

Environmental and Social Data Sheet

Overview

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| Project Name: | AFRICA FOOD SECURITY FUND (AFSF) |
| Project Number: | 2017-0443 |
| Country: | Regional: Sub-Saharan Africa |
| Project Description: | Equity participation in agricultural fund with a focus on SME companies across the Sub-Saharan agriculture sector spanning the entire value chain from primary to tertiary services. The Fund has a target size of USD 100m. |
| EIA required: | Multi-investment Fund. EIA may be required for selected investments |
| Project included in Carbon Footprint Exercise ¹ : | no |

Environmental and Social Assessment

Environmental Assessment

The operation is an equity participation of up to EUR 12.5 million in Africa Food Security Fund (AFSF or “the Fund”), targeting investments in SMEs in the Sub-Saharan Africa (SSA). The Fund aims to strengthen agriculture and food security through an integrated value chain approach. The Fund Manager will promote active product trading and fair market access to its Portfolio Companies in order to support them for more sustainability, high quality product supply and efficient distribution networks.

The EIB has assessed the Fund’s expected portfolio and sectors of investment. The applicable environmental and social requirements are determined as (i) the EIB’s lists of excluded activities and the Investment guidelines and sector-specific exclusions and restrictions for the Fund’s investments, (ii) the applicable national environmental and social laws and regulations, (iii) the EIB Environmental and Social Standards, and (iv) the EU regulations for active agrochemical substance.

The Bank’s review also covered the capacity of the Fund Manager to manage environmental and social risks and impacts and to maintain an Environmental and Social Management System (ESMS). However the Fund Manager is required to (i) better reflect EIB Environmental and Social Standards, (ii) adopt the principles of Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)² as well as (iii) demonstrate the application of Free, Prior Informed

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

² <http://www.fao.org/docrep/016/i2801e/i2801e.pdf>.

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Consent (FPIC) processes across the pipeline between concerned indigenous communities and project proponents at the level of each project to avoid any involuntary resettlements

The Fund has a set of Environmental and Social Governance Procedures to be followed in its Environmental and Social Due Diligence (ESDD) and monitoring procedures.

The ESMS and the underlying due diligence and monitoring procedures are aligned with the IFC standards and the African Development Bank's Environmental and Social Assessment Policies and Procedures. It will further integrate the EIB Policies and Performance Standards on Social and Environmental Sustainability. The ESMS includes a commitment to allocate appropriate in-house resources at the Fund level so as to ensure the proper implementation of E&S standards.

At individual investment level, the Fund will require its portfolio companies to establish environmental and social policies and to adopt the necessary measures based on recommendations made in the pre-investment ESDD to ensure that these policies and standards are implemented effectively and in a timely manner.

An annual environmental and social performance report is required from all Portfolio Companies. Depending on the particular demands of the portfolio company, an updated report is performed by the Fund's manager on a quarterly or semi-annual basis. The report shall be communicated to the EIB upon request.

Other Environmental and Social Aspects

As the Fund manager aims at investing in fertiliser/crop protection distributor, use, handling and storage of agrochemicals not in line with international best practices (e.g. International Code of Conduct on Pesticide Management) may have a serious negative impact on environment and human health when and where hazardous agrochemicals or agrochemicals during transport and storage are used, as well as application of the wrong dosage and without personal protective gear. The Fund Manager has aligned these rules with IFC Sector Specific Guidelines. Nevertheless, the distributors and final users under these investments shall receive training on best practices in agrochemical use, storage and handling (including risks associated with fire, storm/rain drainage precautions) and on the impact of internationally banned or sensitive agrochemicals. Additionally the Fund Manager shall develop as part of its ESG Policy a mandatory management plan with a positive list of products. This approach, in combination with the Promoter's policy, will mitigate the risk that agrochemicals financed under this operation will adversely impact environment and human health.

All agricultural activities financed by the Fund should apply principles commonly accepted as Good Agricultural Practice at an international level and comply with the Sustainable Agriculture Standards³.

Where applicable the Fund Manager shall obtain a trusted independent certification schemes⁴ certified against internationally agreed standards for the production of palm oil, eligible for the modernization/up-grading of existing plantations, coffee, cocoa and tea⁵.

Any animal husbandry and transportation investment, using systems of intensive or industrial animal rearing in confined stocking or mixed grazing systems, shall respect EU standards and

³ Sustainable Agriculture Standards 2017 (<http://sanstandard2017.ag/>)

⁴ With specific reference to EU accredited certification schemes

⁵ Such as, for instance, Fairtrade, Rainforest Alliance and UTZ.

require a detailed environmental and social impact study as well as a verification that the management practices observe EU animal welfare standards⁶.

All aquaculture subprojects, shall comply with the Aquaculture Stewardship Council (MSC) standards or equivalent relevant internationally accredited sustainability certification schemes within the lifetime of the investments.

Any investment in Forestry sector, shall comply with sustainable forest management principles and with international forest certification standards (e.g. FSC⁷/PEFC⁸) and with sustainable forest management (SFM) principles.

Conclusions and Recommendations

Disbursement conditions

- Develop as part of its ESG Policy a mandatory agrochemicals management plan that integrates (i) a positive list of products, which shall be based on active ingredients that can be legally applied in the EU and (ii) the best practice in agrochemical use, storage, transport and handling (including risks associated with fire, storm/rain drainage precautions) and on the impact of internationally banned or sensitive agrochemical, applicable to all investments in agriculture and forestry.
- Within 90 days from the date of the EIB commitment and in any case, before the first disbursement, the Fund Manager shall have:
 - Enhanced its Environmental & Social Management System (ESMS) in order fully to reflect the EIB Environmental & Social Standards as described in the Bank's Environmental and Social Handbook⁹ and others specific EIB conditions.
 - Nominated an Environmental and Social Manager, which shall be an experienced senior officer of the Manager having management responsibility, among other things, for ensuring proper operation and maintenance of the Environmental and Social Management System.

Undertakings

The Fund Manager shall:

- Ensure that Each Portfolio Company: (i) complies with the EIB List of Excluded activities and the "Investment guidelines and sector-specific exclusions and restrictions for the Fund's investments"; (ii) has internal procedures to safeguard health and safety among its staff and communities close to its operations, (iii) has an internal grievance mechanism or equivalent to deal with grievances procedure, and engages with the local communities in the regions where it operates; and (iv) has adopted and implements the

⁶ Minimum Animal Welfare Standards for all rearing and transport activities are summarised under the "Five Freedoms". EU Animal Welfare Standards are laid down in the European Convention for the Protection of Animals kept for Farming Purposes and related EU legislation (http://ec.europa.eu/food/animals/welfare/index_en.htm). Where specific animals are not covered by EU legislation, Council of Europe recommendations should be consulted (http://www.coe.int/t/e/legal_affairs/legal_co-operation/biological_safety_and_use_of_animals/Farming/). Standards include commitment to the provision of minimum standards for animal nutrition, watering, life conditions, hygiene, ventilation, health, etc.

⁷ Forest Stewardship Council

⁸ Programme for the Endorsement of Forest Certification

⁹ <http://www.eib.org/infocentre/publications/all/environmental-and-social-practices-handbook.htm>

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proper employment health and safety standards (OHAS¹⁰ standards), as well as proper Hygiene Standards for work and food safety.

- Keep (or have kept on behalf of the Fund by the investee company) the relevant documents collected during the due-diligence process, concerning environmental or social matters regarding companies in which the fund has made an investment (especially the documentation used for the due diligence process);

The Fund Manager and/or the General Partner shall also ensure when it makes investments that all underlying operating Portfolio Company or sub-project will be obliged to operate, and will be operated in accordance with the national laws and will adhere to the principles and standards of the Bank's Environmental and Social Handbook¹¹ which is based on the EU's "acquis" (to the extent that such laws and requirements are applicable to the relevant underlying operating Portfolio Company or sub-project). Upon request the EIB shall demand to review the implementation and performance of the Fund's ESMS subsequent to EIB's investment, to ensure that the Fund's ESMS is applied consistently.

With the above-mentioned conditions to be included in the Fund's legal documentation, the Fund is acceptable to the EIB in environmental and social terms.

¹⁰ Occupational Health and Safety Management Certification

¹¹ <http://www.eib.org/infocentre/publications/all/environmental-and-social-practices-handbook.htm>