

driving development impact



The African Agriculture Fund is a **pan-African investment initiative** in response to the under capitalised agriculture industry and food value chain.

ESG ANNUAL REPORT 2016



In addition to Phatisa's commitment towards sustainable environmental and social practices, it also reports on the development impact of its investments. The development impact varies between investments, depending on different variables. Phatisa considers the contribution its investments make to the local economic landscape through, for example, employment and taxes, and the positive social impact on dependants, including women and children, as key achievements. Phatisa is committed to the Additionality Development Outcomes Assessment from the African Development Bank 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:

	PORTFOLIO COMPANIES	GOLD-TREE	GOLDEN LAY*	FERONIA	CBC	MERIDIAN GROUP	GENERAL FES	PLASTICS	KANU	AAF	AAF SME FUND	TOTAL
Geography	Region	West Africa	Southern Africa	Central Africa	West Africa	Southern Africa	Southern Africa	East Africa	Sub-Saharan			
	Country	Sierra Leone	Zambia	DRC	Côte d'Ivoire	Malawi and Mozambique	Malawi	Kenya	Multiple	9	9	18
Investment	Date of investment	Aug 2011	Apr 2012	Dec 2012	Feb 2013	Sep 2014	Nov 2013	Jan 2016	Aug 2016			
	Approved commitment (US\$m)	23	24.1	29.3	6	32	15.76	17.95	29.5	177.61	31.6	209.3
	Invested to date (US\$m)	21.3	24.1	28.2	5.9	32	15.5	17.95	26	170.95	27.5	198.5
	Total capital investment (US\$m)	25.4	31.6	37.6	11.3	40.2	15.16	17.95	26	205.21	27.5	232.8
	Expansion capital (US\$m)	17.64	4.9	19.5	3.5	17	–	6.2	26	94.74	27.5	122.3
Land	Land leased or owned (hectare)	6,397	4,058	107,241	** 4	8,000	2	3	5	125,710	3,538	129,248
	Outgrower land (hectare)	30,000	176	200	–	26,750	–	–	–	57,126	2,151	59,277
People	Total number of employees at entry	350	286	3,474	60	2,730	150	972	320	8,342	525	8,867
	Total number of employees	775	363	3,807	98	2,832	142	1,087	320	9,424	816	10,240
	Employees – male	549	296	3,620	73	2,520	127	1,056	302	8,543	658	9,201
	Employees – female	226	67	187	25	312	15	31	18	881	158	1,039
	Number of smallholders/vendors impacted	7,500	550	–	*** –	53,500	1,888	–	–	63,438	2,471	65,909
TAF	Target number of beneficiaries in approved projects	6,500	5,000	–	–	6,000	–	–	–	17,500	4,176	21,676
	Current number of beneficiaries supported	2,250	4,369	–	–	7,705	–	–	–	14,324	2,471	16,795
Output	Current tonnes of output	3,189	10,085	23,438	36,369	266,219	200,000	6,324	N/A	545,624	67,848	613,472
	Expected tonnes of output at exit	9,546	25,334	76,206	60,809	372,000	250,000	15,000	N/A	808,895	82,939	891,834
Value	Current annual sales revenue (US\$m)	2.1	11.6	15.6	9.9	222	11.9	18.9	52.5	344.49	25	369.9
	Expected revenue at exit (US\$m)	13.8	18.4	66.9	25.5	287.5	17.2	32.2	104.4	565.7	63	628.2
	Current EBITDA (US\$m)	0.8	1.6	10.3	1.5	15.8	4.6	2.1	8.2	22.58	1	23.4
	Expected EBITDA at exit (US\$m)	8.5	6.3	31.9	4.9	27.8	5.6	8.1	21.5	114.59	19	133.4
Taxation	Taxes paid 2016 (US\$'000s)***	–	951	–	–	–	1,134	–	1,076	1,259	–	1,259
	Expected taxes paid on year of exit (US\$'000s)	300	420	6,760	300	3,930	1,500	1	3,000	16,211	3,260	19,471

Publication: 31 December 2016.

* Inclusive of Kafubu and Kanyenda Farms.

** Unaudited number.

*** 2016 profit on company tax only.

FOREWORD

FOR THE YEAR UNDER REVIEW

The African Agriculture Fund (AAF or the Fund) is a socially responsible investment vehicle, which has adopted a sustainable approach to business that 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 and environmental management system (SEMS). The SEMS 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.

The 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 adhering 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 projects that include significant expansion. Phatisa works with independent consultants and in-country associates with expertise in environmental and 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 African economies. 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.

INTRODUCTION

This is Phatisa's sixth annual report on the AAF's environmental, social and governance (ESG) performance and covers the financial year ending 31 December 2016, as required by the Fund's legal documents and its SEMS.

The complete Appendix F and 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 as important as the financial return, and the opportunity for AAF to create significant social benefits – to contribute to building sustainable communities – is 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.

ANTI MONEY LAUNDERING

The Fund operates according to Phatisa's Anti Money Laundering (AML) Policy and the Anti Bribery and Corruption (ABC) 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, General Plastics Limited (GPL) and Kanu Equipment Africa (Kanu).

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, Joint Managing Partner at Phatisa. Robert Kruger has been employed as Phatisa ESG Manager and AAF SEMS Manager, and the services of ESG professionals 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 have 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 2016, AAF continued its focus on its existing portfolio companies with follow-on investments going into CBC, Feronia, FES, Goldenlay, Goldtree, GPL and Meridian. In addition, a new investment into Kanu was finalised.

In the social and environmental due diligence (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 African Development Bank (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 and 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 *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (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.

PORTFOLIO COMPANIES

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. 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 Environmental Protection Agency (EPA) in November 2012.

The ESIA provides an environmental management plan (EMP) outlining mitigation measures that Goldtree Management should complete to reduce risks posed by the company's operations to an acceptable level. These measures include asset acquisition, construction of sufficient treatment facilities and appropriate management systems that include periodic monitoring of company performance.

According to Sierra Leone legislation, public consultation of the ESIA is required to be performed by the EPA and Goldtree was obliged to comply with this requirement. The final three public disclosure and consultation meetings were held in Freetown, Daru and Segbwema in March 2013. Furthermore, a community development action plan (CDAP), 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.

Emmanuel Koroma, the health, safety and environmental (HSE) manager, continued to implement actions in relation to the requirements of the ESIA and CDAP.

A summary of the key deliverables listed in the EMP is provided below. The table also reflects Goldtree's progress over 2016:

ITEM	COMPLETION DATE COMMITTED TO BY MANAGEMENT	COMPLETION DATE			
		QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
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 date: Q1 2016.				Complete.
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: Q4 2015.				Process initiated.
Goldtree's primary production practices are implemented in a manner that allows verification or certification under practices codified in globally, regionally, or nationally recognised standards (such as RSPO).	Q4 2015. Revised date: Q4 2017.				Process initiated/first studies completed Dec 2015. Certification expected Q4 2017.
Development of a biodiversity management plan (BMP) for implementation prior to land conversion or development within the concession area.	Q2 2016.				Complete.

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 scores 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 60 cm-high wall. This is located within a secured work area, which is concreted with a single wastewater outlet to the effluent ponds. Phatisa believes that this structure is sufficient until other priority actions have been completed.

Plantation expansion

Goldtree is in the process of expanding the current nucleus plantation through negotiations with communities to identify leasable land that can be planted with oil palm, whilst also still applying the RSPO principles, particularly that no clearing of primary forest may take place. An ESIA was completed for the expansion area and submitted to the EPA – Sierra Leone during 2016. Environmental permitting was obtained in August 2016.

Monitoring

During 2014, monthly internal noise monitoring exercises were conducted as part of the EPA'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 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. The enforcement and monitoring of the use of Personal protective equipment (PPE) continued in 2016.

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 remain ongoing to ensure improvements to operational health and safety compliance.

Formal lost time injury reporting has continued and the intention is to compare this with industry averages in due course.

Daily observations are carried out on the stack to monitor air emissions, and palm oil mill effluent, as well as 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 and plantation management. Material safety data sheets have been prepared for all pesticides and agrochemicals that are stored on the company premises.

The ESIA identified that the company must develop a waste management plan (WMP) that clearly highlights the various types of waste generated. 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 an environmentally and socially sound manner.

The EMP is being reviewed and will be updated with additional action items that have been identified in the 2016 expansion ESIA.

Certification

The company is committed to becoming compliant with the RSPO standards during AAF's investment. Goldtree has been accepted as a full member of the RSPO and is targeting full certification of its operations by the end of Q4 2017.

GOLDENLAY

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

Goldenlay management prepared a design for the new permanent grain storage facility that is being 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.

Environmental management plan

Monitoring

Air emissions monitoring for CO, CO₂, SO₂ and NOx from the on-site incinerator has continued throughout 2016; however, large periods of incinerator downtime were experienced during 2016. The incinerator has since been refurbished and is fully operational.

Goldenlay has also been addressing the dust emissions from the feed mill. This has primarily been achieved through improved ventilation and reduced staff exposure to dust emissions through the use of PPE and frequent staff role rotations.

ITEM	TIME TO COMPLETION
INCINERATOR EMISSIONS	
Management should ensure that continuous monitoring of CO, CO ₂ , NOx and SO ₂ is carried out.	Ongoing semi-annual.
Regular servicing of the incinerator should be done to reduce the gas emissions.	Completed.
DUST EMISSIONS	
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 2016 Goldenlay had planned to complete and submit its social environmental management systems policy to external consultants for all three sites to be audited against ISO 14001. This item has been delayed and will be addressed in the near future.

Biosecurity

During 2016 Goldenlay was affected by a Newcastle disease virus (NDV) outbreak on the layer farm. This outbreak was not unique to Goldenlay, several other poultry farms were heavily impacted. Goldenlay does vaccinate all birds against NDV, however there are several strains of the virus and the recent impact of the virus was caused by a lesser known strain. Goldenlay's vaccination programme has since been amended, based on a genotype assessment of ill birds, to include the relevant strain. The current vaccination programme resulted in flocks largely only becoming ill as opposed to the disease being fatal. It is expected that the latent impacts of the infection will still be experienced in some of the flock, through reduced number of laid eggs, until mid-2017.

FERONIA

Feronia has continued to make substantial progress with its environmental and social commitments. Its Environmental, Social and Governance Board Committee (ESGBC) provides technical assistance to the company and ensures that senior management is held accountable in delivering on its ESG commitments. Feronia is largely on track and in some respects, 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.

Environmental management plan

Environmental, Social and Governance Board Committee Charter

The 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 Feronia Board members are Keith Alexander (chair), Peter van As (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.

The board held the required four meetings in 2016.

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 ESAP 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 capacity has been greatly increased over the past two years, with the appointment of a dedicated ESG director, and EHS and community relations officers at each plantation.

Studies and assessments

The Feronia Environmental and Social Impact Assessment (ESIA) that included the high conservation value (HCV) assessment was completed in 2015 by an independent consultant. The ESGBC reviewed the documentation and has produced a single consolidate ESAP. In accordance with adhering to the principles of RSPO, the consolidate documents have been published on the Feronia website.

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 and continued into 2015; the main objective of the survey is to identify the borders of the concessions. The process experienced delays due to some isolated local resistance to the survey being carried out.

During 2016 Feronia updated its stakeholder engagement plan and security management plan.

Additionally, Feronia commissioned a palm oil mill effluent treatment and management study that was completed in 2015. The findings of the study are being considered and decisions on implementation were considered in 2016.

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 experienced three serious incidents on its plantations. Feronia submitted its serious incident reports to the Phatisa ESG Manager for recording and evaluation. Since investment, the company has had 15 serious incidents; those for 2016 are listed in the table below:

NO.	DATE OF INCIDENT	TYPE OF INCIDENT	NATURE OF INCIDENT	FATALITY/ PERMANENT HARM
1 – (SIR13)	2016-03-02	Serious Occurrence	A villager from a community outside Boteka, not within the plantation or associated with the plantation, contracted cholera and came to the Boteka Hospital for treatment. The infected individual regrettably died due to the advanced stage of the illness.	Disease – Terminal.
2 – (SIR14)	2016-03-15	Accident/Fatality	A cyclist overtook a slow-moving Feronia Arable tractor and whilst doing so lost control while avoiding a pedestrian. The cyclist fell directly in the path of the tractor and died as a result of the tractor running over him.	Fatality.
3 – (SIR15)	2016-03-17	Serious Incident	Feronia Security staff at Lokutu plantation were harmed during an encounter with fruit thieves from whom they had confiscated stolen fruit. The group of thieves engaged the security staff with machetes and a hunting rifle. The police were informed and arrests were made.	Physical harm.
4 – (SIR16)	2016-07-06	Fatality – Non-work related	An employee was struck by lightning outside his house between storms.	Fatality.

Feronia initially experienced a number of vehicle-related incidents as a result of not having a formal enforceable road safety policy. This has since been 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 company has started to address these issues with its service providers, through a review of its contracts, employee safety workshops and penalty clauses. Phatisa continues 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 current risk assessment conducted by the group-level health and safety manager has highlighted many occupational risks associated with working within the mills. The OHS team has been working hard to ensure full compliance of workers with PPE requirements.

Social infrastructure

In 2014, management 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. During 2016, this refurbishment was completed.

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. This project has been completed in 2016.

Feronia's housing refurbishment project is ongoing at all three plantations. Progress is being made and the project will extend into 2017.

Certification

Management has committed to introducing best practice at all levels of its operations. Management has accepted the IFC Performance Standards and RSPO Principles 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 set 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 CBC: an EIA, a hydro-study, and the SEDD. These three studies provide information on the operational capacity and the possible environmental impacts of the company's operations. The SEDD confirmed that the risk categorisation of the investment is B according to the IFC Project 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 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 m³/h (CBC uses 15 m³/h). Over a calculated period of 100 years, the net drawdown would be about 0.37 m. 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.

CBC has addressed many of the requirements identified in the SEDD environmental and social action plan (ESAP). The final environmental and social recommendations are set out below:

ITEM	DATE COMPLETED
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.
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 groundwater pumped to the surface should be minimised.	Q1 2013.
Increasing abstraction rates beyond the 15 m ³ /h stated in the EIA should be approved by the Department of Environment, Water and Forestry.	Q1 2013.
Consultation should take place with <i>Société de distribution d'eau de la Côte d'Ivoire</i> regarding future water pricing strategies.	Q2 2013.
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.
Periodic (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.
Burning of waste to be ceased immediately and recycling opportunities investigated.	Q4 2012.
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 investment initiatives.	N/A
We are not aware of any CSI initiatives undertaken by CBC and would recommend that these be considered by management going forward.	

Environmental management plan

During 2016 CBC's facilities and management systems were re-evaluated, with a specific focus on quality management and policies. Following the audit, it was evident that CBC has overdue deliverables from the original SEDD; however, Phatisa's ESG Manager has developed a corrective action plan to address these over-runs. This new action plan highlights the deliverables as achieved during 2016.

ITEM	TIME TO COMPLETION	STATUS
CBC must complete an appropriate 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 and scheduled inspections.	Q2 2016.	Complete – all policies and procedures reviewed and incorporated into a consolidated management system.
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.	Q2 2016.	Complete.
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.	Complete.
Senior management must accept and budget for the quality assurance action plan.	Management agreement by Q1 2016.	Complete.
The laboratories need to be completed and monthly testing of the borehole water quality implemented.	Q2 2016.	Complete.
CBC should purchase its own plastic crushing and pelleting machine in order to handle its own waste plastic.	Q4 2015.	Not commenced. Refer below.
The company will need to purchase an appropriate incinerator for the disposal of non-plastic waste.	Q4 2015.	Not commenced. Refer below.
Prior to the start of incineration, the company will have to acquire baseline air quality data, and draft an emissions monitoring schedule.	Q4 2015.	Not commenced. Refer below.

The SEDD recommendation to stop incinerating waste plastic resulted in CBC contracting a small business owner to crush and recycle the plastic waste. Due to budgetary constraints, the purchase of an incinerator and crusher has been delayed. However, waste plastic material is currently being managed by the appointed approved contractor.

FARMING AND ENGINEERING SERVICES

The investment in FES was concluded in November 2013. FES has addressed all SEDD recommendations.

ITEM	DATE TO COMPLETION	COMMENT	STATUS
SEMS to be developed and implemented.	Q2 2014. Revised Q2 2016.	Review and integrate existing policies into a management system. Compile a hazardous materials management plan.	Complete.

Social environmental management system

The required SEMS has been compiled, and implemented. The management system includes a hazardous materials management plan.

Certification and permits

FES has all environmental permits required to operate within Malawian law. FES is investigating the options for NOSA certification of all its operations.

MERIDIAN

The SEDD for Meridian was undertaken during a site visit in July 2014. The SEDD report was finalised and accepted by Phatisa. 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 2016. 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
Meridian Group (corporate) level (human resources)	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.	January 2015 – shortlist of CVs sent to management and candidate to be agreed.	Complete.
	The Meridian Group-level EHS and SMS Manager will be responsible for driving the implementation and ongoing oversight of EHS and SMS officers at subsidiary level.	March 2015 – successful appointment of EHS and SEMS manager.	
Meridian Group and subsidiary level	An EHS and SEMS 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 SEMS 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 SEMS will incorporate the following elements: <ul style="list-style-type: none"> i. policy statements; ii. identification of risks and impacts, management programmes – associated procedures and work instructions related to the management of all environmental and social issues, relevant mitigation; iii. 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 SEMS at corporate and subsidiary levels; iv. grievance mechanisms – an appropriate policy and standard operating procedure should be drafted and implemented to deal with employee, supplier, customer and (community) stakeholder grievances; v. to work in collaboration with the site EHS and SEMS officers to develop and ensure emergency preparedness and response – devise a site-specific emergency response plan and undertake periodic practice drills; vi. stakeholder engagement; and vii. monitoring and review. 	May 2015 – Meridian Group EHS and SEMS Managers propose Terms of Reference to management. September 2015 – external consultant appointed. March 2016 – for group-level EHS and SEMS to be developed and subsidiary level companies to have completed site visits EHS and SEMS and started implementing the system.	Complete.
Meridian Group's subsidiaries (human resources)	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 SEMS based on the subsidiary's operations. The EHS and SEMS officer will manage the implementation and ongoing oversight of the EHS and SEMS at the site level.	July 2015 – shortlist of CVs to be sent to management and candidate to be agreed.	Complete.
		September 2015 – successful appointment of EHS and SEMS officer.	Complete.
Occupational dust exposure	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.	September 2015 – baseline dust level assessment to be carried out by an external consultant and recommendations to be made.	Commenced, ongoing.
		December 2015 – implementation of recommendations.	Commenced, ongoing.
Personal protective equipment (PPE)	The company is to issue appropriate PPE to all members of staff (permanent and temporary) who are working on its 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: <ul style="list-style-type: none"> • daily tool time talks; • training for employees and management; and • an incentive/negative consequences plan. 	November 2014 – after new EHS managers/officers have been appointed.	Commenced, ongoing.
Health and safety risk assessment	Meridian 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"> i. Identify all hazards. ii. Decide who might be harmed and how. iii. Evaluate the risks and decide on precautions. iv. Record findings and implement them. v. Review and periodically update assessment. <p>If the risk assessments highlight any risks that require monitoring, medical baseline tests, these recommendations will be implemented.</p>	September 2015.	Complete – all operations have been assessed.

ASPECT	REQUIRED ACTION	COMPLETION INDICATOR AND TIMING (MONTHS SUBSEQUENT TO PHATISA INVESTMENT)	STATUS
Standard operating procedures (SOPs)	<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"> • Land conversion/expansion (sugar cane) – including, where applicable, land acquisition • Biodiversity conservation • Fire safety and general safety • Pests and diseases • Processing plant • Road maintenance • Surface and ground water management • Safe use and storage of agrochemicals/chemicals • Control of documents and records • Waste management (process and domestic waste) • Energy use • Periodic maintenance • Internal audit procedures • Distribution and shipping 	March 2016.	Complete – to be audited through site visits in Q2 2017.
Medical surveillance	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>December 2014 – baseline medicals at the three fertiliser plants.</p> <p>Six months – implementation of recommendations.</p>	Commenced – ongoing.
Building integrity	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>December 2014 to complete building integrity survey.</p> <p>September 2015 to implement recommendations.</p>	Review commenced.
Hazardous materials disposal	<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).</p> <p>Develop a formalised waste management plan focusing on segregation, labelling and safe storage of all waste types.</p>	December 2014.	Complete, Waste management plan compiled.
Hazardous materials management	<p>Ensure that storage requirements contained in the safety data sheet are satisfied.</p> <p>Request Engen to provide confirmation of the integrity of the tank and install secondary containment around the dispensing points.</p>	<p>November 2014.</p> <p>December 2014 – Engen to confirm integrity and install bunding and drainage for dispensing points.</p>	Complete.
Residents living in accommodation provided by Meridian	<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.</p> <p>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>August 2015.</p> <p>November 2015.</p>	<p>Not commenced.</p> <p>Not commenced.</p>
Community safety	Develop code of conduct and provide formal training to security guards on human rights and the prevention of excessive force.	September 2015.	Commenced, Code of Conduct complete.
Outgrower development	<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 consider the following parameters:</p> <ul style="list-style-type: none"> • Personal details • Land size (total and cultivated) • Annual income • Previous, current and future crops • Current inputs (equipment, products and applications) • Current yields • Current prices received for sold crops • Main purchaser/user of farmers' crops • Closest dealership • Current issues with crops <p>Assign and train extension/support officers from company dealerships to support outgrower farmers in good agricultural practices (OHS, biodiversity, labour issues, etc.).</p>	<p>A baseline study must be completed prior to formal support/development.</p> <p>An action plan must be developed and presented to group-level management.</p>	Commenced.
Trilobite site compliance	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 assessing 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.	December 2014 to inform the authorities and appoint the necessary specialists, if required.	Trilobite site confirmed to be outside of operational boundary. No action required.

ASPECT	REQUIRED ACTION	COMPLETION INDICATOR AND TIMING (MONTHS SUBSEQUENT TO PHATISA INVESTMENT)	STATUS
Mangrove and trilobite protection	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.	March 2015 to appoint the necessary specialists.	No action required.
Thundulu phosphate quarry development	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 regulatory approval to commence with quarrying has already been obtained.	NA – to be undertaken at least 12 months prior to commencing project construction.	Process on hold.
Demeter Seeds Farm development	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.	Sugar cane cultivation plan delayed.

Resource recruitment

During 2016 Meridian ensured that all EHS-related posts were defined and occupied, this includes a group-level EHS officer as well as OHS officers at all operational levels. Further, an EHS committee has been set-up and meet regularly.

GENERAL PLASTICS LIMITED

The SEDD for GPL was completed in July 2014 by an appointed ESG consultant. The table below is a summary of all recommendations made within the SEDD. The company is currently working towards achieving compliance with these recommendations.

ASPECT	REQUIRED ACTION	COMPLETION INDICATOR AND TIMING (MONTHS AFTER PHATISA INVESTMENT)	STATUS
Social environmental management system	Develop a comprehensive SEMS across all operations, including specifically the best practice Health and Safety and Labour Practices of the ILO, OHSAS 18001, ISO 14001, IFC Performance Standards, legal and permit requirements, such as appointments, registers, risk assessments, procedures, legal compliance assessments, incident records, grievance mechanisms, stakeholder engagement mechanisms, an integrated pest management plan, waste management plan, scheduled inspections, etc. Results of regular internal and external audits should be communicated to and reviewed by management.		Complete.
OHS policies and procedures	Develop formal training schedules and material for all staff on environmental, health and safety policies and procedures.	Q4 2015.	Complete.
Employee training	Develop training initiatives to up-skill Kenyan staff operating on the shop floor so that they can potentially fill management positions in the future. This would reduce the need to hire staff from outside Kenya.	Q2 2016.	Complete - ongoing.
Personal protective equipment	Regularly replace worn or broken PPE.	Q4 2015.	Commenced – ongoing.
Contamination prevention	Install bunding around generators and diesel storage tanks to contain spillages.	Q4 2015.	Complete.
Effluent testing	Perform regular testing on wastewater leaving the facilities and entering the municipal sewage system to ensure contamination has not occurred and water quality is adequate, according to NEMA regulations.	Q1 2016.	Commenced – ongoing.
Asbestos protection	Paint asbestos roofing to contain asbestos fibres. Routinely monitor and maintain asbestos roofing. When replacement of roofing is required, non-asbestos roofing must be utilised.	Q3 2016.	Commenced – sampling and action plan implemented.
Fire safety	Install a sprinkler system throughout all facilities to prevent the spread of any potential fires.	Q2 2016.	Not feasible. All facilities are equipped with fire alarms, extinguishers and hoses. Fire wardens have been appointed and trained accordingly.
Emergency equipment checks	Ensure that luminescent emergency exit signage is installed to ensure the sign is visible in low light conditions.	Q4 2015.	Commenced.
Security	Install a lockout system to prevent unauthorised access to the shop floor.	Q4 2015.	Commenced.
Medical baseline checks on staff	Perform medical checks on hiring and exit of workers from the company, to improve monitoring of occupational diseases.	Q4 2016.	Commenced.
HACCP	Ensure that all machines are installed with mechanical brakes, which lock revolving parts when the machinery doors are opened.	Q3 2016.	Commenced.
Employee shift schedules	The shift system should be amended so that all workers only work the hours that they are contracted to work.	Q1 2016.	Commenced.
Customer complaints	A formal customer complaints register should be implemented and maintained.	Q1 2017.	Not commenced.
Noise monitoring	Implement a monitoring system to check that noise levels outside of designated noise zones do not exceed 80 decibels to protect the hearing of workers.	Q2 2016.	Commenced.

ASPECT	REQUIRED ACTION	COMPLETION INDICATOR AND TIMING (MONTHS AFTER PHATISA INVESTMENT)	STATUS
Staff salaries	The company should undertake a review of temporary workers' salaries, and where justifiable equate the salary scale to the permanent workers' salary scale. Temporary workers' wages are to be aligned with the minimum sector wage published within the country.	Q4 2015. Revised Q2 2016.	Commenced.
Staff meals	Providing shop floor staff with one meal per shift and a transport subsidy may assist in reducing staff fatigue and staff turnover.	Q4 2016.	Not commenced.
Staff performance	Develop and implement a performance review system for workers.	Q4 2016.	Commenced.
Alcohol testing	GPL administer breathalyser tests to workers on arrival to prevent any employees who are under the influence of alcohol from operating machinery.	Q4 2015.	Commenced – ongoing.
Stock stacking	In warehouses install a second floor or shelving systems to ensure safe stack heights.	Q3 2016.	Commenced.
Waste recycling	Initiate or support a recycling scheme targeting the end users of GPL's products.	Q4 2017.	Not commenced.

Permits

GPL is in possession of all required permits for operation.

Asbestos

During 2016 GPL initiated a process of compiling a register of all asbestos containing materials present at both sites. This information will be incorporated into an asbestos management plan, and ultimately result in the safe removal of these materials in the future.

KANU EQUIPMENT AFRICA

The environmental and social due diligence was completed in June 2016. 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 quarter. All recommendations have been included in the legal ESAP as part of the shareholders' agreement.

ASPECT	REQUIRED ACTION	TIMEFRAME TO COMPLETION	ESTIMATED COST	STATUS
Social and Environmental Management Systems	Develop a comprehensive SEMS across all operations, including specifically the best practice health and safety and labour practices of the ILO, OHSAS 18001, ISO 14001, IFC Performance Standards, legal and permit requirements. This must include a company organogram with defined roles and responsibilities.	Q2 2017.	US\$ 10,000.	Commenced. Policy and procedure documents have been reviewed and are being implemented.
Labour and working conditions	Develop and implement a human resources policy and associated procedures. This must include the basic elements as identified within Performance Standard 2 and documented in an employee handbook or similar document.	Q1 2017.	Internal.	Complete. HR policy reviewed and being implemented.
Labour and working conditions	Review all employment contracts, with specific focus on allowance of union membership and collective bargaining, to ensure compliance with both local national law as well as ILO codes.	Q1 2017.	Internal with support of human resource specialist.	Commenced. To be completed Q2 2017.
Labour and working conditions	Develop formal training schedules and material for all staff on environmental, health and safety policies and procedures.	Q1 2017.	N/A	Not commenced. Will be completed once all other labour items have been completed.
Labour and working conditions	Develop and implement an occupational health and safety policy and associated roles and responsibilities, and procedures as per the standard set at the Botswana operations. Including a committee and reporting process.	Q4 2016.	N/A	Complete.
Pollution prevention and abatement	Compile specific procedures for the management of waste oils and other hazardous wastes.	Q1 2017.	N/A	Not commenced.
Workplace safety and community safety	Conduct a fire response and preparedness assessment to address fire response equipment needs.	Q1 2016.	US\$ 5,000.	Not commenced.
Workplace safety	Identify and mark all emergency exits in all buildings. Identify and label emergency assembly points.	Immediate.	N/A	Complete.

Management System

During the second half of 2016 Kanu initiated the review of all relevant policy and procedure, incorporating required updates as per the requirements of international standards.

AAF SME FUND

Please refer to the 2016 AAF SME Fund ESG Annual 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, the agricultural projects that Phatisa has invested in 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 AAF Social Environmental Management System and Phatisa Anti Money Laundering Policy.



Robert Kruger
Phatisa ESG Manager (AAF SEMS Manager)



ANNEXURES

ANNEXURE A – ANNUAL SOCIAL AND ENVIRONMENTAL PERFORMANCE REPORT AS SET OUT IN APPENDIX F OF THE SEMS

ANNEXURE B – ADDITIONALITY AND DEVELOPMENT OUTCOMES ASSESSMENT REPORT AS SET PUT IN APPENDIX H OF THE SEMS

ANNUAL SOCIAL AND ENVIRONMENTAL PERFORMANCE REPORT AS SET OUT IN APPENDIX F OF THE SEMS

ORGANISATION:	African Agriculture Fund (AAF)
COMPLETED BY (NAME):	Stuart Bradley
POSITION AND CONTACT INFORMATION:	Joint Managing Partner Phone +27 (0)11 463 1920 Email: stuartbradley@phatisa.com

PORTFOLIO INFORMATION

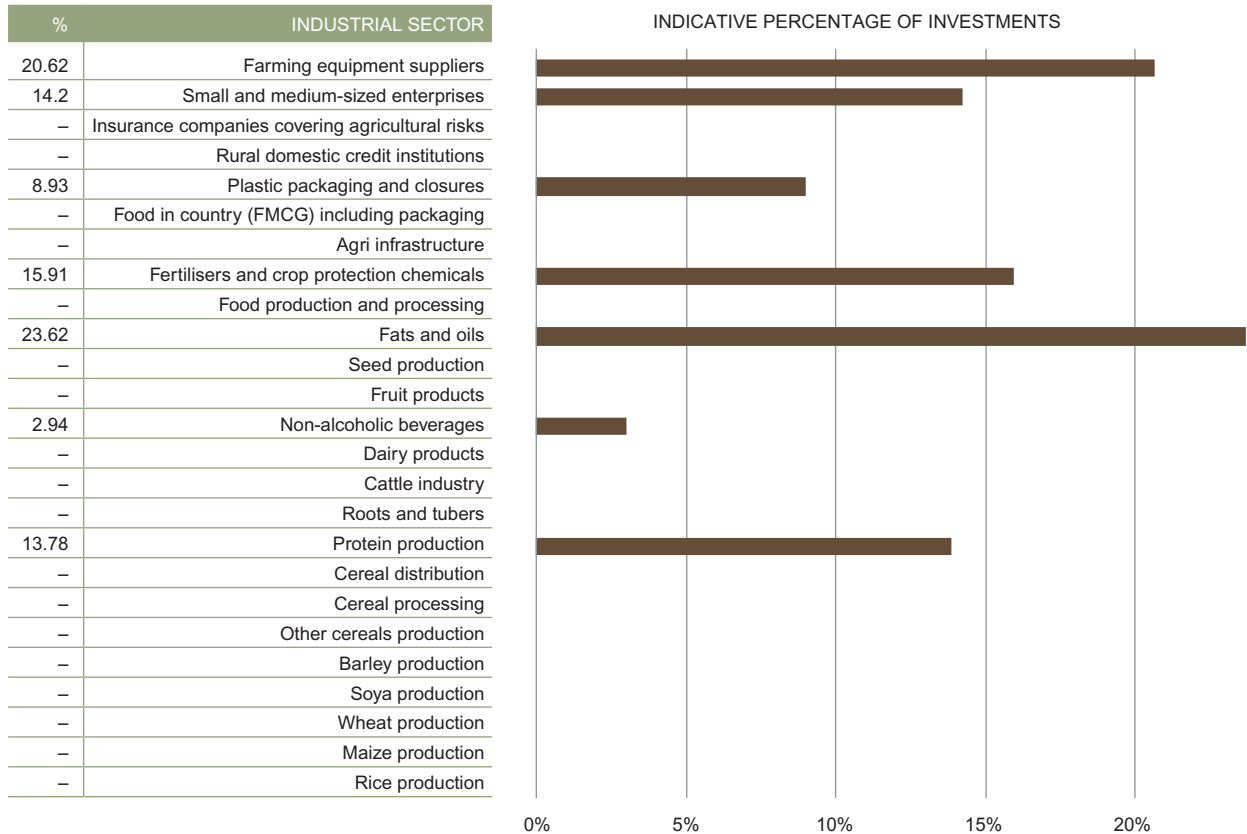
Report covering period

FROM	TO
January 2016	December 2016

Fund business lines and portfolio type

PRODUCT LINE	EXPECTED HOLDING PERIOD	TOTAL EXPOSURE	AVERAGE TRANSACTION SIZE	MAXIMUM TRANSACTION SIZE
Listed equity	8 – 10 years	US\$ 28.2 million	US\$ 28.2 million	US\$ 28.2 million
Private equity	8 – 10 years	US\$ 102.9 million	US\$ 12.9 million	US\$ 28.2 million
Market debt instruments	–	–	–	–
Privately placed debt	–	–	–	–
Other – mezzanine finance	5 years	US\$ 64.0 million	US\$ 8.0 million	US\$ 19.4 million

EXPOSURE BY INDUSTRY SECTORS



INFORMATION ON EXPOSURES OF PORTFOLIO COMPANIES

COMPANY NAME, LOCATION	INDUSTRY SECTOR	DESCRIPTION OF COMPANY	INVESTMENT TYPE AND AMOUNT	ENVIRONMENTAL CATEGORY	ENVIRONMENTAL ISSUES AT APPROVAL	CURRENT ENVIRONMENTAL STATUS/ANY CHANGES SINCE LAST REPORT
Goldtree, Sierra Leone.	Fats and oils.	Palm oil processing.	US\$ 7.5 million equity and US\$ 9.5 million debt.	B	ESIA submitted to Sierra Leone EPA to issue certificate for mill operator licence.	ESIA process initiated for nucleus expansion project.
Goldenlay, Zambia.	Protein production.	Poultry egg laying and processing.	US\$ 700,000 equity and US\$ 18.1 million shareholder loans.	B	Recommendations as per SEDD.	Integrated SEMS for all operations.
CBC, Côté d' Ivoire.	Non-alcoholic beverages.	Water bottling.	US\$ 1.9 million equity and US\$ 3.1 million shareholder loans.	B	N/A	New CAP.
Feronia, DRC.	Fats and oils.	Palm oil processing.	US\$ 19.5 million equity and US\$ 4.8 million debt.	B	N/A	ESIA process and HCV assessment complete for all plantations.
FES, Malawi.	Farming equipment.	Farming equipment.	US\$ 11.1 million equity.	B	N/A	SEMS documentation compilation.
Meridian, Mauritius, Malawi, Mozambique, Zimbabwe and Kenya.	Fertiliser blending and distribution.	Fertiliser blending and distribution.	US\$ 17 million equity and US\$ 5 million bridge finance.	B	Recommendations as per SEDD.	New CAP for all operations.
GPL, Kenya.	Production of plastic packaging.	Packaging manufacture.	US\$ 5.6 million equity and US\$ 8.6 million debt.	B	Recommendations as per SEDD.	Recommendations as per SEDD.
Kanu, Southern, Central and West Africa.	Farming and other equipment.	Retail, maintenance and leasing of equipment and spares.		B	Recommendations as per SEDD.	New investment.
AAF SME Fund	Food and agri business SMEs.	Private Equity Fund.	US\$24.9m equity.	FI	None – bound by AAF SEMS.	No change.

SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) INFORMATION	YES/NO	
POLICIES AND PROCESSES		
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 the implementation of the policy/procedure been revised from the previous year?	Yes	US\$ 30,000 for annual audits.
Describe any activities for the last FY for staff training and other internal communication.		
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	
Describe how you ensure that your clients and their portfolio companies are operated in compliance with 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.
Provide two samples of internal E&S review reports conducted for portfolio companies considered last year (only if following IFC's Performance Standards and AfDB's ESAP is an applicable requirement).		A requirement of AAF is that the first five SEDD reports are submitted to AfDB for review. Goldtree, Goldenlay (including Kanyenda and 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) 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	

SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS) INFORMATION		YES/NO
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 and environmental management system (SEMS)?	Yes	Reviewed annually.
CAPACITY		
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. Robert Kruger.
What was the budget allocated to the SEMS and its implementation during the year? (Include staff costs, training as well as any actual costs.)		US\$ 25,000 due diligence. US\$ 30,000 annual monitoring. US\$ 5,000 training.
Has the SEMS team undergone any training?	Yes	
MONITORING		
Do you receive any non-financial reporting from industrial portfolio companies you invest in?	Yes	Quarterly updates.
Describe how you monitor investee environmental performance, provide the following information: <ul style="list-style-type: none"> Number of portfolio companies in portfolio classified as category A or B. Number providing annual reports. Number of portfolio companies where a field visit was conducted by an AAF member of staff to review aspects, including environmental and social issues. 	7 3 6	Annual or semi-annual site visits are conducted against the IFC Sector supplements (if available) or against relevant ISO standards.
Please provide details of any accidents/litigation/regulatory notices and fines: <ul style="list-style-type: none"> Any incidents of non-compliance with applicable requirements. Covenants/conditionality imposed by AAF as a result of any non-compliance. 	Yes	Accident report in main body of report (Feronia).
Do you check for ongoing compliance of your investments with national regulation or any other requirements?	Yes	
REPORTING		
Is there an internal process to report on environmental and social issues to senior management?	Yes	
Do you have a process to inform AfDB of any material change in 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 format and schedule?	Yes	

ACTIVITIES ON THE EXCLUSION LIST

If any, 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.? List these in the format provided below:

COMPANY NAME	VALUE FINANCED BY THE COMPANY	TYPE OF ENVIRONMENTAL BENEFIT
Goldtree	US\$ 17.0 million	Building of a new and only palm oil mill in Sierra Leone to support 8,000 outgrowers and improve livelihoods, as well as improve operational activities that has environmental impacts that can be mitigated.
Goldenlay	US\$ 24.5 million US\$ 7 million repaid	Building new employee houses, connecting more households to electricity and clean water, greener and more accountable operational practices, more energy efficient hen houses, improved monitoring of poultry 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\$ 24.3 million	Building of a new palm oil mill that operates at a better energy efficiency, introduction of improved environmental management systems (RSPO), improved occupational health and safety monitoring.
FES	US\$ 11.1 million	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\$ 22 million	Appointment of EHS and environmental officers, replacement of asbestos, risk assessments, SEMS policy and operational proficiency.
General Plastics Limited	US\$ 4.2 million	Improve overall management systems and operational efficiencies. Implement an auditable environmental and social management system.
Kanu	US\$ 26 million	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.
AAF SME Fund	US\$ 30 million	Focused on food and agri business SMEs across Africa.

ADDITIONALITY AND DEVELOPMENT OUTCOMES ASSESSMENT REPORT AS SET OUT IN APPENDIX H OF THE SEMS

FUND NAME:	African Agriculture Fund (AAF)
FUND SIZE:	US\$ 239 million
OPSM CONTRACT:	–
YEAR:	2016
SPONSOR CONTACT:	Stuart Bradley
POSITION:	Joint Managing Partner
EMAIL:	stuartbradley@phatisa.com

NAME OF INVESTEE	YEAR OF INITIAL INVESTMENT	COUNTRY OF HQ LOCATION	SECTOR	TYPE (STARTUP, DEVELOPMENT CAPITAL, VENTURE, EXPANSION, LBO, MBO)	CURRENCY	AMOUNT OF EQUITY INVESTED BY THE FUND	AMOUNT OF DEBT INVESTED BY THE FUND	FOLLOW ON INVESTMENT	EBIDA AT INVESTMENT	EBIDA MOST RECENT DATA	TURNOVER AT INVESTMENT	TURNOVER MOST RECENT DATA	CO-INVESTORS	
Goldtree	2011	Sierra Leone	Palm oil	Start-up	US\$	US\$ 8.2 m	US\$ 13.1 m		–	(US\$ 0.8 m)	N/A	US\$ 2.1 m	Finnfund	Operations to commence January 2013
Goldenlay	2012	Zambia	Poultry	MBO	US\$	US\$ 0.8 m	US\$ 19.4 m	US\$ 4.4 m	US\$ 4.9 m	US\$ 1.6 m	US\$ 12.5 m	US\$ 11.6 m	N/A	Financial year end is March
CBC	2012	Côte d'Ivoire	Non-alcoholic beverages	Expansion	US\$	US\$ 2.8 m	US\$ 3.1 m	–	–	US\$ 1.5 m	US\$ 7 m	US\$ 9.9 m	N/A	
Feronia	2012	DRC	Palm oil	Expansion	US\$	US\$ 28.2 m	US\$ 4.8 m	–	–	(US\$ 10.3 m)	US\$ 7.5 m	US\$ 15.6 m	Listed and CDC Group	
FES	2013	Malawi	Farming equipment	MBO	US\$	US\$ 15.5 m	–	US\$ 1 m	US\$ 4.3 m	US\$ 4.6 m	US\$ 15.3 m	US\$ 11.9 m	N/A	
Meridian	2014	Malawi and Mozambique	Fertiliser blending and distribution	MBO/Expansion	US\$	US\$ 17 m	US\$ 15 m	–	US\$ 18.8 m	US\$ 15.8 m	US\$ 250 m	US\$ 222 m	N/A	
GPL	2014	Kenya	Plastics packaging manufacture	Expansion	US\$	US\$ 5.6 m	US\$ 12.3 m	–	US\$ 2.1 m	US\$ 2.1 m	US\$ 20.1 m	US\$ 18.9 m	N/A	
Kanu	2016	Various	Farming and other equipment	MBO/Expansion	US\$	US\$ 24.8 m	US\$ 1.2 m	–	US\$ 3.7 m	US\$ 8.2 m	US\$ 28.5 m	US\$ 52.5 m	N/A	

NAME OF INVESTEE	EBIDA – MOST RECENT DATA	TURNOVER AT INVESTMENT	TURNOVER – MOST RECENT DATA	EMPLOYMENTS AT INVESTMENT	EMPLOYMENT – MOST RECENT DATA	FEMALE EMPLOYMENT CREATED SINCE INVESTMENT	TAXES PAID TO GOVERNMENT AT INVESTMENT	TAXES PAID TO GOVERNMENT MOST RECENT	EXPECTED GROSS IRR	CURRENT GROSS IRR (IN CURRENCY OF INVESTMENT)	CURRENT GROSS IRR	CURRENT NET IRR	CHANGE IN TOP 3 MANAGERS (Y/N)	IMPROVED BUSINESS PROCEDURE/PROCESS (Y/N)
Goldtree	(US\$ 0.8 m)	N/A	US\$ 2.1 m	0	775	118	N/A	–	4.8%	4%	4%	N/A	Y	Y
Goldenlay	US\$ 1.6 m	US\$ 12.5 m	US\$ 11.6 m	178	363	45	US\$ 1.2 m	–	20%	8.5%	8.5%	N/A	Y	Y
CBC	US\$ 1.5 m	US\$ 5 m	US\$ 9.9 m	60	98	24	0	–	28%	7.5%	7.5%	N/A	N	Y
Feronia	(US\$ 10.3 m)	US\$ 7.5 m	US\$ 15.6 m	3,559	3,807	193	US\$ 1.2 m	–	15%	0.6%	0.6%	N/A	Y	Y
FES	US\$ 4.6 m	US\$ 4.3 m	US\$ 11.9 m	150	142	13	US\$ 0.54 m	US\$ 1.13 m	30%	58.9%	58.9%	N/A	N	Y
Meridian	US\$ 15.8 m	US\$ 16.9 m	US\$ 222 m	2,430	2,832	530	US\$ 2 m	US\$ 0.5 m	23.4%	21.4%	21.4%	N/A	N	N/A
GPL	US\$ 2.1 m	US\$ 19.46 m	US\$ 18.9 m	972	1,087	31	US\$ 0.06 m	–	30%	-5.5%	-5.5%	N/A	N	Y
Kanu	US\$ 8.2 m		US\$ 52.5 m	320	320	18	0.43	US\$ 1.08 m	36%	51.5%	51.5%	N/A	Y	Y

CORE INDICATORS AT THE LEVEL OF THE FUND

	UNIT OF MEASURE	INDICATOR VALUE
Employment: Number of permanent jobs (total).	Persons employed	10,240
Female employment: Number of permanent jobs for women.	Persons employed	1,039
Government revenue: Net financial flows to the government (including taxes, dividends, subsidies, grants and any other payment, net of any subsidies and investment costs).	US\$m	1.259
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; and
- managing sector focused funds through a network of offices across Africa.

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

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