Environmental and Social Management System (ESMS)

Including Client Protection (CP) Integration for Financial Institutions (FIs)

The Environmental and Social Management System ("ESMS") policy sets a systematic procedure for the ALCB Fund in assessing E&S Risk and anticipating E&S Impact. It is complimented by the Fund's Environmental &Social Policy, and other key policy documents of the Fund.

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Revised April 2025

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1 E&S Approach and Tools Across Investment Cycle

Below summarises the ESMS policy set up by the Fund Manager for the Fund across the investment lifecycle.

Stage	E&S Risk Management	E&S Impact Assessment	Responsibilities
Pre-investment	**Approach and tools**	**Approach and tools**	
Screening Memo	Compare activities against the Fund's Exclusion List (Appendix A) and Client Protection Principles (Appendix B)	Summary of how investments meet the Fund's criteria.	Investment Officers (IOs).
Due Diligence	Review of client E&S Management System and complete E&S Risk Assessment Form (Appendix C) **Assessment of portfolio risk for FIs**: Request data on lending by product/ sub-sector; conduct survey on sample of existing loans; categorise FIs (FI-1/2/3); consult with financial sector regulatory authorities if required; assess FIs performance and risk rating using the CPP Assessment Template (Appendix D). **Assessment of portfolio risk for non-FIs**: Categorise projects (Category A/B/C); review ESIA or equivalent; appoint external E&S consultant to conduct due diligence if required.	Request details on the Use of Proceeds (UOP); projection of portfolio by lending product and assess prospective E&S impact; benchmark proposed issuance terms against market norms; clarify local investor participation; rate the FI CP performance and risk.	IOs (Cat C and FI 2 &3)/ E&S Officers. All DD will be reviewed by the E&S Officer and approved by the E&S Manager for IC approval.
IC Proposal	Complete evaluation template for IFC Performance Standards; complete E&S due diligence report; complete the CP Assessment Template; review the alignment of the ESIA with IFC Performance Standards.	Detailed explanation of how the investment (including terms, UOP) meets the criteria and aims of the Fund; complete E&S Diligence Report; complete the CP Assessment Template for FIs.	IOs (Cat C and FI 2 &3)/ E&S Officers. All DD will be reviewed by the E&S Officer and approved by the E&S Manager for IC approval.
Execution	Covenants and/ or a "Side Letter" outlining reporting commitments. Template side letter in Appendix F and G.	Covenants and/ or a "Side Letter" outlining reporting commitments; report list of co-investors at issuance.	IOs (Cat C and FI 2 &3)/ E&S Officers. All DD will be reviewed by the E&S Officer and approved by the E&S Manager for IC approval.
Post-investment	**Approach and tools**	**Approach and tools**	
Monitoring/ Reporting	Complete E&S risk reporting template and compliance with IFC Standards; report on E&S risk in annual Environmental &	Complete E&S impact template (Appendix E); annual ESRP (for publication).	IOs with the support of the E&S Officer are responsible for monitoring. The E&S

Stage	E&S Risk Management	E&S Impact Assessment	Responsibilities
	Social Performance Report (ESPR; categorising financial institutions (FI-1/2/3) and projects (Category A/B/C).		Officer and Fund's operations team are responsible for collating impact data, and drafting the impact section of the ESPR.
Remedies	Remedial or corrective measures through technical assistance, e.g. improvements to their ESMS; consider put option on the Issuer in the event of non-compliance; sell-down bond and unwind swap where E&S risk is unacceptable.	Remedial or corrective measures through technical assistance, e.g. improvements to their ESMS; exercise put option on the Issuer in the event of non-compliance; support market development through future issuance.	E&S Officer.

2 Roles & Responsibilities

An overview of the roles and responsibilities for the implementation of the E&S Management System is summarised in the table below.

Task	Roles and Responsibilities
E&S and CP Risk Screening Assessment	The IOs and E&S Officer are responsible for the initial E&S classification and assessment of the client. For FIs, the IO will assess whether the FI is signatory of the Client Protection Principles Pathway (CPP Pathway), and whether there are any alignment to the CP principle or commitment stages as defined by the Cerise+SPTF Pathway. For non-FIs the IO with the E&S officer will conduct an initial screening to assess the project category as defined by IFC Performance Standards.
E&S and CP Risk Assessment	This task is either carried out internally by the Fund IOs (Cat C and FI 2 &3) and E&S Officer or by an external E&S Advisor depending on the scope of the project and the project risk. For internal assessment, the assigned E&S Officer with support from the IOs, conducts the project's E&S evaluation, gap analysis and develops an E&S Action Plan, where required. When the tasks are carried out by an external advisor, the assigned E&S officer reviews the report in line with the Fund's E&S requirements. The E&S Officer, with support from the IOs, is responsible for the implementation of the Fund's Client Protection Management System (CPMS). The E&S Officer is also responsible for the assessment of the CP risk of prospective clients, formulating an improvement plan for identified medium-high CP risks (CP Action Plan), and providing recommendation of approval or non-approval to the Investment Committee (IC).
E&S Impact Assessment	Collection of E&S impact data for each Issuer is the responsibility of the relevant IO with the support of the E&S Officer. The Fund's operations team and the E&S Officer are responsible for collating impact data and drafting the impact section of the ESPR. The ESPR is reviewed by the E&S Officer and approved by the Fund's lead and shared with the Fund's IC.
E&S and CP Monitoring & Reporting	Monitoring of E&S risks, CP risk and Action Plan implementation (if applicable) is the responsibility of the IOs, with support from the E&S Officer. . The E&S Officer, as part of the Fund's annual impact monitoring, will also report on the overall CP risk in portfolio, including any changes in the FIs CP risk performance, number of FIs that have signed the CPP Pathway and hold Client Protection Certification, progress of CP Action Plan implementation, and related matters. In

	addition, the Fund's annual ESPR will include updates on the Fund's alignment with CPP Pathway.
Decisions and Approval	The Fund's IC, composed of both independent members and AIFM representatives is responsible for making decisions on the Fund's exposure to E&S and CP risks, and approval of recommended Action Plans.
Corrective Measures	The E&S Officer will oversee the implementation of any corrective measures, with support from the IOs.
External Communication & Complaints Resolution	The E&S Officer is responsible for managing external communication and complaints.

2.1 Investment Officers

Investment officers are employees of the Fund Manager and its sister companies. Investment officers should be suitably qualified to carry out comprehensive investment due diligence and be suitably trained to, with the support of the E&S Officer and E&S Manager, participate in the required E&S and CP due diligence and monitoring activities.

2.2 E&S Officer

As at the date of this policy update, the Fund's E&S Officer is Oladele Shekete and additional oversight is provided by Janmartin Witte who is the E&S Manager across all Cygnum Capital funds. Relevant persons can change but should be replaced by suitably qualified individuals.

A job description of the E&S Officer should exist to clarify relevant roles and responsibilities. (Appendix N)

2.3 Employee Training

All relevant fund manager employees will receive E&S and CP training as part of onboarding process. Refresh training will be undertaken on an annual basis and is overseen by the E&S Officer with input by the E&S Manager.

3 E&S Risk Assessment

As stated in its E&S Policy, the Fund is expected to maintain a low level of E&S risk, since it predominately targets financial institutions that provide microfinance, or financial institutions that provide SME, commercial and corporate (wholesale) financing to non-sensitive industries.

Nonetheless, the Fund shall apply the IFC Performance Standards framework as applicable in relation to evaluating E&S risk in prospective investments.

The primary aim of assessing the Issuer's activities is to determine the extent of E&S risk, especially when lending to higher risk sectors (as set out in the Fund's E&S Policy). Performance Standards 1-3 shall be applied to all Issuers, whether Financial Institutions (FIs) or real economy issuers, while Performance Standards 4-8 shall apply specifically to real economy issuers.

Due diligence in relation to E&S risk shall be implemented by the Fund Manager during ex ante due diligence and as part of subsequent portfolio monitoring. In relation to the former, information on E&S risk shall be collected through: (i) requests for information in the initial screening process; (ii) a sample survey of the Issuer's loan book (assessing UOP, lending practices and rates, maturity, etc.) for FIs (Appendix J); and (iii) completion of an evaluation template for E&S risk. On-site visits are a requirement for all investments regardless of categorisation and is carried out by the Investment Officer with the support of the E&S Officer, but may also include a third-party E&S specialist for higher-risk transactions.

The Fund Manager shall, during the due diligence and prior to investing, offer all Issuers the opportunity to obtain an "Indicative Credit Rating" (sometimes known as a shadow credit assessment which remains private and unpublished), supported by the Fund's Technical Assistance Facility (TAF). The Issuer has the option to subsequently publish or renew the rating.

When investing in FIs and as part of the overall environmental and social due diligence process, the Fund shall assess and ensure the FI's adherence to the 8 Client Protection Principles (CPP) adherence to the 8 Client Protection Principles (CPP) as defined by Cerise+SPTF.

For non-FIs, a full assessment of E&S risk in relation to all IFC Performance Standards, reconciled with other relevant standards such as the Equator Principles, ILO Core Labour Standards, and local laws and regulations, and sector guidelines must be provided. Specifically, this will classify the use-of-proceeds (Category A, B or C) to assess E&S risk. During due diligence, the Fund Manager will undertake a Gap Analysis of the documentation (ESIA, ESMP, E&S policies, procedures, other standard operating policies and equivalent document), policy implementation and supporting the categorisation of the project/UOP as "medium" risk or lower. The Gap Analysis is either carried out internally by the Fund IO and E&S Officer or by an external E&S Advisor depending on the scope of the project and the project risk. For internal assessment, the assigned E&S Officer with support from the IOs, conducts the project's E&S evaluation, gap analysis and develops an E&S Action Plan, where required. When the tasks are carried out by an external advisor, the assigned E&S officer reviews the report in line with the Funds E&S requirements. In some instances, the third-party may be required to engage the Issuer (and their advisers) further, and/or be required to undertake a site-visit.

The following assessment shall apply to all Issuers. In all instances, the review will determine whether the Issuer complies with the relevant IFC Performance Standards

Diligence Undertaken	Findings	Action	Undertaken by (In-House or External E&S Advisor)
ESDD Implementation			
Portfolio Review			
Policy Review			
ESMS Review			
Site Visit			
Risk Assessment Form			

Each Investment Proposal presented to the IC shall contain a qualitative "E&S Diligence Report". The key features are set out below, using the logical framework of (i) Evaluation Instrument, (ii) Diligence Undertaken, (iii) Risk/Impact Assessment and (iv) Action Points (including any covenants or remedial TA).

3.1 E&S Risk Matrix

The matrix below summarises the expected E&S risk in the Fund's target sectors and among target Issuer. The key in the right panel applies the applicable IFC Performance Standards.

Issuer Type / Sector/ Activity	Financial Institutions	Structured Finance Vehicles	Companies
Financial Inclusion			
Housing			
Renewables			
Agriculture			

Risk Category	IFC Performance Standard
Little or no SE Risk	1-2
FI with some lending in higher risk sectors	1-2
Asset finance with waste management needs	1-3
Corporate bonds in infra-structure related sectors	1-8
Unacceptable SE risk	NA

3.2 Classification and E&S Requirements: Financial Institutions

Financial Institutions are engaged in a diverse range of financial activities including, but not limited to, corporate finance; project finance; lending to MSMEs; trade finance; and housing finance, among others, each with different E&S risk. IFC Sustainability Policy requires a review of the business activities of prospective FI clients to identify areas where the FI could be exposed to potential E&S risk. The FI is then required to undertake lending/investment-level actions commensurate with the level of E&S risk.

Categorisation: The IFC's Sustainability Policy categorises investments in FIs based on the relative magnitude of E&S risks and impacts on their existing and/ or proposed portfolio. This considers the tenor, type, size, and sector exposure of the FIs and defines three categories as detailed below:

Category	Description
Category FI-1	Substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
Category FI-2	Exposure to business activities that have limited adverse E&S risks/ impacts and/or are few in number, site-specific, reversible and/ or readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse E&S risks (as per FI-1).
Category FI-3	Financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

The Fund's FI clients must demonstrate and operate an Environmental and Social Management System (ESMS) commensurate with the level of E&S Risk in their portfolio and prospective business activities. The scope and complexity of the ESMS will depend on the E&S Risk of the FI's lending/ investment activities.

The Fund's FI clients must also manage the working conditions of their workforce in accordance with relevant aspects of Performance Standard 2 on Labor and Working Conditions. In the case of the financial sector this typically relates to employment practices and conditions.

E&S Requirements

Scope: Includes but is not limited to: (i) assessment/development of the FIs overall ESMS, (ii) assessing and managing the FI's E&S risks in its lending/investment operations, (iii) evaluation of the institution's capacity to manage E&S risks, and (iv) analysis of the institution's compliance with local and international E&S regulations.

Standards: The assessment will benchmark the FI's E&S risk management against good national and international industry practices, local environmental and social regulations, and the IFC Performance Standards (see below). Other relevant resource standards considered in the asssessment include: (a) IFC Environmental and Social Risk Management Interpretation Note, (b) Equator Principles (if applicable), (c) UNEP Finance Initiative Principles for Responsible Banking, (d) OECD Guidelines for Multinational Enterprises and (e) UN Global Compact Principles.

Applicable E&S Requirements for FIs: The FI will be required to develop and maintain: (i) an overarching ESMS commensurate with its portfolio risk profile (FI-1 to FI-3 per IFC standards), (ii) specific policies covering aspects like E&S risk assessment, stakeholder engagement, labor standards, pollution prevention, community health and safety etc, (iii) organizational capacity and expertise to implement the ESMS, including senior management oversight, (iv) requirements for an external E&S risk reporting mechanism accessible to stakeholders, and (v) regular monitoring, supervision and reporting on E&S risk management and performance. Higher-risk clients/ transactions, may require the FI to conduct comprehensive E&S due diligence reviews aligned with the IFC Performance Standards. Applicable requirements for FI transactions are further highlighted in section 3.5 below.

Client Protection: For FIs, those primarily catering to individuals and/or micro/small-enterprises, this will also be considered in alignment with Section 5 of this policy.

3.3 Classification and E&S Requirements: Corporate/ Project

Scope: Includes but is not limited to: (i) assessment/development of the ESMS, (ii) assessing and managing E&S risks in operations, (iii) evaluation of the institution's capacity to manage E&S risks, and (iv) analysis of compliance with local and international E&S regulations.

Standards: The IFC Performance Standards that are most applicable to corporate companies, particularly those in the manufacturing, services, and other non-extractive industries.The IFC Performance Standards are detailed in the table below:

Performance Standard	Details
Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts)	This standard outlines the requirements for an effective ESMS to identify, assess, and manage environmental and social risks and impacts associated with a company's operations.
Performance Standard 2 (Labor and Working Conditions)	This standard sets out requirements related to fair treatment, non-discrimination, and equal opportunity for workers, as well as provisions for occupational health and safety, prevention of child and forced labour, and freedom of association and collective bargaining.
Performance Standard 3 (Resource Efficiency and Pollution Prevention)	This standard focuses on promoting sustainable use of resources, including energy, water, and raw materials, as well as minimizing adverse impacts on human health and the environment through pollution prevention and greenhouse gas emissions reduction.

Performance Standard 4 (Community Health, Safety, and Security)	This standard addresses the potential risks and impacts of a company's operations on the health, safety, and security of local communities, including issues related to infrastructure safety, hazardous materials management, and emergency preparedness.
Performance Standard 5 (Biodiversity Conservation and Sustainable Management of Living Natural Resources)	This standard is applicable to companies whose operations may affect biodiversity or have impacts on natural habitats or protected areas.

Other Performance Standards that may be relevant to corporate companies, depending on their specific circumstances i.e. nature and scale of the company's operations as well as specific environmental and social risks and impacts involves include: Performance Standard 6 (Land Acquisition and Involuntary Resettlement), Performance Standard 7 (Indigenous Peoples), and Performance Standard 8 (Cultural Heritage).

Categorisation: The Fund's categorisation of corporate companies typically follows the IFC (International Finance Corporation) categorisation system. Considerations for the categorisation of a corporate/project include: (i) scale of the project, (ii) location (proximity to sensitive areas like protected habitats, indigenous communities), (iii) sector and industry-specific risks, (iv) company's track record in E&S management, (v) potential for cumulative impacts, (vi) social issues such as labor practices, community health and safety

The categories are usually defined as **A, B,** or **C**, with A representing the highest risk. Below is an overview of the description for each category:

Category	Description
Category A (High Risk)	Projects with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. These could include large-scale industrial projects, major infrastructure developments, or projects in sensitive sectors or locations.
Category B (Medium Risk)	Projects with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. These might include medium-sized manufacturing facilities or agricultural projects.
Category C (Low Risk)	Projects with minimal or no adverse environmental or social risks and/or impacts. These are typically service sector projects or small-scale operations with minimal physical footprint.

Restrictions: The Fund does not invest in bonds where the use of proceeds ("UOP") is classified as Category A. The exclusion list in Appendix A provides an indication of typical Category A projects, but depending on project specifics, the E&S risks of individual projects may considered to Category B/C or medium risk. In such cases detailed rationales for categorization must be documented.

Applicable E&S Requirements for non-FIs: The applicable requirements depend on the categorisation of the project. For Category B projects, these requirements include: (i) focused E&S assessment, (ii) development and implementation of an environmental and social management plan, (iii) stakeholder engagement, and (iv) regular monitoring and reporting. For Category C projects, requirements include: (i) review against applicable environmental and social laws, (ii) basic ESMS, and (iii) compliance with national regulations. The applicable requirements for FI transactions are highlighted in section 3.5 below.

3.4 Exclusion List

In accordance with international standards, the Fund has developed a list of financing purposes that should be excluded from financing due to non-compliance with internationally recognised E&S standards. The Exclusion List (see Appendix A: Exclusion List) shows the financing activities not permitted for clients of the Fund and shall be part of the Fund's investment eligibility check. Application of the exclusion list criteria for FI transaction shall be based on the agreed use of proceeds.

3.5 Bond Criteria

When the investment involves issuing bonds or similar debt instruments, the following criteria would be considered for both FI and non-FI transactions as applicable:

- Alignment with specific country of investment national framework.
- Exclusion list criteria for the applicable use of proceeds for FI transactions.
- Bond use of proceeds;
- Definition of eligible projects or activities;
- For thematic transactions, ICMA Green Bond Principles, Social Bond Principles, or Sustainability Bond Guidelines;
- Process for project evaluation and selection and management/ tracking of proceeds (if applicable); and
- Regular reporting on use of proceeds and impact indicators.

3.6 Side Letter

The Fund requires its investees to use the proceeds of the bond in accordance with the Fund's E&S Policy and intended use of proceeds. This requirement is specified in any preliminary Term Sheet provided to the Issuer, and then formalised in an official Side Letter at the time of issuance. (See sample Side Letters in Appendix F – FI and Appendix G – Non-FI).

Note, as a bond investor, the Fund may not always impose formal and legally binding covenants on Issuer in relation to the E&S Policy. If the Issuer fails to comply with its E&S commitments, as expressed in the Side Letter, the Fund can rely on the following measures:

- Technical assistance and training on social and environmental aspects of financing, offered by the Fund's Technical Assistance Facility.

- If the Issuer fails to re-establish compliance, or in any event of non-compliance where an agreement on remedial measures cannot be reached, the Fund may mandate a local issuing house or placement agent to sell its bonds and exit the investment.

3.7 Action Plan

Where the Issuer's E&S policies are found to be inadequate relative to the activities it undertakes (usually for an FI-1/2 or a Corporate), the Fund shall require, usually through a Side Letter, that the Issuer takes remedial measures as a condition of investment. This might include the adoption of additional policies and procedures, or the addition of new criteria in an existing policy.

Where the E&S policies is inadequate relative to its risk profile, a more comprehensive reinforcement might be required. For example, for a housing finance company, this might include expanding the scope of an existing ESMS (and/or internal resources) in order to mitigate the greater E&S risk associated with investing in housing development (e.g. safety of construction sites, land tenure, etc.).

In certain instances, where a lack of E&S capacity is identified upfront, the Fund may negotiate a put option that allows it sell back the bonds unless standards are subsequently met.

4 E&S Monitoring and Reporting

Monitoring and reporting refers to measurement of E&S risk and impact for portfolio companies on an ongoing basis.

The Fund recognizes that it generally subscribes for a minority portion of the bonds issued. Whilst it will endeavour to obtain commitments from the Issuer for such monitoring and reporting, the level of effort required for the Issuer in relation to the investment made by the Fund will at times determine the level of detail provided by the Issuer.

4.1 Monitoring

E&S activities and will be monitored by the IOs. This will be comprehensively reviewed by the E&S Officer and approved by the E&S Manager on an annual basis, through collection of up-to-date qualitative and quantitative information that is reported in the ESPR. Monitoring is predominantly desk-based; with information provided by the Issuer. For specific investments that are deemed to be of higher E&S risk, or in the event a credible grievance has been observed, the E&S Officer will lead the monitoring process. The Fund Manager may consider a more comprehensive monitoring process by the appointment of an E&S Advisor to review Action Plan implementation or site visit, the E&S Officer may be involved in the site visit and will review the report of the E&S Advisor to ensure compliance with the Fund's requirements.

The Fund Manager will also monitor its FI portfolio companies' compliance to applicable Client Protection Principles standards. The IO with the support of the E&S Officer is responsible for the monitoring of the FI portfolio CP performance monitoring.

E&S Risk: The Fund Manager will monitor E&S risk among its portfolio companies, including adherence to the Exclusion List and compliance with the IFC Performance Standards.

In the event of a material increase in E&S risk at the investee level, the E&S Officer shall undertake remedial action to ensure a low overall level of E&S risk in the portfolio. Such measures, in line with the IFC Standards, will include: (i) Issuer plans and implements actions to remove or mitigate additional E&S risk; (ii) engagement with other investors in the note program in relation to E&S risk and possible remedial measures; and (iii) ultimately, in the event that such measures are not implemented to the satisfaction of the Investment Committee or Advisory Committee, the Fund Manager will make best efforts to sell its position and unwind the swap (where applicable).

As a bond investor, the Fund cannot enforce any remedial actions on the Issuer above and beyond those available to all investors in the note program.

E&S risk will be summarised for each Issuer based on the following:

- E&S risk category (FI-1/2/3 or Category A/ B/ C);
- E&S issues identified at appraisal;
- Update on the implementation of the E&S Action Plan
- Categorisation of FIs' compliance with the Client Protection Principles;
- Additional E&S concerns to be addressed; and
- Other requirements, such as reporting of milestones for construction projects and ongoing oversight by local environmental regulators.

E&S Impact: The Fund Manager will monitor E&S impact at the fund-level by amalgamating the quantitative indicators outlined above into a portfolio monitor, to be updated every twelve months.

In order to build this monitor, the Fund Manager will monitor environmental and social impact at the investment-level and will provide investee companies with a template for recording the quantitative indicators above. These templates shall be updated every 2-years and will enable the Fund Manager to track the progress and benchmark each portfolio entity. The Fund Manager shall also provide a questionnaire to investee-companies to assess qualitative milestones.

4.2 Reporting

The requirements for Fund reporting are specified in the Investment Policy. This includes regular monthly, quarterly and annual reporting as well as reporting upon request and on the Fund Manager's own initiative.

The Fund Manager will prepare an annual ESPR in a format and template agreed with the Fund. The report will provide consolidated and consistent data for each active investment, as well as evaluation across the portfolio.

Investee companies will report to the Fund Manager based on the template shared with them at the time of the investment and updated every 2-years.

The Fund's E&S Performance Reports will be published on the Fund's website for easy accessibility by the investors and stakeholders. The performance report includes: (i) portfolio breakdown by sector, medium-low E&S risk transactions and E&S due diligence process (e.g. E&S Risk categories); (ii) cases of non-compliance and significant E&S incidents[1] related to a transaction; (iii) information on the implementation of and changes to the FI's ESMS; (iv) information on the compliance of the FI portfolio companies to the applicable Client Protection Principles; and (v) information on E&S impact indicators as agreed with the client.

1 Defined as any significant social, labor, health and safety, security or environmental incident relating to an issuer or project for which the ALCB Fund has invested which could reasonably be expected to have a material adverse effect on the implementation or operation of the issuer or project in accordance with the ALCB Fund's E&S requirements and applicable standards.

E&S Risk: E&S Risk will be reported across the portfolio on an annual basis. Any material developments or incident[2] in relation to investee and portfolio E&S risk would be reported to the Fund as soon as possible, but not later than 3 days after its occurrence. Where necessary, the Fund Manager will recommend remedial actions and measures to the investee. The materiality of the incidence shall be evaluated based on the nature and severity of the incident incompliance with the E&S requirements, or an adverse effect on the environment, health or safety (see material incident in Appendix H).

After notifying the Fund of the incident within the specified timeline, the borrower is expected to submit a root cause analysis report within 14 days. This report should highlight the cause of the incident, triggered risks, mitigating measures, and preventive measures.

E&S Impact: Environmental and Social impact will be reported on an annual basis. Any significant developments from an environmental and social impact perspective, for example in compliance with the Client Protection Principles as required by the Fund, will be reported back to the Investment Committee during the regular course of business.

In addition, the Fund will provide indicators on a quarterly, semi-annual and annual basis to its Advisory Committee (if applicable) and Investment Committee as part of its regular reporting. The template is provided in Appendix E.

5 Client Protection

The Client Protection Principles (see Appendix B) refer to a set of guidelines or standards aimed at ensuring fair treatment of clients, especially in the financial sector like microfinance, banking, and other retail financial services. These principles are designed to prevent exploitative practices and promote responsible finance.

The client protection principles include the following:

- Principle 1 – Appropriate Product Design and delivery
- Principle 2 – Prevention of Over-indebtedness
- Principle 3 – Transparency
- Principle 4 – Responsible Pricing
- Principle 5 – Fair & Respectful Treatment of Clients
- Principle 6 – Privacy of Client Data
- Principle 7 – Mechanisms for Complaint Resolution
- Principle 8 – Governance and Human Resources

The motivation behind these principles is to protect the interests of clients, especially those from low-income or vulnerable segments, and to promote financial inclusion while mitigating potential risks of exploitative or unethical practices.

2 Defined as any significant social, labor, health and safety, security or environmental incident relating to an Issuer or project for which the ALCB Fund has invested which could reasonably be expected to have a material adverse effect on the implementation or operation of the Issuer or project in accordance with the ALCB Fund's E&S requirements and applicable standards.

The assessment is a crucial tool that ensures FIs adhere to the established Client Protection Principles, thereby safeguarding the interests of their clients and promoting responsible financial practices.

Assessment: The assessment typically involves a thorough examination of the FIs policies, procedures, and practices across various aspects of their operations using the Client Protection assessment methodology. The CPP Assessment Template (Appendix D) is the scoring tool which will be used to determine the FIs CP performance and risk rating as highlighted in table below.

The assessment aims to:

- Evaluate the current state of Client Protection measures within the institution;
- Identify areas of strength and potential gaps in Client Protection practices;
- Benchmark the FI's performance against industry standards and best practices; and
- Provide actionable recommendations for improvement.

CP- Classification	Performance Rating	Risk Rating	Outcome
Below 55%	Low	High	Develop a detailed CPP Action Plan
55% - 70%	Fair Performance	Medium	Develop CPP Action Plan
71% - 80%	Good		
81% - 90%	Very Good	Low	Annual Monitoring – Internal CPP Assessment
91% - 100%	Excellent		

CP Action Plan: Where an Issuer is classified medium or high CP risk, the Issuer shall commit to remedy any material short comings identified in the CP Action plan prior to investment, and through a Side Letter agreement with the ALCB Fund. The Fund Manager will regularly monitor the Issuer, to ensure compliance with agreed actions.

The Fund Manager may also request a third-party Social Rating or CP assessment be undertaken, to further identify potential gaps, and encourage further improvements in CP-related activities.

CP Monitoring: The Fund will monitor Issuer implementation of the CP Action Plan per timelines agreed and noted in the Side Letter. Monitoring of wider-CP considerations should be done regularly, and in alignment with the level of risk.

6 Impact Framework – Analytical Basis and Assessment Criteria

The Fund is committed to having a positive E&S impact. This includes the following key objectives/contributions:

- Contributing to local capital market development;
- Improving the financial capacity of local issuers (issuer benefit); and
- Supporting investment in certain key sectors.

In its deal origination, screening and due diligence, the Fund Manager will identify and progress transactions that are likely to contribute to positive E&S impact. The Investment Proposal submitted by the Fund Manager to the Investment Committee will explain the E&S impact in detail.

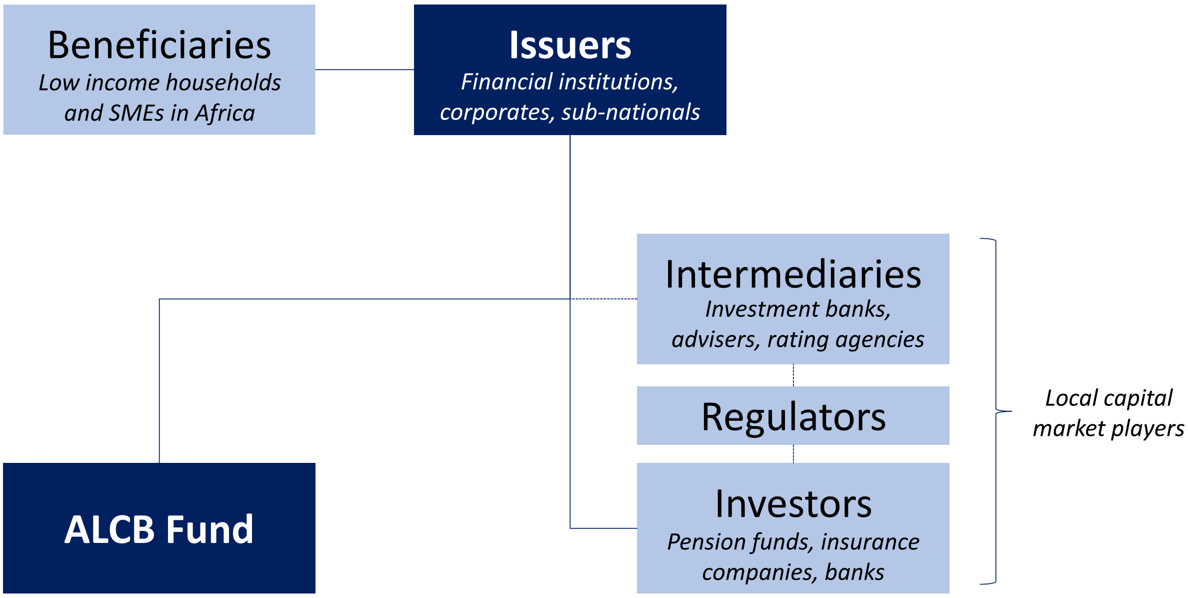
In order to prepare an annual ESPR, the Fund Manager will collect qualitative and quantitative information for each active investment as well as wider market development indicators. The ESPR will consolidate and present these reports across the portfolio for general publication. The Fund Manager will also monitor the Issuer's Use of Proceeds and any other commitments made by the Issuer at the time of investment, such as adherence to the Client Protection Principles.

The Fund recognizes that it generally subscribes for a minority portion of the bonds issued. Whilst it will endeavour to obtain commitments from the Issuer to report on the development metrics outlined herein, the level of effort required for the Issuer in relation to the investment made by the Fund will at times determine the level of detail provided by the Issuer.

6.1 Market Development

Local currency capital markets in Africa face a number of challenges. While those relating to the macroeconomic environment, regulation and the depth of the investor base are market fundamentals outside of the scope of the Fund, there are various market bottlenecks that the Fund is able to overcome. These include limited application of credit standards and process among investors; a lack of experienced intermediaries; and limited market awareness and capacity among issuers.

As shown in the chart below, a proper functioning market requires interaction with a number of counterparties. The Fund aims to develop local capital markets by contributing towards deal-flow and intermediation in the market.



The table below sets out the tangible indicators for capital market development. Some of these require a market baseline, i.e. information on non-Sovereign issuance (number of deals, amount issued), typical maturities and structures, and track-record of sophisticated transactions. Working with local market counterparts, the Fund Manager will establish and update this baseline.

Metric	Purpose	Indicator
Local market co-investment	The Fund contributes towards market development by investing along-side local pension funds, insurance companies, asset managers and commercial banks.	▪ Share of (i) bond and (ii) note program taken-up by different investor types ▪ Funds raised from local investors subsequent to the Fund's investment (or initial bond issuance) ▪ Was the issuance fully subscribed?
Comparison with market activity	The Fund contributes towards market development by participating in transactions that push the boundaries of the market or introduce a new level of sophistication.	▪ Number/ volume of bonds issued in ALCB Fund target markets ▪ Bonds issued by clients subsequent to ALCB Fund assistance (without ALCB Fund participation)
Sophistication of structure	The Fund contributes to market development by supporting more sophisticated structures. These might be particularly relevant for non-first time issuers.	▪ Public listing vs. private placements ▪ Credit rating (national scale) ▪ Structural enhancement (such as a securitization, etc.)

The criteria in the Investment Policy are designed to ensure that the Fund makes an *a priori* contribution to capital markets development, i.e. focusing on non-Sovereign issuers, particularly first-time issuers. Specifically, the transaction must be *additional* in some way relative to typical bond issuance in a particular country (which is generally Sovereign bonds or large commercial banks). If a bond has a Sovereign guarantee or is a second/ third time issuance, then it must satisfy other aspects of market development (e.g. sophistication of structure) or other criteria outlined below.

The Fund may undertake specific analysis of its own market impact from time-to-time, for example to assess how the Fund is working with local advisers or has promoted new structures or credit ratings in a given market. This will overlap with evaluation of activities under the Technical Assistance Facility (TAF).

6.2 Issuer Benefit

The Fund aims to build the financial capacity and resilience of non-Sovereign entities in African countries by enabling them to access long-term, local currency funding on a sustainable basis from local investors. In particular, the Fund should assist issuers in reducing balance sheet mismatch risks relating to foreign exchange (FX), interest rates and maturity. End borrowers should in turn benefit from more appropriate terms for on-lending through longer term local currency loans (for example local lenders may previously have restricted tenors or passed-on FX risk to end borrowers).

Those aspects of Issuer Benefit that also relate to capital market development, such as accessing the market in a second or third issuance or achieving sustainable long-term access to investors, are covered above.

Metric	Purpose	Indicator
FX Mismatch	The Fund will reduce FX risk for borrowers in African markets. This involves providing long-term local currency funding to match the revenues and assets of these entities. The Fund will either refinance foreign currency loans or reduce the need for future foreign currency borrowing.	▪ Proportion of loan book denominated in foreign currency versus proportion of liabilities denominated in foreign currency before and after investment ▪ Size in local currency loan book before and after investment
Interest rate mismatch	The Fund will reduce interest rate risk for borrowers in African markets. This involves investing in either floating or fixed rate bonds, as requested. The Fund will refinance existing expensive fixed or variable rate loans as well as match the future loan portfolio.	▪ Anecdotal evidence on interest rate mismatch and cost of borrowing ▪ N/A for non-financial sector
Maturity mismatch	The Fund wishes to reduce the maturity mismatch facing local entities but also enable them to offer longer-term loans to customers for productivity enhancing investments.	▪ Average liability maturity before and after investment

Where an issuer is borrowing for the first time (i.e. where it doesn't have any liabilities), these mismatches will not be relevant. However, the key Issuer Benefit will be that there are no balance sheet mismatches going forward, for example if foreign currency borrowing was the only alternative to the bond. This will be assessed on a qualitative basis.

Most of the issues relating to mismatch are specific to the financial sector. However, the Fund contributes towards reduced financing risk and more efficient funding for corporate entities in the renewable energy and agriculture sectors. Long term funding in these sectors is often USD or EUR denominated due to the lack of local currency options. For example:

- FX risk for renewable energy projects is passed on to either consumers or utilities/ government.
- Maturity risk (or "refinancing risk") is assumed by projects where tenors do not match the affordable repayment profile of a fixed asset in agriculture or renewables.

The Issuer Benefit arising from the Fund's investment in corporate bonds in these sectors will be assessed on a qualitative basis.

6.3 Sector Impact

The measurement of end beneficiaries will vary by sector, and primarily focus on financial inclusion, renewable energy and agriculture. In general, the aim of these impacts is to record the beneficiaries in terms of number, gender and rural concentration. Where possible, the Fund will attempt to initiate the reporting of these indicators at the time of investment through issuance of a "Side Letter" at the time of investment.

Financial Inclusion: Where possible, the metrics below will be recorded at the time of investment and every twelve months thereafter, both for the *total portfolio* and the *new portfolio* (since the investment was made).

Metric	Requirements	Indication
End borrowers	Number	Total number of active borrowers
	Proportion women	Verified by loan application
	Proportion in rural areas	Verified by geography
	Reach	Branches, loan officers (per customer)
Borrower use of proceeds	Micro-enterprise	SME-Investment
(e.g. reported for conventional	Agriculture	Inputs, tools and other investment
consumer lending)	Education	Fees for primary, secondary, tertiary
	Housing	Incremental housing investment
	Emergency	Often health-related
	Other	Durables (can be used for enterprise)
Portfolio/ product composition	Micro-enterprise	Traditional group-based microfinance
(e.g. designed to show the	SME	SME-specific products
product offering expanding	Agriculture lending	Agriculture-specific products
as the institution grows)	Mortgages	Secured lending for housing
	Project finance	Investment in capital projects

Financial sector borrowers (MFIs) are expected to either (i) be in compliance with the Fund's Client Protection Principles for responsible lending (Appendix B), meaning they adhere to transparency in the pricing, terms, and conditions of all financial products (see Section 5).

Renewable Energy: Where possible, the Fund will attempt to initiate the reporting of indicators below at the time of investment. The metrics will be recorded every twelve months thereafter, both for the existing customers/ business as well as new customers/ investments.

Metric	Requirements	Indicator
Energy access	The Fund aims to make investments that enable MSMEs and low income households to access clean energy on a sustainable basis.	▪ Number of MSMEs and households with permanent access to renewable energy, either through grid, mini-grid or off-grid connection.
Generating capacity	The Fund aims to make investments that increase the availability of renewable energy through new generating capacity.	▪ Additional generating capacity in kw attributable to the investment. ▪ Estimated additional output in kwh attributable to the investment.
Carbon displacement	The Fund aims to promote sustainable development and global greenhouse gas emission reductions through renewable energy investments.	▪ Carbon displacement can be estimated as a function of renewable power output relative to the equivalent carbon produced through diesel generation or the grid.

Infrastructure: Where possible, the Fund will attempt to initiate the reporting of indicators below at the time of investment. The metrics will be recorded every twelve months thereafter, both for the existing customers/ business as well as new customers/ investments.

Metric	Purpose	Indicator
Productivity	The Fund aims to improve access to housing, education, healthcare, infrastructure, agriculture, renewable energy and energy efficiency for its target MSME and low-income households.	▪ # of new connections made ▪ # of population connected ▪ # of MSMEs connected ▪ % residential connections ▪ % rural electrification ▪ % of technical losses ▪ Qualitative assessment of productivity improvements as a result of the investment
Environmental Impact	The Fund aims to improve the lives (health, atmosphere and environment) of its ultimate beneficiaries through positive investment in infrastructure.	▪ # of additional MW of renewable energy added ▪ % renewable energy generated over the Grid ▪ Qualitative assessment of the positive environmental impact of the investment
Employment	The Fund aims to contribute towards job creation, employment and job security by investment in infrastructure.	▪ # total employees, including % of direct / indirect employees ▪ # of jobs created (indirect / direct) ▪ # of jobs created (long-term / short-term) ▪ Breakdown of individuals in formal (salary, pension etc.) vs. informal employment.

Agriculture: Where possible, the metrics below will be recorded at the time of investment and every twelve months thereafter, both for the existing business as well as new investments. Given the wide variety of business models among potential agriculture clients, the below indicators are indicative and will depend on the specific investment and use of proceeds. Where possible, the Fund will attempt to initiate the reporting of these indicators at the time of investment.

Metric	Requirements	Indicator
Productivity	The Fund aims to improve rural productivity through investments in agricultural value chains (farm inputs, infrastructure, storage, value addition through processing, market access).	▪ Metrics such as agricultural yields, transport costs and other mark-ups. ▪ Qualitative assessment of investment.
Food security	The Fund aims to contribute towards food security by encouraging local food production and market efficiency.	▪ Change in volume of food produced and supplied to markets by the Issuer before and after the investment.
Rural employment	The Fund aims to contribute towards rural job creation by investments in agricultural value chains and MSMEs.	▪ Employment by the Issuer and jobs added as a result of the investment.

Housing: Where possible, the metrics below will be recorded at the time of investment and every twelve months thereafter, both for the existing business as well as new investments. They focus both on mortgage companies and housing developers, and aim to measure the scope of the impact and affordability.

Metric	Requirements	Indicator
Mortgage borrowers	Number	Total number of active borrowers
	New mortgages	Excluding rollover mortgages

Metric	Requirements	Indicator
	Mortgage tenor	% of mortgages > 10 years
	Proportion women	Verified by loan application
	Regional distribution	Number of states/provinces
Housing	New homes	Excluding home acquisitions
	Affordability	Average house price
		Proportion house price below $40,000
		Average monthly payment ($)

7 Corrective Measures

As set out in the E&S Policy, the corrective measures available to the Fund are limited as a bond investor. However, the Fund Manager, will report E&S risk in the portfolio and specific events that lead to unacceptable E&S risks and outcomes at the investee level. Such measures include:

(i) Ensuring that the Issuer plans and implements actions to remove or mitigate additional E&S risk;

(ii) Engagement with other investors in the note program in relation to E&S risk and possible remedial measures; and

(iii) Ultimately, in the event that such measures are not implemented to the satisfaction of the Advisory Committee or Investment Committee, the Fund Manager will make best efforts to sell its position and unwind the swap.

8 External Communications and Complaints Resolution

The Fund Manager will ensure that members of the public have a channel to easily provide comments or express grievances. The Fund seeks to provide a clear framework that ensures grievances are appropriately addressed and are used to prevent similar complaints in the future. The methods of doing so are highlighted in the table below.

Consideration	Method
Provide public with the means to easily communicate grievances, including anonymous ones.	The ALCB Fund website provides an email address that members of the public may use to file complaints confidentially.
Implementation of a clear process that includes assignment of responsibility and monitoring of outcomes	The Fund Manager's E&S Officer will maintain a log to monitor progress towards resolution of all complaints as shown in Appendix E. The E&S Officer is responsible for reviewing and recording any complaints received. He/she is also responsible for working with any relevant staff or stakeholders to investigate the complaints, determine the necessary response, and report on the outcome.
Ensure grievances are used as a source of continual learning	The E&S Officer will periodical compile all grievances in order to improve operations and proactively prevent future grievances.
Provide public with the means to understand the Fund's E&S requirements	Publication of summary of Fund E&S Policy and ESMS on website.

Consideration	Method
Informing stakeholders of material E&S incidents	Any material change in investee or portfolio E&S risk will be immediately reported back to the Fund and Investment Committee. The Investment Committee shall decide whether it is deemed appropriate to inform investors, or a broader group of stakeholders, of the developments.

9 Integrated ESMS Policy Updates

To ensure continuous improvement, the Fund will review the Policy at a minimum once every two years. The policy will be amended to ensure alignment with possible changes to international best practices, reference materials, investor requirements and Fund investment activities. Changes to the ESMS Policy are approved by the Fund's Advisory Committee.

10 Policy Log

Version	Date Approved	Approval Process
4	[…] 2025	[…]
3	12 April 2023	Board Minutes
2	11 April 2018	Board Minutes
1	11 September 2017	Board Minutes

Appendix A: Exclusion List

At all times, the Fund Manager shall ensure that the Fund does not subscribe bonds or provides funding or other support to any institution that provides loans, funding or other support to Clients that engage in any of the following activities:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons, munitions or critical components thereof.
- Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Pornography and/or prostitution
- Racist of anti/democratic media
- Production, trade or storage of 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.
- Extraction, production or trade in unbonded asbestos fibers: This does not apply to the purchase or use of cement linings with bound asbestos and an asbestos content of less than 20%. In addition, restrictions apply for asbestos-cement products, with an annual production of more than 20,000 tons finished product; for friction material, with an annual production of more than 50 tons finished product; and for other asbestos utilisation of more than 200 tons per year.
- Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines.
- Destructive fishing methods or drift net fishing in the marine environment using nets in excess of 2.5 km.
- Production or activities involving harmful or exploitative forms of forced labour2/harmful child labour.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Projects that involve conversion or degradation of Critical Forest Areas or related Critical Natural Habitats. "Critical Natural Habitats" means (1) existing internationally recognized protected areas, areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital to the viability of protected areas (as determined by the environmental assessment procedure); and (2) sites identified on supplementary lists by authoritative sources (such sites may include areas recognized by traditional local communities (e.g., sacred groves), areas with known high suitability for biodiversity conservation and sites that are critical for vulnerable, migratory or endangered species; listings are based on systematic evaluations of such factors as species richness, the degree of endemism, rarity, and vulnerability of component species, representativeness and the

integrity of ecosystem processes). "Critical Forest Areas" means a type of natural forest that qualifies as Critical Natural Habitat.

- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products as well as ozone depleting substances (Polychlorinated Biphenyls).
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Projects involving the construction of large dams that significantly and irreversibly: (A) disrupt natural ecosystems upstream or downstream of the dam, or (B) alter natural hydrology, or (C) inundate large land areas, or (D) impact biodiversity, or (E) displace large numbers of inhabitants (5,000 persons or more) or (F) impact local inhabitants' ability to earn a livelihood.
- Projects that require resettlement of 5000 or more persons.
- Projects in or impacting natural World Heritage Sites (Areas of significant ecological value that have been internationally recognized as necessary for strict protection by members of the World Heritage Convention) unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- Projects in or impacting areas on the United Nations List of National Parks and Protected Areas unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- Extraction or infrastructure projects in or impacting: protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits. Natural Monuments and Habitat/ Species Management Areas), as defined by the International Union for the Conservation of Nature. Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives. Areas protected by the Ramsar Convention are considered within the appropriate IUCN Category to which they are assigned.
- Investments in projects responsible for the direct emissions of more than 100,000 tons CO2eq per year of green-house gases.
- Involves the destruction or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international standards).
- Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
- Category A investments should not be a use of proceeds of the ALCB Fund's investment.

Category A Projects

The following projects are indicative of Category A Projects and investments are only permitted if the E&S assessment is considered medium (i.e. as Category B or C) and the rationale for this assessment has been adequately documented.

- Large-scale industrial plants
- Large-scale industrial estates

- Thermal power stations and other combustion installations with a heat output of 200 megawatts or more.
- All projects that pose potentially serious occupational or health risks.
- Cement manufacturing with an annual production rate of greater than one million dry weight tons.
- Construction of motorways, express roads and lines for long-distance railway traffic 10 km or more in a continuous length; airports or airport expansions with a basic runway length of 2,100 meters or more.
- Sea ports and also inland waterways and ports for inland-waterway traffic that permit the passage of vessels of over 1,350 tons; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) that can take vessels of over 1,350 tons.
- Construction or significant expansion of dams and reservoirs not otherwise prohibited.
- Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
- Industrial plants for the (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tons per day.
- Peat extraction.
- Quarries, mining, or processing of metal ores or coal;
- Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.
- Large-scale power transmission.
- Municipal wastewater treatment plants servicing more than 150,000 people.
- Municipal solid waste-processing and disposal facilities.
- Large-scale tourism and retail development.
- Large-scale land reclamation.
- Large-scale primary agriculture/silviculture involving intensification or conversion of previously undisturbed land.
- Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
- Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows.
- All projects with potentially major impacts on people or which pose serious socio-economic risk.
- Housing developments that contain more than 2,500 residential units.
- Projects, not categorically prohibited, but located in or sufficiently near sensitive locations of national or regional importance to have perceptible environmental impacts on: Wetlands; Areas of archaeological significance; Areas prone to erosion and/or desertification; Areas of importance to ethnic groups/indigenous peoples; Primary temperate/boreal forests; Coral reefs; Mangrove swamps; Nationally designated seashore areas; Managed resource protected areas, protected landscape/seascape (IUCN categories V and VI) as defined by IUCN's Guidelines for Protected Area Management Categories; additionally, these projects must meet IUCN's management objectives and follow the spirit of IUCN definitions.

Notes:

1 This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

2 Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

3 Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

Appendix B: Client Protection Principles

This below outlines the eight key principles of client protection and the corresponding practices organisations should have in place.

1. Appropriate Product Design and Delivery

- Products and services are designed to meet the needs of the target client segment.
- Delivery channels and processes are accessible and user-friendly for clients
- Clients receive adequate product information and guidance before purchase

2. Prevention of Over-Indebtedness

- Client repayment capacity is properly assessed before extending credit
- Loan sizes and repayment terms are aligned with client repayment abilities
- Client debt levels are monitored to identify and address over-indebtedness

3. Transparency

- Pricing, terms, and conditions are clearly disclosed to clients
- Key information is provided in a format and language clients can understand
- Clients are made aware of their rights and recourse mechanisms

4. Responsible Pricing

- Pricing, fees, and interest rates charged are reasonable and proportionate
- Pricing structure is aligned with client value and ability to pay
- Pricing is regularly reviewed to ensure it remains appropriate

5. Fair and Respectful Treatment of Clients

- Sales and debt collection practices are fair, respectful, and protect client rights.
- Staff are trained on client protection and provide services ethically.
- Mechanisms are in place to prevent discrimination against vulnerable clients

6. Privacy of Client Data

- Clients provide informed consent for data collection and usage
- Client data is only used for legitimate business purposes
- Appropriate security measures protect client data from misuse or theft

7.Mechanisms for Complaint Resolution

- Clients have access to clear and responsive complaint handling processes
- Complaint data is analyzed to identify and address systemic issues
- Clients are made aware of external redress mechanisms if needed

8. Governance and Oversight

- The organisation has policies, procedures, and controls for client protection
- There is board/management oversight and accountability for client outcome
- Regular audits and reviews assess the effectiveness of client protection practice

Appendix C: SE Risk Assessment Form

Project Name:	**Location**:			
Address:	**Contact Person and Telephone**:			
Industry:	**Activity**:			**Facility Amount and Type:**
Type of project (tick ×):	**New**	**Extension**	**Existing**	**E&S Category:**
Date of Site Visit:	**Prepared/Updated by**: **Position**:			
Brief Project Description:				
Sector Specific E&S Issues:				

Instructions:

- Please provide as much information as possible in the ‘additional information’ section to support the responses provided
- Please provide a summary of the key issues after completing the questionnaire and include a categorization for the project
- Please include an action plan if required

For sector-specific information on E&S risks, please refer to the First for Sustainability Factsheets and the IFC EHS Guidelines:

- http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/
- www.ifc.org/ehsguidelines

Assessment of Applicable Requirements

Applicable Requirements	**Requirement**	**Y**	**N**	**na**	**ADDITIONAL INFORMATION** (Please provide additional information to support all responses)
Exclusion List:	Is the activity on the Exclusion List? For FIs:				

	- is the FI financing activities on the exclusion list - does the FI apply an exclusion list satisfactory to the Fund Manager / in compliance with the Fund's exclusion list - is the FI able to ensure compliance of the portfolio with its exclusion list.				
National Laws: Does the activity comply with National regulatory requirements?	Does the company have proof of valid environmental permits and licenses?				
Performance Standards:					
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	a. Does the company have an **E&S Policy/Management System**? b. Please describe the **system/procedure** in place to identify, assess and manage the potential risks and impacts related to the company's business activities/projects (corporates) or its financing activities (FIs). Provide a list of key procedurs in place.				
	c. Has the company designated and **E&S Officer** to manage E&S issues? Is E&S responsibility clearly defined at senior Management / Board level. Please provide the name of the designated employee(s).				
	d. Please describe the procedures in place to **engage with local communities** and address community grievances where applicable. (e.g. **grievance mechanism, stakeholder engagement plan**).				
	e. Does the company have an **emergency response plan**?				
Performance Standard 2: Review of Labor and Working Conditions	a. How many **employees** does the company have?				
	b. Does the company have a **Human Resource (HR) Policy** that is consistent with the requirements of the national labor laws? Please highlight the major policies covered. i. *Does the company have policies and procedures for managing and monitoring the performance of **third party employee contractors** in terms of labor and working conditions?* ii. *Has the company established a **grievance mechanism** for workers and third party contract workers?*				
	c. Does the company provide its workers with a **safe and healthy work environment?**				

	i. *Where applicable does the company provide workers with and mandating that workers use **personal protective equipment (PPE)?*** ***ii.*** *Does the company have **occupational health and safety procedures?*** *iii. Does the company track and report on rates of injury, occupational diseases, lost days, and number of work-related fatalities? **Please provide recent data**.* *iv. Does the company have **training programs** in place for workers on occupational health and safety?*				
	d. Please confirm that the company is not involved in **harmful child labor or forced labo**r (including **supply chain for agri-commodity clients**)				
Performance Standard 3: Resource Efficiency and Pollution Prevention	**a.** Does the company implement measures for improving **efficiency in its consumption of energy, water, raw materials and other resources and inputs?**				
	b. Does the company generate **any air, liquid or solid waste emissions** during construction and/or operational phases? If yes, **please provide details.**				**Air:** **Liquid:** **Solid Waste**:
	c. Please describe the procedures in place **for monitoring air and water emissions**. Please provide a copy of any **effluent discharge permit** issued by the local authorities.				
	d. Does the company have procedures to guide the **storage, handling, and disposal of solid wastes** (including hazardous waste) emanating from its business? If yes, provide brief details.				
	e. Are the **diesel storage tanks** fitted with **secondary containment bunds**?				
	f. Is there **response procedure in place manage spills** or accidental discharges?				
Performance Standard 4: Community Health, Safety and Security	a. Are there **local communities** in close proximity to the company's facilities? Does the company have procedures to address **community health, safety and security** issues in the context of its operations?				
	b. Does the company have safety procedures in place to deal with **hazardous material release, transport and disposal** in order to avoid or to minimize exposure of local communities to those materials?				
	c. Does the company engage **armed security personnel** to provide security services at their facilities? If so, do the contract provisions include guidelines on how security personnel shall interact with				

	communities in close proximity to the facility?					
	d. Is there a **traffic management plan** for managing additional traffic associated with the company's activities?					
Performance Standard 5: Land Acquisition and Involuntary Resettlement	a. Is there any **land acquisition** planned/happened for/in the proposed investment?					
	b. Has there been any **physical and/or economic displacement** as a result of land acquisition for this project?					
	c. Has the **company disclosed all relevant information, consulted with affected persons and communities** and facilitated their informed participation in the decision making process relating to resettlement?					
	d. Did the company consider **alternative designs to avoid or minimize economic and physical displacement**?					
Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management	**a.** Does the company's activities **impact on biodiversity**? Has the company minimized impacts and implemented **mitigation measures?**					
	b. Does the business operate in a **legally protected area**? If yes, confirm that the company has the requisite approvals to operate in such area					
	c. Are there any biodiversity impacts associated with your **supply chain**? (e.g **agri-commodity supply chain**)					
Performance Standard 7: Indigenous Peoples	a. Is it likely that **Indigenous Peoples** will be adversely impacted as a result of the company's operations?					
Performance Standard 8: Cultural Heritage	a. Is the project located in an area where **cultural heritage objects, sites and structures** (e.g. artefacts, archeological sites, graves, and sacred forests) can be found?					

Summary of E&S Issues *(Please provide a summary addressing the management of the main E&S issues associated with the client's business)*

Action Plan

Issue Identified	**Action Required**	**Completion Date**

Appendix D: CPP Assessment Template

CPP Risk Assessment Template form a complimentary document of the policy, and may be revised as Client Protection standards adapt.

CP Assessment			Score	Comments
Standard	**1.0.0.0**	**The provider's products, services, and channels benefit clients.**		
	1.2.1.0	The provider conducts client satisfaction surveys. Minimum frequency: every other year		
	1.4.1.0	The provider tailors repayment schedules to the client's cash flows and type of business.		
	1.4.2.1	The provider has a list of assets that cannot be pledged as collateral, which includes items that would create severe hardship or significant loss of income earning ability for the client.		
	1.4.2.2	Collateral valuation is based on a verifiable market price/resale value. The credit committee or second level approval verifies the collateral valuation.		
	1.4.2.3	The minimum requirement for the value of collateral does not exceed two times the loan amount, and cash collateral does not exceed 20% of the loan amount.		
	1.4.2.4	If the provider collects title documents, it returns them to the client once the loan is repaid.		
	1.4.3.0	If the provider lends in hard currency, it informs clients of the foreign exchange risk using cost scenarios. The provider can also justify the decision not to lend in local currency.		
Standard	**2.0.0.0**	**The provider does not overindebt clients.**		
	2.1.1.1	The percentage of a borrower's disposable income that can be applied to debt service may not be higher than 70%, including debt from the provider and other lenders.		
	2.1.1.2	Loan approval decisions are made by at least two people, one of whom does not interact directly with the client.		
	2.1.1.3	If a credit bureau exists, the provider reports client data to credit bureaus and uses credit reports in the approval process for loans.		
	2.1.2.1	The provider conducts a cash flow analysis that considers income, expenses and debt service related to business and family, and any other sources of revenue, including informal sources.		
	2.1.2.2	The provider does not use guarantees, guarantor income, collateral, and/or insurance coverage as proxies for repayment capacity or as the main basis for loan approval.		
	2.2.2.0	The provider defines PAR levels that trigger additional internal monitoring and response.		
	2.3.1.0	The provider adjusts growth targets to market saturation.		
Standard	**3.0.0.0**	**The provider gives clients clear and timely information to support client decision making.**		
	3.1.1.0	The provider gives a Key Facts Summary Document to borrowers before they sign a contract. The document contains the following information: - Total loan amount - Pricing, including all fees - Total cost of credit: all principal, interest, and fees plus cash collateral - Disbursement date and loan term - Repayment schedule with principal and interest amounts, number, and due dates of all repayment installments - All deductions from principal disbursement (eg: first installment, commissions, fees, cash collateral, taxes), if applicable - How cash collateral / manadatory savings can be used in case of default, if applicable - Moratorium interest rates, terms, and conditions, if applicable		
	3.1.6.0	If the provider offers savings, documentation includes the following: - Fees, including closure fees - Interest rate and how amounts will be calculated - Minimum and maximum balance requirements - Whether deposits are governmentally insured		
	3.1.8.0	If the provider offers insurance, it gives clients the following information at the time of enrollment: - A certificate of coverage which states, at minimum, the premium, amount and term of coverage, who are the beneficiaires, which events are covered, any major exclusions, and when and how to file a claim - An explanation of the documentation required to prove damage, if applicable - Terms related to cancellation and prepayment, if applicable		
	3.2.1.1	The provider offers a channel for clients to ask questions and receive additional information prior to signing contracts.		
	3.2.2.0	The provider gives clients a completed, signed copy of the contract and makes the contract accessible anytime in an online account or in physical form.		
	3.2.3.3	Providing receipts, on paper or electronically, for every transaction.		
Standard	**4.0.0.0**	**The provider sets prices responsibly.**		
	4.1.2.0	Annual Percentage Rate (APR) for all of the provider's major credit products (> 20% portfolio) is within 15% of its peers. If it is outside the range, the provider can provide a valid justification.		
	4.1.3.0	The provider discloses loan interest on a declining balance and according to the exact date of payment.		
	4.1.4.0	Loan interest (including arrears interest) does not accrue past 180 days in arrears, at maximum.		
	4.3.2.0	Operating expense Ratio (OER Ratio) is within the accepted performance range. If outside of the range, the provider can provide a valid justification.		
	4.3.3.0	Return on Assets (ROA) is within the accepted performance range. If outside of the range, the provider can provide a valid justification.		

Standard	**5.0.0.0**	**The provider enforces fair and respectful treatment of clients.**		
	5.2.1.0	The provider's code of conduct states the organizational values, standards of professional conduct, and treatment of clients that it expects of all employees, and defines the sanctions to apply in case of a breach.		
	5.2.2.1	The provider's policies prohibit corruption, theft, kickbacks, fraud		
	5.2.2.2	The provider's policies prohibit client intimidation: using abusive language, using physical force, limiting physical freedom, sexual harassment, shouting at the client, entering the client's home uninvited, publicly humiliating the client, using threats		
	5.2.2.3	The provider's policies prohibit discrimination against all internationally recognized Protected Categories. [Note: Protected Categories are as follows: People over 40 years old; Sex; Race/ethnicity/national extraction/social origin /caste; Religion; Health status, including HIV status; Disability; Sexual orientation; Political affiliation/opinion; Civil/marital status; Participation in a trade union.]		
	5.3.2.1	When front-line employees' salaries are comprised of a fixed and a variable portion, the fixed portion must represent at least 50% of total salary.		
	5.3.2.2	The provider monitors front-line employees' productivity ratios and investigates those that are above a predetermined threshold.		
	5.4.1.1	The provider's collections policy includes a list of appropriate and inappropriate debt collections practices, including collateral seizing practices.		
	5.4.1.2	The provider's collections policy includes a schedule for the collections process that allows time for the debt collector to determine the reasons for a client's default and for the client to find solutions.		
	5.4.1.3	The provider informs the client prior to seizure of collateral, allowing the client to attempt to remedy the default.		
	5.4.1.4	The provider's collections policy includes a prohibition on sales of the clients' collateral to the provider, the staff of the provider, to their relatives, or to third parties involved in the seizing process.		
	5.4.2.0	The provider restructures or writes off loans on an exceptional basis, based on a list of cases of specific distress.		
Standard	**6.0.0.0**	**The provider secures client data and informs clients about their data rights.**		
	6.1.2.1	System access is restricted to only the data and functions that correspond to an employee's role ("least privilege" principle).		
	6.2.1.0	The provider explains to clients how it will use client data, with whom it will share the data, and how third parties will use the data. The provider receives clients' consent before using or sharing their data.		
Standard	**7.0.0.0**	**The provider receives and resolves client complaints.**		
	7.1.1.0	Clients have a way to submit complaints to persons other than their loan officer/product officer and that person's supervisor.		
	7.1.3.1	The provider displays information on how to submit a complaint in branch offices, at agent locations, in product documentation, and in all digital channels it uses to provide services to clients.		
Standard	**8.0.0.0**	**The governance and management are committed to Client Protection, and HR systems support its implementation**		
		The board uses the following data, provided by management, to monitor client protection. Minimum frequency: annually		
	8.1.1.1	Analysis of the risk of client over-indebtedness.		
	8.1.1.3	Interest rates and whether they are responsible.		
	8.1.1.4	Reports on the provider's systems for data privacy and security, particularly any failures or breeches.		
	8.1.1.5	Reports on any fraud or corruption, including extorsion and bribery.		
	8.1.2.0	The board takes corrective action when it identifies risks to clients, risks to employees, or when the provider is not achieving its social goals.		
		Senior management analyzes the following data and assesses risks. Minimum frequency: annually		
	8.2.1.1	Analysis of client protection risks (over-indebtedness, unfair treatment, lack of transparency, privacy of client data, complaints, fraud, corruption and bribery)		
		Internal audit and/or risk management integrates the following criteria into regular monitoring activities:		
	8.2.2.1	Client repayment capacity, loan approval analysis, prevention of aggressive sales		
	8.2.2.2	Transparency to clients		
	8.2.2.3	Compliance with code of conduct; prevention of fraud and corruption		
	8.2.2.4	Collateral seizing and appropriate debt collection practices		
	8.2.2.5	Client data misuse and fraud		
	8.2.2.6	Complaints handling, including review of a sample of cases		
	8.2.3.0	Management takes corrective action when it identifies risks to clients, risks to employees, or when the provider is not achieving its social goals		
		The provider trains employees on client protection, in line with their roles and responsibilities. The training covers at minimum the following topics:		
	8.3.1.1	Repayment capacity analysis and the credit approval process		
	8.3.1.2	How to avoid aggressive sales techniques, including how to respect clients' right to refuse products		
	8.3.1.3	How to explain pricing, terms and conditions to clients and how to verify client understanding		
	8.3.1.4	Debt collections practices and loan recovery procedures		
	8.3.1.5	Confidentiality and data sharing policies and fraud risks, including common frauds, fraud identification, and fraud reporting		
	8.3.1.6	How the complaints mechanism works, how to resolve complaints against third party providers, and how to treat clients respectfully during the process		
	8.4.1.1	The performance evalution of employees includes client protection criteria, such as portfolio quality and customer service, including treating clients respectfully and without discrimination.		

Total Score	**0**	
Max	**120**	
% of compliance	**0%**	**Low CP Performance**
		Scoring guide
	2	**FSP complies**
	1	**FSP partially complies**
	0	**FSP does not comply**

Appendix E: E&S Impact Template

COMPANY DETAILS	
Name of Financial Institution	
Date of Assessment	
Share management accounts for financial year-end	

LOAN PORTFOLIO	Number of Clients	Outstanding Loan Balance (as at Year End)		Past Due Loans Over 90 days (at Year End)	
		Number of Loans	Amount (USD)	Number of Loans	Amount (USD)
Retail Loans	0	0	0	0	0
Mortgage Loans	0	0	0	0	0
Newly Constructed Home					
Existing Home					
Home Equity Loan/Improvement					
Student Loans					
Retail Loans					
Micro-enterprise					
Education					
Health / Emergency					
Housing					
Consumption					
Other					
Commercial Loans	0	0	0	0	0
USD 0 - 1,000					
USD 1,001- 10,000					
USD 10,001-100,000					
USD 100,001-1,000,000					
USD 1,000,001-2,000,000					
USD >2,000,000					
Total Loan Portolio	0	0	0	0	0
Are any related to Climate / Green Financing? If so, please provide					
Gender Disaggregated Loan Data					
Commercial Loans to Women-Owned Enterprises (out of total)	0	0	0	0	0
USD 0 - 1,000					
USD 1,001- 10,000					
USD 10,001-100,000					
USD 100,001-1,000,000					
USD 1,000,001-2,000,000					
USD >2,000,000					
Specify Your Definition of the Following					
Please explain what the women-owned enterprise data is based on? (if applicable)					
Please explain what the full-time employees data is based on? (if applicable)					

LIABILITIES		
Overview	**Amount**	**Insert Comments (if any)**
Total Borrowings		
Borrowings in Foreign Currency		
Borrowings in Local Currency		
Average Maturity (Months)		
Total Fixed Rate Borrowings (Amount)		

Deposit Accounts	**Number of Clients**	**Outstanding Balance (Year End)**	
		Number of Accounts	Amount (USD)
Total Deposits	0	0	0
Individual			
Micro-enterprise			
Commercial (SMEs)			
Corporate			
Government			
Gender Disaggregated Deposits Data			
Deposit Accounts to Women-Owned Enterprises (out of total)	0	0	0
Individual			
Micro-enterprise			
Commercial (SMEs)			

RATIOS		
Indicators	**Amount**	**Insert Comments (if any)**
Non-Performing Loans (NPLs at PAR90)		
Capital Adequacy Ratio (CAR)		
Open Credit Exposure (OCE) [(NPL - Provisions) / Total Equity]		
Covenant (if any)		(Covenant type)
Covenant (if any)		(Covenant type)
Covenant (if any)		(Covenant type)
Covenant (if any)		(Covenant type)

DOMESTIC MEDIUM TERM NOTE DETAILS

Issuance #	Issuance Date	Currency	Amount	Outstanding	Interest Rate	Listed or Unlisted?	Insert Comments (if any)
#1							
#2							
#3							
#4							
#5							
#6							
#7							
#8							

INVESTORS						
NUMBER (#) OF INVESTORS BY INVESTOR TYPE						
Issuance #	Pension Funds	Asset Managers	Insurance Companies	Other Banks/ FIs	Other	Insert Comments (if any)
#1						
#2						
#3						
#4						
#5						
#6						
#7						
#8						
AMOUNT INVESTED BY INVESTOR TYPE						
Issuance #	Pension Funds	Asset Managers	Insurance Companies	Other Banks/ FIs	Other	Insert Comments (if any)
#1						
#2						
#3						
#4						
#5						
#6						
#7						
#8						

PLEASE COMPLETE THE BELOW FOR ALL PRODUCTS THAT COMPOSE MORE THAN 5% OF THE COMPANY'S PORTFOLIO

STEP 1:
Choose the loan amount and tenors that fit the description of the product

LOAN NAME:	
PRODUCT DESCRIPTION	
PERCENTAGE OF TOTAL PORTFOLIO	

Average Loan Amount	
Minimum Loan Amount	
Maximum Loan Amount	

Average Loan Tenor (mths)	
Minimum Loan Tenor (mths)	
Maximum Loan Tenor (mths)	

Payment Frequency (Weekly, mthly, yearly)	
Monthly Interest Rate	
Fees (% or Fixed Amount)	
Relevant % or Amount	
Fees (% or Fixed Amount)	

STEP 2:
In the matrix below, insert the total amount paid by the client over the life of the loan product (including principal, interest and fees) for each scenario.

INPUT: Instalments					
Loan Amount / Tenor	0	0	0	0	0
0					
0					
0					
0					
0					

Appendix F: Sample Side Letter (FI)

Sample side letter is an indicative overview of general principles encompassing the requirements of the Fund's Investment Policy, E&S Policy, AML/CFT Policies, and ESMS. The template may be adjusted, at the discretion of the AIFM, to meet the specific requirements for an Issuer.

RE: Side Letter for Africa Local Currency Bond Fund (ALCB Fund S.A. SICAV-RAIF, the "ALCB Fund") in relation to investment in XXXXXX ("XXXX" or "the Issuer") up to XXXXXX (USD XXXXX) under the XXXXX (the "Bond").

This letter serves as a side letter to the Applicable Pricing Supplement entered into with connection with the Bond, and states the Issuer's commitment to the following:

1) Until the date on which all payment obligations under the Notes have been indefeasibly discharged in full, the Issuer, undertakes for the benefit of the Fund to:

   a) abide by all applicable local environmental and labour laws and regulations, including, but not limited to any law, rule or regulation applicable in any applicable jurisdiction concerning consumer protection matters ("Client Protection Laws");
   b) refrain from participating in or providing financing to activities that fall within the Fund's "Exclusion List" as set out in Schedule X (Exclusion List) hereto;
   c) comply with all regulatory requirements applicable to the Issuer;
   d) conduct its business in line with the Client Protection Principles ("**CPP**") (as set forth in (a) the Client Protection Pathway, currently available at https://cerise-sptf.org/join-the-client-protection-pathway/, and/or (b) the GOGLA Consumer Protection Code, currently made available at https://www.gogla.org/consumer-protection/intro), in each case as maybe updated from time to time;
   e) implement, adopt and maintain the recommendations provided in the Environmental and Social Action Plan ("**E&S Action Plan**"), and Client Protection Action Plan (CP Action Plan)as set out in Schedule X, and Schedule Y, within the timeframe(s) set out opposite each relevant item in the E&S Action Plan. The Issuer shall provide to the Fund quarterly updates no later than the date falling 20 days after the end of each calendar quarter, along with supporting evidence, on the implementation of the E&S Action Plan;
   f) maintain an Environmental, Social and Governance Management System ("ESMS") that meets the requirement of a designated FI-X in accordance with the IFC performance standards on social and environmental sustainability (available at http://www.ifc.org/ifcext/enviro.nsf/, as may be updated and/or amended from time to time) (the "IFC Performance Standards"), which shall include at a minimum:
      i. an environmental, social and governance ("ESG") policy (the "ESG Policy"), which shall include a clear ESG reference framework setting out the ESG standards to be followed by the Issuer and key E&S commitments of the Issuer. The ESG standards to be referenced in the policy should include national ESG law, applicable IFC Performance Standards, ILO Basic Terms and Conditions of Employment, ILO Core Labour Standards, commitment to respect human rights, and Client Protection Principles (each as described in the IFC Performance Standards); and
      ii. application of the Fund's Exclusion List and its microfinance sub-section, as part of the Issuer's investment selection assessment criteria in its credit policy;
   g) refrain from amending or modifying the ESG Policy, or other of the Issuer's relevant environmental and social policies, without the Fund's prior written consent;

h) report to the Fund within three months of Issuance date, relevant information regarding the co-investors in the Issuance (i.e. type of investor, amount, public sector, private sector);
i) deliver to the Fund the following documents at the following times:
    i. as soon as the same become available but in any event by the date falling 20 days after the end of each quarter of each of the Issuer's financial years, its unaudited management accounts for the relevant period (the "**Quarterly Management Accounts**");
    ii. as soon as available but in any event within 90 days of the end each of the Issuer's financial years, its audited financial statements for that financial year (the "**Audited Financial Statements**")
    iii. promptly, information with respect to any new or ongoing fund raising by the Issue
    iv. as soon as the same comes available but in any event by 31 January in each calendar year, the financial reporting and a social impact report as set out in Schedule X (Reporting) hereto. The Issuer agrees that this information will be aggregated along similar information relating to the Fund's other investments in its portfolio and publicised in the Fund's annual Social Impact Report;
    v. within 30 days of sharing the information referred to in paragraph (i) and/or (iii) above, discuss such information with the Fund via a review call;
    vi. immediately but in any event within 72 hours (3 days) of occurrence the Issuer shall notify the Fund of any Material Environmental and Social Incident, and the description of measures already taken and to be taken. Within 14 days after becoming aware of any Material Environmental and Social Incident, the Issuer shall share with the Fund a route cause analysis report setting out in more details the mitigating and preventive measures already taken and to be taken. In addition information of compensation (by the Company, any public insurance systems/insurance policies in place) shall be provided to the Fund manager (where applicable). Any non-major incidents should be disclosed as part of annual and quarterly reporting. "**Material Environmental and Social Incident**" means fires or explosions; (b) significant fuel/ chemical spills or any other significant pollution discharge above limits of normal operations; (c) major-work related injury; (d) work-related fatalities; (e) incidents significantly affecting the health of employees, contractors or members of public; (f) regulator enforcement actions/notices; (g) major security breaches; (h) strikes or employee unrest; (i) confirmed incidents of theft, fraud or other criminal activity, including investigations into the same; and (j) significant community unrest or public relations incidents;
    vii. promptly if there are changes in the shareholder of the Issuer holds directly (or an ultimate beneficial owner of the Issuer (other than an ultimate beneficial owner as at the date of this letter) holding indirectly) 10 per cent. or more of the capital of the shareholder;
    viii. promptly upon the request of the Fund supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Fund in order for the Fund to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations;
    ix. immediately but in any event within 72 hours (3 days) of becoming aware, the Issuer shall notify the Fund of any material Client Protection Claim. "**Client Protection Claim**" means any claim, proceeding or investigation by a person in respect of any Client Protection Laws which has a material adverse effect on the Issuer;
    x. as soon as the same become available but in any event by the date falling 20 days after the end of each quarter of the Issuer's financial year, a report with regulatory ratios; and
    xi. together with the Quarterly Management Accounts, a compliance certificate in form and substance satisfactory to the Fund setting out computations (in reasonable detail) as to compliance with the Financial Ratios in respect of the relevant period (each a "**Compliance Certificate**")

2) The Issuer shall: (i) pay to the Fund the costs and expenses incurred by the Fund in relation to efforts to enforce or protect its rights under this letter, or the exercise of its rights or powers consequent upon or arising out of any breach of this letter, including legal fees on a full indemnity basis: and (ii) shall indemnify, defend and hold harmless the Fund from, against and in respect of any damages, losses, charges, liabilities, claims, payments, judgments, settlements, assessments, and costs and expenses (including attorneys' fees, charges and disbursements) imposed on, sustained, incurred or suffered by, or asserted against the Fund arising out of, in connection with, or related to any actual or prospective third party claim, litigation, investigation or proceeding relating to (A) any breach by the Issuer of any of its obligations under this letter or (B) the gross negligence, willful misconduct or fraudulent acts of the Issuer or its directors, officers or employees in connection with any transaction contemplated hereby (except to the extent that such damages, losses, charges, liabilities, claims, payments, judgments, settlements, assessments, and costs and expenses result from the gross negligence, willful misconduct or fraudulent acts of the party claiming indemnification or its directors, officers or employees).

3) Any information required to be delivered to the Fund pursuant to paragraph 1(h) above shall be made available to other investors in the Issuance at their request, to avoid preferential treatment between such investors.

4) The rights and remedies of each the Fund in relation to any misrepresentation or breach on the part of the Issuer shall not be prejudiced by any investigation by or on behalf of the Fund into the affairs of the Issuer, by the execution or the performance of this letter or by any other act or thing by or on behalf of the Fund which might prejudice such rights or remedies. No course of dealing and no failure or delay by the Fund in exercising any power, remedy, discretion, authority or other right under this letter or any other agreement shall impair, or be construed to be a waiver of or an acquiescence in, that or any other power, remedy, discretion, authority or right under this letter, or in any manner preclude its additional or future exercise.

5) Any notice, request, or other communication to be given or made under this lettert shall be in writing and shall be delivered by hand, established courier service or electronic mail to the party to which it is required or permitted to be given or made at such party's address specified below its respective signature or at such other address as such party has from time to time designated by written notice to the other parties. All documents to be provided or communications to be given or made under this letter shall be in either English [or French].

6) Any amendment or waiver of, or any consent given under, any provision of this letter shall be in writing and, in the case of an amendment, signed by all of the parties.

7) This letter may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

8) This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

9) The courts of England have exclusive jurisdiction to settle any dispute arising under this letter (each a "**Dispute**"). The Issuer and the Fund agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and accordingly neither the Issuer nor the Fund will argue to the contrary. Notwithstanding the above, the Fund shall not be prevented from taking proceedings relating

to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Fund may take concurrent proceedings in any number of jurisdictions.

10) Without prejudice to any other mode of service allowed under any relevant law, the Issuer (a) irrevocably appoints [name and address of process agent] as their agent for service of process in relation to any proceedings before the English courts in connection with this letter and (b) agrees that failure by an agent for the service of process to notify the Issuer of the process will not invalidate the proceedings concerned. If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Issuer must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Fund. Failing this, the Fund may appoint another agent for this purpose.

Appendix G: Sample Side Letter (Non-FI)

Sample side letter is an indicative overview of general principles encompassing the requirements of the Fund's Investment Policy, E&S Policy, AML/CFT Policies, and ESMS. The template may be adjusted, at the discretion of the AIFM, to meet the specific requirements for an Issuer.

RE: Side Letter for Africa Local Currency Bond Fund (ALCB Fund S.A. SICAV-RAIF, the "ALCB Fund") in relation to investment in XXXXXX ("XXXX" or "the Issuer") up to XXXXXX (USD XXXXX) under the XXXXX (the "Bond").

This letter serves as a side letter to the Applicable Pricing Supplement entered into with connection with the Bond, and states the Issuer's commitment to the following:

11) Until the date on which all payment obligations under the Notes have been indefeasibly discharged in full, the Issuer, undertakes for the benefit of the Fund to:

    j) abide by all applicable local environmental and labour laws and regulations, including, but not limited to any law, rule or regulation applicable in any applicable jurisdiction concerning consumer protection matters ("Client Protection Laws");
    k) refrain from participating in or providing financing to activities that fall within the Fund's "Exclusion List" as set out in Schedule X (Exclusion List) hereto;
    l) comply with all regulatory requirements applicable to the Issuer;
    m) implement, adopt and maintain the recommendations provided in the Environmental and Social Action Plan ("**E&S Action Plan**") as set out in Schedule X, withn the timeframe(s) set out opposite each relevant item in the E&S Action Plan. The Issuer shall provide to the Fund quarterly updates no later than the date falling 20 days after the end of each calendar quarter, along with supporting evidence, on the implementation of the E&S Action Plan;
    n) maintain an Environmental, Social and Governance Management System ("ESMS") that meets the requirement of a designated FI-X in accordance with the IFC performance standards on social and environmental sustainability (available at http://www.ifc.org/ifcext/enviro.nsf/, as may be updated and/or amended from time to time) (the "IFC Performance Standards"), which shall include at a minimum:
        i. an environmental, social and governance ("ESG") policy (the "ESG Policy"), which shall include a clear ESG reference framework setting out the ESG standards to be followed by the Issuer and key E&S commitments of the Issuer. The ESG standards to be referenced in the policy should include national ESG law, applicable IFC Performance Standards, ILO Basic Terms and Conditions of Employment, ILO Core Labour Standards and commitment to respect human rights (each as described in the IFC Performance Standards); and
        ii. application of the Fund's Exclusion List and its microfinance sub-section, as part of the Issuer's investment selection assessment criteria in its credit policy;
    o) refrain from amending or modifying the ESG Policy, or other of the Issuer's relevant environmental and social policies, without the Fund's prior written consent;
    p) report to the Fund within three months of Issuance date, relevant information regarding the co-investors in the Issuance (i.e. type of investor, amount, public sector, private sector);
    q) deliver to the Fund the following documents at the following times:
        i. as soon as the same become available but in any event by the date falling 20 days after the end of each quarter of each of the Issuer's financial years, its unaudited management accounts for the relevant period (the "**Quarterly Management Accounts**");

ii. as soon as available but in any event within 90 days of the end each of the Issuer's financial years, its audited financial statements for that financial year (the "**Audited Financial Statements**")

iii. promptly, information with respect to any new or ongoing fund raising by the Issue

iv. as soon as the same comes available but in any event by 31 January in each calendar year, the financial reporting and a social impact report as set out in Schedule X (Reporting) hereto. The Issuer agrees that this information will be aggregated along similar information relating to the Fund's other investments in its portfolio and publicised in the Fund's annual Social Impact Report;

v. within 30 days of sharing the information referred to in paragraph (i) and/or (iii) above, discuss such information with the Fund via a review call;

vi. immediately but in any event within 72 hours (3 days) of occurrence the Issuer shall notify the Fund of any Material Environmental and Social Incident, and the description of measures already taken and to be taken. Within 14 days after becoming aware of any Material Environmental and Social Incident, the Issuer shall share with the Fund a route cause analysis report setting out in more details the mitigating and preventive measures already taken and to be taken. In addition information of compensation (by the Company, any public insurance systems/insurance policies in place) shall be provided to the Fund manager. Any non-major incidents should be disclosed as part of annual and quarterly reporting. "**Material Environmental and Social Incident**" means fires or explosions; (b) significant fuel/ chemical spills or any other significant pollution discharge above limits of normal operations; (c) major-work related injury; (d) work-related fatalities; (e) incidents significantly affecting the health of employees, contractors or members of public; (f) regulator enforcement actions/notices; (g) major security breaches; (h) strikes or employee unrest; (i) confirmed incidents of theft, fraud or other criminal activity, including investigations into the same; and (j) significant community unrest or public relations incidents;

vii. promptly if there are changes in the shareholder of the Issuer holds directly (or an ultimate beneficial owner of the Issuer (other than an ultimate beneficial owner as at the date of this letter) holding indirectly) 10 per cent. or more of the capital of the shareholder;

viii. promptly upon the request of the Fund supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Fund in order for the Fund to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations;

ix. as soon as the same become available but in any event by the date falling 20 days after the end of each quarter of the Issuer's financial year, a report with regulatory ratios; and

x. together with the Quarterly Management Accounts, a compliance certificate in form and substance satisfactory to the Fund setting out computations (in reasonable detail) as to compliance with the Financial Ratios in respect of the relevant period (each a "**Compliance Certificate**")

12) The Issuer shall: (i) pay to the Fund the costs and expenses incurred by the Fund in relation to efforts to enforce or protect its rights under this letter, or the exercise of its rights or powers consequent upon or arising out of any breach of this letter, including legal fees on a full indemnity basis: and (ii) shall indemnify, defend and hold harmless the Fund from, against and in respect of any damages, losses, charges, liabilities, claims, payments, judgments, settlements, assessments, and costs and expenses (including attorneys' fees, charges and disbursements) imposed on, sustained, incurred or suffered by, or asserted against the Fund arising out of, in connection with, or related to any actual or prospective third party claim, litigation, investigation or proceeding relating to (A) any breach by the Issuer of any of its obligations under this letter or (B) the gross negligence, willful misconduct or fraudulent acts of

the Issuer or its directors, officers or employees in connection with any transaction contemplated hereby (except to the extent that such damages, losses, charges, liabilities, claims, payments, judgments, settlements, assessments, and costs and expenses result from the gross negligence, willful misconduct or fraudulent acts of the party claiming indemnification or its directors, officers or employees).

13) Any information required to be delivered to the Fund pursuant to paragraph 1(h) above shall be made available to other investors in the Issuance at their request, to avoid preferential treatment between such investors.

14) The rights and remedies of each the Fund in relation to any misrepresentation or breach on the part of the Issuer shall not be prejudiced by any investigation by or on behalf of the Fund into the affairs of the Issuer, by the execution or the performance of this letter or by any other act or thing by or on behalf of the Fund which might prejudice such rights or remedies. No course of dealing and no failure or delay by the Fund in exercising any power, remedy, discretion, authority or other right under this letter or any other agreement shall impair, or be construed to be a waiver of or an acquiescence in, that or any other power, remedy, discretion, authority or right under this letter, or in any manner preclude its additional or future exercise.

15) Any notice, request, or other communication to be given or made under this lettert shall be in writing and shall be delivered by hand, established courier service or electronic mail to the party to which it is required or permitted to be given or made at such party's address specified below its respective signature or at such other address as such party has from time to time designated by written notice to the other parties. All documents to be provided or communications to be given or made under this letter shall be in either English [or French].

16) Any amendment or waiver of, or any consent given under, any provision of this letter shall be in writing and, in the case of an amendment, signed by all of the parties.

17) This letter may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

18) This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

19) The courts of England have exclusive jurisdiction to settle any dispute arising under this letter (each a "**Dispute**"). The Issuer and the Fund agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and accordingly neither the Issuer nor the Fund will argue to the contrary. Notwithstanding the above, the Fund shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Fund may take concurrent proceedings in any number of jurisdictions.

20) Without prejudice to any other mode of service allowed under any relevant law, the Issuer (a) irrevocably appoints [name and address of process agent] as their agent for service of process in relation to any proceedings before the English courts in connection with this letter and (b) agrees that failure by an agent for the service of process to notify the Issuer of the process will not invalidate the proceedings concerned. If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Issuer must immediately (and in any event within five days of such event

taking place) appoint another agent on terms acceptable to the Fund. Failing this, the Fund may appoint another agent for this purpose.

Appendix H: Material ESG and HSE Incident

Examples of material Environmental, Social, Governance (ESG) and Health, Safety, and Environment (HSE) incidents that investee companies should report, in line with IFC Performance Standards and procedures:

Environmental Incidents

- Significant spills or releases of hazardous materials
- Violations of environmental permits or regulations
- Incidents causing damage to protected areas or biodiversity
- Major air or water pollution events
- Significant waste management failures
- Incidents related to climate change risks or impacts

Social Incidents

- Serious workplace accidents or fatalities
- Labor strikes or significant labor disputes
- Incidents involving violation of human rights
- Forced resettlement or displacement of communities
- Violations of indigenous peoples' rights
- Significant community protests or conflicts related to company operations

Governance Incidents

- Fraud or corruption cases involving company personnel
- Breaches of ethical codes or conduct
- Significant legal actions against the company or its executives
- Major changes in company ownership or control
- Cybersecurity breaches affecting sensitive data

Health and Safety Incidents

- Fatalities or serious injuries of workers or contractors
- Occupational diseases or health issues related to work conditions
- Major fires, explosions, or structural collapses at company facilities
- Significant near-miss incidents that could have resulted in serious harm
- Public health impacts related to company operations or products

Other Reportable Incidents

- Security incidents involving use of force against workers or community members
- Child labor or forced labor in the company's operations or supply chain
- Significant stakeholder grievances or complaints
- Incidents involving retaliation against whistleblowers
- Discovery of significant cultural heritage sites affected by company operations

Reporting Procedures

- Immediate notification to relevant stakeholders for severe incidents
- Written incident reports within 24-48 hours of occurrence
- Root cause analysis for significant incidents
- Action plans to address issues and prevent recurrence
- Regular updates on implementation of corrective actions
- Information on compensation of the victim / the victims family (where applicable)
- Incorporation of lessons learned into management systems

Companies should have clear internal procedures for identifying, escalating, and reporting these types of incidents. The materiality of an incident may depend on factors such as severity, scale, and potential for reputational or financial impact. Companies should also ensure they comply with any specific reporting requirements outlined in their investment agreements or local regulations.

Appendix I: IFC Performance Standards

Introduction

In 2012 the IFC updated the Environment and Social Sustainability Performance Standards (PSs) and associated documents:

1) Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
2) Performance Standard 2: Labor 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: Land Acquisition and Involuntary Resettlement
6) Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
7) Performance Standard 7: Indigenous Peoples
8) Performance Standard 8: Cultural Heritage

These eight PSs define clients' responsibilities for managing their environmental and social risks. The most significant change is the role expected of 'the client' (the project developer in the case of a loan, or the investee company in the case of equity).

IFC's Sustainability Policy also contains an important new consultation requirement. In the case of fund managers, investments should not be made unless there is free, prior, informed consultation (FPIC) with affected communities, if relevant. Additionally, the investee should be able to demonstrate support for the project. The record of consultation in the environmental and social assessment should address this requirement.

Summary: The following sections summarize the Performance Standards. These should be read in conjunction with the PS Guidance Notes as well as the various IFC Good Practice Notes that have been developed by IFC .

NB: This section provides a quick overview of the standards and their requirements and provides guidance to the investment team for due diligence.

PS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

Environmental and Social Assessment and Management Program

- Does the investee company have a management system in place to identify the environmental and social impacts and risks of their operations? Does the system identify mitigation and performance measures that address the impacts and risks of their operations? (For example, Quality Assurance; Environmental, Health, Safety & Social)
- How often does the investee review and update the system?
- Does the company have resources earmarked to support this?
- Do they have any best practice certification (ISO)?

Organisation

- Are there persons responsible for implementation of the management system?
- Include an outline of the persons responsible including S&E management.

Training

- Does the company have training programs in place for the persons responsible?

Community Engagement

- Does the company have a community engagement process for affected communities?
- If applicable, does this process ensure free, prior and informed consultation of the affected community?
- Does the company have a grievance mechanism in place for affected communities?

Monitoring

- Does the company have procedures in place to monitor management program performance?

Reporting

- Is appropriate environmental and social performance information periodically reported internally to senior management, investors and stakeholders as relevant?

PS 2: LABOR AND WORKING CONDITIONS

Human Resources Policy and Management

- Does the investee company have an HR policy? Is it clearly understandable and easily accessible to all employees? Does it provide information on rights under national labor and employment law?
- Has the company documented and communicated working conditions and terms of employment to all workers directly contracted? Does this include guidelines on working hours, overtime procedures, wages paid, types of contracts, frequency of payments and sick and maternity leave?
- What is the language of communication with workers and employees?
- Are the terms and conditions in accordance with any collective agreement with workers?
- Has the company implemented a grievance mechanism to review and address employee complaints?
- Is there a person responsible to review complaints and follow up on them in a timely and transparent manner?

Worker's Organization

- Does the company comply with national law in allowing workers to form and join workers organizations and bargain collectively? Does it have a workers organization or trade union? If yes, when was this formed? What percentage of the workforce are members? Are members entitled to special benefits?

Non-Discrimination and Equal Opportunity

- Does the company have documented transparent procedures with respect to discipline, performance and grievance procedures to ensure that employment decisions are not made on the basis of personal characteristics unrelated to job requirements? Does the company have any preferential employment policies in place?

Retrenchment

- Does the company anticipate retrenchment of a significant number of employees? If yes, is there a retrenchment procedure in place? Have workers been consulted appropriately. IFC has a produced a Good Practice Note for managing retrenchment ?
- If the investment entails an expansion will this create additional jobs?

Protecting the Work Force

- Does the company ensure child or forced labor is not used directly, or through contractors or in the supply chain? Does the company check the ages of all employees? Does the company ensure that young workers (15-18 years) are not employed in dangerous work? Does the company commit contractors and suppliers to not use child or forced labor?

Occupational Health and Safety

Does the company:

- provide its workers with a safe and healthy work environment? Does this include providing workers with and mandating that workers use personal protective equipment (PPE)? Has the company taken steps to prevent accidents, injury, and disease by minimizing the causes of hazards?
- conduct appropriate monitoring and inspections to ensure worker safety? Does this include monitoring ambient and workplace exposure to noise, and workplace illumination, air quality and temperature as applicable?
- track and report on rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities? Does the com0pany track staff turnover?
- have training programs in place for workers in occupational health and safety?
- have a fire, life and safety plan?

PS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION

Pollution Prevention, Resource Conservation and Energy Efficiency

- Provide details about the company's resource use including sources and estimates of daily use for energy and water. Has the company ever conducted a cleaner production audit? Do the company's operations incorporate energy efficiency and water conservation measures? (See also. guidance under PS 6, Management and Use of Renewable Natural Resources.)
- Does the company monitor air and water emissions? Is ambient air quality monitored on site?
- Does the company apply project-specific pollution prevention and control techniques?
-

Waste management

- Does the company have procedures for storage, handling, and disposal of solid wastes? Does this include waste management techniques?
- Does the company treat effluents prior to disposal?

Hazardous Materials

- Does the company have procedures for storage, handling and disposal of hazardous materials?

Emergency Preparedness and Response

- Does the company have an emergency prevention, preparedness and response plan?

PS 4: COMMUNITY HEALTH, SAFETY AND SECURITY

Community Health and Safety

- Are there any communities in close proximity to the investee company's facilities? What is the relationship of the company with the local community? Does the company take community, health and safety considerations into account in the context of its operations? Do its requirements take into account company infrastructure and equipment safety, hazardous material release, transport and disposal considerations, natural resource use and community exposure to disease?
- Has the company designated contact persons within the organization responsible for receiving and responding to questions, concerns or complaints raised by nearby communities or other stakeholders? If yes, are the contact details for these persons will be displayed prominently on the company facility signage?

Emergency Preparedness and Response

- Does the company's emergency preparedness and response plan take into account risks and impacts from project activities to local communities? Does this include the requirement to inform affected communities of significant potential hazards in a culturally appropriate manner?

Security Personnel Requirements

- Does the company engage security personnel to provide security services at their facilities? If yes, do the contract provisions include guidelines on how security personnel shall interact with communities in close proximity to the facility?
- Are security personnel armed? If yes, has the company provided training on the appropriate conduct towards workers and the nearby communities? Have there been any allegations of unlawful and/or abusive acts by security personnel towards workers or nearby communities? If yes, how were these dealt with by the company?

PS 5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

Project design

- Is there any land acquisition for the proposed investment? If yes, what was the previous use of the land and how was the land acquired? Was the land acquisition managed by the government?
- Compensation and Benefits for Displaced Persons
- Has there been any physical and/or economic displacement and resettlement as a result of land acquisition for this project? If yes, provide detailed information with regard to the type of displacement and the displaced persons and communities.
- Has the investee company engaged with the displaced persons and communities and/or provided opportunities to derive appropriate development benefits from the project? If yes, provide details.

Consultation and Grievance Mechanism

- Has the investee company disclosed all relevant information, consulted with affected persons and communities and facilitated their informed participation in the decision-making process relating to resettlement?
- Has the investee company established an effective grievance mechanism?

Resettlement Planning and Implementation

Has the investee company:

- considered alternative designs to avoid or minimize economic and physical displacement?
- identified persons to be displaced by the project and those eligible for compensation and assistance through a baseline census with appropriate socio-economic baseline data? Has the census established the status of displaced persons according to their legal rights or claim to land?
- prepared a Resettlement Action Plan (RAP) or resettlement framework (if physical displacement is involved) that mitigates the negative impacts of displacement, identifies development opportunities and establishes entitlement for all affected persons?
- developed procedures to offer compensation or other assistance that will establish entitlement for affected persons or communities (if economic but not physical displacement is involved)? Has this included providing replacement property, compensation, targeted assistance and/or transitional support in accordance with PS 5 requirements?
- Has the cut-off date for eligibility been established or disseminated?

Private Sector Responsibilities under Government-Managed Resettlement

- Was resettlement managed by the government? If yes, has the company supplemented government actions and bridged the gaps (if applicable) between the government-assigned entitlements and procedures and the requirements of this PS?

PS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES

Protection and Conservation of Biodiversity

- Has the investee company identified and addressed the impacts on biodiversity as part of their operations?
- Will modified, natural and critical habitat (as defined by PS 6) be impacted by the company's activities?
- In the case of natural habitat, has the company considered alternatives and adequately mitigated any potential degradation?
- In the case of critical habitat, has the company suitably determined that there will be no measurable adverse impact on species or habitat?
- Does the company conduct any operations in legally protected areas? If yes, has the company addressed the requirements for legally protected areas outlined in PS 6?
- Has the company identified any alien species which may be intentionally or unintentionally introduced through its activities? If intentional introduction of alien species is planned, has this received appropriate government regulatory approval?

Management and Use of Renewable Natural Resources

- Has the investee company identified renewable natural resources which it will use, and committed to managing them in a sustainable manner?
- In the case of projects in natural and plantation forests, has the client obtained independent certification to ensure that these natural forests and plantations are being managed sustainably? If no, or pending then has a time-bound phased action plan been developed to achieve such certification?
- In the case of projects in freshwater and marine environments, has the client obtained independent certification of the sustainable management of these aquatic resources, or provided other independent studies to slow these resources are sustainably managed?

PS 7: INDIGENOUS PEOPLES

Avoidance of Adverse Impacts

- Is it likely that Indigenous Peoples (IPs) will be adversely impact as a result of the project's operations? Does the ESIA conducted by the investee company identify the adverse impacts to IPs and identify ways to avoid these where possible?
- Has the investee company compensated in a culturally appropriate manner consistent with the guidance provided in PS 7.

Consultation and Informed Participation

- Has the investee company established a process for Informed Participation through an FPIC process centred on mitigation measures, sharing of developmental benefits and opportunities and implementation issues as outlined in PS 7?

Impacts on Traditional or Customary Lands under Use

Has the investee company:

- informed IPs of their rights according to national laws including those recognizing traditional/customary rights?
- offered at least compensation and due process to those with full legal title to land together with culturally appropriate development opportunities
- provided land-based compensation or compensation-in-kind in lieu of cash compensation where feasible?
- entered in good faith negotiations with affected communities and documented their informed participation and the successful outcome?

Relocation of Indigenous Peoples (IPs) from Traditional or Customary Lands

- Has the investee company conducted a successful good faith negotiation, applied the requirements of the Performance Standards and, where feasible, ensured that IPs can return to their traditional or customary lands should the reason for their relocation cease to exist?

PS 8: CULTURAL HERITAGE

Protection of Cultural heritage in Project Design and Execution

- Is the project located in an area where cultural heritage is expected to be found? If yes, has a Chance Find Procedure been established as outlined in PS 8?
- Is it possible that the project may affect cultural heritage or has critical cultural heritage been identified where significant damage is unavoidable? If yes, has the company complied with the requirements of PS 8?
- Is the project located in a legally protected area or a legally defined buffer zone? If yes, has the company complied with requirements of PS 8?

Project use of Cultural Heritage

- Has the investee company identified proposed project use of cultural resources, knowledge, innovations, or practices of local communities embodying traditional lifestyles for commercial purposes? If so, has the client informed these communities of:
  - their rights under national law
  - the scope and nature of the proposed commercial development
  - the potential consequences of such development
- If commercialization has proceeded, has the investee company:
  - entered into good faith negotiation with the affected community embodying traditional lifestyle
  - documented their informed participation and successful outcome of the negotiation
  - provided fair and equitable sharing of benefits from commercialization

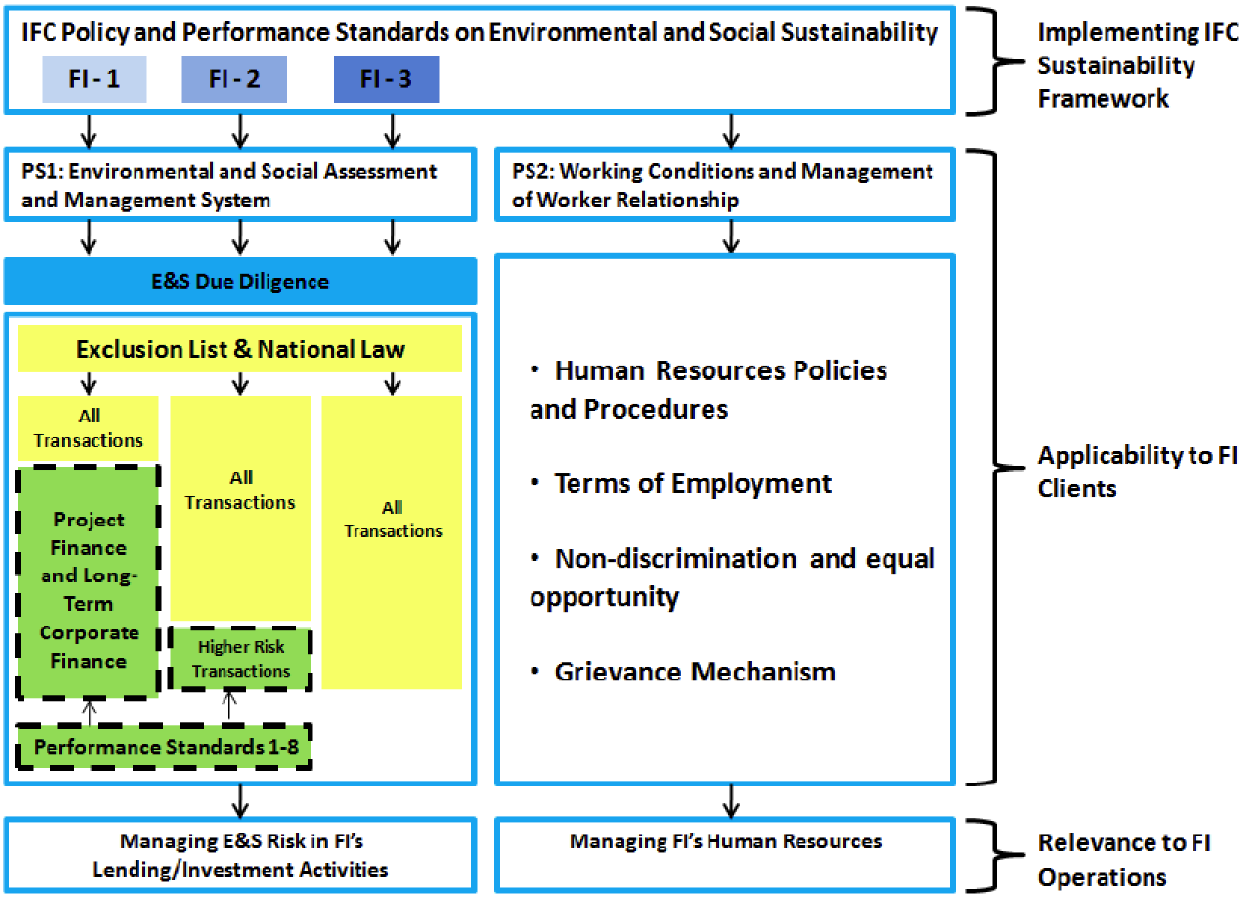
Appendix J: Application of IFC Performance Standards for FIs

This Appendix summarises how the IFC Performance Standards are implemented for Financial Institutions.

All FI clients must also manage the working conditions of their workforce in accordance with relevant aspects of Performance Standard 2 on Labor and Working Conditions. In the case of the financial sector this typically relates to employment practices and conditions.

The diagram below illustrates:

(i) the general E&S requirements that apply to FI clients;
(ii) the specific E&S Risk management requirements that are associated with the E&S categorization determined during the review process; and
(iii) how these requirements apply to internal and external aspects of an FI's operations.



All FI clients must avoid supporting activities on the IFC Exclusion List and must review the operations of borrowers/ investees, where they present E&S Risks, for compliance with national E&S laws and regulations where they exist and are applicable.

Applying Standard 1

For FI categorized as FI-3, which constitute the majority of the ALCB Fund's investments, the Fund shall undertake a simple review of the underlying ESMS.

Otherwise, the scope of application of the ESMS is determined by the use of proceeds:

- If the FI supports specified end use (e.g., a credit line for a specific sector), the E&S Risk management approach will apply to the entire asset class, regardless of whether the ALCB Fund applies has required a specific use of proceeds.
- If there is no specified use of proceeds, the approach to E&S risk management will apply to the entire portfolio that the FI originates from the time IFC becomes a shareholder or lender.
- If changes in the FI business result in different E&S Risks than those identified at the time of investment, the FI will need to adjust its ESMS in a manner consistent with the E&S risk profile resulting from the new business activities.

ESMS Assessment

An FI's ESMS should typically consist of the following elements:

Stage	E&S Risk Management
E&S Policy	States the requirements and standards that apply to the FIs lending/ investment activities in relation to E&S Risk FI-3 institutions with low E&S Risk must include excluded or restricted activities included in the Fund's Exclusion List In addition, FI-2 institutions with some E&S Risk must apply relevant national E&S laws and regulations of the host jurisdiction(s) and Performance Standards 1-8 if the financial intermediary has a corporate/project finance portfolio. In addition, FI-1 institutions with ES Risk should reference the Performance Standards 1-8 and any other relevant standards[3] The E&S Policy should be approved by senior management, communicated internally to employees and externally through corporate statements, reports and online
Internal Capacity and Competency	Organizational structure defines roles, responsibilities and authority to implement the ESMS Designated personnel with responsibility and resources to implement the ESMS (in proportion to the organisation's E&S Risk) FI-2/3 institutions may require in-house staff or external experts to conduct the E&S diligence for transactions with higher E&S Risk in order to comply with national laws, regulations and, where applicable, the Performance Standards Senior management is ultimately responsible for E&S risk management and should allocate sufficient resources to implement the ESMS, including due diligence, communication and monitoring Training programs are an important component to ensure that all relevant personnel understand their E&S responsibilities

3 International protocols, industry-specific codes of practice, and other voluntary standards (e.g., Equator Principles, UNEP-FI, Global Compact, UN-PRI, etc.), where applicable.

Stage	E&S Risk Management
SE Due Diligence Processes	Establish and maintain a process to identify the E&S Risks and how these impact their operations Develop Environmental and Social Action Plans (ESAPs) which include mitigation and performance improvement measures; ESAPs may range from basic mitigation measures to detailed management plans, with actions that can be measured quantitatively or qualitatively Transaction level due diligence for borrowers and any necessary mitigation or corrective measures FI-3 institutions must check if investees have all necessary permits where required and that their operations are not unlawful In addition, FI-1 and FI-2 institutions should include a more in-depth review against the relevant national laws and regulations, and, where applicable, against the Performance Standards FI-1 and FI-2 institutions must also develop a categorization system (e.g. high, medium, low) F-1 and F2 institutions must undertake the following: (i) review all relevant documents and information on risks related to the relevant sector and investee's operations; (ii) review against pre-determined criteria such as the Fund's Exclusion List, national laws and regulations, and where applicable, the Performance Standards; (iii) conduct site visits to facilities and meetings/ interviews with relevant stakeholders; and (iv) review SE track record, e.g. potential non-compliance with national regulations or negative publicity. If the due diligence indicates the existence of E&S Risks or potential impacts, the institution may consider further detailed DD, e.g. appointing an external expert; and take corrective actions to comply Institutions should document the findings of the DD in a report, including identification of gaps, remedial actions to ensure compliance, and recommendations/ conditions to proceed; implementation timelines should be agreed with the investee The E&S Risk management process should be applied to ongoing activities and future operations to be financed Investees will submit regular updates in relation to conditions on investment and annual updates on general operations Standard E&S terms (including reporting) are represented as definitions/representations/warranties, disbursement conditions, and/or covenants on compliance with the institution's E&S Policy To support the due diligence process, the institution should develop the necessary supporting guidance documents and checklists for use by its staff to comply with the E&S Policy
Monitoring and Review of Portfolio	Institutions should establish monitoring procedures to review progress with ESAPs and compliance of operations with the E&S policy, legal/ transactional obligations and regulatory requirements The level and regularity of monitoring is commensurate with E&S Risk

Stage	E&S Risk Management
	For FI-1 and FI-2 institutions, the monitoring process should: (i) focus on the key risks and impacts of the borrower's/investee's operations on their workers, communities, and the natural environment as identified during the due diligence process; and (ii) review progress with regard to implementing the agreed ESAP Monitoring should be conducted as part of the ESMS, and typically involves using reports prepared by the borrower as part of their relevant activities/ compliance with relevant authorities Reporting mechanisms between relevant staff and management to ensure responsible officials are informed The ESMS should be periodically reviewed to ensure relevance
External Communications and Grievance Mechanisms	Implement and maintain a process and procedure for external communications and a grievance mechanism to receive external complaints from the public regarding any aspects of operations Provide publicly available and easily accessible channels (e.g., phone number, website, e-mail address, etc.) to receive communications and requests from the public E&S Performance Reports for external investors include: (i) Portfolio breakdown by sector, high-risk transactions and SE due diligence process (e.g. SE Risk categories); (ii) Cases of non-compliance and significant SE incidents related to a transaction; (iii) Information on the implementation of and changes to the FI's ESMS; and (iv) Information on SE impact indicators as agreed.
Emergency Prepared-ness and Response	Where impacts are identified, Performance Standard 1 requires clients to establish and maintain an emergency preparedness and response system to respond to accidental and emergency situations Investees must ensure that the emergency preparedness and response plans are in place within its premises to protect the health and safety of employees and visitors, identifying responsibilities and procedures for communicating different types of emergencies (e.g., fire, earthquake or robbery) to the appropriate authorities and for safe evacuation Plans should include specific training and practice requirements (i.e. simulations and drills) Buildings that are owned or rented/leased by the FI that are accessible to the public should be designed, constructed, and operated in full compliance with local building codes, local fire department regulations, local legal/insurance requirements, and in accordance with internationally accepted life and fire safety standards

Applying Standard 2

ALCB Fund investees are expected to commit to the fair treatment, non-discrimination and equal opportunity of employees, to maintain or improve employee-management relationships, and to promote compliance with national employment and labor laws. Performance Standard 2 also requires IFC clients to extend the same rights to certain third-party (contracted) employees.

Applying Performance Standard 2 has the following elements:

Stage	Assessment of Labour and Working Conditions for FIs
Human Resources Policies and Procedures	Clients must adopt and implement human resources policies and procedures appropriate to the size of their operations and workforce, consistent with relevant national laws and regulations These must be documented and communicated to all employees; all employees should have a contract or letter of employment referencing these policies and consistent with national law The policy should cover inappropriate behaviour and measures for reporting and mitigating such behaviour; and should also cover employees' right to privacy
Working Conditions and Terms of Employment	Clients must provide reasonable working conditions for all employees, free of discrimination, harassment and excessive working hours; and including overtime pay, health insurance, pension, leave, sick cover and maternity These features and any collective bargaining must comply with national law and Performance Standard 2 Working conditions, benefits and services such as training should be provided to staff in a non-discriminatory manner
Employees' Organizations	Clients must recognise the right of employees to organise where permitted by law, with free choice over which organisations they join Where freedom of association and/or collective bargaining is substantially restricted by law, the client should engage directly with employees to address issues relating to their conditions and terms of employment and recognize alternative means of employee representation
Non-Discrimination and Equal Opportunity	Clients must not make employment decisions on the basis of personal characteristics unrelated to job requirements, other than measures to aid disadvantaged groups as envisaged by Performance Standard 2 Clients must apply the principles of equal opportunity and non-discrimination by basing all employment decisions (such as recruitment, hiring, working conditions, and terms of employment) on the ability of a person to perform their job duties
Retrenchment	Clients must develop and implement retrenchment plans to reduce the adverse impacts on affected employees Such plans must be based on the principle of non-discrimination and consider the outcomes of consultations with employees, their organizations, and, where appropriate, the government as well as any specific requirements stipulated in any collective bargaining agreements The plan must include an analysis of potential alternatives (options considered, number of positions saved, and a cost analysis) based on consultation with employees, transparent criteria for selection, proposed compensation payments, and a grievance mechanism Where retrenchment cannot be avoided, the client should pay any outstanding back pay and benefits (pension, health), as well as severance payments mandated by national law and/or collective agreements

Stage	Assessment of Labour and Working Conditions for FIs
Grievance Mechanism for Employees	Clients must provide a mechanism for employees to raise workplace concerns and provide feedback; this must be communicated to employees and allow for anonymous complaints to be raised and addressed Employees must be able to state their concerns directly to human resources or management, bypassing their immediate supervisors if needed, and ensuring that matters are brought to management's attention and addressed in a timely manner
Workers Engaged by Third Parties	Clients to take reasonable efforts to ensure that third parties that hire contracted workers are reputable and legitimate enterprises and have appropriate labour practices Contractors hired for core functions to have the same rights and benefits as regular employees; for non-core functions, the FI should establish policies and procedures to ensure that their labour practices are consistent with the requirements of Performance Standard 2 If a client requires armed security during the course of its operations, it should follow safety standards and guidelines when hiring security companies, covering the use of force, conflict resolutions, etc.

Appendix K: Sectoral Guidelines

In selected sectors, the ALCB Fund shall tie its direct financial commitment for concrete new projects to the following qualitative conditions:

- Outside the EU and the OECD high income countries, large agricultural or forestry enterprises producing palm oil or wood must either comply with recognised international certification systems (RSPO or FSC) or equivalent regulations to ensure sustainable cultivation conditions, or must be in the process of achieving compliance.
- Large dam and hydropower projects use the recommendations of the World Commission on Dams (WCD) as orientation.
- Projects for non-conventional prospection, exploration and extraction of gas will disclose in accordance with international standards: (a) that no material groundwater drawdown or contamination is to be expected, (b) that measures for resource protection (in particular water) and recycling are taken, and (c) that suitable technology is used for safe drilling, which includes integrated bore piping and pressure testing.

Appendix L: Shareholder Impact Indicators

ALCBF Innovative Finance

Results chain level	Result	FSDA Ref	Indicator	MoV	Frequency of Assessment
Impacts	SDG 8 – Good jobs and economic growth		1.1.2 # of MSMEs supported by issuers	Annual ALCB Fund	Annual
Outcomes	More financial instruments are available to the capital market in focus countries/ sectors.		2.1.1 # of *listed* local currency bonds issued in SSA target countries and sectors.	Annual ALCB Fund	Annual
	Issuers expand / improve their operations		2.2.1 Change in # of clients / customers;	Annual ALCB Fund	Annual
			2.2.2 Change in $ value of issuers' loan book (for financial institutions) or revenues (for corporates)	Annual ALCB Fund	Annual
	Ripple effect: other organisations in the sector issue bonds and investors crowd in to finance these bonds		2.3.1 # of issuances in SSA	Annual ALCB Fund	Annual
	The issuer issues further bonds where appropriate, enhancing the sophistication of their funding and liability management		2.4.1 % issuers who report issuing further bonds without ALCBF participation;	Annual ALCB Fund	Annual
			2.4.2 $ value of additional bonds issued post ALCBF involvement	Annual ALCB Fund	Annual
Outputs	A bond is issued by the issuers		3.1.1 % of book filled	Quarterly ALCBF Fund	Quarterly
			3.1.2 % of bond filled by ALCBF	Quarterly ALCBF Fund	Quarterly
	Invest: Provide anchor investment to local currency bond issuance of issuers only if necessary		3.2.1 # Investments closed this quarter	Quarterly ALCBF Fund	Quarterly
			3.2.2 $ value invested disaggregated by sector (Micro-Lending, SME Finance, Housing, Renewable Energy Infrastructure, Agriculture, Health/Education)	Quarterly ALCBF Fund	Quarterly
	Crowding- in funding: Price the market to ensure there is sufficient demand and encourage investment		3.3.1 $ value invested by third parties into bonds closed this quarter, *disaggregated by pension funds, assets managers, insurance cos, other FI, other*	Quarterly ALCBF Fund	Quarterly
			3.3.2 # of third party investors (split by type) *disaggregated by pension funds, assets managers, insurance cos, other FI, other*	Quarterly ALCBF Fund	Quarterly
	Assist company in meeting due diligence requirements: ES risk assessment, transaction standards, impact and financial reporting.		3.4.1 $ value of assistance provided	Annual ALCB Fund	Annual
	Technical advisory to the issuers as well as third parties on best practice for bond issuances		3.5.1 # issuers supported with: -- social ratings (or equivalent CPP) -- ESMS and/or ESAP -- credit rating -- listing the bond (For closed deals, with and without support of TAF)	Annual ALCB Fund	Annual
	Market development initiatives: • Assessment of local capital markets • Support to African market regulators		3.6.1 # of institutions (regulators, forums) formally assisted by the TAF	Quarterly ALCBF Fund	Quarterly
			3.6.2 # of research products developed	Quarterly ALCBF Fund	Quarterly
	Generate opportunities to initiate or progress the reach of local currency bond funding for issuers		3.8.1 # of Pipeline Deals with ongoing Hand Holding	Quarterly ALCBF Fund	Quarterly

Appendix M: Principle Adverse Impact Indicators

In the event the PM chooses to qualify an investment as a "Sustainable Investment", the E&S Assessment of the investee should ensure that:

- The potential investee is in line with the Minimum Safeguards of SFDR and Taxonomy (including International Labour Organization standards (ILO), International Bill of Human Rights (UN), Guiding Principles on Business and Human Rights (UN), OECD Guidelines for Multinational Enterprises)
- The proposed investment is screened against the Principal Adverse Impacts (PAIs) Indicators of Table I of the RTS

Indicators of Table I of RTS

ID	Indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Type of data	Mitigants Identified/Action Taken
	Greenhouse gas emissions						
1	**GHG emissions**						
1.1		Scope 1 GHG emissions of potential Investee					
1.2		Scope 2 GHG emissions of potential Investee				Proxy	
1.3		From 1 January 2023, Scope 3 GHG emissions of potential Investee					
1.4		Total GHG emissions					
2	**Carbon footprint**	Carbon footprint of potential Investee					
3	**GHG intensity**	GHG intensity of potential Investee				Field Data	
4	**Exposure to companies active in the fossil fuel sector**	Is potential Investee active in the fossil fuel sector					
5	**Share of non renewable energy consumption and production**	Share of non-renewable energy consumption and non-renewable energy production of potential Investee from non-renewable energy sources compared to renewable energy sources, expressed as a percentage					
6	**Energy consumption intensity per high impact climate sector if any**	Energy consumption in GWh per million EUR of revenue of potential Investee, per high impact climate sector if any					
	Biodiversity						
7	**Activities negatively affecting biodiversity sensitive areas**	Does the potential Investee have sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas					
	Water						
8	**Emissions to water**	Tonnes of emissions to water generated by potential Investee per million USD invested, expressed as weighted average					
	Waste						
9	**Hazardous waste ratio**	tonnes of hazardous waste generated by potential Investee per million USD invested, expressed as weighted average					
	Social and Employee matters						
10	**Violations of UN Global Compact principles and Organisation for Economic**	Has the potential Investee been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises					

	Cooperation and Development (OECD) Guidelines for Multinational Enterprises						
11	**Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises**	Does the potential Investee NOT have policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises					
12	**Unadjusted gender pay gap**	Average unadjusted gender pay gap of potential Investee					
13	**Board gender diversity**	Average ratio of female to male board members of potential Investee					
14	**Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)**	Is the potential Investee company involved in the manufacture or selling of controversial weapons					

Appendix N: Job Description of the Fund's E&S Officer

1. Supporting the day-to-day implementation of the ESG and Impact Management Systems of the funds under management;
2. Supporting regular ESG Policy/ESMS reviews and updates as required;
3. Supporting implementation of EG training plans for all relevant staff;
4. Supporting investment teams on ESG due diligence (DD) and development impact coverage as required, by providing input to the DD process to ensure it meets the requirements of the fund's ESMS;
5. Monitoring the ESG performance of investees in accordance with the ESG requirements imposed by the Fund, including compliance with Environmental and Social Action Plans (ESAP's) and other ESG covenants;
6. Collecting, analysing and managing ESG and impact data from investees for reporting purposes;
7. Collation and compilation of periodic ESG and impact reporting (contractual to investors) and regulatory), including ad hoc ESG and Impact information requests from existing investors and other stakeholders;
8. Leading ESG engagement efforts across the Fund's portfolio companies; and
9. Responding to significant ESG incidents reported by portfolio companies and ensuring that investors and senior management are informed of such incidents as appropriate and in a timely manner.