GRIEVANCE REDRESS MECHANISM[1]

[1] **Last updated: June 2025**

ACRONYMS

ES	Environmental and Social
ESG	Environmental, Social, and Governance
ESF	Environmental and Social Framework
ESMS	Environmental and Social Management System
GRM	Grievance Redress Mechanism
IFI	Inclusive Financial Institution
KfW	Kreditanstalt für Wiederaufbau/ KfW Development Bank
MD	Managing Director
NGO	Non-governmental Organization
WB	World Bank

DEFINITIONS

Grievance	means an issue, concern, problem, or claim (perceived or actual) that an individual or community group wants addressed by the Fund in a formal manner.
Grievance Redress Mechanism	means a formalised way to accept, assess, and resolve community complaints concerning the performance or behaviour of the Fund, its contractors, or employees. This includes adverse economic, environmental, and social impacts.
Internal Stakeholders	means groups or individuals within a Fund who work directly within the Fund, such as employees and contractors.
External Stakeholders	refer to individuals or groups who are affected or likely to be affected by the Fund and its portfolio companies and/or may have an interest in the Fund and its portfolio companies. The external stakeholders include, among others, the Fund's portfolio companies and their clients, as well as broader communities, groups, local governments, civil society organizations, community leaders and others located in the countries where the Fund and its portfolio companies are registered, located, and operate.

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I. BACKGROUND & MISSION

1.1 Verdant Capital Limited

Verdant Capital (Verdant Capital or the Firm) is an institution that has been operating since early 2013 and has an established market position and a highly experienced team. Verdant Capital is an impact-oriented investment advisory firm operating on a Pan-African basis from offices in Johannesburg, Accra and Kinshasa. The Firm was founded with a vision to specialise in sectors with a high developmental "impact" such as Inclusive Financial Institutions ("IFIs") as well as non-IFI impact sectors such agribusiness and renewable energy.

Verdant Capital Limited is licensed by the Financial Services Commission in Mauritius is authorised by the Financial Services Board in South Africa (FSP 44608).

1.2. Verdant Capital Hybrid Fund

The experience and success of these two Advisory segments – Private Credit Advisory and M&A – has laid the foundation for expanding into investment management, for which the Verdant Capital Hybrid Fund (the Fund or Verdant)[2] is the anchor product offering. The Fund will invest hybrid instruments in IFIs across Africa that are both financially sustainable and have a clear, embedded financial inclusion mandate. In executing this investment mandate, the Fund leverages from the expertise and market position of the Private Credit Advisory business.

The Fund will become a flagship part of the Firm's overall mission in terms of social performance and development impact, inclusive of best-practice Environmental, Social, and Governance ("ESG") standards and guidelines.

The Fund's social performance and development mission is to be achieved through its investments in IFIs. The key elements of this mission include:

i. *primum non nocere*, i.e., the avoidance of unmitigated environmental or social risks;
ii. creating employment through providing funding to SMEs, which are the engine of jobs growth in Africa;
iii. providing capital to self-employed micro-entrepreneurs; and
iv. where is complements the forgoing, access to education, health, housing and sustainable energy while respecting the best possible client protection principles.

It is Verdant Capital's belief that solid environmental and social performance and solid portfolio credit performance are correlated. For this reason, the Fund Manager see the environmental and social performance and development impact review as an integral part of all our due diligence processes. The experiences of the Firm and its teams over the years have informed this view, distilled out of observations such as the following:

i. In the long term environmental and social risks impact the sustainability, commercial success and "licence to operate" of ultimate borrowers, i.e., an IFI with significant exposure to a sector or

[2] The "Fund Manager", herein referred, will be a Verdant Capital corporate entity appointed to originate and manage investments of the Fund. This entity will be a GmbH to be incorporated in Germany.

borrowers with harmful environmental practices face risks relating to regulatory change, or changes to customer behaviour;

ii. Productive use loans are more likely to repaid than loans for pure consumption. For example, a loan use to grow a small business, may facilitate the business owner growing the business and having a higher income to repay. Another example might be a loan to build an extra room on a house, to rent out;

iii. Transparency: clients who understand the terms of the loan clearly before they borrow are more likely to be able and willing to repay the loan;

iv. Institutions which have a strong practice of confirming the affordability of their loan to the customer are more likely to be repaid;

v. Institutions with a strong and effectively measured social performance and absence of E&S risk factors will find it easier to generate new senior debt funding; and

vi. Using digital means to mobilise small scale savings thereby both financially including bottom-of-the-pyramid customers and providing a source of sticky deposits.

To meet the objectives specified above, the Fund has implemented an E&S Policy and Environmental and Social Management System (ESMS) to ensure that the Fund, as well as its activities and transactions are in compliance with the highest international standards and best practices in environmental and social management, as well as applicable national laws and regulations.

The Grievance Redress Mechanism (GRM) is a critical component of the Fund's E&S Policy and ESMS. The purpose of this document is to formalize the management of grievances from the Fund's stakeholders and broader community, minimize the social and environmental risks to the business, and protect the Fund's Investments and reputation. The grievance process and procedures, outlined in the document, provide an avenue for stakeholders to voice their concerns and give transparency on how grievances will be managed internally. This aims to reduce conflict and strengthen relationships with external stakeholders.

II. SCOPE

This GRM procedures applies to all external stakeholders of the Fund. External stakeholders include, but are not limited to, the Fund's portfolio companies and their clients as well as broader community. This GRM does not cover grievances raised by internal stakeholders, such as employees, who are to refer to Verdant's internal grievance procedures.

Specific and localised grievance mechanism need to be put in place by Verdant's portfolio companies, which will consider local language, customs, and other factors. This is a mandatory requirement for all Verdant's portfolio companies.

III. GRIEVANCE REPORTING CHANNELS

There are various channels that Verdant will utilize for external stakeholders to vocalise their grievances. These will include:

Telephone Stakeholders can call Verdant's head office on **+27 10 140 3700** and request to speak to a **Grievance Manager** (Roles assigned to **E&S Manager**). They can also call the Grievance Manager directly on **+2347036759777** or The Managing Director on directly on **+27 79 895 8005.**

Email Grievances can be sent directly to grievance.mechanism@verdant-cap.com,

Face to Face Stakeholders can voice their grievance to any employee of the Fund who will then follow the process (See Section V).

Online Form Stakeholders can complete a grievance form located on Verdant Capital Website (Annex 1).

Verdant will communicate this grievance procedure to its external stakeholders to raise awareness and offer transparency of how stakeholders can voice their grievances.

IV. ROLES AND RESPONSIBILITIES

For the grievance mechanism to be functioning well, a number of roles and responsibilities were established. They include the following:

Managing Director (MD):

- Has a final responsibility for an implementation of the Grievance Redress Mechanism and ensures its correct functioning;
- Acts as a Grievance Owner for Level 3 grievances;

Grievance Manager[3]:

- Makes sure the grievance mechanism procedure is being adhered to and followed correctly;
- Maintains the grievance register and monitors any correspondence;
- Monitors grievances/trends over time and reports findings to the Managing Director;
- Raises internal awareness of the grievance mechanism among employees and contractors.

Grievance Owner:

- **I**nvestigates the grievance and liaise with the external stakeholder/s;
- Develops resolutions and actions to rectify any issues;
- Follows up and tracks progress of grievance;
- Documents any interactions with external stakeholders;

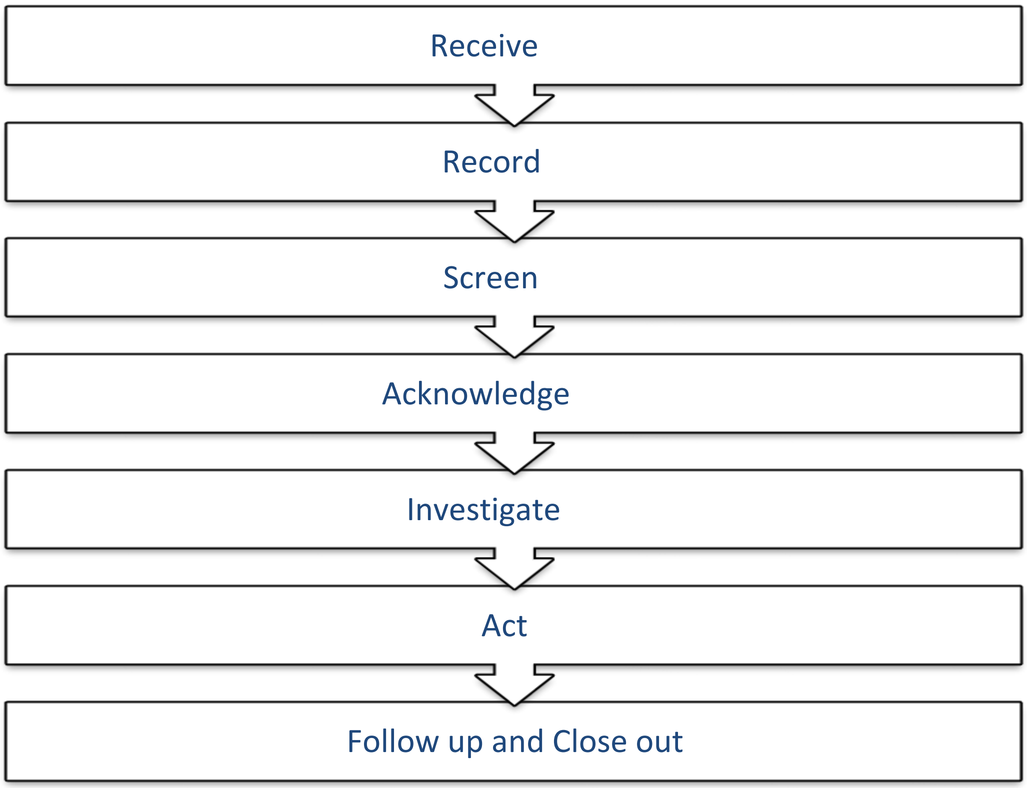
Employees/Team:

- Receive grievances in person;
- Report grievance to the Grievance Manager by lodging the Grievance Lodgement Form;
- May provide information and assistance in developing a response and close out of a grievance.

[3] Role and responsibilities assigned to an E&S Officer

V. GRIEVANCE MECHANISM PROCEDURE

Verdant will use the following process to resolve any grievances:



5.1. Receive

In person/over the phone: If a grievance is received face to face or over the phone and the stakeholder wishes to address the grievance formally, it is the responsibility of the employee who receives the grievance to complete a Grievance Lodgement Form (see Annex 1). The employee completes the Grievance Lodgement Form and passes it to Grievance Manager for processing.

Electronic: The Grievance Manager receives all grievances that come through via email or Verdant's website directly. The Grievance Manager has the responsibility to review the grievance form and process the grievance in accordance with this procedure.

5.2. Record

To log in a systematic manner all grievances, a Grievance Register will be used (see Annex 2). All Grievance Lodgement Forms will be saved in Verdant's intranet for record of correspondence.

5.3. Screen

Once the grievance is received, the Grievance Manager has a responsibility to assign a grievance owner to liaise with the external stakeholder (s) and to work on a resolution. The

Grievance Manager will also screen the grievances depending on the level of severity to determine who the grievance owner will be and how the grievance is approached.

The table below illustrates the categorization of different levels:

Category	Description	Grievance Owner
Level 1	When an answer can be provided immediately and/or Verdant is already working on a resolution. (Only formal grievances to be lodged in the Grievance Register)	Grievance Manager
Level 2	One off grievances that will not affect the reputation of Verdant.	Grievance Manager or Managing Director, when applicable
Level 3	Repeated, extensive, and high-profile grievances that may jeopardize the reputation of Verdant or its investments.	Managing Director

If the Grievance Manager determines that received communication is not a grievance, it will direct the matter to a relevant staff for further handling and communicate it (including with the contact information of the relevant staff) to the external stakeholder.

5.4. Acknowledge

The assigned grievance owner must acknowledge a grievance within three working days of a grievance being submitted. Communication can be made either verbally or in written form (stakeholders will outline their preferred method of contact on the Grievance Lodgement Form, see Annex1).

The grievance owner should include in the acknowledgment a summary of the grievance, method that will be taken to resolve the grievance and an estimated timeframe in which the grievance will be resolved. If required, the acknowledgment should provide an opportunity to ask for any additional information or to clarify any issues.

5.5. Investigate

The grievance owner is responsible for investigating the grievance. The process of investigation may require the grievance owner to make site visits, consult employees, contact external stakeholders, and complete other activities. The investigation timeline shall be reasonable, fair, and sensible and shall be undertaken and conducted without undue delay. Depending on the nature and complexity of the grievance, a timeline to investigate may be different. However, as a general principle, Category 1 grievances shall be investigated within two weeks and Category 2 grievances within a month. Investigation of Category 3 grievances will greatly depend on the complexity of the issue, existing and/or potential involvement of civil society organizations, and whether commissioning of external experts is necessary to understand the challenge encountered; hence, it may take three months or even longer. In any case, it shall not take longer than 6 months. Records of meetings, discussions and activities need to be recorded and documented without undue delay. Once the information gathered is investigated, a determination will be made as to how the grievance is handled and what steps need to be taken in order to resolve the grievance.

5.6. Act

Once the investigation is completed, the grievance owner will use the findings to create an action plan outlining steps to be taken to resolve the grievance. The grievance owner is responsible for assigning actions, monitoring actions undertaken, and making sure deadlines are adhered to. Once all actions have been completed and the grievance owner feels the grievance has been resolved, the grievance owner will then formally advise the external stakeholder via their preferred method of contact.

5.7. Follow Up and Close

Three weeks after the grievance is resolved, the grievance owner will contact the external stakeholder(s) to verify that the outcome was satisfied and gather any feedback on the grievance process. Minutes of the meeting need to be recorded and saved in Verdant's intranet. If required, the grievance owner may need to follow up with the external stakeholder on numerous occasions to confirm all parties are satisfied.

The grievance will be closed once Verdant receives a confirmation from the external stakeholder(s) that the grievance has been addressed. The grievance will also be closed at any point of the process shall the external stakeholder(s) pass away.

There may be various circumstances under which the grievance may not be solved to the external stakeholder's satisfaction. In those circumstances the grievance, once considered by Versant with best efforts undertaken to address it (within the limits of its mandate), can be closed by Verdant without the confirmation from the external stakeholder that the grievance had been addressed. In those cases, Verdant will inform the external stakeholder about the outcome and the available Appeal process.

VI. APPEAL

In case the external stakeholder is not satisfied with the resolution or the proposed actions, the grievance owner needs to escalate the matter to the executive management team. The executive team will review the grievance and all documentation gathered throughout the investigation and determine whether further actions are required to resolve the grievance.

Verdant is fully committed to resolving an external stakeholder's grievances. Thus, in cases in which it may not be able to resolve a complaint, or a stakeholder is not satisfied with the outcome, including local or international professional mediators and/or appropriate courts.

VII. REPORTING

Verdant's executive management team will receive semi-annual updates on stakeholder grievances. The semi-annual updates will contain information outlining the number of grievances, time to resolution, and outcomes of grievances. A summary of grievances received will be made available to the public. Verdant will also report the grievances received to its investors, with frequency and format as required by the investors.

The Grievance Redress Mechanism procedures will be evaluated every two years (or when required) to continually improve Verdant's stakeholder engagement.

VIII. RECORD KEEPING

All records, including grievance forms, investigation notes, interviews and minutes of meetings will be securely filed in Verdant's intranet to ensure privacy and confidentiality is maintained for all parties involved.

XIX. REFERENCES

This Grievance Redress Mechanism is in line with the best international practice, particularly with the Environmental and Social Safeguard Policies (ESSP)[4] and the Environmental and Social Framework (ESF) of the World Bank (WB).[5] It also meets the requirements of the German Development Bank, KfW. [6]

[4] World Bank. Environmental and Social Safeguard Policies. Available at https://www.worldbank.org/en/projects-operations/environmental-and-social-policies
[5] World Bank. Environmental and Social Framework. Available at https://www.worldbank.org/en/projects-operations/environmental-and-social-framework
[6] https://www.kfw.de/About-KfW/

ANNEX 1. GRIEVANCE LODGEMENT FORM

Name:			☐ Please do not use my name when talking about this concern in public
Company: **(If applicable)**			
Date:		**Time:**	
Preferred Contact Method:	Telephone: Email: Mail: Address:		
Please describe your grievance			
What resolution/outcome are you expecting?			
Additional Information/ Attached Documentation			
Signature			

Office Use Only

Stakeholder Reference	Mark with X, if applicable			
	NGO	X	Government	
	Indigenous		Government – Local	
	Member of a community		Client Company	
	Contractor		Supplier	
	Other			
	Comment:			

ANNEX 2. EXTERNAL GRIEVANCE REGISTER

External Grievance Register									
Stakeholder	Date received	Stakeholder Contact Information	Grievance Owner	Grievance Level (1, 2, 3)	Grievance Description	Cause of the grievance	Outcome	If a resolution was offered please indicate 'accepted' or 'not accepted'.	Actions/ Notes