AFRICA FINANCE CORPORATION

ENVIRONMENTAL AND SOCIAL GRIEVANCE REDRESS MECHANISM

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ACRONYMS

AFC   Africa Finance Corporation
BRIC  Board Risk and Investment Committee
CRO   Chief Risk Officer
E&S   Environmental and Social
ESMS  Environmental and Social Management System
ESRM  Environmental and Social Risk Management
ESRM UNIT Environmental and Social Risk Officer
EXCO  Executive Management Committee
GRM   Grievance Redress Mechanism
PAP   Project Affected Person
PMO   Portfolio Management and Optimization
RISKCO Risk Management Committee
1 PURPOSE AND SCOPE

As an international financial institution, AFC does not directly account for material environmental and social risks and impacts to the host communities. However, through its investment activities, the Corporation’s portfolio (projects financed) may give rise to material potential adverse environmental or social risks or impacts. Through its E&S risk management framework and contractual E&S safeguards under its financing instruments, AFC ensures that its portfolio companies or projects have effective and functioning Environmental and Social Management Systems (ESMS) in place to mitigate and manage the environmental and social impact of their operations in line with international standards. This includes, among other measures, the need for ongoing stakeholder engagements, an effective and fully embedded grievance redress mechanism that ensures that any stakeholder grievances relating to a project’s operations are properly identified, assessed, and resolved in line with local and international standards. Through contractual information rights, AFC actively monitors stakeholder grievance reports filed to its portfolio companies and works closely with each project and stakeholders to ensure that community and stakeholder grievances addressed to the project are adequately managed and resolved.

AFC’s Grievance Redress Mechanism (GRM) is thus intended as a recourse instrument for escalation by Project Affected Persons (PAPs) whose grievances have not been satisfactorily addressed by an AFC-financed project in line with the mechanism at the project level. Stakeholders are required to first report their grievances to the Project and go through the Project’s grievance redress process, and should only resort to AFC where they believe that (i) their grievance has not been satisfactorily addressed or (ii) the Project has failed to respect its laid down process for grievance redress (including extended delays, etc.)

AFC’s GRM aims to ensure independent review and treatment of complaints addressed to AFC by individuals or communities who claim that a Project financed by AFC has caused undesirable social and/or environmental impact(s). The Mechanism applies to all projects for which AFC has financial commitment in the form of equity or debt. The Mechanism promotes a constructive approach based on the processing of complaints through a compliance review process. The process aims to determine whether an AFC-financed Project complied with AFC’s E&S Risk Management Policies and contractual performance requirements, and to recommend remedies in cases of non-compliance. AFC’s objective under the GRM is not to provide direct compensation to PAPs pursuant to a Complaint. AFC’s commitment is rather to engage and actively work with the relevant portfolio company to ensure that the reported grievance is appropriately assessed and adequately addressed in line with applicable local and international standards as guided by the project’s E&S commitment.
This document sets out the procedure, conditions and guidance for complaint filing and processing by AFC. The GRM is in line with the AFC’s Environment & Social Risk Management Policy and strengthens the transparency and accountability of AFC projects and operations.

2 COMPLAINT FILING

2.1 Who Can File a Complaint?

Any individual or community who believes that an AFC-financed project has directly or indirectly adversely affected them can submit a complaint.

Before a complaint can be filed with AFC, the complainant must have exhausted the project internal GRM and/or all other out-of-court dispute-resolution avenues offered by the project. Complainants are required to include detailed information and supporting evidence of unsatisfactory grievance redress attempts by the project in their complaint to AFC.

2.2 Complaint Channels

The ESRM Unit within the Risk Management & Compliance Division coordinates the administration of the GRM and receives Complaints in two ways: (i) direct – Complaints received by the ESRM Unit directly from individuals or communities affected by an AFC-financed project or their authorized representative or (ii) referred – Complaints received by PMO and other Staff and referred to the ESRM Unit.

Direct Complaints: Complaints must be in writing and can be filed through the following methods:

i. Online through a dedicated form that is available on the AFC website.

ii. By email to grievance@africafc.org

iii. By post or hand-delivered to AFC Headquarters at the following address:

   Africa Finance Corporation  
   E&S Grievance Redress  
   3a, Osborne Road, Ikoyi  
   Lagos, Nigeria
**Referred Complaints:** PMO and other Staff forward to the ESRM Unit all Complaints from external parties relating to AFC-financed projects within 10 business days of receiving any such Complaint.

### 2.3 Content of a Complaint

The Complaint must identify the individual(s) submitting the Complaint and their contact details, and whether they are individuals or communities affected by AFC-financed projects or an authorized representative.

If the Complainant submits a Complaint through an authorized representative, the authorized representatives must include their name and contact details. The authorized representatives must also provide written proof of their authority to represent and act on behalf of the Complainant in relation to the Complaint. Such proof will be in the form of a power of attorney or equivalent signed letter by the Complainant which is legally valid in the Complainant’s country. The representative must also provide a list of duly named complainant(s). AFC will communicate directly with the authorized representative, as necessary and appropriate. A Complainant may also submit the Complaint on their own behalf and appoint a contact person or persons for further communications regarding the Complaint. In any event, AFC may also communicate with the complainant directly if necessary and appropriate.

The complaint must include the following information:

- **Name and contact information** (telephone, email, and physical address) of the Complainants (and their Representative, if applicable).
- **A clear definition or description of the Project**, including project name, location, (and brief description of activities, where possible).
- **the adverse impacts allegedly caused or likely to be caused by the AFC-financed Operation.** The adverse impacts are supported by documentation and correspondence, where possible and appropriate, or are provided later upon request by AFC.
- **Effective date of the grievance and/or the date the impact was discovered.**
- **A description of steps already taken and the status of discussions between the Project and the complainant or their representative.**
- **Evidence that out-of-court remedies provided by the project have been exhausted and are unsuccessful, and/or evidence of delay by the project beyond the stipulated timeline in the Project’s grievance redress mechanism.**
- **A desired outcome, i.e., how the Complaint may be resolved.**
• A statement of new evidence or changed circumstances justifying revisiting a Complaint if AFC has examined the same issues previously.

2.4 Language

Complaints should ideally be submitted in English or French. Complaints filed in a language other than English, or French will require additional response time due to the need for translation, in which case AFC will inform the Complainant or Representative of any such delay.

2.5 Complaint Admissibility

Admissibility criteria: A Complaint is admissible for processing via this GRM if it:

• relates to the E&S performance of an AFC-financed project.
• provides all the requisite information, as specified in Section 2.3 above, to be included in a complaint.
• describes the good-faith, yet unsatisfactory, efforts that the Complainant has made with the Project to resolve the issues described in the Complaint. Such efforts may include out-of-court avenues offered by the Project, such as a project-level grievance redress mechanism. In addition, a description of the outcome of such efforts must be provided and an explanation for why such avenues failed to resolve the dispute.
• is received, at least, post financial close of the project and, at most, within twelve (12) months of the closure of the Project.

Exclusions: A complaint will not be admissible for processing via this GRM if it:

• it exclusively concerns an issue or impact that does not fall within the scope of the AFC E&S Risk Management Policy, in which case the Complaint will be forwarded to the relevant AFC Department.
• it concerns a Project or Parties that AFC did not finance.
• it concerns one or more issues or impacts that the GRM has already treated in a previous Complaint, unless the current Complaint describes new issues, facts and/or impacts that were unknown when the previous Complaint was filed.
• the Complainant has not exhausted or used other avenues of out-of-court dispute resolution provided by the Project, unless the Complainant proves that their good-faith use of such avenues could not occur.
3 COMPLAINT PROCESSING

AFC’s GRM processes Complaints in five stages as outlined below:

| Complaint Intake | Evaluation | Solution-Seeking | Monitoring of the implementation of agreed solution | Complaint Closure |

This process is applicable for projects financed by AFC on a bilateral basis. Where a project is financed through a syndicated facility, the Complainant or Representative will be informed of the need for coordinated action by the lender group and the need for a single point of contact, which would ideally be the facility agent or designated E&S agent, or any other party as agreed by the lender group. The ESRM Unit or PMO then shares the complaint with the wider lender group for coordinated action.

3.1 Intake

At intake, the ESRM Unit reviews Complaints immediately for *prima facie* admissibility. Inadmissible Complaints are not processed further but may be referred to the relevant Unit in the Bank where applicable as per the Complaints Admissibility section above. Complaints which appear to be admissible are immediately registered in the Complaints Register.

The ESRM Unit notifies the Complainant of receipt of the Complaint within 2 business days of receipt by the ESRM Unit. Also, the ESRM Unit notifies PMO and other relevant Staff of the receipt of the Complaint. All relevant internal Teams are to be included in the grievance generic email address, so they receive Complaints via email at the same time as the ESRM Unit.

3.2 Evaluation

Within 10 business days of acknowledging receipt of a Complaint, the ESRM Unit coordinates the review of the admissibility of the Complaint and the nature of the issues and alleged impacts, in consultation and collaboration with PMO and other relevant Staff where necessary. The review may result in the following determinations:

- **Request further information:** The ESRM Unit has the option to request further information from the Complainant to inform the evaluation. If no response is received from the Complainant within 10 business days of the request, the ESRM Unit contacts the Complainant again. If no response is received within 10 business days of the second request, the ESRM Unit closes the Complaint and informs the Complainant of this decision and the reasons for it. The ESRM Unit will consider
reopening a Complaint if the Complainant responses subsequently providing the information requested.

ii **Determine the Complaint is Inadmissible:** If the ESRM Unit determines that a Complaint is not admissible as set out in Section 2.5 of this Procedure, the ESRM Unit notifies the Complainant of this decision and the reason for such inadmissibility. In such a case, the Complaint is not processed any further and is closed in the Complaints Register.

iii **Determine the Complaint is Admissible:** If the ESRM Unit determines that a Complaint is admissible after evaluation, the ESRM Unit informs the Complainant as well as PMO and other relevant Staff as appropriate on a “need to know” basis. The Complaint then moves to the solution-seeking phase.

iv **Decide Complaints Risk Classification:** Admissible Complaints are to be classified as High, Moderate or Low risk by the ESRM Unit in consultation with relevant Staff, based on the level of risk, urgency, severity, and potential for escalation, considering the issues raised. The Risk Classification of the Complaint is not synonymous with, though may be informed by the E&S risk rating of the AFC-financed project associated with the Complaint. The ESRM Unit may change the Risk Classification of the Complaint as new information becomes available. The Risk Classification of each admissible Complaint is a prioritization tool for AFC Staff involved in the Complaints treatment and is not shared with Complainants or other external parties.

**Point of Contact:** The ESRM Unit serves as primary contact with the Complainant. However, where appropriate and deemed efficient, especially in the case of Referred Complaints, the ESRM Unit may elect to route notifications and requests for information via PMO to the Complainant, in which case, PMO will serve as the primary contact with the Complainant.

**Compliance with Timeframes:** The ESRM Unit monitors compliance with the timeframes set out in this Procedure.

### 3.3 Solution-Seeking

**Formulation of solution proposal:** Once a Complaint is determined to be admissible, the ESRM Unit and PMO review the issues raised by the Complaint and discuss options to address the identified concerns. The ESRM Unit and PMO contact the Complainant and the Project (Borrower) separately (or jointly if feasible) to review the concerns and discuss possible actions to address the Complaint. The ESRM Unit and PMO, with input as necessary from other internal Teams such as Legal, and in coordination with the Borrower,
prepare a proposal to resolve the Complaint (the solution proposal). The objective is to engage with the Borrower (AFC-financed project) to ensure that the reported grievance is appropriately reassessed and adequately addressed in line with applicable local and international standards as guided by AFC’s E&S requirements and the project’s E&S commitment.

**Communication of Proposed Solution to Complainant:** Within 45 business days from the notification to the Complainant of the admissibility of the Complaint, the ESRM Unit or PMO, as appropriate, sends the proposed solution to the Complainant and seeks the input of the Complainant on the proposed solution. The proposed solution includes an action plan with a timeframe for its implementation. In exceptional cases, e.g., for complex Complaints or Complaints supported by many documents or requiring extensive translation of supporting documents, the ESRM Unit has the option to extend the time limit for communication of the proposed solution to 60 Business Days. The ESRM Unit or PMO, as appropriate, informs the Complainant of any extension in a timely manner and explains the reasons for it.

**Agreement by Complainant:** The Complainant has 30 business days from the date of communication to consider the proposed solution. If the proposed solution is accepted by the Complainant, PMO coordinates and monitors its implementation by the Borrower according to the timeframe set out in the proposed solution.

**Rejection by Complainant:** If the proposed solution is rejected by the Complainant, the ESRM Unit and PMO continue in dialogue with the Complainant to see if a solution can be found. If there is still no resolution within another 30 Business Days, the ESRM Unit determines that no solution can be reached, closes the Complaint, and informs the Complainant accordingly, subject to guidance by the Chief Risk Officer (CRO) as appropriate.

**3.4 Monitoring of the Implementation of the Proposed Solution**

Once a proposed solution is accepted by the Complainant, the Borrower is requested to begin implementation within the agreed timeframe. PMO keeps the ESRM Unit informed on the status of implementation until the agreed actions are completed. The ESRM Unit or PMO will continue to keep the Complainant informed on the status of implementation. PMO requests support and advice from the ESRM Unit as needed.

The ESRM Unit receives monthly updates from PMO on the implementation of the actions in the solution proposal until the actions set out in the solution proposal are satisfactorily completed.
3.5 Process conclusion

**Resolution**: The ESRM Unit closes the Complaint when agreed upon actions are satisfactorily completed and the necessary supporting documents for such conclusion are provided by PMO. The ESRM Unit or PMO notifies the Complainant accordingly.

**No satisfactory resolution**: If the Complainant believes that the actions have not been satisfactorily implemented, the Complainant advises the ESRM Unit or PMO within 10 Business Days. The ESRM Unit and PMO engage with the Complainant to determine whether and how to achieve a satisfactory outcome. If such additional engagement does not lead to a further agreement, the ESRM Unit closes the Complaint.

3.6 Escalation

The ESRM Unit escalates high risk Complaints (as classified under the Complaints Risk Classification) to Management, considering the severity of the Complaint, potential harm to the Complainant, reputational risk to AFC, or if the ESRM Unit is unable to satisfactorily resolve the Complaint using the standard Complaint processing as set out in this Procedure. The Complaint is first escalated to the CRO and tabled at RISKCO for assessment, guidance, and onward notification to EXCO as appropriate.

4 REPORTING AND DISCLOSURE

The ESRM Unit reports on the status of Complaints received, while maintaining Confidentiality, in the following ways.

4.1 Complainants

The ESRM Unit or PMO shares with the Complainant all information relevant to the case as necessary, including updates on the status and progress of the Complaint process, to the extent possible and subject to AFC’s Data Privacy and Confidentiality rules.

4.2 Staff and Management

The ESRM Unit prepares monthly status reports on Complaints, based on updates from PMO. These reports are shared with relevant Management and Board committees (RISKCO, EXCO, BRIC, etc.) per specific reporting frequencies to each relevant Committee.

4.3 The Public

The ESRM Unit prepares an Annual Report, which includes a general anonymized analysis of complaints received and treated by AFC’s GRM over the previous year. The report is
first presented by the CRO to EXCO for review and approval. An abridged GRM report will be incorporated in the AFC Annual Report or published on a standalone basis on the AFC website.

5 ROLES AND RESPONSIBILITIES

5.1 Chief Risk Officer

Oversees the entire GRM and provide guidance as necessary.

5.2 ESRM Unit

Administer the functions of the GRM including the following:

i managing the processing of Complaints, including:
   • Receive and register complaints for compliance review to determine their admissibility.
   • Liaise with the internal and external stakeholders, including AFC, Borrowers and Complainants to elicit relevant views and engagement as well as explore amicable solutions to Complaints, in consultation and collaboration with PMO and other relevant Staff as necessary.
   • Work with PMO on applicable policies and procedures to assess, assign classification and responsibility, including escalation.
   • Initiate a proposed response and contribute to the review and monitoring of the implementation of agreed actions to resolve Complaints.
   • Communicate the proposed response to complainant and seek agreement on the response or refer the grievance.
   • Support coordination of implementation of the response to resolve the grievance
   • report to Management on progress towards resolution of Complaints.
   • Recommend closure of Complaints when agreed actions are completed or when no solution can be reached.

ii ensuring relevant Staff are informed of Complaints in a timely manner.

iii preparing GRM related input to periodic and annual reports.

iv Keep CRO informed on all issues and action to be taken on the moderate and high rated GRM issues.

v identify systemic issues for institutional learning purposes.

vi organize training, outreach, and information dissemination on the GRM.
5.3 **PMO**

Work with the ESRM Unit to find sustainable solutions to Complaints and process Complaints in a timely manner, including:

i. referring to the ESRM Unit all Complaints received by PMO within 10 business days. This includes Complaints that are referred to the PMO by other Staff.

ii. engaging with the Complainant and the Borrower, in coordination and collaboration with the ESRM Unit, to obtain complete, accurate and up-to-date information on Complaints and AFC-financed projects to facilitate the processing of Complaints.

iii. Monitoring and supporting Borrowers to implement agreed solutions to resolve Complaints

**NB:** All reference to PMO in this document would imply the relevant Transaction Execution Teams in the case where Complaints are received on Projects that are yet to be handed over by the Transaction Execution Team to PMO. Transaction handovers between the Transaction Execution Teams and PMO should include detailed discussion and handover of any open Complaints under processing.

5.4 **Other Relevant Internal Teams (Legal, etc.)**

Provide advice to the ESRM Unit, PMO and Management on Complaints as needed, particularly for high-risk Complaints (as classified under the Complaints Risk Classification).

5.5 **RISKCO and Other Relevant Committees**

Review the GRM caseload and performance and provide oversight/guidance on specific high-risk cases, as necessary.

6 **GENERAL PROVISIONS**

6.1 **Effect of Complaints on AFC Projects**

The fact that a Complaint has been registered or found admissible for processing by the GRM does not mean that AFC will suspend its participation in the Project. However, if at any time during the processing of the Complaint, the ESRM Unit believes that a serious, irreparable E&S impact could be caused by further Project execution, especially when such execution depends on AFC providing funds for it, the ESRM Unit may recommend that AFC suspends disbursements for the Project. This type of recommendation should consider co-financing implications, where applicable.
6.2 Revision

This Procedure will be reviewed annually by AFC’s Risk Management & Compliance Division, and then recommended to EXCO for endorsement approval and BRIC for approval.