



## ANNEX 5: PHUC SINH ACTION PLAN (ESAP) AND ASSOCIATED TARGETS

Phuc Sinh is committed to enhancing its environmental and social management system and achieving full compliance with IFC Performance Standards (IFC PS) by 2027, setting a blueprint of E&S management for local commodity producers and traders.

Additionally, Phuc Sinh will work towards achieving full farm-level traceability and NDPE compliance for its coffee farms participating in its Sustainability Program. This milestone is set to be reached by 2025, aligning with the EUDR (European Union Due Diligence Regulation) cut-off date and establishing a consistent GIS-based monitoring system. While the farms currently enrolled in Phuc Sinh's Sustainability Program are located in the landscape with no remaining native forest, the experience gained in setting up the monitoring program and protocols will pave the way for the next step – achieving traceability of the conventional supply chain in districts that still possess native forests and are therefore exposed to deforestation risk.

As a result, Phuc Sinh is dedicated to developing GIS-based NDPE risk maps for its conventional coffee supply chain, achieving full landscape-level traceability of this supply chain by 2028. The deforestation risk assessment will take into account both historical deforestation rates and drivers, while also factoring in the potential impact of climate change<sup>1</sup>, which may lead to shifts in coffee production to higher altitudes. In areas with a high risk of deforestation, Phuc Sinh plans to implement a risk mitigation program, potentially in alignment with local government efforts. Furthermore, the company aims to identify at least 300 conventional suppliers in the high-risk areas, bringing them into the farm-level traceability system and thereby enabling access to the EUDR-compatible market.

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

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

Phuc Sinh will report its progress of LPP implementation using the template to be provided by &Green. The frequency and the scope are provided below:

REPORTING SCOPE	2024 - 2025	2026 FORWARD
<b>A.</b> Progress on implementation of the strategic items, as per Table 1	2 per year: Self-report by Phuc Sinh, and Annual independent audit	Annual independent audit
<b>B.</b> Monitored figures of environmental and social return targets	Annual independent audit	Annual independent audit
<b>C.</b> IFC Performance Standards compliance	Annual independent audit	Annual independent audit

<sup>1</sup> Based on the climate risk assessment report to be provided by SAIL Investments.



## Definitions

The following definitions will apply:

**Active suppliers:** suppliers (individual and/or aggregate) from whom Phuc Sinh purchased coffee and pepper in the reporting period.

**Aggregate suppliers:** entities that intermediate the purchases of commodities, i.e. intermediaries, traders, cooperatives, resellers etc, and with whom Phuc Sinh firms the supply contracts to purchase coffee.

**Reporting period:** standard calendar year from 1 January to 31 December of each year. Review/independent verification of ESAP items should therefore be performed and reported to &Green by March 31 of each year, corresponding to ESAP activities accomplished in the previous calendar year. The first independent review will take place in January 2025 and cover the 2024 calendar year.

**Compliant suppliers:** suppliers of coffee that are compliant with NDPE Policy of Phuc Sinh. The compliance can be assessed either on the farm or landscape level. Typically, conventional suppliers will be traceable on the landscape level.

**Cut-off date (related to no-deforestation commitments):** the date after which deforestation renders a given area or production unit non-compliant with no-deforestation commitment. For the suppliers participating in the sustainability program of Phuc Sinh, the cut-off date is December 31, 2020 (in line with EUDR regulations). For the conventional supply chain landscapes, the cut-off date is December 31, 2023.

**Deforestation free:** Phuc Sinh can demonstrate through third party verifications that coffee and pepper purchased by the company comes from production areas that are in compliance with the Phuc Sinh Purchasing Policy (revised version approved by &Green), or if non-compliant that Phuc Sinh has taken action to redress the non-compliance or block the supplier in accordance with the compliance protocol (to be approved by &Green). An overall margin of 5% non-compliance is considered acceptable.

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

**Disclosure:** all annual third-party independent verifications will be disclosed on &Green's website.

**Forest** (as per national definition<sup>2</sup>): land spanning more than 0.5 hectare with trees higher than 5 meters and a canopy cover of more than 10 percent.

**Forest landscapes:** native forests within the districts from where Phuc Sinh sources coffee.

**Minimal level of deforestation:** a small amount of deforestation that is negligible in the context of a given site because of its small area and because it does not significantly affect the conservation values of natural ecosystems and services. Minimal levels of deforestation at the site scale do not necessarily violate no-deforestation.

**Production area:** clearly delineated part of a rural property used for coffee and pepper production.

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<sup>2</sup>FREL Vietnam, 2016.



**Purchasing Policy:** a policy that covers the NDPE principles. Subject to definition when the forest risk maps will be produced.

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

**Sourcing landscapes:** districts (i.e. second-level administrative units in Vietnam) from where Phuc Sinh sources coffee.

**Supply chain:** any production area used to produce coffee purchased by Phuc Sinh.



## Supplier Management and Landscape Policies

The action plan as per Table 1 contains the contractually binding targets with expected deliverables, due dates and verification methods. The independent verification refers to the annual verification process conducted by a third-party expert.

Table 1. Strategic targets on supplier management policies enhancements

SYSTEM/SCALE CHANGES	MILESTONES	DUE DATE	VERIFICATION DURING THE LOAN PERIOD
<b>1. Developing a Consistent and Best-Practice ESMS:</b> Enhancing Overall Environmental and Social (E&S) Management Capacity	1.1 <b>A.</b> Contract an environmental and social (E&S) analyst who is fluent in understanding, speaking, and writing in the English language and has sufficient previous knowledge of global sustainability standards (including the IFC PS) to support the Phuc Sinh's head of sustainability in communication and reporting on IFC PS and the &Green ESAP towards &Green and, if applicable, other investors. The hiring of the E&S analyst requires an approval from &Green, which would not be unreasonable withheld.	07/ 2024	1 <sup>st</sup> verification: valid contract with start date and job description. Annual verifications: contract remains valid.
	1.1 <b>B.</b> Phuc Sinh will deliver to &Green the draft progress monitoring report 5 months after the investment, to align on the expected quality and content of the progress monitoring process.	10/2024	1 <sup>st</sup> verification: registry of the draft report reviewed to satisfaction of &Green. Annual verifications: n/a
	1.1 <b>C.</b> Phuc Sinh will contract a specialized ESG consultancy that will support Phuc Sinh on the implementation of the IFC PS for at least three first years of the loan.	07/2024	1 <sup>st</sup> verification: valid contract with scope and timeline. Annual verifications: contract remains valid.
	1.2 Either promote employees of the Sustainability Management team, responsible for Phuc Sinh Binh Duong and Dak Lak facilities, or recruit a new hire with E&S relevant experience to share the E&S responsibilities.	09/2024	1 <sup>st</sup> verification: valid contract with start date and job description. Annual verifications: contract remains valid.
<b>2. Managing Supply Chains:</b> Enhancing Internal Audit Structure and Capacity	2.1 Structure an internal audit procedure for the supply chain with assistance of an external auditor. This should include checklists with consistent criteria for forced/child labour, use of pesticides, work safety.	09/2024	1 <sup>st</sup> verification: Internal audit procedure for supply chain, executed contract of a qualified external expert. Annual verifications: internal audit is fully operational, is embedded in the supply chain management and its findings are systematically integrated into the supplier monitoring system.
	2.2 Conduct the internal audit on the certified farms	01/2025	1 <sup>st</sup> verification: report on the internal audit findings.
	2.3 Conduct a pilot internal audit on the conventional farms. Adjust the procedure for conventional farms if necessary.	01/2026	1 <sup>st</sup> verification: report on the internal audit findings.



SYSTEM/SCALE CHANGES	MILESTONES	DUE DATE	VERIFICATION DURING THE LOAN PERIOD
	2.4 Conduct an internal audit in the conventional supply chain	01/2027	1 <sup>st</sup> verification: report on the internal audit findings.
3. NDPE Policy: Design and Roll out	3.1 Establish a GIS-based platform to monitor the E&S risks and NDPE compliance of suppliers. Required features: - Forest monitoring at the farms and in the landscape. It should be either compatible with GlobalForestWatch Pro monitoring system or with Forest Reference Map for EUDR compliance (currently under development by the government of Vietnam), - GIS layer with indigenous peoples, compatible with the requirements of IFC PS7 - GIS layer with NRAs and KBAs, as outlines in the IFC PS6 initial assessment - GIS layer with climate risk exposure information - ability to integrate commercial and compliance information (e.g. SAP integration or similar)	01/2025	1 <sup>st</sup> verification: check if the system is operational, contains all the required features and has all necessary technical documentation. Annual verifications: check if the monitoring process and system are fully embedded in the supply management process.
	3.2 Develop the standard operational procedures (SOPs) related to tracing, screening, managing and monitoring coffee suppliers, including those from conventional supply chain, against the NDPE	09/2025	1 <sup>st</sup> verification: check the consistency of the SOPs and its ability to attend the conditions of NDPE. Annual verifications: check if the SOPs are fully operational and embedded in the supply chain management.
	3.2 Develop an E&S and NDPE risk map covering deforestation risks (based on the climate risk assessment study and corresponding native forest maps), indigenous peoples risks and child/forced labour (based on the initial findings of internal audit of conventional farms)	06/2026	1 <sup>st</sup> verification: check if the developed risk map is consistent with &Green's requirements. Annual verifications: check if the risk map is consistently updated and fully integrated in the supply chain management.
	3.3 Achieve 100% traceability and NDPE compliance of the certified supply chain	06/2025	All verifications: check the consistency of the process and results
	3.4 Update the risk map based on the internal audit findings in the conventional supply chain	06/2027	All verifications: check the consistency of the process and results
	3.5 Achieve full landscape-level traceability of the conventional supply chain	06/2027	All verifications: check the consistency of the process and results
	3.6 Achieve NDPE compliance on the landscape level for the conventional coffee supply chain	06/2028	All verifications: check the consistency of the process and results
	3.7 Develop and roll out a risk management program for the landscapes with high NDPE risk exposure	06/2028	1 <sup>st</sup> verification: check if the program design can contribute to the risk mitigation Annual verifications: check if the program is being implemented.



## Environmental and Social (E&S) Returns

Phuc Sinh commits to achieve expected environmental and social returns through implementation of the ESAP. The quantitative targets related to the ESAP items are presented in Table 2. The Target 1 will be adjusted to correspond to the Forest Reference Map of the Vietnamese government once it is ready. The Monitoring, Reporting and Verification framework along with the detailed monitoring procedures of the targets will be developed during 2024.

Table 2. ESAP: Targets on Environmental and Social Returns

KPI	TARGET	UNIT	BSL 2023	2024	2025	2026	2027	2028	2029	2030
1. Forest Conserved	Purchase and source coffee from NDPE compliant landscapes of Phuc Sinh. [Hectares of native forests in the active sourcing districts of the Central Highlands]	ha	0	0	0	20,000	60,000	60,000	60,000	60,000
2.1 NDPE compliance   certified coffee supply chain	Geolocate and assess the farms of this supply chain against the requirements of NDPE using the GIS monitoring system. [% of the total volume of the certified supply chain]	%	0	0	100	100	100	100	100	100
2.2 NDPE compliance   conventional supply chain	Geolocate and assess the farms of this supply chain against the requirements of NDPE. [% of the total volume of the conventional supply chain]	%	0	0	0	10	40	100	100	100
3. People benefitting	Bring to farm-level traceability the suppliers from the conventional supply chain [number of farmers located in the high deforestation risk areas in the Central Highlands, geolocated and included in the monitoring system]	n farmers	0	0	0	20	50	100	200	300

## Compliance with IFC Performance Standards

Phuc Sinh commits to increasing its IFC PS compliance levels year on year and achieve a minimum of 90% compliance with all applicable Performance Standards three years after signing the loan agreement. Phuc Sinh will complete the priority actions in 2024 and 2025 as per



Table 3 (a considerable progress on these items will be verified in the indicated years). Other recommended actions, derived from the ERM's IFC PS gaps assessments, are provided in the IFC PS Compliance Matrix and serve as a guidance to the company in its compliance processes.

The independent verification will comprise a full review of Phuc Sinh's compliance against the IFC PS, resulting in an updated IFC PS compliance matrix. Phuc Sinh will provide annual independent verification reports for the loan tenure.

**In the first year of the loan tenure (2024), Phuc Sinh will focus on the following aspects of the ESMS:**

PS1-24: E&S training plans, Occupational Health & Safety trainings and certificates,

PS1-37: Social responsibility / human rights-related trainings

PS3-06: Ground water extraction permits at the facilities and in the supply chain

PS3-07 and PS3-09: Wastewater and hazardous waste pollution prevention

PS6-19: Supply chain management procedures

The company will also start working on other items related to ESMS framework, capacity building, procedures and policies – these are expected to be finalized by the second year of investment (2025).

PS1-n: ESMS evolution

PS2-21: Management procedures for monitoring and evaluation process of coffee and pepper suppliers

PS3-11: Pesticide use at the farms

PS7-01: Indigenous Peoples risk assessment

In 2026, the company will work on all other aspects of the ESMS, aiming to achieve full compliance by 2027.

The details of the expected progress of Phuc Sinh in achieving the compliance with ESMS are outlined in the table below.



Table 3. ESAP: Targets on IFC PS Compliance

THEME	TARGET	2024	2025	2026	2027	2028	2029	2030
IFC PS1: ESMS	90% by year 2027	PS1-24, PS1-37	PS1-01, PS1-02, PS1-03, PS1-07, PS1-15, PS1-31, PS1-37, PS1-51	75%	90%	90%	90%	90%
IFC PS2: Health, safety, labour	90% by year 2027		PS2-21	75%	90%	90%	90%	90%
IFC PS3: Water, air, land	90% by year 2027	PS3-06, PS3-07, PS3-09	PS3-06, PS3-11	75%	90%	90%	90%	90%
IFC PS4: Communities	90% by year 2027			75%	90%	90%	90%	90%
IFC PS6: Biodiversity	90% by year 2027	PS6-19	PS6-19	75%	90%	90%	90%	90%
IFC PS7: Indigenous Peoples	90% by year 2027		PS7-01	75%	90%	90%	90%	90%