

ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE  
ANNUAL REPORT  
2014



driving  
development  
impact

## SUSTAINABLE INVESTMENT – FOREWORD



The African Agriculture Fund (AAF or the Fund) is a socially responsible investment vehicle that has adopted a sustainable approach to business, which is both environmentally respectful and closely aligned with the interests of the people and communities impacted by its investments. In accordance with this approach, the Fund operates according to a social environmental management system (SEMS). It features an environmental and social risk management system, and for the first time in agri business private equity, a Code of Conduct for Land Acquisition and Land Use in agricultural and agri business projects.

Elements of the Fund's social responsibility strategy are as follows:

### SMALLHOLDER FARMING

The AAF provides small farming businesses with access to infrastructure and training, predominantly through the use of the Technical Assistance Facility (TAF). When it comes to outgrower schemes, the Fund has and will continue to support partnerships between the businesses in which it invests and will carry on its creative work in achieving mutually beneficial partnerships.

### REGULATORY COMPLIANCE

The AAF recognises that government participation and support in the agricultural market, through laws and regulations, are indispensable to creating a secure environment for investment, trading and generally conducting business. This legislation is also essential for the protection of the rights of employees and consumers.

AAF acknowledges in particular that, in many of the countries in which it operates, legislation is either lacking or inadequately enforced; hence one of the functions of private equity is to bring international best practice to the companies in which it invests.

### HEALTH AND SAFETY STANDARDS

Agriculture and food are sectors in which there are significant health and safety risks, especially those related

to injuries caused by machinery. The Fund requires that the managers and owners of the businesses in which it invests are responsible for adherence to strict practices and policies that will minimise the risks to their employees.

### ENVIRONMENTAL STANDARDS

To ensure long term sustainability, the Fund has put in place strict environmental standards for its investments so that they will have a positive impact on ecosystems.

Any investment consideration needs to take environmental concerns into account, especially those related to Greenfield developments or significant expansionary projects.

Phatisa works with independent consultants and in-country associates with expertise in environmental social impact assessments (ESIAs) and development planning. Where possible, the Fund draws on the knowledge and resources of its investors to ensure adherence to best practices.

### LAND USE, ACQUISITION AND OWNERSHIP

Local ownership in farms, processing plants and other sections of the agricultural value chain is a key factor in both the development of food security and the growth of the African economy. Phatisa does not assume any increase in land values when considering potential investments, but rather augmentation of the value of the earnings of the business through growth and the increase of food production in Africa, for Africa.

The twin goals of creating wealth for investors in the Fund and pursuing socially responsible investment strategies are not mutually exclusive; rather, they are complementary. AAF's aim to develop professionally run agricultural and food-related businesses benefits all stakeholders, not only investors.

The Fund promotes food security through the establishment of sustainable and profitable agri businesses that produce affordable food for local consumption.



> 4,000 families are housed in AAF portfolio company housing

17 tonnes of edible oil were distributed as food relief to Ebola-affected areas (Goldtree)



AAF portfolio companies support 4 hospitals and 15 clinics with > 350 beds

Phatisa donated US\$ 5,000 to Médecins sans Frontières, Sierra Leone

## INTRODUCTION

This is Phatisa's fourth annual report on AAF's environmental, social and governance (ESG) performance and covers the financial year ending 31 December 2014, as required by the Fund's legal documents and its SEMS.

The completed Appendix H of the SEMS is attached to this document.

### ESG OBJECTIVES

AAF has two main objectives: to return value to shareholders, and to create value within the communities and environments associated with its investments, in such a manner that this value will persist beyond the life of the Fund. Measuring and reporting on the impact of its projects on its communities is therefore as important as the financial return. The opportunity for AAF to create significant social benefits – to contribute to building sustainable communities – is therefore as important as environmental and governance issues.

The Fund's ESG goals are therefore:

- to preserve and, where feasible, improve the state of the environment around its projects;
- to maximise the socio-economic benefits to the broader community dependent on or affected by its projects; and
- to maintain good governance standards.

### SEMS POLICY UPDATE

As at the end of 2014, the SEMS was reviewed and amended with the input of the AFD/Proparco ESG Officer, with the updates to be endorsed by the Advisory Board of the Fund in early 2015.

### ANTI MONEY LAUNDERING

The Fund operates according to Phatisa's Anti Money Laundering (AML) Policy and the Anti Bribery and Corruption Policy, and Tax and Transparency Policy.

Phatisa conducts verification of each potential investment as prescribed by the AML Policy. To date, verification reports have been conducted on Goldtree, the AAF SME Fund, Goldenlay, the Continental Beverage Company (CBC), Feronia, Farming and Engineering Services (FES), Meridian and General Plastics.

## DEVELOPMENT IMPACT

	PORTFOLIO COMPANIES	Goldtree	Goldenlay*	Feronia	CBC	FES	Meridian Group	AAF SME Fund	AAF	TOTAL
GEOGRAPHY	Region	West Africa	Southern Africa	Central Africa	West Africa	Southern Africa	Southern Africa			West Africa: 5 Central Africa: 1 and Southern African: 7
	Country	Sierra Leone	Zambia	DRC	Côte de Ivoire	Malawi	Malawi & Mozambique			Countries: 12
INVESTMENT	Date of investment	August 2011	April 2012	December 2012	February 2013	November 2013	September 2014			Portfolio companies: 13
	Approved commitment (US\$ m)	17.6	24.1	19.5	5.0	9.8	20.2	30.0	96.2	126
	Invested to date (US\$ m)	14.9	24.1	19.5	5.0	4.9	17.0	17.8	85.4	103
	Total capital investment (US\$ m)	25.4	31.6	37.6	11.3	15.2	40.2	17.8	161.3	179
	Expansion capital (US\$ m)	17.6	4.5	19.5	5.0	-	17.0	6.8	63.6	70
LAND	Land leased or owned (hectare)	6,397	3,805	107,000	4	2	8,000	3,693	125,208	128,901
	Outgrower land (hectare)	30,000	176	200	-	-	26,750	100	57,126	57,226
PEOPLE	Total number of employees	463	286	3,474	89	156	2,430**	582	6,898	7,480
	Employees - male	437	238	3,323	69	145	2,380	467	6,592	7,059
	Employees - female	26	48	151	20	11	50	115	306	421
	Number of smallholders/vendors impacted	6,400	550	-	12	1,888	53,500**	885	62,350	63,235
TAF	Target number of beneficiaries in approved projects	4,000	2,550	-	-	-	6,000	2,690	12,550	15,240
	Current number of beneficiaries supported	6,400	719	-	-	-	-	-	7,119	7,119
OUTPUT	Current tons of output	1,003	10,230	17,252	23,977	200,000	240,750	27,708	493,212	520,920
	Expected tons of output at exit	18,000	20,200	90,800	30,771	250,000	372,000	82,939	781,770	864,710
VALUE	Current annual sales revenue (US\$ m)	0.7	15.3	17.2	7.6	16.0	247.6	16.8	304.4	321
	Expected revenue at exit (US\$ m)	17.5	25.8	87.6	15.0	16.9	380.0	62.5	542.8	605
	Current EBITDA (US\$ m)	-	4.7	-	-	17.0	4.3	(0.9)	26.0	25
	Expected EBITDA at exit (US\$ m)	7.1	7.0	34.1	3.3	5.0	32.0	15.1	88.5	100
TAXATION	Taxes paid 2014 (US\$ '000s)***	-	830	-	29	212	900	288	1,971	2,259
	Expected taxes paid on year of exit (US\$ '000s)	600	2,400	3,000	1,000	1,000	3,930	3,260	11,930	15,190

### Footnote

\* Inclusive of Kafubu and Kanyenda Farms

\*\* Unaudited number

\*\*\* 2014 profit on company tax only

Phatisa recognises that, in addition to its commitment towards sustainable environmental and social practices, it also reports on the development impact of its investments. The development impact may, however, vary between investments. Phatisa considers the contribution its investments make to the local economic landscape through, for example, employment and taxes, and the positive social impact on dependents, including women and children, as key achievements. Phatisa is committed to the Additionality Development Outcomes Assessment (ADOA) from the African Development Bank (AfDB) to define and capture social and developmental outcomes.

Phatisa has developed a matrix to record key measurable parameters to evaluate the investments' contributions to local economies, as set out below:

## CAPACITY

The SEMS provides guidance on how to assess the potential for investments to achieve our ESG objectives, without compromising the Fund's ability to deliver financial returns. The responsibility of ensuring adherence to the SEMS lies with Stuart Bradley, Senior Partner at Phatisa. Christoph Scaife has been employed as Phatisa SEMS Manager and the services of an ESG professional have been contracted to assist with due diligence investigations, reporting and opportunity risk assessment.

## SCORECARD

Phatisa scores each investment opportunity that is pre-screened and included in the deal pipeline. The scoring measures the financial attractiveness of the proposed investment as well as the ESG impact. The underlying aim is to build a portfolio of investments that has high financial and ESG impact returns.

## PROJECT ACTIVITIES FOR THE REPORTING PERIOD

For each opportunity investigated by Phatisa, whether concluded or not, an appropriate level of screening of the ESG risks and social development opportunities is performed in accordance with the process outlined in Appendix A of the SEMS. For all of AAF's proposed investments, none of the excluded activities listed in Appendix D of Phatisa's SEMS are undertaken or occur at the portfolio companies.

During 2014, AAF continued its investment cycle into portfolio companies. Social and environmental due diligences (SEDDs) were conducted on potential investments:

COMPANY	STATUS OF SEDD	STATUS OF INVESTMENT	ESG ISSUE	MANAGEMENT SIGNED EMP
Meridian	Completed	Completed	N/A	Yes
General Plastics	Completed	Completed	N/A	Yes

In the SEDD, a fatal flaw analysis is undertaken to verify the following:

- A material breach of legislation.
- A material breach of the applicable standards as determined in Appendix C, the International Finance Corporation (IFC) and AfDB policies.
- A breach of this kind would be considered material when more than 50% of the requirements for a particular category of criteria (i.e. each performance standard) were breached consistently over a significant period (i.e. one year or more).
- Where an ESG liability of US\$ 250,000 or more has a reasonable chance of being incurred, either from a third-party claim or from regulatory enforcement.
- Where the risk of significant reputational damage is likely.

In terms of World Bank and IFC Guidelines, the following general descriptions apply to categorising projects according to their social and environmental impacts:

- **Category A:** The portfolio company's or proposed portfolio company's activities are likely to have significant adverse environmental, social or health and safety impacts that are sensitive, diverse or unprecedented. A potential impact is considered 'sensitive' if it may be irreversible (e.g. lead to loss of a major natural habitat), affect vulnerable groups or ethnic minorities, pose major risks of injury or to health, involve involuntary displacement and resettlement, or affect significant cultural heritage sites.
- **Category B:** The portfolio company's or proposed portfolio company's activities may result in specific environmental, social or health and safety impacts, but these impacts are site-specific and few, if any, of them are irreversible. In most cases, mitigation measures are predetermined performance standards, guidelines, or design criteria. Potential adverse impacts on human populations or environmentally, socially or culturally important areas are less adverse than those of a Category A.
- **Category C:** The portfolio company's or proposed portfolio company's activities are likely to have minimal or no adverse environmental, social or health and safety impacts.

According to the category of the project, varying levels of due diligence are required, as follows:

- **Category A:** A full environmental social impact assessment (ESIA) is required.
- **Category B:** Although a full ESIA is not required, an assessment focusing on the anticipated impacts is required.
- **Category C:** No further assessment is required. AAF considered no Category C projects during the reporting period.

The SEMS requires that the first five SEDD reports be sent to AfDB for review and feedback. Phatisa is in full compliance with this requirement. The Goldtree and Goldenlay SEDD reports were submitted in 2011, and the SEDD reports for the Goldenlay follow-on investments in Kafubu and Kanyenda, as well as Feronia and CBC were submitted in 2012 – we are pleased to report that these were all accepted by AfDB as presented.

An additional requirement by FMO was that the first three primary agriculture investment SEDD reports be submitted to FMO for review. Since FMO's admittance to the Fund, no new primary agriculture investments have been reviewed.

## GOLDTREE

Prior to investment, a full ESIA was conducted in 2011 on the proposed palm oil mill and outgrower scheme in Daru, Sierra Leone. This was conducted by a local consultancy, with specialist components being performed from South Africa under the guidance of ESG consultants, Environmental Business Strategies (EBS). The ESIA was therefore performed according to local legal requirements, and in all respects except for public consultation, against the IFC Performance Standards. The final ESIA was submitted to the Sierra Leone EPA in November 2012, and the final three public disclosure and consultation meetings were held in Freetown, Daru and Segbwema in March 2013.

The ESIA provides an environmental management plan (EMP) outlining mitigation measures that Goldtree Management should complete to reduce risks posed by the Company to an acceptable level. These measures include asset acquisition, construction of sufficient treatment facilities and appropriate management systems to ensure periodic monitoring of company performance. According to Sierra Leone legislation, public consultation of the ESIA is required to be performed by the Environment Protection Agency (EPA) and Goldtree was obliged to comply with this requirement.

Furthermore, a community development action plan, environmental management programme and closure plan were outcomes from this process, all of which have been accepted by Goldtree Management and incorporated into their projects and operations.

Goldtree obtains a renewable licence annually at a fee determined by EPA and is based on the company's environmental impacts. The fee for 2014 was US\$ 84,000.

Emmanuel Koroma, the health, safety and environmental manager, continued to implement actions in relation to the requirements of the ESIA and CDAP; he is working in conjunction with an external consultant, Olli Kolehmainen, who is Finnfund's preferred ESG consultant. Olli is providing Emmanuel with training on technical requirements of the ESIA and its accompanying EMP and, where necessary, provides guidance on practical solutions to achieve the deliverables set out in the EMP.

A summary of the key deliverables listed in the EMP is provided below. The table also reflects Goldtree's progress over 2014:

ITEM	COMPLETION DATE COMMITTED TO BY MANAGEMENT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Implement a comprehensive SEMS, including specifically best practice standards of the health and safety and labour practices of the International Labour Organisation, OHSAS 18001, ISO 14001, IFC Performance Standards, and any legal and permit requirements. These shall include appointments, registers, risk assessments, procedures, legal compliance assessments, incident records, emergency response plans, scheduled inspections, etc. Regular internal and external audits should be communicated to Management.	Q2 2014			Completed	
Integrated Pest Management (IPM) Plan to be implemented to minimise the use of pesticides (no use of paraquat by Goldtree and its outgrowers, replaced by glyphosate in the plantations, weeding by hand in the nurseries).	Q4 2013 Revised Q1 2014	Completed			
Develop Goldtree Waste Management Plan (WMP) as a part of the Environmental and Social Action Plan (ESAP), including responsibilities, and supervision of the landfill.	Q4 2013 Revised Q1 2014	Completed			
Design and construct of a proper sanitary landfill for household and office waste and other inert waste, including construction waste for the company's wastes only.	Q3 2014			Completed	
Monitoring of the land use situation, the disbursement and distribution of the lease payments, and the operation of the grievance system by an independent actor.	Q2 2014	Completed			
No-burning policy of Goldtree to be implemented and monitored at the plantations.	N/A		Completed		
Dust control plan for the roads, basic approach being the reduction of vehicle speeds close to the communities; spraying with water, if needed.	N/A		Completed		
Proper chemical storage to be constructed for plantation chemicals, including pesticides and fertilisers, to minimise risks for human health and the environment, including chemical bookkeeping.	Q4 2013 Revised TBA	Not implemented (below)			

■ Completed 2013   
 ■ Completed 2014   
 ■ More detail in copy

Prepare, implement and monitor an erosion and sediment control plan. The plan should include measures appropriate to the situation to intercept, divert, or otherwise reduce the storm water runoff from exposed soil surfaces. Integrate vegetative and non-vegetative soil stabilisation measures in the erosion control plan.	Q4 2013 Revised date for completion of control plan Q2 2014	Completed
All the process waste formed at the mill will be utilised, either as fuel or as soil conditioner in the plantations.	N/A	Completed
Preparation of the health and safety policies, rules and procedures (including also issues related to prevention, monitoring, bookkeeping, reporting and investigation, corrective actions, etc.).	Q2 2014	Completed
Emergency Response Plan (ERP) and equipment available and appropriate training given to the staff.	Q4 2013	Completed
The management shall arrange and supervise the health and safety training given to the construction workers, the mill and plantation workers and the outgrowers.	N/A	Completed
Regular supervision of the adherence to the health and safety rules, e.g. the use of personal protective equipment, especially in application of herbicides and pesticides.	Q3 2013	Completed and on going
Proper operation and maintenance of the boiler plant and the dust control systems, including aiming at lowest possible moisture content of the fuel used at the plant.	Q1 2014	On-going
If air pollution problems are encountered, the mill shall improve the dust removal system.	N/A	No reported air pollution problem
Design and construction of the waste water treatment system mechanical- biological treatment. The effluent plant to be taken into operation when the mill is started; proper operation and maintenance of the plant. Identify and implement a technical solution to allow the use of treated wastewaters for irrigation of oil palm plantations to prevent non-compliance with Sierra Leonean [and guided by other good international, e.g., Roundtable on Sustainable Palm Oil (RSPO), IFC] standards and guidelines regarding the quality of the mill's effluent and negative impacts in the river.	Q4 2013	Partially completed (see below)

#### ENVIRONMENTAL MANAGEMENT PLAN

The EPA audits Goldtree every year. This audit is part of the licence renewal process. The agency evaluates the level of environmental impact that the company will have on its surroundings and score the project in accordance with an approved guideline: the level of environmental mitigation infrastructure, such as effluent treatment ponds, bunding and environmental management systems.

Goldtree has been advised to construct a permanent chemical storage room for all chemicals used on the plantations; the temporary storage facility is constructed from a metal container which can be locked and placed within a bunded area with 60cm-high wall. This is located within a secured work area, which is concreted with a single waste-water outlet to the effluent ponds. Phatisa believes that this structure is sufficient until other priority actions have been completed.

#### MONITORING

During 2014, monthly internal noise monitoring exercises were conducted as part the EPA-SL's requirements to obtain sufficient baseline data. Data was collected from seven different locations in and around the project area. This included the mill, administration offices, staff quarters, as well as surrounding villages. The noise data obtained established that noise emissions outside of the mill are within the internationally acceptable noise limit of 85 dB for workers who are exposed to noisy conditions for an eight-hour period. However, results obtained from within the mill showed elevated noise levels above 85 dB, during mill operation. Management has enforced the use of safety earmuffs for all staff members working within the mill.

Worker health and safety is continuously monitored in accessible hazardous locations and where there is constant movement/traffic. Internal inspections and health and safety training remains ongoing to ensure improvements to operational health and safety compliance.

Formal lost time injury reporting commenced; baseline data is being obtained and will be compared to industry averages once a sufficient data sample has been collected.

Daily observations are carried out on the stack to monitor air emissions, as well as palm oil mill effluent and worker safety within the factory compound and on the plantation.

#### SOCIAL ENVIRONMENTAL MANAGEMENT SYSTEM

The integrated pest management plan was completed for the nucleus plantation. The management plan was drafted in accordance with the IFC performance standards and the Roundtable on Sustainable Palm Oil (RSPO). The management plan outlines in detail the schedule of designated authority, an active management approach as well as training, storage and general management of pesticide usage on the plantation. Currently, training is being carried out by an external service provider, funded by Phatisa's Technical Assistance Facility (TAF), to train outgrower farmers in the safe application of agrochemicals. Material safety data sheets have been prepared for all pesticides and agrochemicals that are stored on the company premises.

ESIA identified that the company must develop a waste management plan (WMP) which clearly highlights the various types of waste generated by the company. In March 2014, Goldtree drafted and submitted the WMP to the EPA; it was approved in June. The plan outlines the effective management and disposal methods of waste in a sound environmental and social manner.

An initial health, safety and good housekeeping session for new contract suppliers and their employees was carried out. The session was held to raise awareness among contractors who work on the Goldtree site, to reduce possible operational risks and possible liabilities.

Goldtree hosted a fire safety awareness meeting as part of the company's campaign to eradicate bush fire practices from the surrounding villages. The main objective of the campaign is to educate community members/farmers on the dangers of bush fires and the possible consequences that might result from uncontrollable bush fires.

#### CERTIFICATION

The company is committed to becoming compliant with the RSPO standards during AAF's investment.

#### EBOLA

In February 2014, an outbreak of the Ebola virus was registered in neighbouring Guinea. By mid-March the virus had spread to Liberia's north-western border with Guinea and Sierra Leone. At the beginning of April, the first confirmed deaths from the Ebola virus were confirmed in Kailahun district – the same district Goldtree is located. In response, Goldtree has developed an action plan to provide guidance during the Ebola outbreak. This plan was presented to *Médecins Sans Frontières* (MSF) and the Ministry of Health and Sanitation (MHS), who both endorsed the plan. As requested by the authorities, Goldtree has been requested to report any staff members and Jaiwe community members who they believe require screening. Goldtree has offered MSF additional support in and around the plantation and mill region.

#### KAILAHUN DISTRICT

Goldtree is located in the Kailahun district, which is the location of the first outbreak in Sierra Leone. Since the outbreak in March 2014, MSF prioritised cooperation with tribal chiefs and their communities. Initially, only two chiefdoms out of 14 were willing to cooperate with health organisations. Currently, all chiefdoms report to health organisations in the Kailahun district.

Community members still refuse to report suspected cases of Ebola. Health organisations operating in the region suspect that the reported number of cases does not reflect the actual number of Ebola cases. Despite a large sensitisation programme being carried out in community villages, some families refuse to have sick members tested for the virus. Health organisation staff have been threatened and, in some instances, assaulted by community and family members for intervening.

Below is a table of the confirmed cases in the various countries affected by Ebola. Goldtree suffered the loss of two employees at the beginning of the outbreak, however, due to comprehensive management of worker hygiene and safety on and around the plantations Goldtree did not experience any other incidents.

AREA	CONFIRMED CASES	DEATHS
Goldtree staff	2	2
Sierra Leone	8,073	3,227
Liberia	5,143	3,739
Guinea	2,608	1,944
Nigeria	20	8
Other	12	10
<b>Total</b>	<b>15,856</b>	<b>7,928</b>

Source: ISOS data, current as at 28 January 2015.

#### GOLDENLAY

Goldenlay has completed most outstanding recommendations from the SEDD relating to the main site, except for the removal of the storage shed. Due to the incorporation of the Kafubu and Kanyenda farms the SEMS is being expanded to include operational risks associated with the farming activities that occur on those sites.

Goldenlay management has prepared a design for a new permanent storage facility to be built on the Kafubu farm, in a separate company jointly owned by NWK and AgDevCo. Phatisa supports this action, as it will result in a reduction of personnel movement on the site, reducing the risk of exposing the flock to pathogens. Construction of the new facility on the Kafubu farm is being funded by an AgDevCo loan, and will be completed in 2015.

During the fourth quarter of 2013, Goldenlay Management decided to split the role of OHS and ESG into two separate positions: In 2014 Richard Sikazwe was appointed as the Environmental Health and Safety Officer, while Petronella Bwalya was appointed as the new Human Resources Manager.

Additional priority corrective actions as recommended in the SEDD were completed over the reporting period, as shown in the table below.

ITEM	TIME TO COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Implement a comprehensive SEMS, including specifically best practice health and safety and labour practices of the ILO, OHSAS 18001, ISO14001, IFC Performance Standards, legal and permit requirements, such as appointments, registers, risk assessments, procedures, legal compliance assessments, incident records emergency response plans, scheduled inspections, etc. Regular internal and external audits should be communicated to Management.	Q1 2014	Change Control			
Ensure adequate capacity is allocated to fulfil a Human Resources function, whose roles shall specifically include the development and adherence to all the respective labour practices in accordance with ILO, AfDB and IFC standards.	Q2 2013				Completed
Compliance monitoring against EMP on six monthly basis, until all findings cleared, and then annual	Q4 2013		Completed		
Water monitoring of river and ground water every six months (before and after rainy season).	Q3 2013		Completed		
Monitoring of incinerator emissions	Q3 2013		Completed		
Monitor manure composition and impacts of manure disposal on soil, surface and groundwater at points of disposal.	Q3 2013		Completed		
Grievance and disciplinary procedure should be implemented and communicated to current and prospective employees and adhered to by Management.	Q1 2013		Completed		
Commence with the following environmental monitoring program: compliance monitoring against EMP on six monthly basis, water monitoring of river and groundwater, water consumption, incinerator emissions, manure composition and impacts of manure disposal on soil, surface and groundwater, emissions from the production houses.	Q3 2013		Completed		
Develop suitable alternative to staff housing if an air emissions survey shows elevated levels of pollutants of concern (ensuring that housing allowances are adjusted accordingly).	Q1 2013			Completed	
The soya and grain mills to be subject to health and safety risk assessment by an independent expert and upgraded accordingly.	Q3 2012			Completed	
Install water meters and monitoring water consumption	Q4 2013			Completed	
Remove storage shed/work shop and replace with suitable facility.	Q4 2014	Change Control			
Build proper grain storage buildings.					
Determine flood lines of the Baluba stream (1:50 and 1:100 year).	N/A	Not implemented			
Develop emissions inventory, basic dispersion model (or monitoring of emissions in ambient concentrations) and community health risk assessment (depending on results of the previous studies) to determine any health affects from the production houses in the compound.	Q2 2014		Completed		
Plan the need for pesticides and evaluate their effectiveness, as well as potential environmental impacts, to ensure that the pesticide with the least adverse impact is selected.	Q1 2013		Completed		
A detailed independent audit of the use of pesticides on site, including the disposal of containers and washing of containers, should be undertaken on a regular basis.	Q4 2013				Completed
Develop a community liaison policy or public relations policy (guiding relations with civil society stakeholders), and appoint a suitable competent or qualified staff member to enact such.	On-going			Completed	
Occupational exposure monitoring and medical examinations should be implemented immediately.	Q3 2012			Commenced	
An independent investigation in to the risks to community health and safety from possible ingestion of hazardous substances in Goldenlay's products.	Q1 2013				Completed
Cement bases for the transformers should be constructed, and the transformer oil analysed for polychlorinated biphenyl.	Q2 2014			Completed	

## ENVIRONMENTAL MANAGEMENT PLAN

### MONITORING

During the year, Goldenlay focused on addressing emissions from its incinerator. During 2013, it was identified that the company needed to address high levels of emissions, namely CO, CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub>. The monitoring of incinerator emissions continued to be carried out by a third-party consultant, Hilma Ltd. during 2014. A second consultancy, Waste Spectrum, evaluated the incinerator's condition, and recommended that the company purchase a new fan and air feeder as well as conduct a general service; this was completed in September 2014. Consequently an Environmental Compliance Declaration of Conformity in accordance with the British Standards EN ISO/IEC 17050 was issued. The air emissions were monitored in November.

Goldenlay also addressed the dust emissions from the feed mill. Hilma made recommendations to reduce the dust levels within the mill. Management installed additional ventilation and extractor fans to increase the airflow; however, management reiterated that the two processing mills would be relocated to the Kafubu site during 2015. Funding for the construction of the new processing mill has been agreed. In order to reduce staff exposure to dust emissions, staff members currently rotate tasks in order to allow workers to

rest away from areas where the dust levels are high.

ITEM	TIME TO COMPLETION
<b>INCINERATOR EMISSIONS</b>	
Management should ensure that continuous monitoring of CO, CO <sub>2</sub> , NOx and SO <sub>2</sub> are carried out.	On-going semi-annual
Increase aeration into the incinerator to ensure complete combustion takes place through proper maintenance.	Completed
Regular servicing of the incinerator should be done to improve the gas emissions.	Completed
An advanced Incinerator with a boiler-and-bag house should be considered and if feasible budgeted and acquired.	Completed
<b>DUST EMISSIONS</b>	
Increase the ventilation system within the feed mill.	Completed
Management should implement appropriate maintenance programmes for respective machinery.	Completed
Reduce the duration a worker is exposed to dust by rotating workers shifts.	Completed

#### CERTIFICATION

During 2015 Goldenlay will complete and submit its social environmental management systems policy to external consultants for all three sites to be audited against ISO 14001.

#### GOLDENLAY FOLLOW-ON INVESTMENT

##### KAFUBU

During late 2012, Goldenlay entered into negotiations with a willing seller of an abandoned dairy farm. The farmland had a variety of inhabitants located within its borders, which would have prevented Goldenlay from fully developing the land into a functional farm. The vendor was willing to resettle the settlers in accordance with Zambian law only. Due to Phatisa's commitment to the IFC Performance Standards, a gap analysis between Zambian law and IFC Performance Standard 5 was conducted to determine if additional steps were required for the resettlement action plan (RAP) to be in compliance with IFC requirements. The gap analysis highlighted that Zambian law does not afford compensation claims to illegal settlers when compared with the IFC Performance Standards, which include compensation for loss of income as well as the replacement cost of lost assets.

As a result, Phatisa requested that Goldenlay, and not the vendor, drive the process to remove the settlers in accordance with Performance Standard 5 for land acquisition and involuntary resettlement. Terms of Reference (ToR) were drafted and submitted to the Zambian Environmental Management Agency (ZEMA) and the local council, who accepted the resettlement action plan framework, but requested that they be kept abreast of developments during the process. The ToR was sent out for tender and a consortium of external consultants, Greenline and Greenfield consultancy, were appointed to compile the report. The resettlement report was based on two surveys carried out in August 2013 and October 2014 and finalised in December 2014. Compensation will be paid to affected parties in the first and second quarters of 2015.

The initial survey was conducted over a three-day period, and covered 100% of all settlers living on the land as well as all ex-employees and land title claimants. The survey was conducted in nine local languages, with a team of 12 community surveyors and two quantity surveyors, to evaluate the cost of assets, as well as the local councillor, the Goldenlay ESG Officer and Phatisa's SEMS Manager. The main findings from the resettlement survey confirmed that 134 settlers are located on the land: 39 are ex-employees, 18 are seasonal farmers, 25 are illegal settlers and 52 are permitted settlers. The survey findings and draft report were submitted to ZEMA for approval in March 2014. The second survey was carried out on people who had resettled in the neighbouring village, Hope Compound.

In accordance with IFC Performance Standard 5, preference to reduce resettlement wherever possible was considered in evaluation of compensation. As a result, Goldenlay ceded approximately 200 hectares of land on the border of the Kafubu farm to be allocated to the 'Legal Settlers'. These settlers were the land occupants with failed land claim documents for small plots of land, who have been awarded approximately 2 hectares each. These land titles were not recognised in the land register. However, Goldenlay management has decided to formalise their land claims through the District Commissioner of Ndola. Goldenlay has submitted the land title documents on behalf of the settlers and is monitoring the process. Concurrently with this process, external consultants will be reporting on the final stages of the resettlement process for illegal settlers, former employees and seasonal farmers, as well as making recommendations on eligibility and degree of compensation.

Goldenlay management, in conjunction with Phatisa and EBS, will form an ESG subcommittee to oversee the conclusion of the resettlement action plan and ensure that compensation is distributed appropriately.

Goldenlay has continued to clear scrubland in accordance with the terms set out in the EIA. Management has prioritised the rehabilitation of old pasture fields due to the reduced cost of conversion. In a joint venture with Phatisa, 14 hectares of land on Kabufu farm has been sectioned off, as part of Phatisa carbon neutral plan. The land will have indigenous trees planted and allowed to return natural vegetation. The objective of the programme is to sequester approximately 120 tonnes of carbon to off-set the carbon emissions generated from daily operations of Phatisa.

##### KANYENDA

Development at the Kanyenda farm site continued throughout 2014, with clearing of the remaining scrubland in accordance with the EIA.

During the second quarter, Goldenlay management had commissioned a grain storage facility and weighbridge to be built for crop storage. While this activity does not prove a material change to the nature of Goldenlay's operations, a change in the scope of the EIA was required in order to remain compliant with ZEMA regulations. The new scope of the audit highlighted environmental and

social risks for the new operations. The EIA did not provide any further insight to risks expected from the company's operations.

OPIC requested that a follow-up audit be commissioned to evaluate the post-resettlement conditions of the inhabitants of the Kanyenda farm, who were removed prior to the land being incorporated into Goldenlay's operations. The social audit was carried out by Greenfields Consultancy and quality-assured by EBS. The audit highlighted that all persons who had been relocated experienced net benefits to their living conditions. These benefits include larger houses, houses built from superior building material, agricultural assistance with new fields, larger fields to plant subsistence crops, access to potable water, and access to organic fertiliser. All inhabitants have expressed that they have benefited from Goldenlay's presence in the area. Phatisa feels satisfied by the ongoing social inclusion that the company is conducting with the surrounding communities.

#### ENVIRONMENTAL MANAGEMENT PLAN (KAFUBU AND KANYENDA)

ITEM	TIME TO COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Expand the Goldenlay SEMS to the Kanyenda farm site, including specifically best practice health and safety and labour practices of the ILO, OHSAS 18001, ISO14001, IFC Performance Standards, legal and permit requirements, such as appointments, registers, risk assessments, procedures, legal compliance assessments, incident records emergency response plans, scheduled inspections.	Q2 2014	Change control*			
Expand the Goldenlay SEMS to the Kafubu farm, including specifically best practice health and safety and labour practices of the ILO, OHSAS 18001, ISO14001, IFC Performance Standards, legal and permit requirements, such as appointments, registers, risk assessments, procedures, legal compliance assessments, incident records emergency response plans, scheduled inspections.	Q3 2014	Change control*			
Compliance monitoring against EMP on six monthly basis, until all findings cleared, and then annual.	Q2 2014		Completed, on-going		
Conduct an ESIA for the proposed Kafubu farming activities for the site.	Q3 2013			Completed	
Draft an ESIA and obtain approval for the scope of work from ZEMA to be carried out on the Kafubu site.	Q2 2013			Completed	
Conduct a settler survey based on the IFC Resettlement Handbook. This survey will form part of the RAP.	Q3 2013				Completed
Obtain approval for the RAP from ZEMA.	Q3 2013				Completed
Continue monitoring the resettled members of the community according the RAP, including compensation, relocation and resettlement monitoring.	Q1 2014				Completed

\* The outstanding SEMS policies will be completed as part of the 2015 systems review. The policy statements have been circulated and agreed however, operational activities will be assessed in Q1 2015.

#### FERONIA

Feronia has continued to make substantial progress with its environmental social commitments. Its Environmental Social Governance Board Committee provides technical assistance to the company and ensures that senior management is held accountable in delivering on its ESG commitments. Feronia is mostly on track and in some aspects it is ahead of schedule to achieve the deadlines as set out in the ESAP. Phatisa and co-investor CDC are satisfied with the progress made to date. Phatisa also recognises that, as a result of the implementation of the ESAP, the company is undergoing a period of transformation, which can result in the highlighting of serious issues or which may have short-term adverse effects, but that the company has the required experience and capacity to deal with these issues. Through addressing these social and environmental issues, the company is ensuring that it is sustainable in the long term.

NO. ITEM	DATE OF COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
<b>1 PERSONNEL</b>					
1.1.1 <b>Group level:</b> Health and Safety Manager Health and Safety (HS) Manager role to become a full-time position to ensure sufficient dedicated HS supervision covering all Feronia facilities.			Completed		
1.1.2 The HS Manager should sit on the ESG Management Committee and report directly to the ESGBC.	Q2 2014				
1.1.3 The HS Manager should receive appropriate HS training to an internationally recognised standard.					
1.2 <b>Group level:</b> Environmental and Community Relations (ECR) Manager The ECR Manager position is temporarily filled by an external advisor, Murray Feddersen. The ECR Manager role is to become a full-time position to ensure dedicated ECR supervision covering all Feronia facilities. The ECR Manager (both the external advisor and, in time, the full-time ECR Manager) should sit on the ESGBC.	Q3 2014 candidate Q2 2015 hand over			Completed	

NO. ITEM	DATE OF COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
1.3 <b>Environmental Management – site level:</b> A nominated person to be responsible for environmental performance at each site. * Management to nominate site level management at ESGBC meeting, Monday, 14 April 2014.	Q3 2014			Completed	
1.4 <b>Group level - Environmental and Social Internal Auditor:</b> Identify and train an internal auditor who will be responsible for auditing the company's progress against this environmental and social action plan and compliance with policies.	Q4 2014		Completed		
<b>2 POLICY AND LEGAL COMPLIANCE</b>					
2.1 <b>Environmental and Social Policy:</b> Develop an overarching Environmental and Social Policy defining the environmental and social objectives and principles to achieve sound environmental and social performance.	Q2 2014		Completed		
2.2 <b>Human Resources (HR) Policy:</b> 2.2.1 Review the existing Feronia HR policy to ensure it fully complies with the requirements of the IFC Performance Standard 2: Labour and working conditions. 2.2.2 Employee contracts to be reviewed and renegotiated with unions in line with above HR Policy including a review of aspects that have fallen into disuse such as the Social Fund. 2.2.3 Implement a programme of action through union consultation regarding the achievement of minimum basic wage levels at the plantations.	Q3 2014			Completed	
2.3 <b>Health and Safety (HS) Policy:</b> Develop an HS Policy to fully comply with the requirements of the IFC Performance Standard 2: Labour and Working Conditions and, where applicable, IFC Performance Standard 4: Community Health and Safety.	Q1 2014		Completed		
2.4 <b>Legal compliance:</b> Maintain a legal compliance register for each plantation/site, which indicates date of issue, validity and renewal date for all permits, authorisations and registrations, which apply to operations at the site.	Q4 2014		Completed		
2.5 <b>Reporting and transparency:</b> In accordance with the requirements of RSPO, the Company shall ensure that management documents are made publicly available, except where this is prevented by commercial confidentiality.	Q4 2015				
<b>3 SURVEYS AND ASSESSMENTS</b>					
3.1 <b>ESIA – palm oil plantations:</b> In accordance with the requirements of the IFC Performance Standards and RSPO, the Company shall commission independent third-party experts to conduct an ESIA for all existing operations, including consultation with stakeholders (both employees and affected communities), identification of sources of pollution and other environmental impacts of all existing processes.	Q4 2015	Commenced			
3.2 <b>High Conservation Value (HCV) assessment – palm oil plantations:</b> HCV assessments are required for all palm oil plantations working towards RSPO certification. HCV assessments are typically conducted with the use of Global Information Systems, satellite mapping and stakeholder consultation.	Q4 2015	Commenced			
3.3 <b>Health and safety risk assessment:</b> HS Manager to conduct a health and safety risk assessment of the Company's current operations, with independent oversight by an appropriate consultant, following the five step approach endorsed by the UK Health and Safety Executive (HSE): <ul style="list-style-type: none"> <li>• identify all hazards;</li> <li>• decide who might be harmed and how;</li> <li>• evaluate the risks and decide on precautions;</li> <li>• record your findings and implement them; and</li> <li>• review and periodically update your assessment.</li> </ul>	Q4 2014	Completed			
3.4 <b>Land-use mapping:</b> Survey and map all land within the concession, including GPS coordinates. Cross-reference results with the legal land titles and satellite images. Physically demarcate the concession boundaries.	Q3 2014	Commenced			
<b>4 MANAGEMENT SYSTEMS</b>					
4.1 <b>SEMS:</b> In accordance with the requirements of the IFC Performance Standards, develop a SEMS which is appropriate to the nature and scale of the Company and commensurate with the level of the environmental and social risks and impacts.	Q4 2015	Commenced			
4.2 <b>Integrated Pest Management (IPM) strategy:</b> Develop an IPM strategy and Pesticide Management Plan (PMP) in line with World Bank Group EHS Guidelines for plantation crop production (palm oil only). Review use of agricultural chemicals against RSPO standards and CDC's exclusion list and implement a phase-out for banned chemicals (palm oil and arable).	Q3 2015				
4.3 <b>Standard Operating Procedures (SOPs) – palm oil:</b> Incorporating the results of the health and safety risk assessment; develop SOPs (including safe and sustainable working practices) for all business operations.	Q1 2015				
4.4 <b>Standard Operating Procedures (SOPs) – arable:</b> Incorporating the results of the health and safety risk assessment; develop SOPs including safe and sustainable working practices for all business operations.	Q1 2015				

NO. ITEM	DATE OF COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
4.5 <b>Staff training plan:</b> The Company shall provide environmental, health and safety (EHS) orientation training to all new employees to ensure they are acquainted with the basic EHS rules at their place of work. A company-wide training plan and register of individuals attending each training session will be retained to demonstrate training provided to employees is sufficient to meet the needs of their role.	Q4 2014		Completed		
4.6 <b>Stakeholder Engagement Plans (SEPs):</b> Establish a company-wide grievance procedure for employees and other stakeholders to provide a clear mechanism through which people can report concerns, escalate these where necessary and receive responses.	Q3 2014		Commenced		
4.7 <b>Environmental monitoring program:</b> An environmental monitoring program shall be developed describing, but not limited to, the following parameters: <ul style="list-style-type: none"> <li>air emissions (boilers etc.);</li> <li>solid waste quantities;</li> <li>effluent (quantity and quality);</li> <li>water consumption;</li> <li>electricity consumption;</li> <li>fossil fuel consumption;</li> <li>indoor air quality (dust and temperature); and</li> <li>occupational noise.</li> </ul>	Q2 2015				
4.8 <b>Occupational health monitoring program:</b> An occupational health and safety monitoring program shall be developed to verify the effectiveness of prevention and control strategies (i.e. SOPs).	Q4 2014				
4.9 <b>Safety monitoring:</b> The Company shall establish procedures and systems for reporting and recording occupational accidents, dangerous occurrences and incidents. These systems should enable workers to report immediately to their immediate supervisor any situation they believe presents a serious danger to life or health. All reported occupational accidents, dangerous occurrences, and incidents together with near misses should be investigated with the assistance of a person knowledgeable/competent in occupational health and safety.	Q2 2014	Completed			
4.10 <b>Road safety:</b> Develop a road safety plan to identify and evaluate all associated hazards, determine those that may impact traffic safety and develop control measures to prevent traffic accidents.	Q1 2015		Completed		
4.11 <b>Waste Management Plan:</b> Develop a waste management plan to address all wastes (with the exception of effluent) generated at the Feronia facilities and the workers villages, to ensure safe management of wastes, in particular hazardous materials. Define procedures and operational controls for treatment and final disposal, review technically and financially feasible solutions for the management of waste, and establish a waste management hierarchy that considers prevention, reduction, reuse, recovery, recycling, removal and finally disposal of wastes.	Q3 2014		Completed		
4.12 <b>Plantation Management Information System (PMIS):</b> Evaluate the requirement for a PMIS to support plantation management decisions. A PMIS is a multi-layer information system that combines satellite images with existing map measurements, which are validated using GPS measurements to determine the exact plantation boundaries. The PMIS can be used to: plan and map new layouts; plan and map plantation infrastructure; and maintain records on soil quality, erosion data, planting dates and yield information.	Q4 2014		Completed		
<b>5 CAPEX/INFRASTRUCTURE</b>					
5.1 <b>Effluent ponds:</b> Design and construct a palm oil mill effluent (POME) treatment system for each mill, including effluent ponds of sufficient number/capacity to achieve compliance with the Guideline Values specified in the World Bank Group EHS Guidelines for vegetable oil processing or local law, whichever is the more stringent. At present, it is estimated that: <ul style="list-style-type: none"> <li>Boteka requires four effluent ponds, each with a capacity of 700 m<sup>3</sup> and retention period of 120 days;</li> <li>Lokutu requires six effluent ponds, each with a capacity of 3,000 m<sup>3</sup> and a retention period of 120 days; and</li> <li>the capacity of the Yaligimba mill is currently unknown.</li> </ul>	Q2 2014	Commenced			
5.2 <b>Housing and sanitation:</b> Basic housing and sanitation shall be provided to all workers at a standard, which meets the requirements of the IFC and European Bank of Reconstruction and Development 'workers' accommodation: processes and standards' guidance note. This will include: <ul style="list-style-type: none"> <li>village water;</li> <li>housing;</li> <li>boreholes; and</li> <li>composting toilets.</li> </ul>	Q4 2015	Commenced			
5.3 <b>Healthcare facilities and schools:</b> Update Feronia's Community Development Program to include a review of the condition of healthcare facilities (hospitals and clinics) and schools. Where improvements are required, these shall be assigned priority and implemented over time with a focus on the facilities requiring urgent attention.	Q4 2015	Commenced			

NO. ITEM	DATE OF COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
5.4 <b>Hazardous materials storage:</b> All hazardous materials, including oils, fuels, pesticides and fertilizers, shall be provided with adequate storage facilities to minimise the risk of endangering the health of workers and the environment.	Q3 2014	Commenced			
5.5 <b>PPE:</b> Following the health and safety risk assessment the Company will provide all necessary PPE to workers.	Q4 2014		Commenced		
5.6 <b>Road maintenance:</b> Develop a road maintenance program to ensure all roads are maintained in a safe manner, which minimises soil erosion and dust emissions.	Q1 2015		Completed		
<b>6 MONITORING, REVIEW AND OVERSIGHT</b>					
6.1 <b>ESGBC:</b> The Company shall establish and maintain an ESGBC consisting of three directors and shall include a person nominated by CDC. CDC's consent shall be required for changes to the composition or terms of reference of the ESGBC. The ESGBC will have at least the following powers: <ul style="list-style-type: none"> <li>oversee implementation of this Action Plan;</li> <li>oversee the appointment of the external consultants for ESAs and HCV assessment for new planting;</li> <li>examine environmental and social policies and procedures and their implementation, and make recommendations for their improvement to the board;</li> <li>substantive information rights including regular (e.g. quarterly) reporting from management on implementation of the ESAP across the Company;</li> <li>report to the board in advance of all board meetings;</li> <li>right to veto new planting where there is deemed to be a high risk of ESG issues; and</li> <li>the right to appoint consultants to investigate breaches of ESG policies and procedures at group and plantation levels and recommend remedies to management.</li> </ul>	Q1 2014	Completed			
6.2 <b>RSPO certification:</b> Feronia to obtain RSPO certification for all palm oil plantations. As a first step towards certification, Feronia will commission a RSPO audit (main assessment).	Q2 2016				
<b>7 CORPORATE GOVERNANCE AND BUSINESS INTEGRITY</b>					
7.1 <b>Anti-bribery and Code of Ethics Policy development:</b> Update the existing Feronia Anti-bribery Policy in a form acceptable to CDC and adopt a Code of Ethics for the Feronia Group containing summaries of the business integrity policies including Anti-Bribery and Whistleblowing Policies also in a form acceptable to CDC.		Completed			
7.2 <b>Anti-bribery and Corruption Compliance Officer:</b> Assign responsibility to a director, or suitably senior member of staff.		Completed			
7.3 <b>Implementation and reporting:</b> 7.3.1 An appropriate anti-bribery training course to be commenced. 7.3.2 Annual Anti-bribery and Corruption Board Report. 7.3.3 Group Anti-bribery Statement to be published. 7.3.4 Anti-bribery as internal audit function.		Completed			

## ENVIRONMENTAL MANAGEMENT PLAN

### ENVIRONMENTAL SOCIAL GOVERNANCE BOARD COMMITTEE CHARTER

The Environmental Social Governance Board Committee (ESGBC) was created to harmonise different ESAPs held by Phatisa and CDC and align and assist management in its goals to deliver on the various objectives that have been agreed by the company's stakeholders. The ESGBC Charter makes provision for three members: one representative from Phatisa and CDC each, as well as one representative appointed by the company. The Board members are Keith Alexander (chair), Vince McAleer (Phatisa) and Joel Strickland (Feronia). The heads of their respective ESG departments, who provide technical assistance, support the board members of Phatisa and CDC. The heads of the HR, ESG and OHS departments for Feronia each represent the company, providing quarterly updates on expected deliverables.

In April, the first quarterly meeting was held, following an initial site visit by all Board members and technical representatives. Feronia proposed an ESG Board Committee Procedures policy document which will outline the roles and responsibilities of the committee as well as a description to ensure adherence to the proposed deadlines; this was accepted.

The ESGBC meets after each internal publication of the company's quarterly progress report on the ESAP. Each quarterly report details the progress made in the previous quarter and management provides feedback on issues that have arisen or any issues faced in implementing the ESAPs requirements. The ESGBC has the right to accept or reject any change control order that management proposes, based on justifiable information that the company has made all reasonable efforts to deliver on the action items. To date, the company has requested 11 change controls; all have been approved.

### POLICIES

Anti-bribery, whistleblowing, grievance procedures and the Feronia Business Code were accepted, and initial training commenced for UK staff members. The communication of these policies went through a variety of channels to ensure that members of staff across all jurisdictions, UK, Canada and the DRC, were informed of these new policies.

In addition, the company has published an Environmental and Social Policy, which outlines its aims to ensure consumers, customers, suppliers, employees and communities are protected and its operations are carried out in a sustainable manner.

#### MANAGEMENT CAPACITY

Management appointed Dr Jack Tshibangu as the group Health and Safety (HandS) Manager and he joined the company on 1 February 2014. Jack initiated an internal audit of all the environmental, health and safety risks on the company's plantations and within the company's mills.

Jeancy Diakansua was appointed as the group-level ESG Officer in June 2014. Murray Feddersen continued to shadow for the remainder of the 2014, in order to ensure good relationships with the communities around the plantations are maintained.

Item 4.12 has highlighted the need for a Plantation Management Information System; the ESGBC and Feronia management have discussed the priority of this deliverable. Due to current budgetary and management capacity restraints, it was agreed to postpone this deliverable.

#### STUDIES AND ASSESSMENTS

An independent consultant, Murray Feddersen, completed the development of a plantation-wide stakeholder engagement framework. These frameworks were based on a social impact assessment (SIA) that was conducted in the first half of 2014. The nature and scope of the SIA was to outline sufficient engagement procedures for effective communications with the surrounding communities in accordance with the RSPO standards.

The internal audit findings were submitted to the ESGBC in July. After acceptance of the audit report findings and the proposed corrective action plan, the company implemented all mitigation strategies to reduce material risks to acceptable levels. The internal audit also provided guidance to the company's procurement committee, outlining the PPE needs of the plantations. The full requirements list of PPE was presented to the ESGBC in the second quarter for budgetary approval. The Board accepted that there were different views of how the PPE be prioritised and as a result, the ESGBC agreed to purchase sufficient PPE for trials only. Once it has established what is considered to be the best allocation of resources, the ESGBC will spend the remaining PPE budget on items that the committee has found consensus on.

An external consultancy, SMTS, was appointed to provide health and safety training to staff members. However, a French-language 'NEBOSH General Certificate' had to be commissioned for Feronia, which delayed the training programme beyond the agreed timetable; however, the ESGBC was made aware of the delay and supported management's suggestion that obtaining a French-language trainer is a priority. The risk assessments and training was completed in the third quarter. Feronia initially selected only mid-level management from each plantation to take part in the training and certification process. The findings of the assessment were presented to the ESGBC for review, and were mostly agreed.

Land use mapping activities have commenced, in conjunction with government land conservators who will support the survey and provide legal advice. The border delineation survey started mid-2014; the main objective of the survey is to identify the borders of the concessions. The process experienced delays due to local resistance to the survey being carried out. As a result, Murray Feddersen and Jeancy Diakansua engaged in further stakeholder negotiations with bordering communities to sensitise them to the process.

#### SERIOUS INCIDENT REPORTS

A separate Human Resource Management Report is also published, reporting on all incidents that occurred during the reporting period. During the year, Feronia encountered three serious incidents on its plantations. Feronia submitted its serious incident reports to the Phatisa SEMS Manager for recording and evaluation. Since investment, the company has had five serious incidents, summarised in the table below:

NO.	DATE OF INCIDENT	TYPE OF INCIDENT	KEY ASPECTS	NATURE OF INCIDENT	FATALITIES/ PERMANENT HARM
1	10/03/2014	Fatal	Motor vehicle accident on the national road between Matadi and Kinshasa. The driver of the truck was under the influence of alcohol and lost control of the truck, which rolled into a roadside ditch. A passenger was killed in the incident. Feronia recognised that the company does not have a road safety policy and current employee documents do not specifically state a prohibition of the consumption of alcohol prior to driving. As a result, a new road safety policy was drafted and employee contracts amended, this is being implemented as a matter of priority.	Driving under the influence of alcohol	One deceased
2	10/06/2014	Fatal	An unauthorised passenger was hanging onto the side of a truck carrying fruit bunches from the Yaligimba plantation to the mill. A third-party service provider, on behalf of the company, operated the truck. The passenger jumped off the truck while it was moving, misjudged his actions and slipped. He fell below one of the rear wheels and died instantly. It was later established that the passenger was under the influence of alcohol. The company has redrafted service providers' contracts to ensure that they are in line with the company's new safety policies. A set of nine basic rules has also been introduced.	Unauthorised passenger, acting under the influence of alcohol	One deceased
3	4/10/2014	Adverse social impact	Attempted fruit theft by an unemployed community member who laid false charges against the company's security guards for physical abuse. District police investigated the matter, but the alleged victim refused to undergo a medical check. Based on a complete investigation of the situation, the police concluded this was a set-up and all charges were dropped.	Community disgruntlement	Zero

4	11/12/2014	Fatal	A truck operated by an independent plantation transport supplier was involved in an accident. A drunk driver operated the truck. Three illegal passengers were killed and two contractor employees injured.	Supplier-related	Three deceased two injured
5	22/12/2014	Major	An employee's hand was caught in the palm kernel press at one of the company mills. This incident occurred due to standard operational procedures not being adhered to. The company is investigating the incident to ascertain mitigation measures to prevent this from happening again, as well as evaluating possible disciplinary actions against the site manager.	Work-related	Hand amputation

Feronia initially experienced a number of vehicle-related incidents as a result of not having a formal enforceable road safety policy. In March, this was identified as a priority for the company to address. As a result, the company drafted a road safety policy and has been actively enforcing it on all its plantations. The fourth incident, which involved a supplier and the enforcement of safety policies on its supply chain, highlights that the company's responsibility expands to third parties. The company has started to address these issues with its service providers, through a review of its contracts, employee safety workshops and penalty clauses. Phatisa is continuing to monitor the situation to ensure that progress is made regarding the enforcement of these policies and is happy with the level of progress made thus far.

The adverse social impact incident the company faced from the unemployed community member has highlighted the need for management to review its community liaison procedures. Management believes that through a more comprehensive social engagement plan and proactive engagement, social tensions will ease. The ESGBC and site management recognise that the company is undergoing many structural and management changes, which can result in social exclusion, especially as a result of improved border control to the plantations and an increased security presence.

The current risk assessment conducted by the group-level health and safety manager has highlighted many occupational risks associated with working within the mills. The incident that occurred in the mill (fifth incident) happened subsequent to the assessment being carried out and management has recognised that the implementation of risk mitigation measures is a priority.

#### SOCIAL INFRASTRUCTURE

Management presented a capital expenditure proposal for the hospitals located on the plantations. Management also proposed that the company hospitals be prioritised as they were in critical need of repair and re-equipping. This decision was taken after obtaining informed opinions from community members who also consider the refurbishment of the hospitals to be a priority. Due to the limited funds available, management has requested that the schools are removed from the programme. The ESGBC has approved the proposal and has agreed with the company's justification to remove the schools from the budget.

Management submitted a report with costs for borehole drilling at workers' housing and nearby community villages, which the ESGBC approved. Due to the limited amount of funds available for borehole drilling, not all boreholes located on the plantations will be renovated. Future funding will be required to complete the project.

#### CERTIFICATION

Management has committed to introduce best practice at all levels of its operations. Management has accepted the IFC and RSPO Performance Standards as the benchmark standards on which compliance will be monitored. The IFC occupational health and safety standards for plantation crop and vegetable oil processing outline the key performance criteria a company must comply with in relation to occupational health and safety risks. The RSPO standards lay the framework for internationally accepted standards for a company to be considered a sustainable palm oil company. Feronia is making progress towards compliance against these standards.

#### CONTINENTAL BEVERAGE COMPANY

Prior to AAF's investment, three studies were completed on Continental Beverage Company (CBC): an EIA, hydro-study, and the SEDD. These three studies provide information on the operational capacity and the possible environmental impacts of the business. The SEDD confirmed that the risk categorisation of the investment is a low B according to the IFC risk classification guidelines.

Environmental Management Engineering Company Côte d'Ivoire (EMEC-CI) conducted a hydro-study, using the Cooper Jacobs model to determine the flow rates for the pumping of the CBC boreholes. Taking into consideration water flow rates without the integration of groundwater recharge, the model utilised an actual flow rate of pumping at 17 m<sup>3</sup>/h (CBC uses 15 m<sup>3</sup>/h). Over a calculated period of 100 hundred years, the net drawdown would be about 0.37 meters. With added variables such as seasonal rains, the drawdown for the period will have a negligible effect on the water table, concluding that the current extraction rate is sustainable.

The SEDD highlighted the following environmental and social recommendations:

COMPLETION DATE COMMITTED TO BY MANAGEMENT	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Noise zones in the plant need to be identified and signage and PPE should be issued accordingly. Occupational exposure monitoring needs to be performed. Emergency policies and gender policy to be developed.	Q3 2014		Completed	
It should be investigated whether the pumping of the borehole water during periods when the plant is closed is possible, without compromising the quality of the bottled water. In this way, wastage of ground water pumped to the surface should be minimised.	Q1 2013	Completed		
Increasing abstraction rates beyond the 15m <sup>3</sup> /h stated in the EIA should be approved by the Department of Environment, Water and Forestry.	Q1 2013	Completed		
Consultation should take place with <i>Société de distribution d'eau de la Côte d'Ivoire</i> regarding future water pricing strategies.	Q2 2013		Completed	

As per Appendix I of the Phatisa SEMS, 'An Environmental and Social Management Plan (ESMP) is required for all Category A and B portfolio companies financed by the AAF.'	Q4 2014	Refer to corrective action plan	
Periodic (i.e. every three to five years) confirmatory hydrogeological studies should be performed to determine whether the availability of surface water to the ecology and communities has been altered as a result of CBC's activities, or whether the security or quality of water supply from the relevant aquifer has in any way been compromised.	Q4 2012		Completed
Burning of waste to be ceased immediately and recycling opportunities investigated.	Q4 2012		Completed
The EIA noted that there were concerns about traffic risks, child labour and the proximity of the plant to the nearby cemetery, and expectations of employment. Although the risks to the Company from these issues are low, it appears as though these concerns could be addressed through Corporate Social Initiatives. We are not aware of any CSI initiatives undertaken by CBC and would recommend that these are considered by management going forward.	NA	Completed	

#### ENVIRONMENTAL MANAGEMENT PLAN

During October 2014, the Phatisa SEMS Manager undertook the first annual audit of the company. CBC's facilities and management systems were re-evaluated. Following the audit, it was evident that CBC has overdue deliverables from the original SEDD; however, as a result of the audit, Phatisa's SEMS Manager has developed a corrective action plan to address these over-runs. This new action plan highlights expected deliverables to be achieved during 2015 and was presented and accepted by management. The Phatisa SEMS Manager will conduct an additional audit in the fourth quarter 2015 to evaluate the company's progress.

ITEM	TIME TO COMPLETION	STATUS
CBC must complete an appropriate SEMS, including specifically best practice Health, Safety and Labour Practices of the ILO, OHSAS 18001, ISO14001, IFC Performance Standards, legal and permit requirements, such as appointments, registers, risk assessments, procedures, legal compliance assessments, incident records emergency response plans and scheduled inspections.	Q4 2015	To be completed after the final OHS policy has been signed off.
CBC must develop and implement an appropriate human resources management system in accordance with IFC Performance Standard 2. A copy must be provided to OPIC as evidence that this has been established.	Q4 2015	Not commenced.
Management must purchase a minimum of five first aid kits to be visibly placed in the factory, and the personnel responsible for dispensing first aid should have the required training.	Q4 2015	Not commenced.
Senior management must accept and budget for the quality assurance action plan.	Management agreement by Q1 2015 and fully implemented by Q2 2015	Not commenced.
The laboratories need to be completed and monthly testing of the borehole water quality implemented.	Q2 2015	Not commenced.
CBC should purchase its own plastic crushing and pelleting machine in order to handle its own waste plastic.	Q1 2015	Not commenced.
The company will need to purchase an appropriate incinerator for the disposal of non- plastic waste.	Q1 2015	Not commenced.
Prior to the start of incineration, the company will have to acquire baseline air quality data, and draft an emissions monitoring schedule.	Q2 2015	Not commenced.
CBC must develop and implement an appropriate human resources management system in accordance with IFC Performance Standard 2. A copy must be provided to OPIC as evidence that one has been established.	Q4 2014	The company is currently drafting the policy

#### FARMING AND ENGINEERING SERVICES

The investment in Farming and Engineering Services (FES) was concluded in November 2013. The table below is a summary of all recommendations made by the external consultant in the SEDD – these recommendations are incorporated into an EMP that forms the basis for monitoring environmental and social performance.

ITEM	DATE OF COMPLETION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
<b>FES GENERAL</b>					
SEMS to be developed and implemented.	Q2 2014 revised Q2 2015				
Formulation of legal release document pertaining to handover of waste hydrocarbons.	Q2 2014			Completed	
Formulation of a training document for the instruction of appropriate use and management of waste oils handed over to clients/farmers to address duty of care concerns – to accompany above release document.	Q2 2014				Completed
<b>LILONGWE BRANCH</b>					
Improvement in general housekeeping with regard to the containment of oil/hydrocarbon spills and the storage of waste hydrocarbon materials.	Q3 2014			Completed	
<b>BLANTYRE BRANCH</b>					
Assessment and improvement of wash bay area to avoid overflow of contaminated water onto working areas.	Q4 2014				Completed

## MERIDIAN

The due diligence was undertaken by Environmental Resource Management (ERM) during a site visit in July 2014. The SEDD report was finalised and accepted by Phatisa and the two proposed co-investors (Proparco and FMO). The table below is a summary of all recommendations made during the due diligence, with the risk categorisation and status as at the end of the 2014.

All recommendations have been included in the ESAP as part of the shareholders' agreement.

ASPECT	REQUIRED ACTION	COMPLETION INDICATOR AND TIMING (MONTHS SUBSEQUENT TO PHATISA INVESTMENT)	STATUS
<b>Meridian Group (corporate) level (human resources)</b>	Hire appropriate resource(s), with the necessary capacity and experience, at Meridian Group level to take responsibility for developing a fit-for-purpose EHS and SMS at corporate level. The group-level EHS and SMS Manager will be responsible for driving the implementation and ongoing oversight of EHS and SMS officers at subsidiary level.	Three months – shortlist of CVs to be sent to management and candidate to be agreed.  Six months – successful appointment of EHS and SMS manager.	Shortlist of candidates has been submitted to the Phatisa SEMS Manager. Interviews of the final three candidates have been scheduled for February 2015
<b>Meridian Group and subsidiary level</b>	An EHS and SMS will be developed to address the environmental, health and safety, and social risks faced by Meridian Group in accordance with the requirements of the IFC Performance Standards, develop an EHS and SMS with the support of an appropriate external consultant, which is appropriate to the nature and scale of the Meridian Group and commensurate with the level of the environmental and social risks and impacts. The EHS and SMS will incorporate the following elements: <ul style="list-style-type: none"> <li>• policy statements;</li> <li>• identification of risks and impacts, management programmes – associated procedures and work instructions related to the management of all environmental and social issues, relevant mitigation;</li> <li>• organisational capacity and competency – responsibilities and approach to all environmental and social management, inclusive of periodic monitoring and supervision of contractors (where relevant), and training requirements to facilitate the implementation of the EHS and SMS at corporate and subsidiary levels;</li> <li>• grievance mechanisms – an appropriate policy and standard operating procedure should be drafted and implemented to deal with employee, supplier, customer and (community) stakeholder grievances;</li> <li>• to work in collaboration with the site EHS and SMS officers to develop and ensure emergency preparedness and response – devise a site-specific emergency response plan and undertake periodic practice drills;</li> <li>• stakeholder engagement; and</li> <li>• monitoring and review.</li> </ul>	Eight months – Meridian Group EHS and SMS manager to propose Terms of Reference to management  12 months – external consultant to be appointed  18 months – for group-level EHS and SMS to be developed and subsidiary level companies to have completed site visits EHS and SMS and started implementing the system	
<b>Meridian Group's subsidiaries (human resources)</b>	Appoint/hire appropriate resource(s) at subsidiary level (each site or country-specific), with the necessary capacity and experience, to develop a site-specific fit-for-purpose EHS and SMS based on the subsidiary's operations. The EHS and SMS officer will manage the implementation and ongoing oversight of the EHS and SMS at the site level.	10 months – shortlist of CVs to be sent to management and candidate to be agreed  12 months – successful appointment of EHS and SMS officer	
<b>Occupational dust exposure</b>	Undertake occupational dust exposure study in the facilities where the company operates. Based on the findings, implement measures to reduce dust at source (i.e. local exhaust ventilation and filter systems) and/or provide additional PPE. Specialised training may be required. The company will use the IFC Performance Standards to provide the appropriate compliance for dust emissions.	12 months - baseline dust level assessment to be carried out by an external consultant and recommendations to be made  15 months - implementation of recommendations	
<b>Personal protective equipment (PPE)</b>	The company is to issue appropriate PPE to all members of staff (permanent and temporary) who are working on their sites. An appropriate register of PPE issued to employees needs to be established. A management programme ensuring appropriate use of PPE will include but not be limited to: daily tool time talks; training for employees and management; and an incentive/negative consequences plan.	Two months – after new EHS managers/officers have been appointed	
<b>Health and safety risk assessment</b>	EHS Manager to conduct a health and safety risk assessment of the company's current operations, with independent oversight by an appropriate consultant, following the five-step approach: <ul style="list-style-type: none"> <li>• Identify all hazards.</li> <li>• Decide who might be harmed and how.</li> <li>• Evaluate the risks and decide on precautions.</li> <li>• Record findings and implement them.</li> <li>• Review and periodically update assessment.</li> </ul> If the risk assessments highlight any risks that require monitoring, medical baseline tests, these recommendations will be implemented.	12 months	

<b>Standard Operating Procedures (SOPs)</b>	<p>SOPs – incorporating the results of the health and safety risk assessment, develop SOPs (including safe and sustainable working practices) for all business operations including, for example, the following:</p> <ul style="list-style-type: none"> <li>• Land conversion/expansion (sugar cane) – including, where applicable, land acquisition.</li> <li>• Biodiversity conservation.</li> <li>• Fire safety and general safety.</li> <li>• Pests and diseases.</li> <li>• Processing plant.</li> <li>• Road maintenance.</li> <li>• Surface and ground water management.</li> <li>• Safe use and storage of agrochemicals/chemicals.</li> <li>• Control of documents and records.</li> <li>• Waste management (process and domestic waste).</li> <li>• Energy use.</li> <li>• Periodic maintenance.</li> <li>• Internal audit procedures.</li> <li>• Distribution and shipping.</li> </ul>	<p>18 months</p>
<b>Medical surveillance</b>	<p>Undertake a baseline medical test to assess potential occupational health risks to permanent employees that work in direct contact with fertiliser dust on an annual basis.</p>	<p>Three months - baseline medicals at the three fertiliser plants Six month - implementation of recommendations</p>
<b>Building integrity</b>	<p>Engage a qualified engineer to review each relevant building's structural integrity. Based on recommendations, certain upgrades to the building structures may be required.</p>	<p>Three months to complete building integrity survey 12 months to implement recommendations</p>
<b>Hazardous materials disposal</b>	<p>Develop an alternative to burning waste in the open. Use a purpose-built incinerator; alternatively dispose of waste at appropriate municipal sites (approximately 20 km away). Develop a formalised waste management plan focusing on segregation, labelling and safe storage of all waste types.</p>	<p>Three months</p>
<b>Hazardous materials management</b>	<p>Ensure that storage requirements contained in the Safety Data Sheet are satisfied. Request Engen to provide confirmation of the integrity of the tank and install secondary containment around the dispensing points.</p>	<p>One month for procedure Three months - Engen to confirm integrity and install bunding and drainage for dispensing points</p>
<b>Inhabitants living in accommodation provided by Meridian</b>	<p>To conduct a census of all persons living on Meridian properties and on the conditions of the housing/accommodation in accordance with the IFC/EBRD Performance Standards. Management must draft contracts to be signed by the workers who reside in staff housing, stipulating the terms and conditions of residence. For retired and non-employees who reside in staff housing, the company must formalise the terms and conditions of residency, including nominal rent, duration etc.</p>	<p>11 months 14 months</p>
<b>Community safety</b>	<p>Develop Code of Conduct and provide formal training to security guards on human rights and the prevention of excessive force.</p>	<p>12 months</p>
<b>Outgrower development</b>	<p>In the case that the company management decides to implement a programme to support outgrower farmers, a formal monitoring and evaluation plan needs to be developed. A baseline study must be performed to take into account the following parameters:</p> <ul style="list-style-type: none"> <li>• Personal details.</li> <li>• Land size (total and cultivated).</li> <li>• Annual income.</li> <li>• Previous, current and future crops.</li> <li>• Current inputs (equipment, products and applications).</li> <li>• Current yields.</li> <li>• Current prices received for sold crops.</li> <li>• Main purchaser/user of farmers' crops.</li> <li>• Closest dealership.</li> <li>• Current issues with crops.</li> <li>• Assign and train extension/support officers from company dealerships to support outgrower farmers in good agri practices (OHS, biodiversity, labour issues, etc.).</li> </ul>	<p>A baseline study must be completed prior to formal support/development An action plan must be developed and presented to group-level management.</p>
<b>Trilobite site compliance</b>	<p>Management should confirm the location of the trilobite site, and if the trilobite site is located on the premises of Transalt; management must report the discovery of trilobite to the relevant local heritage authorities, as well as inform the authorities of the proposed consultant who will be conducting an assessment of the discovery. Once an assessment has been completed the recommendations should be presented to the local authorising body. If the trilobite site is not located on the Transalt premises, this should be recorded and disclosed.</p>	<p>Three months to inform the authorities and appoint the necessary specialists, if required</p>
<b>Mangrove and trilobite protection</b>	<p>Develop specific management measures and programmes for the protection of mangrove ecosystems and the trilobite discovery site, aligned with the relevant national authority and IFC Performance Standards.</p>	<p>Six months to appoint the necessary specialists</p>

<b>Thundulu phosphate quarry development</b>	A detailed ESIA must be carried out prior to the site being converted into an extraction and processing unit. The ESIA must be in accordance with the IFC Performance Standards for Environmental Social Impact Assessments. A detailed closure plan should be undertaken before the commencement of mining, or construction of processing infrastructure. The above should be undertaken irrespective of whether regulator approval to commence with quarrying has already been obtained.	NA – to be undertaken at least 12 months prior to commencing project construction
<b>Demeter Seeds Farm development</b>	Prior to large-scale development of sugar cane cultivation and processing infrastructure at the Demeter Seeds Farm, an ESIA should be performed according to the IFC Performance Standards.	NA – to be undertaken at least 12 months prior to commencing project construction

**RESOURCE RECRUITMENT**

During latter 2014, Meridian advertised the position for a group-level Environmental Health and Safety Officer; a shortlist of possible candidates was submitted to the Phatisa SEMS Manager for evaluation. The final three candidates were informed of their selection and have agreed to be interviewed in February 2015. Once appointed, this person will be responsible for the implementation of the Environmental Social Action Plan.

**AAF SME FUND**

Please refer to 2014 AAF SME Annual ESG Report.

**CONCLUSION**

Phatisa recognises that identification of ESG opportunities and risks early in the deal process is critical when determining the long-term feasibility and sustainability of investments. As evidenced above, Phatisa has applied this principle to every investment opportunity.

In general, agricultural projects are rated as Category B in terms of the World Bank classification system. Projects with outgrower supply systems offer significant opportunities to improve social conditions in the broader community. A lack of regulatory enforcement and clear legislative guidelines will, in most cases, require that AAF invests in improving labour conditions, especially health and safety and environmental monitoring and performance, post-investment.

In general, however, none of these risks have presented themselves as fatal flaws, nor require conditions precedent to be included in any investment agreements.

Phatisa remains committed to contributing to the development of sustainable communities in Africa, by enhancing both food security as well as social and environmental benefits, and looks forward to future reporting on subsequent developments.

Finally, I am delighted to report that the Fund is in compliance with the Phatisa Social Environmental Management System and Anti Money Laundering Policy.



Stuart Bradley  
 ENVIRONMENTAL AND SOCIAL COORDINATOR AND MONEY LAUNDERING CONTROL OFFICER – AAF  
 SENIOR PARTNER, PHATISA



Christophe Scaife  
 SEMS MANAGER, PHATISA

**ANNEXURE A – ANNUAL ENVIRONMENTAL AND SOCIAL REPORT FOR FINANCIAL INTERMEDIARY CLIENTS AS SET OUT IN APPENDIX H OF THE SEMS**



<b>ORGANISATION:</b>	African Agriculture Fund (AAF)
<b>COMPLETED BY (NAME):</b>	Stuart Bradley
<b>POSITION AND CONTACT INFORMATION:</b>	Senior Partner <b>Phone</b> + 27 11 463 1920 <b>Email</b> stuartbradley@phatisa.com

#### Portfolio Information

Report Covering Period

<b>From:</b>	<b>To:</b>
1 January 2014	31 December 2014

Fund Business lines and Portfolio Type

PRODUCT LINE	EXPECTED HOLDING PERIOD	TOTAL EXPOSURE (US\$ M)	AVERAGE TRANSACTION SIZE (US\$ M)	MAXIMUM TRANSACTION SIZE (US\$ M)
Listed equity	8 - 10 years	US\$19.5m	US\$19.5m	US\$19.5m
Private equity	8 - 10 years	US\$97.9m	US\$16.3m	US\$16.1m
Market debt instruments				
Privately placed debt				
Other – mezzanine finance	5 years	US\$8.8m	US\$2.9m	US\$8m

#### EXPOSURE BY INDUSTRY SECTORS

INDUSTRIAL SECTOR	INDICATIVE % OF INVESTMENTS
Rice production	
Maize production	
Wheat production	
Soya production	
Barley production	
Other cereals production	
Cereal processing	
Cereal distribution	
Protein production	19.1%
Roots and tubers	
Cattle industry	
Dairy products	
Non-alcoholic beverages	4.1%
Fruit products	
Seed production	
Fats and oils	29.3%
Food production and processing	
Fertilisers and crop protection chemicals	16.1%
Agri infrastructure	
Food in country (FMCG) including packaging	
Rural domestic credit institutions	
Insurance companies covering agricultural risks	
Small and medium sized enterprises	23.7%
Farming equipment suppliers	7.7%

#### INFORMATION ON EXPOSURES OF PORTFOLIO COMPANIES

COMPANY NAME, LOCATION	INDUSTRY SECTOR <sup>1</sup>	DESCRIPTION OF COMPANY <sup>2</sup>	INVESTMENT TYPE AND AMOUNT (US\$' M)	ENVT CATEGORY	ENVIRONMENTAL ISSUES AT APPROVAL	CURRENT ENVIRONMENTAL STATUS/ANY CHANGES SINCE LAST REPORT
Goldtree	Fats and oils	Palm oil processing	US\$10.1m equity and US\$7.5m mezzanine	B	ESIA submitted to SLEPA to issue certificate for mill operator licence	Outstanding ESIA recommendations Biodiversity data gathering
Goldenlay	Protein Production	Poultry egg laying and processing	US\$ 700,000 equity and US\$16.4m shareholder loans *US\$7m repaid	B	Recommendations as per SEDD	SEMS policy completion for farms
CBC	Non-alcoholic beverages	Water bottling	US\$1.9m equity and US\$3.1m shareholder loans	B	N/A	New CAP
Feronia	Fats and oils	Palm oil processing	US\$19.5m equity	B	N/A	Outstanding ESAP recommendations
FES	Farming Equipment	Farming Equipment	US\$9.8m equity (US\$4.7 drawn down)	B	N/A	N/A
Meridian	Fertiliser blending and distribution	Fertiliser blending and distribution	US\$20.2 m equity (US\$17.3m drawn down)	B	Recommendations as per SEDD	Recommendations as per SEDD
AAF SME Fund	Food and agri business SMEs	Private equity Fund	US\$30m equity	FI	None – bound by AAF SEMS	No Change

<sup>1</sup> Please use any standard classification or the sectors listed in the earlier table.

<sup>2</sup> Please describe the nature of the business activity of the portfolio company or activity being financed.

SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) INFORMATION		YES/NO
<b>POLICIES AND PROCESSES</b>		
Have there been any updates to the Environmental Policy adopted by your organisation?	No	If yes, please provide a copy of the updated policy including date when it was issued and reasons for the same.
Has senior management signed off on the updated policy/procedure?	N/A	
Has the budget for implementation of the policy/procedure been revised from the previous year?	Yes	US\$ 30,000 for annual audits US\$ 19,200 External consultant retainer
Please describe any activities for the last FY for staff training and other internal communication.		All staff attended SEMS training session hosted by EBS. ESG managers attended SEMS master class by FMO and CDC
Give details of any transactions rejected on environmental, health, safety or social grounds.	None	
State any difficulties and/or constraints related to the implementation of the environmental procedures.	None	
Please describe how you ensure that your clients and their portfolio companies are operated in compliance with the National laws and regulations and (if applicable) the IFC's Performance Standards and AfDB's ESAP.		Legal requirement as part of standard AAF legal documents (Shareholders Agreement) and thereafter monitored
Please provide two samples internal E&S review reports conducted for portfolio companies considered last year. (Only if following IFC's PS and AfDB's ESAP is an Applicable Requirement.)	N/A	A requirement of AAF is that the first five SEDD reports are submitted to AfDB for review. Goldtree and Goldenlay, Kanyenda, Kafubu, CBC and Feronia have been submitted and cleared as presented.
Please give detail of any material environmental and social issues associated with investees during the reporting period in particular.		See main report above.
Do you consider compliance with national laws as part of your credit review process, when considering potential investments?	Yes	
Do you review the operational performance (non-financial) performance of industrial facilities you invest in?	Yes	Annually
Do you conduct site visits for any industrial facilities you invest in?	Yes	Annually
Do you know whether your clients and their portfolio companies are in compliance with the relevant environmental, health and safety regulations of the host country?	Yes	
Have you invested in portfolio companies that entail acquisition of land?	No	
Please indicate whether you have worked with any International Finance Institution (for instance, AfDB, EBRD, IDB, NIB and IFC) and have used their environmental and social guidelines.	Yes	Work with IFC and AfDB guidelines and AfDB review the SEDDs.
Do you regularly update the Social & Environmental Management System (SEMS)?	Yes	Annually
<b>CAPACITY</b>		
		<b>YES/NO</b>
Please provide current staffing of the core SEMS people as well as a list of other people in the organisation involved with the SEMS implementation.		Stuart Bradley Christoph Scaife
What was the budget allocated to the SEMS and its implementation during the year? Please include staff costs, training as well as any actual costs.		US\$ 19,200 Due Diligence US\$ 30,000 Annual monitoring US\$ 5,000 Training
Has the SEMS team undergone any training?	Yes	
<b>MONITORING</b>		
		<b>YES/NO</b>
Do you receive any non-financial reporting from industrial portfolio companies you invest in?	Yes	Quarterly updates
Please describe how you monitor investee environmental performance. Please provide the following information:		
• Number of portfolio companies in portfolio classified as Category A or B	5	Annual or semi annual site visits are conducted against the IFC Sector supplements (if available) or against relevant ISO standards;
• Number providing annual reports	3	
• Number of portfolio companies where a field visit was conducted by an AAF's staff to review aspects, including Environmental and Social issues	3	
Please provide details of any accidents/litigation/complaints/regulatory notices and fines:		
• Any incidents of non-compliance with Applicable Requirements	Yes	Accident report in main body of report (Feronia)
• Covenants/conditionality imposed by AAF as a result of any non-compliance		
Do you check for ongoing compliance of your investments with national regulation or any other requirements?	Yes	
<b>REPORTING</b>		
		<b>YES/NO</b>
Is there an internal process to report on environmental and social issues to Senior management?	Yes	
Do you prepare any environmental reports:		
• For other MLAs	Yes	Annual social, environmental development report.
• Other stakeholders		
• E&S reporting in the annual report		
• Sustainability reports		
Do you have a process to inform AfDB of any material change of business?	Yes	
Do you inform AfDB if there is any incident/accident at one of the portfolio companies?	Yes	
Do you report to AfDB as per the agreed upon schedule and format?	Yes	
<b>ACTIVITIES ON THE EXCLUSION LIST</b>		
If any, please indicate the dollar percentage of loans or investments out of your total outstanding exposure provided to clients who are substantially involved in IFC excluded activities.		Zero
If the percentage is not zero, please explain these exposures and any steps having been taken to reduce such exposure.		

## SUSTAINABLE FINANCE

Have you made any investments in portfolio companies that have environmental and social benefits such as investing in management systems, energy efficiency, renewable energy, cleaner production, pollution management, supply chain greening, corporate social responsibility, community development, etc.? Please list these in the format provided below:

Company name	Value financed by the company (US\$ million)	Type of environmental benefit <sup>3</sup>
Goldtree	US\$ 17.6 million	Building of a new and only palm oil mill in Sierra Leone to support 7,000 outgrowers and improve livelihoods, as well as clean up the current environmentally degrading production process.
Goldenlay	US\$ 24.4 million US\$ 7 million repaid	Building new employee houses, connecting more houses holds to electricity and clean water, greener more accountable operational practices, more energy efficient chicken houses, improved monitoring of chicken health.
CBC	US\$ 5 million	Improved operational health and safety practices, reduction in air emissions, and improvement of abstraction rates from underground water sources.
Feronia	US\$ 19.5 million	Building of a new palm oil mill that operates at a better energy efficiency, introduction of better environmental management systems, better occupational health and safety monitoring.
FES	US\$ 9.7 million US\$ 4.7 million (drawn down)	Introduction of a SEMS to provide adequate policies and procedures to all operations. This will include safety signage, fire preparedness procedures, spent oil usage mechanisms etc.
Meridian	US\$ 17 million	Appointment of EHS and environmental officers, replacement of asbestos, risk assessments, SEMS policy and operational proficiency.
AAF SME Fund	US\$ 30 million	Focused on food and agri business SMEs across Africa.

<sup>3</sup> Examples are cleaner production, energy efficiency, renewable energy, carbon finance, management system improvement, sustainable supply chain, corporate social responsibility, certification with ISO Standards (14000, 22000) and/or international best practices standards (Global Gap), etc.

**ANNEXURE B – ADDITIONAL DEVELOPMENT OUTCOMES ASSESSMENT REPORT FOR FINANCIAL INTERMEDIARY CLIENTS AS SET OUT IN APPENDIX K OF THE SEMS**



<b>FUND NAME:</b>	African Agriculture Fund (AAF)
<b>FUND SIZE</b>	US\$ 246 million
<b>OPSM CONTACT:</b>	
<b>YEAR:</b>	2014
<b>SPONSOR CONTACT:</b>	Stuart Bradley
<b>POSITION:</b>	Senior Partner
<b>EMAIL:</b>	stuartbradley@phatisa.com

**CHARACTERISTICS OF ACTIVE INVESTEE PROJECTS:** Please specify unit of measure for each item and use bank definition for sectors. Add lines if needed.

	YEAR OF INITIAL INVESTMENT	COUNTRY OF HQ LOCATION	SECTOR	TYPE (START UP, DEVELOPMENT CAPITAL, VENTURE, EXPANSION, LBO/MBO)	CURRENCY	AMOUNT OF EQUITY INVESTED BY THE FUND (US\$ MILLION)	AMOUNT OF DEBT INVESTED BY THE FUND	FOLLOW ON INVESTMENT (US\$ MILLION)	EBITDA AT INVESTMENT (US\$ MILLION)	EBITDA MOST RECENT DATA (US\$ MILLION)	TURNOVER AT INVESTMENT	TURNOVER MOST RECENT DATA (US\$ MILLION)	CO-INVESTORS	
Goldtree	2011	Sierra Leone	Palm oil	Start-up	US\$	US\$7.3m	US\$10.1m	N/A	N/A	0	N/A	US\$0.7m	Finnfund	Operations to commence Jan 2013
Goldenlay	2012	Zambia	Poultry	MBO	US\$	US\$0.7m	US\$16.4m	US\$4.5m	US\$4.8m	US\$4.9m	US\$ 12.5m	US\$15.3m	N/A	Financial year end is March
CBC	2012	Côte d'Ivoire	Non-alcoholic beverages	Expansion	US\$	US\$1.9m	US\$3.1m	N/A	(US\$750k)	0	US\$7m	US\$7.6m	N/A	
Feronia	2012	DRC	Palm oil	Expansion	US\$	US\$19.5m	0	N/A	(US\$1m)	0	US\$7.5m	US\$17.2m	Listed and CDC Group	
FES	2013	Malawi	Farming equipment	MBO	US\$	US\$9.7m	0	0	US\$4.3m	US\$4.3m	US\$15.3m	US\$16m	N/A	
Meridian	2014	Malawi & Mozambique	Fertiliser blending & distribution	MBO/Expansion	US\$	US\$17	0	0	US\$16.9m	US\$18.8m	US\$250 m	US\$250m	N/A	

NAME OF INVESTEE	EBITDA – MOST RECENT DATA (US\$ MILLION)	TURNOVER AT INVESTMENT (US\$ MILLION)	TURNOVER MOST RECENT DATA (US\$ MILLION)	EMPLOYMENTS AT INVESTMENT (NB)	EMPLOYMENT – MOST RECENT DATA (NB)	FEMALE EMPLOYMENT CREATED SINCE INVESTMENT (NB)	TAXES PAID TO GOVERNMENT AT INVESTMENT	TAXES PAID TO GOVERNMENT MOST RECENT (US\$ MILLION)	EXPECTED GROSS IRR	CURRENT GROSS IRR (IN CURRENCY OF INVESTMENT)	CURRENT GROSS IRR (US\$)	CURRENT NET IRR (US\$)	CHANGE IN TOP 3 MANAGERS (Y/N)	IMPROVED BUSINESS PROCEDURE/PROCESS (Y/N)
Goldtree	0	N/A	US\$0.7m	0	463	26	N/A	N/A	23%	(6.7%)	-6.7%	N/A	Y	Y
Goldenlay	US\$4.9m	US\$12.5m	US\$15.3m	178	286	48	US\$1.2 m	US\$0.8m	27%	15%	15%	N/A	Y	Y
CBC	0	US\$5m	US\$7.6m	60	89	20	0	US\$0.029m	26%	28%	28%	N/A	N	Y
Feronia	0	US\$7.5m	US\$17.2m	3,559	3,474	151	US\$1.2m	US\$1.2m	25%	(24.5%)	(24.5%)	N/A	Y	Y
FES	US\$4.3m	US\$4.3m	US\$16m	150	156	11	US\$0.54m	US\$0.212m	30%	30%	30%	N/A	N	Y
Meridian	US\$18.8 m	US\$16.9 m	US\$247.6 m	2,430	2,430	50	US\$ 2m	US\$0.9m	25%	0%	0%	N/A	N	N/A

#### CORE INDICATORS AT THE LEVEL OF THE FUND

	UNIT OF MEASURE	INDICATOR VALUE
<b>Employment:</b> Number of permanent jobs (total)	Persons employed	7,841
<b>Female employment:</b> Number of permanent jobs for women	Persons employed	421
<b>Government revenue:</b> Net financial flows to the government (including taxes, dividends, subsidies, grants and any other payment, net of any subsidies and investment costs)	US\$ m	2,259
Fund multiplier		N/A

## FEEDING AND HOUSING AFRICA

### OUR VISION

To be the leading sector-focused  
**development equity** fund manager  
in Africa

#### **Our vision will be achieved through:**

- Employing best in class private equity and sector professionals.
- Being dedicated to the needs of our investors.
- Committed to development, transparent in all that we do and recognised for our ethical approach.
- Supporting and nurturing our investments to optimise value.
- Managing sector focused funds through a network of offices across Africa.

$$\text{DevEq} = \text{PAT} * x + t^2 \text{™}$$



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