which describes in more depth how incidents and crises are assigned to a risk level between 1 and 5.

Table 5 Risk Matrix

	Severity of Risk		
Probability of Risk	Negligible	Significant	Severe
Highly Unlikely	1	2	3
Unlikely	2	3	4
Likely	3	4	5



Pre-requirement: ALL incidents and crises must have an appointed Incident and Crisis Communication (ICC) Team. The ICC Team should include the client company's Team Leads and a SAIL's Deal Team representative. The ICC Team should receive an initial media training and additional media trainings once every two years.

Table 6 Risk Categorization

	Incidents		Crises		
CONDITIONS Is the issue an incident or crisis?	Level 1	Level 2	Level 3	Level 4	Level 5
Negative press* about the company or its shareholders in local, national and/or international media	One news item**	Two to three news items**	Four or more news items** Negative press stops in less than one week	Four or more news items** Negative press continues for one week	Four or more news items** Negative press continues for more than a week
An incident of social nature (ie violent labor unrest, land occupation, dispute with local communities) is impacting the company and its supply chain	NA	Has not happened but is likely to happen	Is taking place		
An incident (ie environmental contamination or degradation; workplace accident) has happened within or around any of the company's sites, forest and farm land, or facility***	NA	NA	NA	Environmental damage; Injury; Discrimination at workplace	Environmental disaster; Severe or multiple injuries; Death; Criminal and/or illegal activities
Civil or criminal legal sanctions or penalties of any nature that could lead to a Material Adverse Effect (as defined in the Loan Agreement) against the company and its subsidiaries	NA	NA	Sanctions or penalties are threatened		Sanctions or penalties have emerged
ACTIONS – During an incident or crisis	Level 1	Level 2	Level 3	Level 4	Level 5
The company is immediately required to communicate the incident or crisis to &Green	NO	NO	NO	YES	YES



Monitor traditional and social media platforms	For one week (starting from the day the incident has been identified)	For two weeks (starting from the day the incident has been identified)	For the whole duration of the crisis	For the whole duration of the crisis	For the whole duration of the crisis
All enquiries, news items, social media posts, company's responses must be registered in a log	NO	YES	YES	YES	YES
Creation of a social media (ie Whatsapp) group for immediate coordination among the ICC Team members	NO	NO	YES	YES	YES
Holding statement	NO	Can be drafted	Must be drafted within one week (starting from the day the crisis has been identified).	Must be drafted within 24 hours (starting from the day the crisis has been identified) for potential publication	Must be drafted within 12 hours and published within 24 hours (starting from the day the crisis has been identified)
Appointed media spokesperson (who must have received media training)	NO	NO	YES	YES	YES
Senior member (s) from the company is required to step in	NO	NO	YES	YES	YES
ACTIONS – After an incident or crisis	Level 1	Level 2	Level 3	Level 4	Level 5
A crisis should be de-risking from the 'conditions' of level 5, 4 or 3 to the 'conditions' of level 2 or 1 (ie one to three news items or signals of unrest). A crisis or incident can be considered over when it can no longer be fit into the matrix.	ALL incidents require monthly monitoring for three months after it is considered over; and then no further monitoring is required		ALL crises require weekly monitoring for one month after it is considered over; and then monthly monitoring on a continuous basis		



Definitions

* **Negative press** is significant for &Green, client and its stakeholder if it directly relates to:

Client's activities (especially if relevant to &Green related programs) or are considered a serious matter against the reputation of the company or of the major shareholders and affecting their 'license to operate as a business'.

&Green and its investors (i.e. Unilever, NICFI, etc.) to the extent that it relates to &Green's investment in Client.

** **A news item** is defined as:

A newspaper article

A public report

A social media post or comment

*** **The scope** of any company's sites, forest and farmland, or facility must be specified for all transactions as defined in the LPP.

ANNEX 1

5.3.6 Notification of Incidents. The Borrower shall, and shall cause each of its Subsidiaries to, promptly, but in any event within five (5) days counted from the occurrence thereof, provide to the Lender (i) details of any incident of an environmental nature (including without limitation any explosion, large-scale forest fire, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination or degradation) or any incident of a social nature (including without limitation any violent labor unrest, land occupation, or dispute with local communities), occurring on any site, forest or farm land, equipment, facility or other Property of the Borrower or any Subsidiary thereof which has or is reasonably likely to have a Material Adverse Effect or which has a material negative impact on the environment, the health, safety and security situation, the parties' reputational standing or the social and cultural context, together with, in each case, a specification of the nature of the incident and the on-site and off-site effects of such events, and (ii) details of any action the Borrower proposes to take in order to remedy the effects of these incidents, and shall keep the Lender informed about any progress in respect of such remedial action.

5.3.7 Environmental and Social Claim. The Borrower shall, as reasonably practicable upon becoming aware thereof, inform the Lender in writing of (i) any Environmental and Social Claim being commenced against it or any of its Subsidiaries, and (ii) any facts or circumstances which will or are reasonably likely to result in any Environmental and Social Claim being commenced or threatened against it or any of its Subsidiaries, which has or could reasonably be expected to have a Material Adverse Effect.