SOCIAL ENTERPRISE FUND FOR AGRICULTURE IN AFRICA

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

ESMS — Version 3.0

Document Information & Version History

SEFAA ESMS — Version 3.0

Document Information

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Version History

Version	Date	Author	Summary of Changes
1.0	Jan 2020	Oladele Shekete	Initial ESMS established at fund launch
2.0	May 2023	Oladele Shekete	Updated to reflect KfW v5 guidelines; added PCA framework; revised exclusion list
3.0	Mar 2026	Chukwuka Oshiokpu	Added 2X criteria tracking; expanded E&S procedures; new Sections H & I; revised PCA; updated grievance template



Oshiokpu Chukwuka
Sustainability Manager
March 13th 2026

Table of Contents

A. Description of SEFAA's Operations
B. Purpose and Content of this Document
C. SEFAA ESMS Framework
D. SEFAA Environmental and Social (E&S) Policy
E. Environmental and Social Management System Procedures
F. Exclusion List Applicable for All Investments
G. SEFAA Peace and Conflict Assessment (PCA)
H. External Communications and Reporting
I. Review of ESMS
Appendix Grievance Reporting Template

List of Abbreviations

Abbreviation	Full Form
E&S	Environmental & Social
ESAP	Environmental & Social Action Plan
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESG	Environmental, Social and Governance
ESMS	Environmental & Social Management System
IFC	International Finance Corporation
KfW	KfW Development Bank (Germany)
PCA	Peace and Conflict Assessment
SAEs	Social Agricultural Enterprises
SEFAA	Social Enterprise Fund for Agriculture in Africa
SHFs	Smallholder Farmers
OECD	Organisation for Economic Co-operation and Development
EDFI	European Development Finance Institutions
HCV	High Conservation Value
UNGPs	United Nations Guiding Principles on Business and Human Rights
GRO	Grievance Redressal Officer
TA	Technical Assistance
M&E	Monitoring and Evaluation

A. Description of SEFAA's Operations

The Social Enterprise Fund for Agriculture in Africa (SEFAA) is an impact-first fund focused on enhancing the business ecosystem and income opportunities for smallholder farmers (SHFs) in Sub-Saharan Africa. SEFAA's theory of change holds that significant poverty alleviation can be achieved by improving the productivity of SHFs through the provision of growth funding to viable Social Agricultural Enterprises (SAEs) that deliver products and services to SHFs and rural micro, small, and medium enterprises (MSMEs).

SEFAA is also a member of the 2X Initiative, which promotes gender-lens investing across the African agricultural sector. The Fund actively tracks alignment with 2X criteria across its portfolio, embedding gender equality into investment decisions and portfolio management practices.

Fund Objectives

- Provide appropriate growth funding to enterprises whose activities enhance the business ecosystem and income opportunities for SHFs in Sub-Saharan Africa.
- Generate the highest sustainable positive impact for SHFs through improved incomes, enhanced food security, and job creation.
- Catalyse private sector investment in African agriculture by demonstrating that impact-oriented investing can generate competitive financial returns alongside measurable social outcomes.
- Strengthen the resilience of agricultural value chains, with emphasis on climate adaptation, gender inclusion, and economic empowerment of rural communities.

Target Geographies and Sectors

SEFAA operates across Sub-Saharan Africa, prioritising markets where agricultural development offers the greatest potential for poverty reduction. Target sectors include agri-inputs, post-harvest processing, market linkage platforms, digital agriculture tools, and financial services tailored to SHFs and rural MSMEs.

B. Purpose and Content of this Document

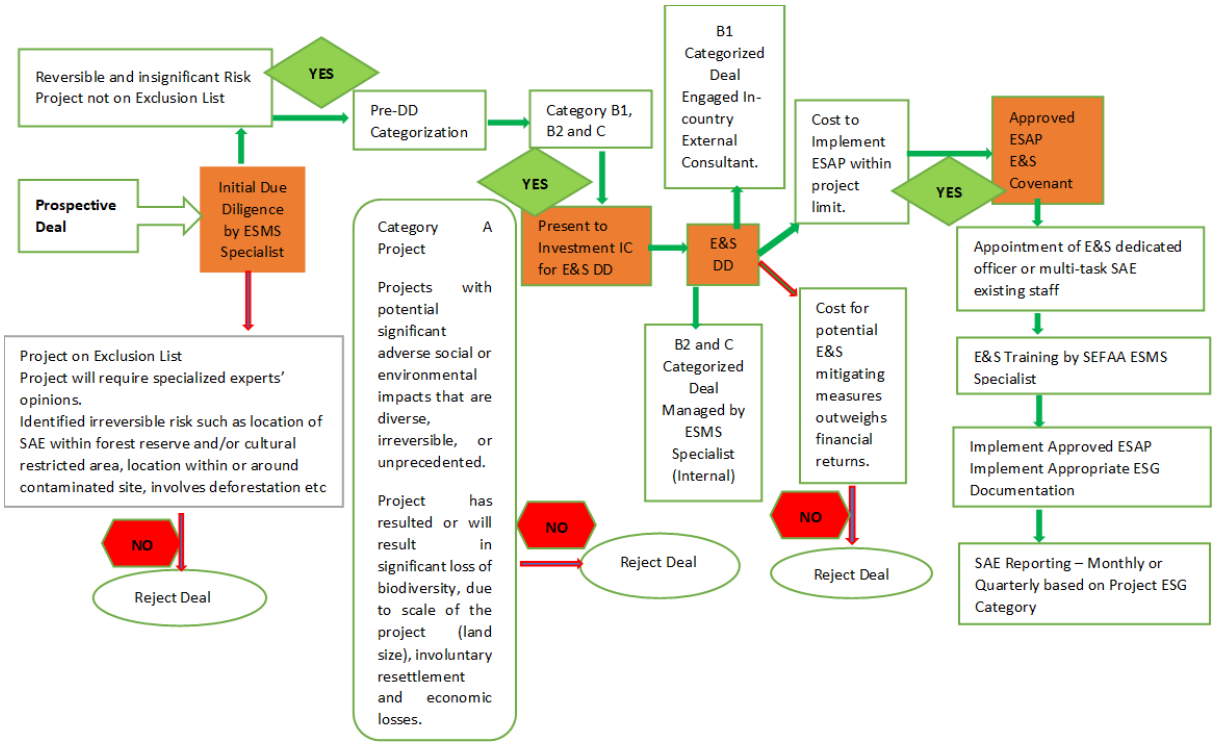
All of SEFAA's investments are scrutinised to meet national and internationally accepted environmental and social (E&S) performance requirements. This Environmental and Social Management System (ESMS) document describes how E&S aspects will be assessed, managed, and integrated into the Fund's operations. It outlines SEFAA's E&S policy, risk classification matrix, E&S procedures across investment stages, roles and responsibilities, and approach to performance management and external stakeholder engagement.

Applicable Standards and Frameworks

- National Environmental and Labour Laws of host countries
- National Sustainable Banking Principles
- IFC Performance Standards (PS 1–8)
- KfW Sustainability Guidelines
- United Nations Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for Multinational Enterprises
- European Development Finance Institutions (EDFI) Exclusion List
- Voluntary Guidelines on the Responsible Governance of Tenure (VGGT)
- Equator Principles (for relevant categories)
- 2X Challenge Criteria (gender-lens investing)

C. SEFAA ESMS Framework

SEFAA's ESMS framework has been developed in alignment with the KfW Sustainability Guidelines, IFC Performance Standards, and the World Bank Operational Framework. It articulates the Fund's ESG guiding principles and provides a systematic approach to identifying, assessing, managing, and monitoring E&S risks and opportunities across the full investment lifecycle.



Framework Objectives

- Provide SAEs with SEFAA's core ESG values, business model principles, and enterprise risk management guidelines.
- Enhance SAEs' E&S performance by identifying and capitalising on E&S opportunities while minimising negative impacts.
- Adopt a consistent avoidance, minimisation, and mitigation hierarchy for managing E&S risks.
- Build the capacity of SAE management teams and ESG officers to embed ESG principles into day-to-day business operations.

Governance Structure and Roles

E&S governance at SEFAA operates across three levels: the Fund level (Investment Committee and Sustainability Manager), the Investment Advisor level (ESG Specialist and deal teams), and the portfolio company level (ESG Officer/Manager). The table below summarises key roles and responsibilities:

Role	Responsibility	Frequency
Investment Committee	Approve all investment decisions involving E&S considerations; review and approve deviations from ESMS; approve ESMS updates	Per investment cycle
SEFAA Sustainability Manager	Oversee ESMS implementation across the portfolio; approve ESAPs; review escalated incidents; ensure LP reporting	Monthly
SEFAA Sustainability Officer	Conduct or commission E&S due diligence; develop ESAPs; monitor covenant compliance; coordinate training; manage grievances	Ongoing
Portfolio Company ESG Officer/Manager	Implement ESAP; submit E&S performance reports; manage OHS and community engagement; maintain grievance log	Monthly / Quarterly
Third-Party Consultants	Conduct independent ESDD (where required); validate ESIA/ESMP; provide specialised technical expertise	Per engagement
Board of Portfolio Company	Provide oversight and endorsement of E&S policy; review material incidents; ensure E&S budget allocation	Quarterly

ESG Transformation Strategy

Recognising the varied stages of ESG maturity among SAEs across SEFAA's focus countries, the Fund has developed a systematic ESG transformation strategy designed to progressively build SAEs' capability to implement and benefit from ESMS principles. The Fund develops an annual training programme for SAE principal management leads and ESG officers, covering ESG fundamentals, governance, risk management, environmental compliance, labour practices, and community engagement.

Investment Lifecycle Integration

E&S considerations are integrated at every stage of SEFAA's investment process:

1. E&S Screening (pipeline and deal sourcing)
2. Environmental and Social Due Diligence (ESDD)
3. Investment structuring and ESAP development
4. Active portfolio management and monitoring
5. Exit and legacy planning

D. SEFAA Environmental and Social (E&S) Policy

> *SEFAA is committed to investing in businesses that create value with sustainability at the forefront. The Fund believes that robust ESG practices are essential to reducing risks, lowering liabilities, and building great businesses that generate lasting impact for smallholder farmers and rural communities across Sub-Saharan Africa.*

Prior to making any investment, SEFAA will undertake appropriate Environmental and Social Due Diligence (ESDD) on all prospective portfolio companies. Key E&S issues will be thoroughly explored to ensure effective risk and opportunity assessment, proper categorisation of the investee, and development of an appropriate Environmental and Social Action Plan (ESAP). The ESAP guides how the investee addresses E&S gaps, specifying roles, responsibilities, timelines, and performance monitoring mechanisms.

SEFAA's Commitments to Portfolio Companies

- Identify and assess E&S impacts — both adverse and beneficial — within the investment's area of influence as part of ESDD processes.
- Agree on the most effective approach to managing E&S risks and delivering opportunities with investee companies, including the scope, content, and timelines for the ESAP.
- Work with investees to develop adequate technical competence and senior management oversight, and ensure appropriate Board-level governance frameworks are in place.
- Ensure adequate and timely reporting of E&S performance to investors, including notification of serious incidents, and that appropriate stakeholder engagement and grievance mechanisms are operational.
- Institute appropriate corporate governance controls and ensure adherence to applicable laws, with adequate human resources, capital, and guidance on E&S management.
- Support and leverage best E&S practices and lessons learned across the SEFAA portfolio.

Investee ESMS Requirements

- **E&S Policy Development:** Articulate objectives and principles governing E&S practices. At a minimum, comply with SEFAA's requirements and relevant voluntary good practice initiatives.
- **E&S Risk and Opportunity Assessment:** Undertake appropriate E&S assessments and/or audits, including ESIAs as necessary, to fully understand the range of risks and opportunities within the area of influence, including supply chains.
- **Roles, Responsibilities, and Oversight:** Identify and appoint technically competent personnel to manage E&S aspects, with senior management oversight commensurate with the degree of E&S risk.
- **Procedures and Practices:** Develop procedures covering HR, occupational health and safety, supply chain management, and resource efficiency.
- **Performance Management:** Periodically review and improve procedures and practices based on performance data and lessons learned.

- **External Communication and Stakeholder Engagement:** Communicate transparently with investors and stakeholders on E&S performance, and develop a Stakeholder Engagement Plan and Grievance Redress Mechanism.

IFC Performance Standards

#	Performance Standard	Key Focus
PS 1	Assessment and Management of Environmental and Social Risks and Impacts	Establishes the foundation for an integrated assessment and management approach to E&S risks.
PS 2	Labor and Working Conditions	Protects workers' rights, promotes fair treatment, non-discrimination, and equal opportunity.
PS 3	Resource Efficiency and Pollution Prevention	Promotes efficient use of resources, reduction of pollution, and greenhouse gas emissions.
PS 4	Community Health, Safety and Security	Addresses risks and impacts to affected communities from project activities.
PS 5	Land Acquisition and Involuntary Resettlement	Addresses risks associated with involuntary resettlement and land acquisition.
PS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Protects and conserves biodiversity and promotes sustainable management of living natural resources.
PS 7	Indigenous Peoples	Ensures indigenous peoples are not adversely affected and participate meaningfully in project decisions.
PS 8	Cultural Heritage	Protects cultural heritage from the adverse impacts of project activities.

Deviations from this ESMS policy must be approved by a senior management team following an additional Environmental and Social review process.

E. Environmental and Social Management System Procedures

E&S considerations, including completion of ESG checklists and assessment of E&S risks, are integrated into the due diligence process by SEFAA's ESG Specialist or an appointed third-party consultant. Based on due diligence outcomes, ESAPs are developed and E&S covenants are established with borrowers to govern E&S risk management throughout the life of the investment.

E.1 E&S Screening

The initial E&S screening, using a desk study approach, is carried out by SEFAA's E&S Specialist. All deals are screened against the magnitude of E&S risk and the Fund's exclusion list and investment restrictions:

- SEFAA's AML policy precludes investment in politically exposed persons and those sanctioned by the UN or World Bank Group.
- The Fund will not invest in businesses involved in alcoholic beverages, tobacco, casinos, unsustainably sourced wood products, or arms and ammunition.
- The Fund will not invest in businesses using forced or harmful child labour.
- Screening also considers climate risk, conflict risk, and alignment with 2X criteria where relevant.

E.2 ESG Investment Due Diligence

Appropriate investment due diligence is conducted on all prospective portfolio companies. The exercise uses third-party consultants or in-house expertise depending on the size, scale, and risk category of the investment. The scope ensures compliance with the applicable environmental regulatory framework, IFC Performance Standards, and World Bank EHS Guidelines.

Key E&S Issues to Be Addressed

E&S Theme	Requirements
Labor and Working Conditions	Ensure portfolio companies' governance, employment, and HR policies comply with occupational health and safety standards, applicable labour laws, and the 2X criteria for gender-lens investing.
Community Health, Safety & Security	Ensure portfolio companies are not adversely affecting community health, safety, and security. Verified through management interviews, community sampling, and field visits.
Indigenous Peoples & Cultural Heritage	Ensure portfolio companies empower indigenous people, respect their rights and traditions, and protect cultural heritage from project-related impacts.
Air Quality Management	Ensure potential air pollutants are identified, contained, and that operational activities do not negatively impact the natural environment or surrounding communities.

E&S Theme	Requirements
Noise & Vibration Management	Ensure noise and vibration levels meet applicable statutory requirements and internationally accepted standards throughout operations.
Water Resources Management	Maintain or improve the quality of both surface water and groundwater sources in the vicinity of portfolio company operations.
Wastewater Management	Protect aquatic ecosystems from wastewater discharge. Where feasible, promote on-site reuse of treated wastewater to reduce freshwater consumption.
Solid Waste Management	Ensure all waste streams are identified, managed, and disposed of appropriately so as not to pollute the environment or endanger public health.
Hazardous Materials Management	Ensure all hazardous chemicals (including pesticides and herbicides) are stored, handled, and disposed of safely in compliance with applicable regulations.
Contaminated Land	Ensure financed activities do not result in new land contamination and that existing contamination is disclosed and remediated where necessary.
Biodiversity & Ecosystem Services	Assess impacts on habitats, species, and ecosystem services. Avoid or mitigate damage to High Conservation Value (HCV) areas and protected ecosystems.
Climate Risk	Assess physical and transitional climate risks facing investees and promote adoption of climate adaptation and mitigation measures where relevant.

E.3 Risk Categorisation

Based on due diligence outcomes, each prospective portfolio company is categorised as A, B1, B2, or C. SEFAA invests only in Category B and C transactions where E&S risks can be readily mitigated and controlled.

Category	Risk Level	Eligibility & SEFAA Response
A	**High – Irreversible Risk**	NOT eligible for SEFAA investment under any circumstances.
B1	**Medium – Reversible Risk**	Eligible; detailed E&S approach required. External consultant involvement mandatory.
B2	**Minor – Reversible Risk**	Eligible; moderate E&S approach required. Internal expertise sufficient.
C	**Low – Insignificant Risk**	Eligible; light E&S approach required. Internal expertise sufficient.

E.4 Due Diligence and Portfolio Management Matrix

Cat.	Reporting	E&S Governance	Response Level	Screening	DD Framework	Required Documentation
B1	Monthly	Dedicated ESG Officer or multi-task existing staff	Detailed	External Consultant / Internal Expertise	Country Environmental Law; IFC PS; World Bank EHS Guidelines; Exclusion List	DD Questionnaire; Physical Visit; Detailed Report; ESAP; ESMS; ESIA
B2	Quarterly	Multi-task existing staff	Moderate	Internal Expertise	Country Environmental Law; IFC PS; World Bank EHS Guidelines; Exclusion List	DD Questionnaire; Remote Screening; ESAP; ESMS; ESMP
C	Quarterly	Multi-task existing staff	Light	Internal Expertise	Equator Principles; Country Banking Principles; Exclusion List	DD Questionnaire; ESAP; E&S Policy; ESMS

E.5 ESG Portfolio Management

Depending on transaction size and E&S categorisation, each portfolio company will have a designated ESG Officer or Manager (dedicated or multi-tasking), responsible for controlling, managing, and mitigating E&S risks. The ESG Officer/Manager reports to the SEFAA Sustainability Manager on a monthly or quarterly basis using the assigned reporting template.

E.6 Progress Reporting and Performance Monitoring

A standardised report template is provided to all portfolio companies for periodic updates on ESAP implementation, E&S initiatives, and regulatory compliance. Reports are reviewed by the SEFAA ESG Specialist and escalated to the Sustainability Manager where necessary. Where conditions stated in the E&S covenant are not met, the issue is escalated for remedial action. The E&S covenant must be signed by executive directors of the investee company and constitutes a legally binding commitment.

F. Exclusion List Applicable for All Investments

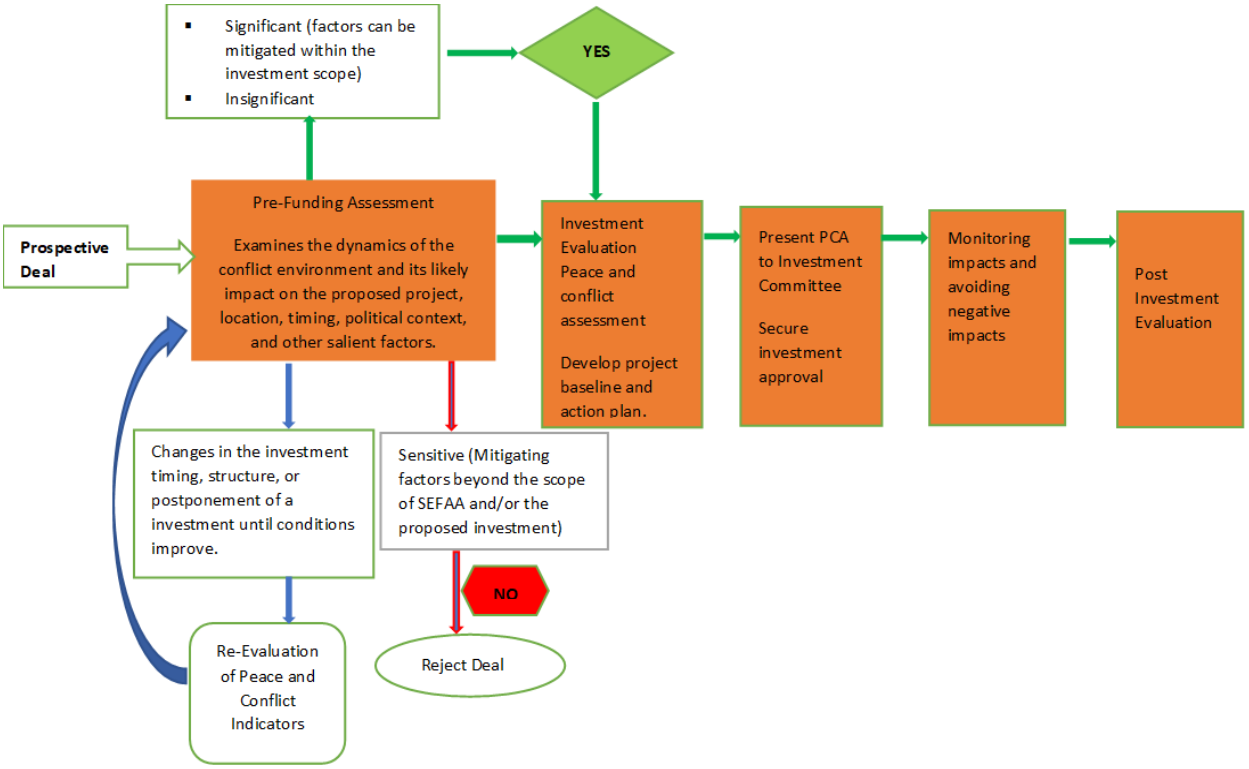
SEFAA will not finance, directly or indirectly, any of the following activities or transactions:

1. Production or trade in any product or activity deemed illegal under host country law or applicable international conventions or bans, including pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife regulated under CITES, or radioactive materials (except where IFC considers the source trivial and/or adequately shielded).
2. Unsustainable fishing methods, including blast fishing or the use of drift nets exceeding 2.5 km in length in marine environments.
3. Forced labour or harmful child labour. Forced labour means all work or service extracted under threat of force or penalty. Harmful child labour means employment that is economically exploitative, hazardous, or likely to interfere with a child's education, health, or development. Only persons aged 16 or above may be employed.
4. Commercial logging operations for use in primary tropical moist forests.
5. Production or trade in wood or other forestry products other than from sustainably managed forests.
6. Cross-border trade in waste and waste products, unless fully compliant with the Basel Convention and its underlying regulations.
7. Pornography or prostitution.
8. Racist and anti-democratic media.
9. Destruction of High Conservation Value (HCV) areas, defined as the elimination or severe diminution of an area's ecological integrity through major, long-term change in land or water use, or modification of a habitat such that its role is lost.
10. Production of or trade in arms, weapons, munitions, or nuclear products primarily designated for military purposes.
11. Where any of the following products form more than 10% of a company's consolidated balance sheet or earnings: alcoholic beverages (excluding beer and wine); tobacco or tobacco-related products; gambling, casinos, and equivalent enterprises.

G. SEFAA Peace and Conflict Assessment (PCA)

SEFAA will implement a Peace and Conflict Assessment (PCA) framework to evaluate and anticipate the impacts of proposed and completed investment transactions on peacebuilding and social cohesion. The framework is based on structures and processes that promote peaceful coexistence within host communities and sectors of investee companies.

The PCA framework will be applied to all investments located within or near countries, regions, states, or communities with potential or existing peace and conflict risks. It ensures that negative impacts on SHFs and associated security risks are identified, and that appropriate mitigation measures are elaborated and implemented in collaboration with the investee.



Pre-Investment Risk Categories

Risk Category	Description and Response
Sensitive	Mitigating factors are beyond the scope of SEFAA and/or the proposed investment. Investment is likely to be deferred or declined.
Significant	Factors can be mitigated within the investment scope. A detailed Peace and Conflict Action Plan (PCAP) must be developed and implemented.
Not Significant	No potential or existing negative peace-and-conflict impact identified. Standard monitoring procedures apply.

PCA Stages

Stage 1: Pre-Investment Assessment

Assesses the need for peace and security analysis, providing the basis for a general peace and conflict risk assessment. The assessment considers location, timing, political structure, and other salient contextual factors. Results may lead to changes in project timing, structure, or objectives; postponement until conditions improve; or establishment of a baseline reference for post-investment evaluations where risk is considered minimally acceptable.

Stage 2: Investment Evaluation

Involves a comprehensive assessment of conflict dynamics and mitigation measures in the context of conflict, fragility, and violence. The PCA Investment Evaluation Report includes baseline parameters and an action plan of mitigation measures, and forms part of the documentation presented to the Investment Committee for approval.

Stage 3: Monitoring and Impact Mitigation

Monitoring of mitigation measures is carried out throughout the investment tenor per the agreed action plan. Portfolio company staff may be multi-tasked to support monitoring and evaluation. Appropriate training will be provided and annual quality assurance reviews will be conducted by SEFAA's M&E specialists.

Stage 4: Post-Funding Evaluation

Upon full repayment and/or SEFAA's divestment, a post-funding evaluation will assess the successful implementation of the action plan and achievement of expected objectives. This evaluation will be conducted by a SEFAA M&E specialist and documented for organisational learning.

H. External Communications and Reporting

SEFAA recognises that active engagement with stakeholders is essential to maintaining a social licence to operate and delivering credible ESG outcomes. For each investment, SEFAA will ensure that a Stakeholder Engagement Plan (SEP), commensurate with the scale and nature of consultation needs, is developed and agreed upon, captured in ESAPs as appropriate.

All investments will also develop a Grievance Redress Mechanism (GRM) appropriate to the scale and impact of the transaction. The GRM will provide accessible, transparent, and time-bound channels for affected stakeholders including SHFs, community members, workers, and civil society organisations to raise concerns, complaints, or feedback related to investee operations.

SEFAA will collate and report, at least annually, on the aggregate E&S performance of its portfolio as agreed with Limited Partners (LPs). Reporting will include key performance indicators, material E&S incidents, ESAP progress, and highlights from stakeholder engagement activities.

Principles for Stakeholder Engagement

- Engagement will be inclusive, accessible, and conducted in a manner appropriate to the cultural and social context of host communities.
- Feedback received through stakeholder engagement will be documented, tracked, and incorporated into investment management decisions as appropriate.
- SEFAA will promote transparency by sharing relevant E&S information with affected stakeholders in an accessible and timely manner.
- Serious E&S incidents at portfolio companies will be reported to SEFAA and, as required, to relevant LPs and regulatory authorities.

I. Review of ESMS

The performance and effectiveness of SEFAA's ESMS will be measured against a defined set of E&S performance indicators covering input, process, output, and outcome metrics across the investment lifecycle, including ESAPs developed and implemented, proportion of portfolio companies meeting E&S covenants, training hours delivered, grievances received and resolved, and material incidents reported.

The ESMS will be formally reviewed and updated every two years, and on an ad hoc basis in response to:

- Updates to the ESMS requirements of Limited Partners.
- Changes in applicable national or international environmental and social regulations, procedures, or policies.
- Material changes in SEFAA's investment strategy, portfolio composition, or target geographies.
- Significant E&S incidents or lessons learned from portfolio management that necessitate system-level improvements.

The review will be conducted by the SEFAA Environmental and Social Management team, drawing on field experience and lessons learned. Results will be presented to the Investment Committee and shared with LPs as appropriate.

Appendix: Grievance Reporting Template

Please complete this form as fully as possible. All information will be treated with the utmost confidentiality. Anonymous submissions are welcome via the online portal listed below.

Field	Description / Instructions
Complainant Name	Full name of the person submitting (may be blank for anonymous submissions)
Organization / Community	Name of organization, community, or group represented, if applicable
Contact Information	Email and/or phone number for follow-up (optional for anonymous submissions)
Date of Submission	Date on which the form is completed and submitted
Type of Grievance	Ethical violation | E&S impact | Labor rights | Financial mismanagement | Discrimination/harassment | Other
Description of Grievance	A concise but detailed description of the concern, including relevant context and actions that gave rise to the grievance
Date(s) of Incident(s)	The date or date range during which the incident(s) occurred
Location(s) of Incident(s)	Geographic location(s) where the incident(s) took place, if applicable
People Involved	Names and/or roles of individuals involved, if known
Witnesses	Names of any witnesses to the incident(s), if applicable
Supporting Evidence	Description and/or attachment of supporting documents, photographs, or recordings
Desired Outcome	The outcome the complainant seeks from SEFAA in response to this grievance
Additional Information	Any other information considered relevant to the review of this grievance

Submission Instructions

- Email: complaints@sahelcp.com
- Anonymous portal: https://forms.office.com/r/TGSPyQsWmR
- A Grievance Redressal Officer (GRO) will acknowledge receipt and contact you within 5 working days.



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