+31 (0)70 744 8884
info@andgreen.fund
www.andgreen.fund

Basisweg 10, 1043AP
Amsterdam, The Netherlands

# STICHTING ANDGREEN.FUND

# INVESTMENT PRINCIPLES ANNEXES

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## CONTENTS

## ANNEX 1. PORTFOLIO RISKS

| RISK | DESCRIPTION | MITIGATION |
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| **Portfolio** | Portfolio Risk is an aggregate risk across the entire portfolio. The risk of the portfolio not being able to deliver on the objectives of the Fund or being over exposed to one risk. | - The Fund's policies require diversification across countries, sectors and borrowers.<br>- There are suitable skills and experience across the Board, CC and IA to develop an appropriate compliant portfolio. |
| **Availability of investment opportunities** | The success of the Fund depends upon the ability of the Investment Advisor to identify, recommend and consummate Investments that it believes will offer the potential for targeted returns and subsequently to realize them. The activities of identifying, completing and realizing an attractive Investment opportunity are competitive and involve a high risk of uncertainty.<br>There can be no assurance that the Investment Advisor will be able to identify and consummate a sufficient number of opportunities to permit &Green to invest all of its funds available for investment. | |
| **Non-diversified status of Investments** | Notwithstanding the Investment Restrictions, the Fund may, with regard to its Investments, not be able to achieve adequate diversification in respect of Borrowers, counterparties, credit quality, duration, maturity, geography, instrument and investment type, sector, capitalization, liquidity, volatility and/or currency. Consequently, the Fund's Investments may be subject to and experience greater risk and market fluctuation than a comparable entity that has investments representing a broader range of investment alternatives. | |

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| **Concentration of Investments** | The Fund may, especially during its first [five] years after establishment, hold relatively few, large investments in relation to the size of the Fund. The Fund could be subject to significant losses if it holds a large position in a particular Investment that declines in value or is otherwise adversely affected. Lack of liquidity may aggravate such losses significantly. It may not always be possible to dispose of such Investments without incurring significant losses. Potential profits may not always be immediately realizable and may therefore be lost prior to realization. | |
| **Credit** | Credit risk is the risk of loss of principal or loss of a financial reward stemming from a Borrower's or other obligor's failure to repay a loan or otherwise meet a contractual obligation. Credit risks from loans in emerging market countries such as the Eligible Jurisdictions may arise from a combination of counterparty risk, country risk and product-specific risks.<br><br>These types of risk are assessed during the credit approval and credit review process and administrated via, inter alia, responsible determination and negotiation of the tenor, structure, interest rate and security/collateral for each transaction; quarterly review of the credit risk of each investment in accordance with the Expected Credit Loss method for determining the provision for impairments; annual detailed review of each Borrower and active management of the relationship with the Borrowers. However, there can be no assurance that such procedures prove to be sufficient to mitigate credit risks, in particular where mid- to long-term credit agreements are entered into or where Borrowers are located in jurisdictions or active in economic sectors in which adequate quantitative or qualitative information may not be available. In addition, Borrowers may be subject to broader economic, political, | - Credit risk is monitored on a regular basis through qualitative and quantitative assessment of each of the Fund's borrowers **[Counterparty]**<br>- The IA has a robust process to determine the PD, LGD **pricing** of the credit risk (interest rate) and calculates **expected credit loss** (**ECL**) provisions in accordance with IFRS 9. [The ECL policy and model have been reviewed by industry experts and confirmed to comply with IFRS 9.]<br>- The Fund maintains cash accounts with large reputable financial institutions (e.g. Rabobank and Caceis). |

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| | social, regulatory, health and environmental events, trends and developments which (and the consequences of which) may not be fully known at the date of entry into a particular credit agreement.<br><br>Distress or defaults (or rumours about any such distress or defaults) by any (or more) of the Fund's Borrowers may result in losses for the Fund and failures or defaults of other institutions with which the Fund does business. | |
| **Country** | Many of the Eligible Jurisdictions are subject to a greater degree of economic, political and social instability than other, more developed countries, as a result of both internal and external factors, thus increasing the risk of material losses by the Fund.<br><br>This instability may result from, among other things, the following: (i) presence of authoritarian governments or military involvement in political and economic decision-making, (ii) internal insurgencies, (iii) hostile relations with neighboring countries, and (iv) ethnic, religious and racial disaffection. The social, political and economic instability significantly increases the risk, and could significantly and adversely affect the value of the loans extended to Borrowers within the affected countries. Governments in certain countries participate to a significant degree in their economies through ownership interests and/or regulation. Actions by these governments could have a significant adverse effect on the value of any loans in the affected countries.<br><br>Investment results may be adversely affected by developments in countries in which the Borrowers or other counterparties of the Fund are located. This may result in a partial or complete loss by the Fund as a result of the breakdown of the country's financial system. Such developments include, without limitation: war; civil | - JEC are stipulated and adhered to when the AB carefully selects investable jurisdictions.<br><br>- IA's local executives and partners advise on local political, regulatory, social, economic and environmental conditions.<br><br>- All risk functions, and particularly the IA, use all reasonable endeavours to operate with the full support of governments at national and jurisdictional level and in compliance with local laws and regulations.<br><br>- The IA monitors country risks regularly (at least quarterly) using the S&P Market Intelligence Country Risk Reports.<br><br>- [The commitment to obtain Free, Prior & Informed Consent (FPIC) for any activities that might affect customary or legal land rights should also help mitigate the risk of land tenure disputes affecting the Fund's operations and its clients.] |

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| | unrest, ranging from protests to civil war; changes in the political situation and/or government of a country; acts of terrorism; expropriation; and inability to transfer moneys cross-border or convert moneys to hard currency.<br><br>In some of the countries where &Green operates, it may benefit from a de facto preferred creditor status. However, no assurance can be given that the Fund will be treated as a preferred creditor in prevailing circumstances at all or in relation to any loan and no assurance can be whether or not this benefit extends to any participation by the Fund in any loan. | |
| **Market** | Markets may rise and fall and the prices of financial instruments, loans and loan participations, and other assets on the financial markets in general, and more specifically the prices of assets of the nature and type the Fund may invest in and hold, can rise and fall. A careful selection and spread of investments does not provide any guarantee of positive results. There may be various reasons why markets fall, such as recessions caused by a change in the economic business cycle or a pandemic outbreak.<br><br>The Fund invests in agricultural commodities in emerging markets. | - Contributors have specifically identified &Green for focus on debt to agri-commodities in emerging markets in order to mitigate the significant negative environmental and social impacts that increased commodity production can have and are therefore willing to take the associated market risks.<br>- Skilled and experienced advisors select good operators in sectors with positive outlooks in approved jurisdictions. |
| **Interest Rate** | Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.<br><br>Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. | - The Fund's interest rates are generally fixed, with no reference to market rate.<br>- The Fund holds its investments to maturity and therefore it accounts for the investments at amortised cost. |

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| | Interest rate risk primarily results from exposure to the volatility of interest rates. | |
| **Currency** | As certain of the Fund's Investments may be denominated in currencies other than the Base Currency, while the Fund's accounts for the Notes will be denominated in the Base Currency, returns on certain Investments may be significantly influenced by currency risk. An example is that a loan is denominated in BRL, while the Notes are denominated in USD, the Base Currency of the Fund.<br><br>Although the Fund will hedge against a decline in the value of the Fund's Investments not denominated in the Base Currency resulting from currency devaluations or fluctuations, the Fund may not always be successful in realizing appropriate hedges under acceptable conditions. Consequently, the Fund shall be subject to the risk of changes in relation to the Base Currency value of the currencies in which any of the Investments are denominated.<br><br>The ability of Borrowers to repay their loans might also be affected by changes in the value of a currency. A decrease of the value of such currency in relation to the currency of the loan, e.g. BRL, granted to the Borrower, could decrease the ability of the Borrower to meet its obligations, possibly causing defaults on such loans thus lowering the value of any investment of the Fund in such loans and, consequently, lowering the Net Asset Value. Currency controls imposed by governments could further increase the risk of the Borrower not being able to repay its loans, resulting in defaults and a lower Net Asset Value. | - The Fund's investments are predominantly denominated in USD, which is the Fund's functional currency.<br>- Where the Fund extends credit in currency other than USD, and provided it is available and cost-effective, the Fund may hedge the currency risk or retain funds in foreign currency and rotate funds into new transactions within the same currency zone in order to mitigate the impact of foreign currency fluctuations. |
| **Commodity Price** | The Fund will finance agricultural commodity production which exposes it to volatile and cyclical commodity prices. This may | - Diversify across commodities and jurisdictions. |

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| | impact the performance of the borrowers, and result in them being unable to meet their repayment obligations. | - Well established markets with growing demand and a positive outlook are selected. |
| **Interest Rate risk** | An investment in a Borrower may involve the risk that subsequent changes in market interest rates adversely affect the value of the Loan. Changes in interest rates can both directly and indirectly affect the Net Asset Value.<br><br>The value of loan participations may decrease if the market interest rate increases, while the ability of Borrowers to repay their loans might be affected by changes in interest rates. | - &Green borrows and lends on fixed rates. |
| **Inflation** | Due to inflation, the relative value of a Loan may decline. | - The Fund will not specifically hedge inflation risk or take other measures to mitigate this specific risk. |
| **Market Liquidity** | All or some of the Fund’s Investments may be in assets which are illiquid or may become illiquid under certain market conditions. Accordingly, it may not always be possible to purchase or sell those assets for their expected value or, if applicable, the prices quoted on the various exchanges. The Fund’s ability to respond to market movement or other facts and circumstances (potentially) impacting the value of an Investment may be impaired and the Fund may experience severe adverse price movements upon liquidation of its Investments. | - General policy is to hold debt transactions until maturity and the Fund does not intend to sell its debt positions.<br>- Majority of borrowers generate regular cash inflows to the Fund through regular repayments of interest and principal.<br>- The Fund financing structures are innovative and can be structured to suit the business cycle of the borrower. |
| **Investments in non-publicly traded assets** | The Fund expects to primarily invest in non-publicly traded assets. In the absence of any liquid trading market for these Investments, such assets may be hard to liquidate and the Fund may not realize the full value thereof. The same adverse effect on the Fund may follow from contractual or other legal restrictions on the Fund’s ability to divest. Moreover, companies whose securities are not | - Same as above. |

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| | publicly traded may not be subject to the disclosure and other investor protection requirements applicable to companies whose securities are publicly traded.<br><br>Valuations of Investments in non-publicly traded assets will be made with all appropriate diligence and in accordance with market standards. However, no guarantee can be given that the value attributed to such asset is entirely accurate. Therefore, the Net Asset Value may not accurately describe the amount, which may be realized upon sale of the Investments of the Fund. | |
| **Counter-party** | Internal and external risks associated with the ability of a borrower to act in a manner consistent with the terms and conditions of its contractual agreements with the Fund.<br><br>The Fund will provide debt finance to commodity producers and will have limited to no role in the governance of those companies.<br><br>The Fund will participate in loans extended to Borrowers. Other parties might participate in the same or in a similar manner or act in parallel with the Fund and in such instances unilateral rights or majority lender consent structures may be applicable. The Fund may in its sole discretion decide to accept or grant such rights or consent structures. Therefore, no assurance can be given that matters in relation to a loan or loan documentation for which the Fund has been granted a voting right can or will be decided upon and executed in accordance with the vote the Fund has given. | - The IA performs intensive checks in order to pre-select quality potential borrowers through a rigorous due diligence.<br>- Mandatory onsite due diligence (unless impossible to do so and a reasonable alternative is possible).<br>- Relationship with the Counterparties are actively managed by the IA and the quality of the counterparty is regularly monitored.<br>- Potential for attendance at governance meetings as an observer (or possibly member).<br>- Debt covenants enabling the Fund to terminate a loan and recall its capital in the event of material breaches.<br>- The Fund has strong MRV requirements enabling effective monitoring of compliance.<br>- The Fund's Code of Conduct provides the ethical framework in which the Fund operates. It contains an overview of the values, commitments, responsibilities and integrity that the |

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| | | Fund stands for, including living by the 'zero tolerance' principle when it comes to bribery, fraud and corruption. |
| **Default** | Risk of a borrower defaulting on its borrowings from the Fund through non-payment of either interest and/or on their principal repayment.<br><br>In certain instances, where a Borrower has defaulted on its obligations vis-à-vis the Fund and/or other lenders and a restructuring of the loan is negotiated and agreed to, it may be possible that the outstanding amount of the loan and/or (future) interest, as the case may be, is converted into equity in part or in whole. This may adversely impact the risk profile of the Fund as the Fund will be exposed to equity risks rather than credit risk, as well as adversely impact the value of the Investment and therefore the Net Asset Value. | - The IA continually monitors the financial covenants.<br>- Relationships with the Counterparties are actively managed by the IA and the quality of the counterparty is regularly monitored. |
| **Insolvency** | Risk of a borrower going insolvent and being unable to settle all of its liabilities. | Financial covenants are included to provide early warning signs and those covenants are continually monitored.<br><br>Rigorous financial due diligence conducted by the IA to determine the quality of a prospective borrower's balance sheet. |
| **Subordination Risk** | Loans are subject to the risk that a court could subordinate a loan, which might hold the most senior position in the Borrower's capital structure, to presently existing or future indebtedness or take other action detrimental to the holder of such loans. Further subordination of subordinated loans might even occur. | Rigorous legal and commercial due diligence conducted by the IA. |

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| **Reputation** | The Fund specifically invests in sectors that have historically been responsible for varying degrees of deforestation (e.g. palm oil, cattle and soy) and these sectors receive a lot of attention from media and NGOs. Should a negative report emerge, it could prejudice the ability of the Fund to raise further capital, build its pipeline and find good partners.<br><br>An investment that is found not to achieve the objectives of the Fund exposes the Fund to the risk of a negative reputation. | Enhanced Communications and Stakeholder management including a crisis management protocol.<br><br>Necessary covenants (especially E&S) included in the agreements with borrowers.<br><br>Active management of investment in Borrowers and Borrower compliance.<br><br>High levels of transparency and public accountability with a Complaints notification channel (via phone, email, post or on the website.) |
| **Funding Liquidity** | The Fund is exposed to the risk that its cash resources are not managed in a way that enables it to meet its obligations. This risk primarily arises from the maturity mismatch in the Fund´s assets and liabilities.<br><br>Furthermore, delays and restrictions in the repatriation of investment income and principal can further aggravate liquidity risk for the Fund.<br><br>The risk that the Fund is unable to raise sufficient capital to finance the growth of the portfolio. | Significant grant and redeemable grant funding, which are not required to be repaid, or are required to be repaid subject to going concern and liquidity thresholds for the Fund.<br><br>Adequate commitments and cash deposits from contributors and short-term finance to draw on. Bridging facilities available from Fund's bankers where a bridge is required to a certain receipt.<br><br>Liquidity Management policy is managed by experienced executives with cash management support from the AA and transaction management by the IA.<br><br>Transactions are structured to suit the Fund's liquidity profile.<br><br>Reconcile fixed interest rates with contributors and with borrowers, whilst managing the direct operating expenses regularly (at least weekly). |

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| **Derivative Instruments Risk** | The Fund may make use of derivatives within the limits set out in the Investment Restrictions.<br>(a) Margin and Leverage<br>The derivatives used may be highly volatile and may expose the Fund to a high risk of loss. Potential initial margin deposits required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss, which is high in proportion to the amount of funds actually placed as initial margin and may result in losses exceeding the margin deposited.<br>(b) Liquidity Risk<br>Transactions in over-the-counter derivatives may also involve additional liquidity risk, as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, assess the value of a position or assess the exposure to risk. In adverse market conditions, there may be virtually no liquidity with very significant price movements as a result, which could lower the Net Asset Value of the Fund significantly within a short period of time.<br>(c) Hedges<br>Appropriate hedges may not at all times be available to the Fund to cover the risks posed by derivative transactions which it enters into. Therefore, the Fund may not be able to limit losses incurred in those transactions or may only be able to close out a position at significant costs to the Fund. | |

# ANNEX 2. ESMS OVERVIEW

An Environmental and Social Management System (ESMS) is an overarching framework that enables the operationalization of the Investment Principles of the Fund. The ESMS allows &Green to integrate environmental and social considerations into its investment process in a systematic, coherent and transparent manner. It outlines 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 upon 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 is accessible on the Fund's Sharepoint, providing easy access to all system's documents, tools and references.

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.

## 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 the implementation of the 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.

## E&S RISKS AND IMPACT MANAGEMENT

The &Green Fund assesses and manages the 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).

### 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), a system which evaluates a jurisdiction's forest and/or peat protection agenda, to gauge whether the 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 design of Transformation Change rationales. The jurisdictional profiles can be found on the Sharepoint's 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 application of the System and its elements seeks to identify material environmental and social risks and impacts of the invested projects as early as possible, to mitigate and manage them through measures described in LPP. The monitoring of the implementation of such measures is conducted through the ESAP which is systematically audited by third-party.

Compliance with IFC PS, also monitored and verified by third party, encourages the continuous improvement of the clients' own environmental and social management systems.

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) and ESAP that contains TC- and risk-related milestones[1], impact targets, IFC PS matrix.

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

### 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.

### 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

[1] These milestone refer to mitigation of material environmental and social risks that are not covered by IFC Performance Standards, such as SEAH, human rights and similar.

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 (land cover maps, IBAT maps, indigenous lands maps, etc.), RepRisk and general searches;
- 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.

### 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 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. 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.

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

### Defining the Scope

The Fund adopts a dual approach to screening, monitoring and management of Environmental and Social aspects of its investments. The 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.

### 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).

### 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 considerations in the 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.

### 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.

&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.

This assessments includes a high-level check on SEAH-related risks, derived from the jurisdictional assessments, as well as an assessment of media publications related to SEAH for the investee and affiliated companies, and an initial check of the policy framework in place to address SEAH-related risks.

### 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:

### 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.

### 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 the 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.

### 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 (MRV) 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.

### 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. In the case of a gender-sensitive project, the high-level gender assessment will inform the scope of the Environmental and Social Impact Assessment (ESIA) that is a standard part of &Green's Environmental & Social due diligence process. The ESIA standardized Terms of Reference will include a focus on gender risks, including SEAH-related risks, and how to mitigate these during the investment lifetime. In the case of a gender-transformative investment, in the due diligence stage, the high-level gender assessment will be used as a background to set up in-depth gender analysis conducted by technical experts, using the IDH methodology as an entry point).

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 plan [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.

### 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 (BAU) Scenarios and Project Scenarios for different landscape elements;
- Stakeholders and their roles in the landscape and in the project;

[2] 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.

- ESAP that includes transformational change and risk mitigation related milestones (for E&S risks not covered by IFC PS), impact targets, IFC PS matrix; and
- Monitoring, Reporting and Verification strategy and schedules.

### 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.

### 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.

## ANNEX 3. EXCLUSION LIST

**&Green List of Excluded Activities**

1. Forced labor [3] or child labor [4]

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. Destruction [5] of High Conservation Value areas [6].

5. Radioactive materials [7] and unbounded asbestos fibers.

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 activities [8]:

   a) Alcohol beverages (except beer and wine)

   b) Tobacco

   c) Weapons and munitions; or

   d) Gambling, casinos and equivalent enterprises.

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[3] 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.

[4] 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.

[5] 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.

[6] 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).

[7] 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.

[8] 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.

# ANNEX 4. JURISDICTIONAL ELIGIBILITY POLICY

## Purpose and Scope

The andgreen.fund (hereinafter: the Fund) shall invest exclusively in projects located in jurisdictions where the authorities demonstrate commitment to, and are making progress on, reducing deforestation. The purpose of the Jurisdiction Eligibility Criteria ("JEC") and the Jurisdictional eligibility assessment and approval process is therefore to help the Fund select jurisdictions where it can invest.

The term "jurisdiction" refers to a national or sub-national administrative unit, with national or subnational governance structures endowed with the requisite political and decision-making authority to sustainably manage, preserve and monitor forest and/or peatland natural resources. The approach recognizes that within a sub-national unit, there may be areas under the decision-making authority of the national/federal government, in which case the jurisdictional authority will be expected to engage actively with the national/federal level to facilitate the needed actions.

Each Fund project must be assessed and approved in accordance with a two-step assessment:

1) Firstly, jurisdictions in which the Fund may invest must be approved by the Advisory Board ("AB") and fulfil the JEC as defined in this document;

2) Secondly, each potential project must be approved by the Board of Directors based on a recommendation from the Credit Committee ("CC"), which shall conduct an assessment in accordance with the Lending Guidelines and the Environmental & Social requirements as laid out in the Environmental & Social Management Systems ("ESMS").

## Jurisdictional Eligibility Criteria

The Fund shall invest exclusively in projects located in jurisdictions that fulfil the JEC, as assessed and approved by the AB. The JEC shall be the same for all jurisdictions in which the Fund invests. However, the interpretation of the five criteria of the JEC will be tailored to the specific jurisdiction. For Least Developed Countries ("LDCs"), there will be additional flexibility in defining the jurisdictions and assessing eligibility[9].

Specifically, the fulfilment of criteria 1 and 2 is obligatory when a jurisdiction is assessed for the first time. Furthermore, work also needs to have started on criteria 3, 4 and 5. Work in progress can be verified, e.g. by official government plans (official drafts sufficient if publicly available/under consultation), (draft) policies, approved legislation, budgetary allocations, and implementation of existing policies/regulations.

For subsequent assessments, measurable progress must have been achieved in respect of criteria 3, 4 and 5.

**The five criteria of the JEC are:**

[9] The Board of Directors ("BoD") should seek advice from AB prior to initiating a JEC assessment in a new LDC jurisdiction.

**Criterion 1 – Scope:**

The amount and quality of forest and/or peatland potential of the jurisdiction is such that it could be classified as significant and highly relevant from a global perspective on environmental conservation and climate change mitigation grounds.

**Criterion 2 – Ambition and strategy:**

A clear quantitative target against historic rates of gross deforestation[10], which also reflects or goes further than established national targets, and a feasible strategy to reduce deforestation, and as relevant, forest and peatland degradation and restoration, within a specified timeframe, adopted and approved for the jurisdiction. Strategy development should have included an inclusive multistakeholder consultation process and the strategy should include quantified and time bound milestones towards reduced deforestation, and a plan for strengthening the enabling environment.

**Criterion 3 – Progress:**

Timely progress towards milestones of the strategy, including implementation of key policies, and measurably on a trajectory towards the targets for reduced deforestation. This criterion builds on criterion 2, and asks for documentation on progress pertaining to ambition and strategy as per targets set for the jurisdiction.

A combination of the following indicators can be used to assess this progress:

- Is the jurisdiction keeping to the quantified, time-bound targets as per the official strategy?
- Is there a progress report(s) prepared and made public by the jurisdiction?
- Is there verifiable improvement in the enabling environment, i.e. a combination of improvements on any of the following:
    - Enhanced legal and regulatory framework – including but not limited to tenure and land use planning and, where applicable, national/subnational linkages
    - Strengthened capacity in terms of number of qualified staff, essential systems, and operational resources (support staff, civil works, goods and services)
    - Actual vs planned budgetary allocations to support implementation of the official strategy.

[10] Based on national forest definitions for native forests (excluding harvesting from tree plantations).

**Criterion 4 – Monitoring, reporting and verification ("MRV"):**

A transparent system is operational at relevant jurisdictional level for monitoring, measuring, reporting and verifying reductions in deforestation and, where relevant, forest and peat degradation and restauration, against an established baseline. The system is linked to an annual reporting schedule with full transparency and openness to undergo independent verification.

Progress on this criterion can be measured with a combination of the following indicators:

- A forest monitoring system to measure results against the baseline in a consistent manner, building on or being integrated with the national forest monitoring system;
- Regular progress reports that are publicly available and contain quantitative data measuring change against baselines;
- Requests for independent verification have been granted without unreasonable delays.

**Criterion 5 – Social and environmental safeguards:**

In accordance with the Cancun Agreement, at the national level, the appropriate policies and legal and regulatory frameworks (including relevant safeguards) are in place to mitigate the social and environmental risks associated with implementing the strategy.

Progress on this criterion can be measured as progress towards the implementation of the Cancun Agreement.

### Interpretation of the JEC

The interpretation of the JEC is applied to the local context. Interpretation of the JEC 1-5 is therefore jurisdiction-specific, and will be developed by the Investment Advisor ("IA") for each jurisdiction.

The initial Jurisdictional assessment report for any jurisdiction will create localized indicators – which serve as the baseline – and targets on which the regular bi-annual reassessments (or other ad hoc assessments requested by the AB) are to be based.

### Assessment and Approval Process

The JEC assessment and approval process comprises the following steps:

- Jurisdictional eligibility assessments will be prepared by the IA. These assessments must be approved by the AB, which normally meets twice a year;

- The IA will produce a Jurisdictional assessment report for each jurisdiction. Multiple jurisdictions may be covered within the same report as long as each is independently measured against the same criteria;

- The Jurisdictional assessment report will verify that an inclusive multi-stakeholder consultation process has taken place when developing the strategy described under Criterion 2 above.

- The Jurisdictional assessment report will be based on desk research and analysis performed by the IA. The report should focus where possible on quantitative, relevant information; with the main document being less than five pages in length.

- The IA submits the report to the Board of Directors ("BoD"), who will forward the report to the AB, without providing an assessment of or recommendations related to the content of the report.

- Based on the report, the AB will provide binding advice to the BoD as to whether the jurisdictional eligibility assessment by the IA is approved;

- The Fund may transact in a jurisdiction only after the BoD has received written approval of the Jurisdictional eligibility assessments from the Chair of the AB;

- The AB will provide binding advice to the BoD within 30 days of the Board meeting during which it was discussed;

- All successful Jurisdictional assessment reports submitted to the AB will be published on the Fund's website after the AB's decision, including a short explanation in the event of a change in the decision of the AB from previous decisions on a particular jurisdiction;

- The IA will manage queries from the public related to these public reports. However, the AB is responsible for providing any formal public response if required;

- Every two years the jurisdictional eligibility assessment report will be updated by the IA and re-submitted, via the BoD, to the AB for its binding advice. Material issues related to the JEC may warrant an earlier reassessment. The IA may initiate on its own initiative, and the AB may request, via the BoD, a reassessment if there is cause to believe that material changes have occurred, affecting the eligibility of the jurisdiction.

- In the event of a non-approval of the eligibility of a jurisdiction, all further investment into that jurisdiction for that year are suspended.

- Potential transactions for which the IA can provide a Term Sheet for a project that was approved (and signed off) for Due Diligence by a representative member of the Credit Committee, prior to the updated jurisdictional assessment (in a situation where the previous eligibility assessment resulted in approval) may still be executed, subject to further project approval.

- In the event of a non-approval of the eligibility of the jurisdiction, a new assessment can be made the following 6 months, for AB approval, if the policy environment in the jurisdiction has improved.

    - Re-assessments are only required if there is an interest by the IA to initiate negotiations for new investments.

## ANNEX 5. 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 invests 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”.

## ANNEX 6. 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 of &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.

# ANNEX 7. 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. <u>Complaints Officer</u>

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. <u>Investigation of the complaint(s)</u>

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. <u>Answer to the complaint</u>

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.

## ANNEX 8. IMPACT 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' 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.

### 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 rehabilitated [11]. 'Forest' uses national definitions relating to crown cover, minimum area, land use type, and excludes plantation forests. Any reversals are deducted.

**KPI3: #t$CO_2$e of Climate Benefits**

Monitors the mitigation benefits in tonnes of Carbon Dioxide equivalent (t$CO_2$e) from emissions *reductions* plus emissions *sequestration*. Emissions reductions are generated from changes in farm management practices. Emissions sequestration results from regrowth and densification in

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

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**

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.

### 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.

### 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:

**T**ransparent; **R**elevant; **A**ccurate; **C**omplete; **C**onsistent; **C**onservative [12].

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 the 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
    - investment
    - portfolio
    - annually and cumulatively.

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

- maintaining, protecting and/or extending existing activities [13];
- improvements, increases or gains above the baseline or base year;
- activities within the Area of Influence as defined in the ESMS [14];
- 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

[12] For further detail, refer to the 'Principles' section of the GHG Protocol: https://ghgprotocol.org/corporate-standard

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

[14] Primarily defined by IFC PS and the Net Gain Framework.

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 material [15] 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 (AoI) 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.

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 below [16]), 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.

The IFC PS and Net Gain requirements apply within the AoI, and generally [17] 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 |

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

[16] 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.

[17] 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.

| | | | |
|---|---|---|---|
| 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 review [18] 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.

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

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

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.

## ANNEX 9. FOREST & BIODIVERSITY FRAMEWORK

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.

### 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).

**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).**

## 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**.

### Scope definition

**Geographical scope:** Independent approaches have been designed for two investment scenarios; site-based [19] and supply-chain [20] context (or a combination of both). In any case, the assessment is GIS-based [21], with Area of Assessment (AoA) polygon(s) used 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.

**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.

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[19] **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.

[20] **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.

[21] **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.

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

### Assessments of preliminary 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 if 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, the E&S specialist will assign the risk category[22].

#### 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 rages 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

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

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 areas [23]:

- 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.

The 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.

To apply the Exclusion List check and record the findings, use the "Exclusion List" tab of the E&S Screening template.

### 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 operates in- predominantly Modified Habitat.

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

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

*Table 1. 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. |

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

| | |
|---|---|
| **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.

## 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's 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, the 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).

### 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 address impacts on Great Apes or other endangered species, 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).

### 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.

### 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 expressed in percentage of compliance being contractually binding.

### 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.

### Landscape Protection plan narrative

The narrative is constructed using a guided template.

## ANNEX 10. INDIGENOUS PEOPLES PLANNING FRAMEWORK

### Introduction

&Green recognizes 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 7[24] 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:

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[24] 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 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** | • Identify potential IP communities within the Project area of influence during the in-house E&S Screening.<br>• If one or more IP communities are identified during the E&S Screening, address the requirement of detailed impact assessment in ESIA.<br>• Refer to Box for the IP-specific requirements to be factored into the ESIA process. |
| **Participation and Consent** | • 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.<br>• Consultation should start as early as possible in the risks and impacts assessment process.<br>• 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.<br>• 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.<br>• Specialists shall be engaged to assist Projects to design and implement an appropriate approach to meaningful consultation and participation. |
| **Institutional Arrangements** | • The following institutional arrangements will be established[25] by the Client in the Project area of influence where IP communities are confirmed to exist:<br>- Grievance mechanism and management process that is culturally appropriate and accessible for IP communities;<br>- Access to IP experts to support with ongoing management of IP-related commitments;<br>- Project information available in an understandable format, using indigenous languages where appropriate;<br>- An Indigenous Peoples Plan (IPP) specific to the Project and proportionate to potential risks and impacts (see Box 4). |
| **Impacts on traditional or customary lands[26]** | • 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.<br>• 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.<br>• As part of the FPIC process the Client will: |

[25] Obeying the applicable national legislation.

[26] 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 |
|---|---|
| | - Document efforts to avoid or at least minimize the proposed Project footprint;<br>- Document land uses in collaboration with the affected IP communities without prejudicing their land claim;<br>- Inform affected IP communities of their rights with respect to their land under national laws, particularly those recognizing customary rights or use;<br>- 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<br>- Enter in to good faith negotiations with the affected IP communities and document their informed participation and outcomes of consultations. |
| **Relocation of indigenous peoples** | • The Client shall consider alternative Project designs to avoid relocation of indigenous peoples from their communally held traditional or customary land.<br>• 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:<br>- free, prior and informed consent has been obtained as per requirements of IFC PS&<br>- they are authorized by national law;<br>- 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;<br>- they are in compliance with IFC PS and national legislation.<br>• &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.<br>• 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** | • 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:<br>- their rights under national laws;<br>- the scope and nature of the proposed commercial development; and<br>- the potential consequences of such development. |
| **Development Benefits** | • 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.<br>• The benefits and the agreed process for sharing benefits will be documented in the IPP (and in the Project's Community Development Program) 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)** | • Description of the Project and potential issues or impacts on indigenous peoples, including an indication of any potential impacts that are expected to affect IPs differently to other groups within the affected community.<br>• 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.<br>• Assessment of the potential adverse impacts on IPs and benefits to IPs that are likely to be associated with the Project.<br>• 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** | • Engagement with IP communities shall be undertaken in accordance with the standard requirements IFC PS1 and in addition will:<br>- Involve IP representative bodies and organizations (e.g. councils of elders or village councils) as well as members of the affected communities of IPs;<br>- Be inclusive of both women and men and of various age groups in a culturally appropriate manner;<br>- Respect and provide sufficient time for the decision-making processes followed by the IP community; and<br>- 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.<br>• 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)** | • In some specific cases, it will be necessary to obtain Free, Prior and Informed Consent (FPIC) from the IP community.<br>• The circumstances in which FPIC is required are where:<br>- The Project may lead to impacts on lands and natural resources subject to traditional ownership or under customary use (IFC PS7 paragraphs 13-14);<br>- 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<br>- 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).<br>• 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.<br>• The IPP will describe the basis of the determination as well as the consultation process undertaken. |
| **Assessment of Vulnerabilities** | • 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.<br>• 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.<br>• The analysis of vulnerability will include consideration of IPs: |

| Topic | Description |
|---|---|
| | - Economic, social and legal status;<br>- Status, including under national and customary law, of the lands, territories and resources to which they have collective attachment (see below);<br>- Institutions, customs, culture and/or language;<br>- Dependence on natural resources, including through customary and traditional livelihoods; and<br>- Past and ongoing relationship to dominant groups and the mainstream economy. |
| **Collective Attachment** | • The ESIA shall determine the level and type of collective attachment that may exist among the IP community.<br>• 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.<br>• Refer to Box 3 for further guidance on the interpretation of the term 'collective attachment'. |
| **Consideration of Differential Impacts** | • 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.<br>• 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.<br>• 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** | • 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.<br>• The Client shall seek to avoid such impacts and instead explore viable alternative Project designs in consultation and with the participation of IPs.<br>• 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.<br>• 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:<br>- 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;<br>- 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;<br>- IP communities that have lost collective attachment to lands and territories affected by the Project because of forced severance, conflict, involuntary resettlement programs 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 Program. 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** | • 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.<br>• 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** | • Summary of key findings, analysis of impacts, risks and opportunities<br>• 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** | • 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.<br>• 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)** | • 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.<br>• Description of the measures to be adopted for the conservation, management and sustainable utilization 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** | • 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.<br>• 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** | • 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** | • 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** | • Description of the appropriate procedures to address grievances by IPs arising from Project implementation and operation.<br>• 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.<br>• 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.<br>• 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.<br>• 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** | • 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** | • Description of the monitoring, evaluation and reporting mechanisms, including responsibilities, frequencies, feedback and corrective action processes.<br>• 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.<br>• Participatory monitoring such as community-based monitoring and information systems shall be considered and supported. |

## ANNEX 11. 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. The term “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 the adoption of 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 PS5[27] 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

[27] 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, basic[28] 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 date[29]. 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 a 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.

[28] Other criteria may take place on case by case basis as per detailed eligibility analysis.

[29] 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 | • General description of the project and identification of the project area.<br>• Description of the potential impacts including:<br>- the project component or activities that give rise to resettlement; the zone of impact of such component or activities;<br>- the alternatives considered to avoid or minimize resettlement; and<br>- the mechanisms established to minimize resettlement, to the extent possible, during project implementation. |
| Purpose and Objectives | • Outline the purpose and main objectives of the resettlement program |
| Supporting Studies | • 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 | • Description of the relevant laws of the host country, client policies and procedures, performance standards.<br>• Overview of the national, regional and local political and institutional structures; civil society and non-governmental organizations that may have an interest in the Project. |
| Stakeholder Engagement | • 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.<br>• 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 | • 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 | • 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 | • Definition of the methodology to be used in valuing losses to determine their replacement cost.<br>• 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 | • Summary of the number of persons, households, structures, public buildings, businesses, croplands, religious or spiritual structures, etc., that will be affected. |
| Entitlement Framework | • Framework showing all categories of affected persons and what options they were/are being offered, preferably summarized in tabular form. |
| Livelihood Restoration Measures | • The various measures to be used to improve or restore livelihoods of displaced people. |
| Resettlement Sites | • 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 | • 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 | • 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. |
| Organizational Responsibilities | • Organizational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services; arrangements to ensure appropriate coordination between agencies and jurisdictions involved in implementation; and any measures (including technical assistance) needed to strengthen the implementing agencies' capacity to design and carry out resettlement activities; provisions for the transfer to local authorities or resettlers themselves of responsibility for managing facilities and services provided under the project and for transferring other such responsibilities from the resettlement implementing agencies, when appropriate. |
| Implementation Schedule | • 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 | • Tables showing itemized cost estimates for all resettlement activities, including allowances for inflation, population growth, and other contingencies; timetables for expenditures; sources of funds; and arrangements for timely flow of funds, and funding for resettlement, if any, in areas outside the jurisdiction of the implementing agencies. |
| Monitoring, Evaluation and Reporting | • Arrangements for monitoring of resettlement activities by the implementing agency, supplemented by independent monitors to ensure complete and objective information; performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities; involvement of the displaced persons in the monitoring process; evaluation of the impact of resettlement for a reasonable period after all resettlement and related development activities have been completed; using the results of resettlement monitoring to guide subsequent implementation. |

## ANNEX 12. 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' (Appendix 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 2 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 3 Risk Categorization*

| | **Incidents** | | **Crises** | | |
|---|---|---|---|---|---|
| CONDITIONS<br>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;<br>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.

Appendix 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.