

**ARCH EMERGING
MARKETS PARTNERS LIMITED**



ARCH Cold Chain Solutions East Africa Fund LP

E&S Policy

Document Control

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Overview

There is a severe shortage of cold chain storage solutions across East Africa resulting in large post-harvest food losses and seasonally affected supply chains causing volatility in market pricing. The cold storage facilities and logistics operations developed by ARCH Cold Chain Solutions East Africa Fund LP (“CCSEAF”) will result in positive development outcomes both directly, by reducing food losses and flattening market pricing, and also indirectly through businesses that will develop within the value chain. The benefits of reducing food losses are twofold:

- 1) Contributing to achieving Sustainable Development Goals (SDGs) 1 and 2 by contributing to ending poverty and zero hunger in East Africa.
- 2) Food loss is a significant contributor of greenhouse gases (methane) in Africa as the products decay, therefore a reduction in food losses will also contribute to the Paris Agreement’s ambition to limit global warming to well-below 2°C as far as possible.

These facilities can and will also be used to store essential pharmaceutical products for the region, including vaccines and medicines, and therefore can positively contribute to SDG 3 – Good Health & Well-being.

CCSEAF however recognises that, while providing food security and medical supplies, there can be environmental and social (E&S) risks associated with developing and operating such assets, particularly if there are local E&S sensitivities. As such, CCSEAF commits to acting in an environmentally sustainable, socially responsible, and ethical manner in developing and operating cold storage and logistics operations. We will actively manage our impacts and risks in relation to the environment, neighbouring communities, employee health and safety, and contractors and sub-contractors, and will engage ethically and transparently with all our stakeholders.

CCSEAF is committed to managing E&S risks and opportunities effectively across the investment lifecycle, throughout its portfolio of investments, and within its own operations, recognising that such risks and opportunities link to its fiduciary duty to its limited partners. CCSEAF believes that a robust, integrated approach to sustainable investing is essential in preserving and enhancing the value of its investments throughout its investment lifecycle.

Scope of this Policy

This Policy applies to all CCSEAF employees, investment activities, investees and contractors. Where there is no conflict with this Policy, CCSEAF may adopt additional policies in order to meet local regulatory, lender or co-investor, customer or other stakeholder requirements.

E&S Standards

CCSEAF is committed to conducting its investments in line with generally accepted, good, international sustainability management practices. Accordingly, it aligns its E&S management practices to the International Finance Corporation’s (IFC) E&S Performance Standards 1 and 2. Further, it applies the following E&S standards to its investments, and requires a commitment from its construction contractors and operating companies to do the same:

- IFC E&S Performance Standards (2012) and associated Guidance Notes;
- African Development Bank’s (AfDB) Integrated Safeguards System – Operational Safeguards (2013);
- The World Bank Group (WBG) General and relevant sector-specific Environmental, Health and Safety (EHS) Guidelines
- International Bill of Human Rights
- The International Labour Organisation (ILO)’s Core Labour Conventions; and
- GIIP in the cold chain sector¹, including membership conditions and guidance issued by the Global Cold Chain Alliance (GCCA) on energy efficiency, workplace health and safety, greenhouse gases, water conservation, ammonia spill and fire prevention and emergency response, driver safety, food safety.
- All national laws and regulations pertaining to E&S relevant to each investment.

¹ Defined as the exercise of professional skill, diligence, prudence and foresight that would be reasonably expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally. The circumstances that skilled and experienced professionals may find when, for example, evaluating the range of pollution prevention and control techniques available to a project may include, but are not limited to, varying levels of environmental degradation and environmental assimilative capacity as well as varying levels of financial and technical feasibility. Taken from IFC Performance Standards - https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=ktJHBzk

CCSEAF also commits to developing and implementing internal approaches to:

- Implement the recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD); and
- Manage human rights risks based on the UNGPs, including identifying human rights risks, implementing means to avoid infringing on the human rights of others, to address these impacts where they occur, and provide access to remedy to those that are impacted.

CCSEAF delivers on these commitments through developing and implementing an E&S Management System (ESMS).

Specific E&S Commitments

CCSEAF will require of asset and operating company to operate in line with the following specific commitments beyond those required by the Applicable E&S Standards defined above:

General

- Achieve Leadership in Energy and Environmental Design (LEED) certification for the building design and construction of the new facilities.
- Do not invest in any E&S Category A developments or companies, meaning “*business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented*” (IFC, 2012)².

Climate Change

- Use on-site renewable energy to power the facilities to the extent feasible.
- Quantify the amount of GHG emissions displaced through the operation of the assets.
- Monitor and report Scope 1 and 2 (and where appropriate Scope 3) GHG emissions on an annual basis.

Environment

- Do not use hydrofluorocarbons or other ozone depleting substances listed under the Montreal Protocol and its Amendments in the facilities refrigeration technology.
- Remain committed to utilising Best Available Technique (BAT)³ for our logistics fleet.

Community

- Avoid physical and economic displacement, and where this is not possible identify land that is the least impacting and within a Category B profile.
- Avoid all impacts to critical cultural heritage as defined by IFC PS8⁴.
- Avoid projects that directly impact Indigenous Peoples, triggering obtaining their Free, Prior and Informed Consent.
- Prioritise affected communities in the distribution of project benefits, e.g. employment, procurement of goods and services and community investment.

Biodiversity

- Avoid investing in projects with significant impacts to Legally Protected and Internationally Recognized Areas and Critical Habitat as defined by IFC PS6.

Food Safety

- Achieve local and international food safety certifications (those necessary for customer’s clients) for CCSEAF’s facilities.

Governance and Business Integrity

- Conduct all business dealings with honesty, integrity, fairness, diligence and respect.

² https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

³ ‘Best Available Techniques’ means the economically and technically viable techniques which are the best for preventing or minimising emissions and impacts on the environment as a whole. BAT is a moving target on practices, since developing societal values and advancing techniques may change what is currently regarded as “reasonably achievable”, “best practicable” and “best available”.

⁴ Internationally recognised heritage of communities who use, or have used within living memory the cultural heritage for long standing cultural purposes; and legally protected cultural heritage areas, including those proposed by host governments for such designation.

- Zero tolerance for bribery, corruption, fraud and unethical behaviour, whether under UK law or the law of the jurisdiction in which the portfolio company's asset(s) is located.
- Properly record, report and review financial and tax information.

Managing Sustainability Across the Investment Lifecycle

CCSEAF is responsible for implementing its ESMS requirements for managing E&S risks and opportunities across each stage of the investment lifecycle, including:

- E&S screening against an exclusion/prohibited activities list (as a minimum based on the IFC Exclusion List (2007), but tailored to LP requirements) and identification of potential E&S red flags and opportunities;
- E&S impact assessment (ESIA) and other E&S studies scoped and scaled to the E&S risk level of the facilities;
- Review and consideration of E&S risks/impacts and opportunities identified by the ESIA by the Investment Advisory Committee;
- Incorporation of E&S terms including definition of standards and E&S Management and Monitoring Plan (ESMMP) devolved from the ESIA, and requirements for development of HSES management plans in line with these, into contractor and operating company legal agreements and contracts;
- Active stewardship and monitoring of E&S issues and opportunities, achieving alignment with the Applicable E&S Standards, and guiding positive E&S and climate outcomes where possible during ownership; and
- Articulation of E&S value creation during ownership at exit.

E&S Communication and Reporting

CCSEAF monitors and reviews E&S performance on a portfolio-wide and asset-level basis. Given the homogeneous nature of the assets, material E&S key performance indicators are assigned to the whole portfolio to assist in ongoing risk management and value creation. Assets of higher E&S risk (Category B+ and B) are also subject to regular (at least annual) site visits to check the status of compliance with the Applicable E&S Standards. CCSEAF reports on key aspects of E&S progress, performance and material issues across its portfolio internally to its investment advisory committee and ARCH's ESG Function, and externally to its LPs on a quarterly and annual basis.

During project planning, CCSEAF shall ensure it is conducted in consultation with affected communities to identify and manage local and cultural community sensitivities. A stakeholder engagement plan scaled to the prevailing social sensitivities shall be developed and implemented for the whole lifecycle of each project. This shall be conducted in accordance with relevant IFC PSs, ensuring that interactions with stakeholders are inclusive, transparent and are relationship building.


CCSEAF requires each of its operating companies to develop and implement an external grievance mechanism in line with IFC PS1 and PS2, through their own ESMSs, that enables third parties (communities in which they operate, direct and indirect workers of the portfolio companies, and any other external stakeholders) to raise and resolve concerns about their E&S impacts.

Policy Oversight and Implementation

This Policy has been approved and adopted by the Fund (acting by its General Partner). Ultimate accountability and responsibility for implementation of this Policy and CCSEAF's ESMS sits with Jared Irving, the Managing Director of the CCSEAF strategy at ARCH Emerging Market Partners Limited ("**ARCH**"). The Managing Director and the investment team advising CCSEAF (along with the Managing Director being the "**Investment Team**"), have acknowledged and accept their responsibilities to adhere to and implement this Policy and the ESMS. All of the Investment Team, the Manager of CCSEAF and the General Partner to CCSEAF, shall play a role in contributing to the Policy's success. In particular, responsibility for day-to-day implementation of the ESMS rests with the CCSEAF Investment Team's E&S manager, Azhar Rifai, supported by ARCH's Head of ESG.

Review of this Policy

CCSEAF is committed to an ongoing and long-term process of improving its approach to integrating E&S considerations into the investment process. Consequently, this Policy and CCSEAF's approach will evolve over time, through a process of regular (at least annual) review, to reflect changes in best practices and structures, technologies and law.

Signed:  _____

Husayn Sassa

Director of ARCH Cold Chain Solutions East Africa GP Co Limited

acting as general partner of ARCH Africa Cold Chain Solutions East Africa General Partner LP

itself acting as the general partner of CCSEAF

Date: 15 February 2022 _____