Fund for Agricultural Finance in Nigeria

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

Code – FAFIN ESMS
Version – 5.0
Date of Issue – May 2026

List of Abbreviations

AfDB	African Development Bank
E&S	Environmental & Social
ESAP	Environmental & Social Action Plan
ESDD	Environmental and Social Due Diligence
ESG	Environmental, Social and Governance
ESMS	Environmental & Social Management System
FAFIN	Fund for Agricultural Finance in Nigeria
IFC	International Finance Corporation
SMEs	Small and Medium-sized Enterprises
DGGF	Dutch Good Growth Fund
ICSR	International Corporate Social Responsibility
FMO	The Netherlands Development Finance Company
ILO	International Labour Organization

ESMS Sections

A. Description of the FAFIN's operations

B. Purpose and content of this document

C. FAFIN E&S Policy
   I. The Nigerian Sustainable Banking Principles
   II. Exclusion list applicable for all investments
   III. Environmental & Social Due Diligence
   IV. Investment classification matrix

D. E&S Procedures, Roles and Responsibilities

E. Performance Management

F. External Communications and Reporting

G. Review of ESMS

A. Description of the FAFIN's Operations

The Fund for Agricultural Finance in Nigeria ("FAFIN") is an innovative agriculture-focused private equity fund that provides tailored investment capital and technical assistance to high-growth, commercially attractive agricultural SMEs across all regions in Nigeria using quasi-equity, equity and structured debt instruments. FAFIN is managed by Sahel Capital, a private equity firm with a strong, private sector team of local investment professionals that have significant experience in the Nigerian agriculture sector.

FAFIN investments are focused on agricultural value chains and the fund's investment strategy features several key focus points:

- Food security: Nigeria's population is expected to grow by +70 million over next 10 years.
- Expanding middle class: Crop and livestock value chains, where demand will be driven by anexpanding middle class with stronger purchasing power.
- Import substitution: Opportunities where there is concrete demand met by imports, but acommercially viable path to local processing and distribution of products.
- Financing need: Provide long-term, tailored finance and associated technical assistance to high-growth, commercially attractive agricultural SMEs across all regions in Nigeria.

Investments are made in a range of companies across the agriculture value chain which include input providers, producers, processors, logistics and warehouse providers.

FAFIN is committed to sustainable business impact in Nigeria by creating triple bottom line impacts of economic, social and environmental returns in the agribusiness industry. FAFIN will achieve this by payingattention to good agricultural practices and certification under voluntary sustainability standards, advocating for actions that will mitigate the impact of climate change, addressing concerns on land use and ownership, gender, food security, pollution mitigation, supply chain and out growers, througheffective consultation and stakeholder engagement. FAFIN is expected to have a direct positive impact forits investees, by generating revenue and creating employment for SMEs and providing additional financing to smallholder farmers through intermediaries. In addition, FAFIN will create a significant indirect social and economic impact for the broader economy, via the increased food security and improved efficiency of agricultural value chains.

B. Purpose and Content of this Document

All FAFIN's investments are scrutinized to meet national and internationally-accepted environmentaland social performance requirements including specifically:

- Nigerian Environmental Law,
- Nigeria labour laws
- Nigerian Sustainable Banking Principles
- IFC Performance Standards
- Africa Development Bank Operating Standards
- CDC Code of Responsible Investing
- KFW Sustainability Guidelines
- DGGF ESG Policy
- The United Nations Guiding Principles on business and human rights (UNGPs) Guidelines.

- The Organisation for Economic Co-operation and Development (OECD) Guidelines
- FMO Exclusion list
- European Development Finance Institutions (EDFI) Exclusion List, and the
- Voluntary Guidelines on Responsible Governance and Tenure.

This document forms the Environmental and Social Management System (ESMS) of FAFIN and describes how E&S aspects will be assessed, managed and integrated into the Fund Operations. To achieve this, FAFIN has adopted an over-arching E&S policy and supporting tools and processes to facilitate the integration of its ESG principles into every stage of its investment process. We believe that good ESG practices are essential to lowering risks and liabilities and creating great businesses. The ESMS outlinesthe E&S policy of FAFIN, detailing the classification matrix, relevant E&S risks and potential impact. The document also describes the E&S procedures across the investment stages and corresponding roles and responsibilities. It also presents FAFIN's position on how performance management and external stakeholder management will be coordinated.

C. FAFIN E&S Policy

FAFIN is committed to investing in businesses that are focused on creating value with sustainability at theforefront. The FAFIN investment team is committed to working with its portfolio companies to identify ESG issues, manage E&S risks, identify and deliver E&S opportunities, develop action plans to address the issues during the investment period and develop in-house capacity to ensure a self-sustaining ESG practicefollowing FAFIN's exit.

Prior to making an investment, FAFIN will undertake appropriate Environmental and Social Due Diligence (ESDD) on all prospects. Key E&S issues will be explored during ESDD to ensure effective assessment of E&S risks and opportunities, proper categorization of the potential investee company and ultimately the development of an appropriate ESAP. The ESAP will guide how the investee company will approach dealing with the E&S gaps observed during ESDD, as well as roles and responsibilities and performance monitoring mechanism.

FAFIN is committed to supporting its investee companies to:

- Identify and assess E&S impacts, both adverse and beneficial, in the Investment's area of influenceas part of its ESDD processes.
- Agree how best to manage E&S risks and delivery opportunities with investee companies and agree the scope, content and timelines for the ESAP.
- Work with investees to ensure adequate technical competence and senior management oversightis developed in investee companies to deliver E&S objectives, and that there is an appropriate governance and oversight framework at Board level.
- Ensure that there is adequate and timely reporting of E&S performance to investors (including of serious incidents) and also that there is an appropriate stakeholder engagement and grievance mechanism in place. Serious incidents (physical injury or mental harm to staff/community/customers, significant asset loss or damage, lawsuits, negative media attention, environmental damage) must be reported to FAFIN within 5 business days of occurrence. All instances of (suspected) fraud, corruption or bribery with a value of >EUR 10,000 must similarly be reported to FAFIN within 5 business days; all other cases are to be reported during annual monitoring. All instances of gender-based violence and harassment are to be reported on an annual basis, with severe cases

reported within 5 business days. Investees are also required to provide data on SFDR Principal Adverse Impact (PAI) indicators on a best-efforts basis as part of annual reporting to FAFIN.

- Institute appropriate corporate governance controls and ensure adherence to applicable laws, and ensure that investees have adequate human resources, capital and guidance on managing E&S aspects of the investment.
- Support and leverage best E&S practices and lessons learnt across the FAFIN portfolio.

Each Investee[1] will be required to establish an ESMS appropriate to the nature and scale of the Investment and commensurate with the level of social and environmental risks and impacts pursuing the following objectives:

- ***Develop an E&S policy*****:** that articulates the objectives and principles that will guide the investee in terms of E&S practices and performance. The specific E&S requirements to be defined on a case by case basis, but at a minimum to comply with FAFINs E&S requirements (Section B) and relevant voluntary good practice initiatives. Where there exists a credible standard of certification
  – local or international – which verifies that the operation or procedure is being carried out in accordance with a specified principle or set of criteria, such as RSPO, investees will seek to adhereto such standards.
- ***Assess and manage E&S risks and opportunities:*** To undertake appropriate E&S assessment and/or audits to fully understand the range of E&S opportunities within the company's area of influence (including supply chains as appropriate). To commission Environmental and Social Impact Assessment and Audits as necessary so to inform understanding. The intention being to avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impactson workers, affected communities, and the environment.
- ***Roles, responsibilities and oversight:*** To identify and appoint technically competent people to manage E&S aspects, and to ensure that there is senior management oversight and support commensurate with the degree of E&S risks and opportunity.
- ***Procedures***: To develop procedures and practices (including human resources and employment, occupational health and safety, supply chain management, and resource efficiency asappropriate) to ensure E&S requirements are met
- ***Performance management:*** To periodically review and improve procedures and practices based on lessons learned.
- ***External communication:*** To communicate with investors and other stakeholders in relation to E&S performance, and to develop an appropriate Stakeholder Engagement Plan and grievance recourse mechanism to allow local communities a way of understanding company operations andengaging with the company on E&S matters as needed.

All FAFIN's investments are scrutinized to meet national and internationally-accepted environmental and social management requirements. FAFIN ESMS is guided by the requirements of the following principles and standards.

[1] Note: "Investee" is used more broadly in this document, referring to potential Investee's that the Fund considers investing in and actual Investee that the Fund has already invested in.

C.1 The Nigerian Sustainable Banking Principles

Principle 1: Our Business Activities : Environmental and Social Risk Management

- We will integrate environmental and social considerations into decision making processes relating to our Business Activities to avoid, minimize or offset negative impacts.

Principle 2: Our Business Operations: Environmental and Social Footprint

- We will avoid, minimize or offset the negative impacts of our Business Operations on the environment and local communities in which we operate, and where possible promote positive impacts.

Principle 3: Human Rights

- We will respect human rights in our Business Operations and Business Activities.

Principle 4: Women's Economic Empowerment

- We will promote women's economic empowerment through a gender inclusive workplace culture in our Business Operations and seek to provide products and services designed specifically for women through our Business Activities.

Principle 5: Financial Inclusion

- We will promote financial inclusions seeking to provide financial services to individuals and communities that traditionally have had limited or no access to the formal financial sector.

Principle 6: E&S Governance

- We will implement robust and transparent E&S governance practices in our respective institutions and assess the E&S governance practices of our clients.

Principle 7: Capacity Building

- We will develop individual institutional and sector capacity necessary to identify, assess and manage the environmental and social risks and opportunities associated with our Business Activities and Business Operations.

Principle 8: Collaborative Partnerships

- We will collaborate across the sector and leverage international partnerships to accelerate our collective progress and move the sector as one, ensuring our approach is consistent with international standards and Nigerian development needs.

Principle 9: Reporting

- We will regularly review and report on our progress in meeting these Principles at the individual institution and sector level.

,

C.2 IFC Performance Standards

1	Performance Standard 1	Assessment and Management of Environmental and Social Risks and Impacts
2	Performance Standard 2	Labour and Working Conditions
3	Performance Standard 3	Resource Efficiency and Pollution Prevention
4	Performance Standard 4	Community Health, Safety and Security
5	Performance Standard 5	acquisition and involuntary Resettlement
6	Performance Standard 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources
7	Performance Standard 7	Indigenous People
8	Performance Standard 8	Cultural Heritage

C.3 AFDB Operating Standards

1	Operational Safeguard 1	Environmental and Social Assessment
2	Operational Safeguard 2	Involuntary Resettlement; Land Acquisition, Population Displacement and Compensation.
3	Operational Safeguard 3	Biodiversity and Ecosystem Services
4	Operational Safeguard 4	Pollution Prevention and Control, Greenhouse Gases, Hazardous Materialsand Resource Efficiency.
5	Operational Safeguard 5	Labour Conditions, Health and Safety

C.4 DGGF ESG Policy (February 2026)

- The DGGF ICSR principles are based on the IFC performance standards, the OECD guidelines, the FMOexclusion list. The updated DGGF ESG Policy (February 2026) supersedes the earlier DGGF ICSR principles framework and is grounded in the IFC Performance Standards, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The DGGF ESG Policy covers Environmental, Social and Governance topics including climate change mitigation and adaptation, waste management, pollution, biodiversity, health and safety, labour rights, non-discrimination, violence and harassment prevention, indigenous rights, land acquisition, client protection, Politically Exposed Persons, anti-corruption, fraud prevention, and grievance mechanisms. FAFIN is also required to report annually to DGGF on Principal Adverse Impact (PAI) indicators as required under the EU Sustainable Finance Disclosure Regulation (SFDR), on a best-efforts basis. These expectations are also informed by the UN Global Compact, the ILO Core Conventions, the UN Guiding Principles on Business and Human Rights (UNGPs), and the Harmonized EDFI Exclusion List (including Fossil Fuel exclusions).

C.5 Exclusion List Applicable for All Investments

FAFIN and any of its portfolio companies shall not finance directly or indirectly any of the following:

I. Production or trade in any product or activity deemed illegal under host country law or regulationsor international conventions, agreements or bans that are applicable to the host country, which may include pharmaceuticals, pesticides/herbicides, ozone depleting substances, Polychlorinated Biphenyls (PCBs), wildlife or products regulated under the Convention of International Trade in Endangered Species (CITES).Production of, or trade in, radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.

II. Unsustainable fishing methods such as fish blast or drift net fishing in the marine environmentusing in excess of 2.5 km. in length.

III. Forced labour or child labour - Forced labour means all work or service, not voluntarily performed,labor which is harmful to the child or interferes with his/her education as stipulated in the NigeriaLabour Acts under forced labour. In alignment with the EDFI Exclusion List and ILO Convention C138, persons may only be employed if they are at least 14 years old (or the higher age if local legislation specifies compulsory school attendance or a minimum working age above 14),as defined under young person in the Nigeria Labour Acts; Laws of Federation of Nigeria 1990.

IV. Commercial logging operations for use in primary tropical moist forest; and

V. Production or trade in wood or other forestry products other than from sustainably managedforests.

VI. Cross-border trade in waste and waste products, unless compliant with the Basel convention and the underlying regulations

VII. Pornography or Prostitution

VIII. Racist and anti-democratic media

IX. *Destruction of high conservation value areas* - 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. High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance. For more information please visit the HCV Resource Network.

X. Production of, or trade in, arms (i.e. weapons, munitions or nuclear products, primarily designated for military purposes.

XI. In the event that any of the following products form a substantial[1] part of a company's primary operations or company's financed business activities:

- Production of, or trade in, alcoholic beverages (excluding beer and wine);
- Production of, or trade in, tobacco or tobacco related products;
- Gambling, casinos and equivalent enterprises;

XII. Coal prospection, exploration, mining, or processing

XIII. Oil exploration or production

XIV. Standalone fossil gas exploration and/or production[2]

XV. Transport and related infrastructure primarily[3] used for coal for power generation

XVI. Crude Oil Pipelines

XVII. Oil Refineries

XVIII. Construction of new or refurbishment of any existing coal-fired power plant (including dual)

XIX. Construction of new or refurbishment of any existing HFO-only or diesel-only power plant[4] producing energy for the public grid and leading to an increase of absolute CO2 emissions[5]

XX. Any business with planned expansion of captive coal used for power and/or heat generation[6]

[1]"Substantial" means more than 10 % of a financed institution's/company's consolidated balance sheet or earnings. For Financial Institutions, "Substantial" means more than 10% of a Financial Institution's underlying portfolio volume.
[2]Gas extraction from limnically active lakes is excepted from this exclusion
[3]"Primarily" means more than 50% of the infrastructure's handled tonnage
[4]For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy under the condition that there is no economically and technically viable gas or renewable energy alternative.
[5]I.e. where energy efficiency measures do not compensate any capacity or load factor increase.
[6]This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

C.6 Environmental and Social Assessment (ESA) and Audit:

The E&S audit assesses major risks and opportunities likely to be encountered in the Nigerian Agribusiness sector and will typically cover the under-listed areas:

E&S Requirements and focal areas for ESDD

E&S Themes	E&S Requirements	What we Look For:	Opportunities for FAFIN and Investee companies
Labour and working condition (incl OHS)	• not to employ or make use of forced labour; • not to employ or make use of child labour; • pay wages which meet or exceed industry or legal national minima; • not to discriminate in terms of recruitment, progression, terms and conditions of work and representation, based on personal characteristics unrelated to inherent job requirements; • to adopt an open attitude towards workers' organizations and respect the right of all workers to join or form workers' organizations of their own choosing, to bargain collectively and to carry out their representative functionsin the workplace; • to provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive and clearly documented terms of employment; and in situations where workersare employed in remote locations for extended periods of time to ensure that such workers have access to adequate housing and basicservices; • to provide an appropriate grievance mechanism that is available to all workers	• Failure to comply with labour laws and regulations • Financial, reputational and legal risks, and lower production efficiency, product quality and profitability resulting from poor employee morale, industrial action, high staff turnover and deterioration ofemployees' health (e.g. due to excessive working hours). • Company workers or contractors getting High accident and incident rates (relative to industry sector and national norms) • Loss of production or loss of clients and business resulting from a poor record of injuries to workers and fatalities. • Legal costs and insurance claims, as well as higher insurance premiums. • Low workforce morale and erosion of trust leading to higher staff turnover, lower productivity, additional training and recruiting costs, and reputational damage.	• Costs can be reduced and productivity enhanced by upholding good labour and working conditions. Companies may also findit easier to attract and retain competent workers. • Market access can be enhanced if acompany achieves certain standards and/or related certifications related to labour and working conditions (e.g. Nigeria Labour Act, 1974) • Proactively involving workers and contractors in key decisions can help to identify and maintain good OHS practices, and improve their acceptance if new or significantly different to previous practices. • Productivity can be improved and insurance premiums for workers and compensation payments can be reduced. • Market access can be enhanced if acompany achieves certain standards and/or certifications that cover OHS matters.
Resource efficiency and pollution prevention	• To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities. • To promote more sustainable use of resources, including energy and water. • To reduce project-related GHG emissions.	• Fines for non-compliance with pollution prevention legal requirements, especially with respect to solid waste and hazardous materials (e.g. pesticides) management and disposal.	• Enhanced market access, profit margins and reputational benefits from adopting good practice environmental and social management (including carbon management) and achieving sustainability certification.

E&S Themes	E&S Requirements	What we Look For:	Opportunities for FAFIN and Investee companies
		• Excessive expenditure on energy, water supply, managing emissions, solid waste and wastewater quality. • Lower productivity and resource availability due to land and water contamination because of inadequate use/management ofchemicals (e.g. pesticides), animal manure, waste and wastewater. • Climate change causing increased weather risks (e.g. flood, drought, heat wave), the spread of diseases and increased competition for water resources. • Increasing regulatory compliance costs from new regulations introduced for certain production systems (e.g. rice, cattle/livestock, dairy) with high greenhouse gas (GHG) emissions.	• Additional income from selling or sustainably using agricultural waste to generate energy and/or growing crops that can be used as biofuels. • Improve resilience, production and yields through good management of soil and water resources, and cropping and farming systems that take climate risk into account. • Lower operating costs due to investments in energy and water efficiency and cleaner production measures. Additional benefits area lower environmental footprint and better preparedness for resource shortages. • Avoidance of higher operational costs and long-term risks and impacts by usingresources sustainably (e.g. water and soil).
Community health, safety and security	• To anticipate and avoid adverse impacts on the health and safety of Affected Communities during the investment life from both routine and non-routine circumstances. • Specifically, to assess community risks associated with infrastructure and equipment use, hazardous materials (including agrochemicals), disease, impacts onecosystem services (incl water) and company preparedness and capacity to assist in the event of emergencies and incidents • To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to Affected Communities.	• Poorly managed social impacts and/or community relations (e.g. issues associated with the use of ecosystem services such as water) which can put social license to operate at risk if are not well managed • Reputational damage and significant management costs to address social opposition and criticism if conflicts over land/water use and rights arise. • Financial risks arising from health and compensation claims from surrounding communities exposed to immediate and long-term health and safety risks	• Building good relationships with local communities can contribute to reducing security risks and may yield other benefits in terms of increasing production through access to a better and/or bigger potential labour pool/outgrower programs.

E&S Themes	E&S Requirements	What we Look For:	Opportunities for FAFIN and Investee companies
Land access, use and acquisition	• To avoid, and when avoidance is not possible, minimize displacement of individuals and communities by exploring alternative project designs. • To avoid forced eviction. • To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (i) providing compensation for loss of assets at replacement cost and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. • To improve, or restore, the livelihoods and standards of living of displaced persons. • To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites	• Incomplete understanding of formal and informal arrangements that communities have for the use of land which undermines a company's license to operate. • Long time frames and significant costs encountered when securing land, access and water rights particularly if resettlement of people and/or significant economic displacement of communities is/are required. • Reputational damage and significant management costs from social opposition and criticism due to inadequate land purchase /lease/acquisition practices (e.g. lack of transparency during negotiations). Risk of a business being perceived as 'land grabbing'. • Business integrity risks and liabilities due to potential corruption of local regulators and village leaders	• Developing and maintaining good relations with local communities will help to manage their expectations identify concerns (e.g. access to water and other ecosystem services). • Building relationships with local communities and managing land access and use processes well may generate benefits such as increased production throughput from out-grower schemes or a better/bigger potential labour pool.
Biodiversity and ecosystem services	• To protect and conserve biodiversity. • To maintain the benefits from ecosystem services. • To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needsand development priorities • To ensure that companies involved in primary production adopt credible voluntary certification programs where practical over time	• Negative impacts to local biodiversity including ecosystem services used by local communities, putting the license to operate at risk. • Reputational damage due to production practices associated with investments that directly or indirectly (e.g. via supply chains) adversely impact biodiversity (e.g. impacts on tropical forests). • Reputational and business interruption due to adverse interaction with local	• Increased production/productivity through better management and sustainable use of natural resources (especially water and soil). • Enhanced market access, stronger relations with buyers, increased profits and reputational benefits where proactive management of biodiversity, natural resources and climate change is evident. Certification under a credible voluntary standard can provide assurance and increase access to international markets.

E&S Themes	E&S Requirements	What we Look For:	Opportunities for FAFIN and Investee companies
		communities if ecosystem services (e.g. water, timber and soil) are damaged or access to use is impaired. • Reduced access to international markets for some commodities if production or supply chains are seen to damage biodiversity or fail to manage GHG emissions effectively.	
Biosecurity	• To consider and proactively assess and manage bio-security risks as appropriate • To consider risks from adjacent / nearby operations and work proactively with other companies and other third parties to mitigate collective risks	• Product loss due to absent or weak management systems or regulatory controls. • Reduced productivity or reputationaldamage due to human disease (e.g. from poultry infections). • Product recall and loss of access to markets/value chain	• Good biosecurity can lead to increased productivity, higher product quality where biosecurity is good and increased resilience to disease outbreaks. • Enhanced access to markets through certification systems
Climate change	• To consider climate change risks that a company may experience against the needs to build in greater resilience, adaptation and mitigation measures • To plan and budget for potential climate change risks as needed • To assess the extent to which an investment will enable / add to climate change (specifically through GHG emissions and land use practices) and to develop mitigation measures that remove, reduce and mitigate risk and impacts accordingly	• Changes in temperature range andincreased incidences of extreme weather which may change productivity or viability of crops. • Negative impacts in terms of consistent and effective food production processes arising from prolonged phases of higher temperature • Potential increase in cost of agricultural products resulting from increased competition for agricultural commodities and diminished resources (e.g. waterscarcity). • Ocean acidification which could have an impact on aquaculture.	• Improved crop resilience, production and yields through good management of soil and water resources, and cropping and farming systems that take climate risk into account (e.g. breeding to improve resilience). • Additional revenue through carbon markets for agricultural-based emission reduction, and carbon sequestration.

E&S Themes	E&S Requirements	What we Look For:	Opportunities for FAFIN and Investee companies
		• Loss of clients or inability to access markets due to concerns over products' carbon footprint (e.g. if higher average temperatures lead to increased energy consumption increased from greater refrigeration requirements in transportation and storage). • Increasing regulatory compliance costs if new regulations are introduced for certain production systems (e.g. rice, cattle/livestock, dairy) with high emissions.	
Animal welfare	• To adopt internationally recognized standards on animal welfare, includingEU animal welfare standards where possible or other Good International Industry Practice as appropriate to the local context, such as following the IFC Good Practice Note on Improving AnimalWelfare in Livestock operations or the World Organization for Animal Health General principles for the welfare of animals in livestock production systems.	• Negative impact on product quality, access to some markets and a company's reputation and/or revenues	• Proper physical conditions and living environment. • Proper transportation and slaughtering. • Use of veterinarian services. • Appropriate use of antibiotics.
Supply chain	• Where an investee relies on primary production systems and verification practices will be adopted as part of the companies ESMS to evaluate its primary suppliers. • The systems and verification practiceswill (i) identify where the supply is comingfrom and assess potential impacts to biodiversity and ecosystem services as well as on labour practices (specifically child and forced labour); (ii) provide for an ongoing review of the client's primary	• Reputational and business continuity risks linked to the sourcing of agricultural inputs from unsustainable supply chains and/or providers that do not meet basicinternational standards and conventions(e.g. international conventions on child labour and forced labour) or sustainable standards.	• Collaborate with and, where possible, train suppliers to improve E&S management measures. This can lead to improvements in resource use sustainability (e.g. water and soil), higher productivity and productquality, stronger and better relationship with suppliers and, more broadly, a more reliable, sustainable, resilient and competitive supply chain.

E&S Themes	E&S Requirements	What we Look For:	Opportunities for FAFIN and Investee companies
	supply chains; (iii) limit procurement to those suppliers that can demonstrate that they operate in compliance with Nigerian regulations and international norms defined in this (FAFIN) ESMS (this may be demonstrated by delivery of certified product, or progress towards verification or certification under a credible scheme in certain commodities and/or locations)		• Enhanced market access where approved supplier programs include E&S requirements and/or where customers consider sustainability factors.
Indigenous Peoples and cultural heritage	• To ensure that the investment fosters fullrespect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of IndigenousPeoples, and cultural heritage; • To apply IFC Performance Standards and AfDB Operational Safeguards in areas where Indigenous Peoples and/or cultural heritage impacts may be evident	• Potential impact on critical cultural heritage that is essential to identity and/or cultural, ceremonial or spiritual aspects of indigenous people's lives	• Build long lasting relationship by addressing each independent situation on a case-by-case basis through Informed Consultation and Participation (ICP) • Ensure no adverse impact on the people and their culture and where impossible, ensure the Free, Prior, and Informed Consent (FPIC) of the affected communities are present
Governance: Politically Exposed Persons (PEPs)	To assess whether investees have adequate measures to identify and manage risks related to PEPs (natural persons entrusted with prominent political functions, or their close associates/family). To implement risk management systems that detect PEP involvement and prevent misuse, in line with anti-corruption and anti-money laundering standards.	Absence of PEP screening procedures. Regulatory, reputational and financial risks arising from undisclosed PEP relationships. Potential violations of anti-money laundering regulations.	Robust PEP screening strengthens governance credibility and facilitates access to international capital by demonstrating compliance with anti-money laundering standards (FATF guidance).
Governance: Anti-Corruption and Bribery	To assess whether robust measures are in place to prevent, detect and address corruption in all forms, including bribery, facilitation payments and extortion. To review compliance with national and international anti-corruption regulations (UNCAC), evaluate internal controls, and ensure that gifts or advantages are properly recorded and do not influence decision-making.	Corruption risks particularly prevalent in agribusiness in Nigeria. Risks include bribery of local officials, inspectors or intermediaries. Legal costs, reputational damage, loss of investor confidence, and disqualification from future funding if corruption is identified.	Strong anti-corruption controls improve governance credibility, attract development finance investors, and reduce legal liability. Capacity building support available from DGGF in high-risk contexts.
Governance: Fraud (incl. Greenwashing and Socialwashing)	To assess whether adequate measures are in place to prevent, detect and address fraud, including digital, financial and governance controls to safeguard against embezzlement or phishing. To evaluate whether business practices are transparent in how they represent ESG performance, to avoid greenwashing and socialwashing. Investees must report all instances of (suspected) fraud, corruption, or bribery with a value of >EUR 10,000 to FAFIN within 5 business days.	Financial misstatement, embezzlement, phishing, or fraudulent ESG claims. Reputational damage from greenwashing or socialwashing. Loss of investor trust and eligibility for development finance. Regulatory and legal exposure.	Transparent and accurate ESG reporting builds investor confidence and market reputation. Strong internal controls protect assets and reduce insurance costs. Honest impact claims differentiate FAFIN in the development finance market.

C.7 Investment Classification Matrix

FAFIN will examine the type, location, sensitivity and scale of the proposed Investment, as well as the nature and magnitude of its potential impacts, to avoid and manage the risks identified in C.6. Subsequently, FAFIN will classify the proposed Investment into one of the following categories determining the attention and support that FAFIN assumes it will need to provide to the Investee, monitoring and reporting needs and the scope of each Investee's ESMS:

Risk category	Description	Eligibility of Investment and guidelines
Category A	A proposed Investment is classified as Category A if it is likely to have significant adverse social and environmental impacts that are sensitive[2], diverse, or unprecedented and that affects more than 200 people. These impacts may affect an area broader than the sites or facilities subject to the Investment.	**An investment classified Category A will not qualify for Fund financing**. Appropriate legal covenants will be included in the Investment agreements to ensure that the Investee is responsible to undertake all remedies in linewith this guideline to address the adverse impacts reflected in a downgrading of an existing Investment to category A.
Category B1	A Proposed Investment is classified as Category B1 if its potential adverse social and environmental impacts on human populations or environmentally important areas including wetlands, forests, grasslands, and other natural habitats are less adverse than those of Category A investments. **These impacts are site-specific; mostly reversible risk while few if any might be irreversible**; and in most cases mitigation measures can be put in place more readily than for Category A investments.	**An investment classified Category B1 will require an Environmental & Social Impact Assessment (ESIA) as well as an E&S Action Plan (ESAP)**, that includes measures to prevent, mitigate or compensate for adverse impact. The Fund Manager will implement procedures to monitor and measure the effectiveness of the action plan and the Investment's compliance with the Fund's E&S Standards. For Category B transactions, FAFIN will generally use third party ESG consultants to undertake ESDD, ESAP development and potentially ES monitoring.
Category B2	A Proposed Investment is classified as Category B2 if its potential adverse social and environmental impacts on human populations or environmentally important areas including waste management, pollution prevention and health and safety issues are less adverse than those of Category B1 investments. These impacts are reversible site- specific, mitigation measures can easily be put in place more readily to prevent or manage the risk.	**An investment classified Category B2 might require an Environmental & Social Impact Assessment (ESIA) or an Environmental and Social Management Plan (ESMP) depending on a case-by-case evaluation based on the scale of the proposed investment while an E&S Action Plan (ESAP) will be developed**, that includes measures to prevent, mitigate or compensate for adverse impact. The Fund Manager will implement procedures to monitor and measure the effectiveness of the action plan and the Investment's compliance with the Fund's E&S Standards. For Category B2 transactions, FAFIN will mostly use in-house ESG expert to undertake ESDD, ESAP development and potentially ES

		monitoring.
Category C	A proposed Investment is classified as Category C if it is likely to have minimal or no adverse social and environmentalimpacts or to have the potential to enhance social and environmental management.	**An investment classified Category C does not require any further actions** beyond the initial screening according to the E&S Standards. However, the Fund Manager will monitor the Investment on an on-going basis for compliance with such standards.

In effect, FAFIN will mostly invest in category B1 and B2 projects other categories were included above toindicate categories we might come across during due diligence.

[2] A potential impact is considered "sensitive" if it may be irreversible (e.g., lead to loss of a major natural habitat) or raise issues related to Natural Habitats; Indigenous Peoples; Physical Cultural Resources or Involuntary Resettlement.

D. E&S Procedures, Roles & Responsibilities

		PROCEDURES/ACTIVITIES		ROLES AND RESPONSIBILITIES	
		DESCRIPTION **(Activities forming part of the procedure)**	**REFERENCES AND TOOLS**	**OPERATIONAL**	**OVERSIGHT**
INVESTMENT STAGE	**SCREENING**	• Identify high level E&S risks (exclusion list) and opportunities • Categorize E&S risk of proposed investment • Due diligence plan and allocation (including use of third party ESG consultants as necessary) of dealresponsibilities • Prepare IC paper	• FAFIN E&S Policy • Exclusion list • Categorization matrix • FAFIN E&S Questionnaire template • Open source research.	• ESG Director to ensure compliance with exclusion list and categorize company. • ESG Director carries out an initial site visit. • ESG Director highlightsinitial project risk categorization. • Investment team to incorporate into IC paper	• Investment Committee ○ Discussion of key E&S issues (risks and opportunities) ○ Due diligence budget approval.
	DUE DILIGENCE	• Engage a 3rd party consultant • Align expectation with consultant (including scope andtiming of ESDD) • Assess the E&S risks and opportunities of the proposed investment o Tour site and discuss with management and community • Prepare 1st draft of risks, opportunities and	• ToRs for consultant • Site visit with management and community meetings • Action plan template • CDC Good Practice Guide ESDD: Mitigating Risks identifying opportunities • CDC Investments in the Agricultural Value Chain • CDC ESG Toolkit, IFC Performance Standards,	• ESG Director to select 3rd party consultant. • ESG Director conducts DD or oversee 3rd party consultant to carry out DD depending on the project initial risk categorization and scale. • 3rd party consultant to prepare 1st draft of ESAP • Investment team to incorporate into IC paper (including budget implications)	• ESG Director to oversee due diligence

		corresponding action plans (ESAP) to be shared with IC • Assess the company's capacityto address risks and capitalize on opportunities.	AfDB Operational Safeguards and World Bank sectorialguidelines.		
	INVESTMENT DECISION	• Enable the Fund's Investment Committee (IC) to make aninformed investment decision that takes E&S factors into account. • Inform IC of key issues and howthey will be addressed (including capacity and resource needs within the Fund) • Assess the ability andwillingness of the investeecompany to implement the ESAP • Assess influence and capacity of FAFIN to ensure and enforce implementation of proposed ESAP	• Investment memo template	• Investment team to prepare communication to IC • ESG Director to deliver E&S presentation to the IC and answer relevant questions	• Investment Committee o Approve/reject the proposed investment.
	INVESTMENT AGREEMENT	• Ensure that the company's and Fund's expectations on E&S matters are explicitly aligned and there is agreement on how to achieve improvements (including the appointment of additional staff as needed) • Build out the assumptions and expectations you have in	• ESAP template • Commitment letter template • Legal template/drafting guide	• ESG Director to ensure final feedback from IC is included in the final ESAP draft • Legal Counsel to draft commitment letter and legal agreements andexecute with investee company	• Investment Committeemay be contacted if significant issues arise or if the conditions of approval are not met.

		relation to investee capacity to manage ES issues • Protect the Fund from reputational, financial and/or legal damage by providing legal remedies (and exit) as needed			
	OWNERSHIP AND MONITORING	• Guide and support the company to ensure ongoing compliance with E&S requirements including the ESAP and value creation • Stay informed and respond to new developments and/or E&S risks and opportunities • Maintain and build a good working relationship with the company. • Engage with Limited Partners	• Companies' reporting forms • Site visits • ESG Reporting templates to LPs (including serious incidents).	• ESG Director to monitor/track ESAP implementation with investee company • Operating partner to champion implementation at the portfolio company • ESG Director to track costs and benefits of ESAP and general ES performance (for use during Exit negotiations and marketing in addition to reporting to LPs)	• Regular reporting toFAFIN • FAFIN and TA Investment Committee to be updatedon a regular basis
	EXIT	• Maximize the contribution that good ESG performance can make to return on investment (ROI) • Help the company answer questions from prospective investors. For example, collate relevant ESG data which shows the extent to which business	• Evidence/data gathered during investment period.	• ESG Director to collect required data on E&S improvement as input to the data required for exit • Operating partner to prepare other relevant data with support frominvestment team	• Partners to oversee

		improvements have been achieved. • Ensure the company's ESG management system is self-Sustaining.			
PERFORMANCE MANAGEMENT		• Evaluation of the adequacy of the Company's ESMS as a whole. • Approval and implementation of changes to the ESMS.	• ESMS evaluation guidance • Questionnaires to get feedback from the teams.	• ESG to regularly assess the adequacy of theESMS • VP Operations to review major updates to ESMS	• Partners
EXT. STAKEHOLDER MANAGEMENT		• Reporting on the company's E&S performance and the fund's ESMS to LP's • Grievance mechanism for external parties to be developed for all investments and stakeholder engagementto be commensurate with needs and risks of investment	• Reporting templates. • Stakeholder engagement guidance • Grievance mechanism.	• ESG Director to prepare input to FAFIN IC reports, SHB reports, TA ICreports	• VP Operations to oversee

E. Performance Management

FAFIN will actively manage ES performance over the course of its holding and will define KPIs that are appropriate for each transaction (and reflect the ES risks and opportunities that were identified during ESDD and which formed components of the ESAP). FAFIN will review governance processes and oversight for ES performance with in the Investee at appropriate intervals (and certainly annually) so as to ensure that there is an effective level of oversight and management from senior executives and the Investee's Board of Directors

Data and information about ES performance will be used by FAFIN at an aggregate (Fund portfolio) level to inform and guide the Fund's broader approach to ES practices.

F. External Communications and Reporting

FAFIN recognize that active engagement with local stakeholders is an important element in maintaining asocial license to operate, and will ensure that a stakeholder engagement plan that is commensurate with consultation needs is developed and agreed for each Investment (and captured in ESAPs as appropriate). All investments will also develop a Grievance Recourse Mechanism that is appropriate to the scale and impacts of the transaction. A sample of the grievance template is presented in the appendix of this document. In line with the DGGF ESG Policy (February 2026) and the IFC FI Interpretation Note, grievance mechanisms at both FAFIN level (complaints about FAFIN itself) and investee level (complaints about portfolio companies) must meet the following standards: (i) Submission: transparent, publicly available, and easily accessible process through multiple channels (phone, email, web portal, suggestion box); employees and investees are informed of their right to complain; anonymous submissions must be permitted; (ii) Handling: each complaint is recorded, assessed, and responded to; complaints-handling staff receive appropriate training; (iii) Communication: involved parties are informed about the complaint and the response in a timely and appropriate manner; (iv) Governance: physical and non-physical safety of the complainant is ensured throughout the process; a monitoring system is in place to verify that complaints have been resolved satisfactorily; complaints data is analysed and used to improve policies, processes and operations; FAFIN and investees take measures to ensure completeness of complaints and to ensure that submitting a complaint does not carry negative consequences. FAFIN is required to report annually to DGGF on the number and nature of complaints received at both FAFIN level and investee level.

FAFIN will collate and report (at least annually) on the E&S performance of its portfolio as agreed with LPs.

G. Review of ESMS

Performance and effectiveness of FAFIN's ESMS will be measured against a set of indicators. The ESMS will be reviewed and updated every two years and on need basis based to updates of Limited Partners ESMS and change in applicable National/International regulations, procedurs and policies. Review of the ESMS will be carried out by FAFIN Environmental and Social Management team based on experiences and lessons learned from field of implementation.

APPENDIX

Grievance Reporting Template

Thank you for bringing your grievance to our attention. We take all concerns seriously and are committed to fair and transparent resolution.

Please fill out this form to the best of your ability. The more information you provide, the better we can understand your concerns and take appropriate action.

All information will be kept confidential.

1. Your Information:
    - Name:
    - Email Address:
    - Phone Number (optional):
2. Grievance Details:
    - Type of Grievance: (Ethical violation, Environmental/social impact, Labor rights violation, Financial mismanagement, Discrimination/harassment, Other)
    - Brief Description of the Grievance: Please provide a concise summary of your concern.
    - Date(s) of the Incident(s):
    - Location(s) of the Incident(s): (If applicable)
    - People Involved: (If known)
    - Witnesses: (If any)
    - Evidence: (Please attach any supporting documents, photos, or recordings)
3. Desired Outcome:
    - What would you like FAFIN to do to address your grievance?
4. Additional Information:
    - Is there anything else you would like us to know?
5. Submission:
    - Once you have completed the form, send to complaints@sahelcp.com.
    - You will receive a confirmation email acknowledging your grievance.
    - A designated Grievance Redressal Officer (GRO) will review your grievance and contact you within 5 working days.

Thank you for your cooperation.

Additional Information:

- You can also submit your grievance anonymously through our online portal: [https://forms.office.com/r/TGSPyQsWmR]
- For more information about our Grievance Redress Mechanism, please visit our website: [link to grievance redress mechanism webpage]

We appreciate your feedback and look forward to working with you to resolve your grievance.

Grievance Anonymous Reporting

