



Luxembourg, 26.10.2022

Environmental and Social Data Sheet

Overview

Project Name:	<i>AFRICAN INFRASTRUCTURE INVESTMENT FUND 4</i>
Project Number:	<i>2021-0726</i>
Country:	<i>Regional Africa</i>
Project Description:	Equity fund focusing on value-add infrastructure assets (mainly construction and growth assets) in Africa, with a focus on sub-Saharan Africa.
EIA required:	yes
Project included in Carbon Footprint Exercise ¹ :	no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

AFRICAN INFRASTRUCTURE INVESTMENT FUND 4 (AIIF 4) will invest primarily in greenfield and expansion sustainable infrastructure projects / operators / developers across Africa, predominantly in the energy transition, digital & telecom, mobility & logistics.

The Fund Manager was created in 2000 as a subsidiary of Old Mutual Group and is one of Africa's leading infrastructure investment firms with regional presence in South Africa, Nigeria, Kenya and Cote d'Ivoire.

The Fund will finance pure greenfield projects, upgrade programmes or infrastructure business via significant capital expenditure programmes. The Fund targets medium sized infrastructure operating companies with the objective to implement capital expenditures, as well as to improve their operational efficiency. Opportunistically, the Fund can invest in pure brownfield assets.

Key environmental, climate and social issues associated with the operation derive from the ability of the Fund Manager to carry out appropriate ECS due diligence and monitoring of projects in line with the 2022 EIB Environmental and Social Standards.

ECS Policy

The Fund Manager has a fit for purpose ESG Policy aligned to that of the Parent-group company which details the integration of sustainability management practices risks in all Groups' proposed investments. In details, the Policy covers aspects related to: i) the identification, management and mitigation of environmental, climate and social risks in line with the requirements of major international financial institutions; ii) the application of an exclusion

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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list for all asset operations of the Group and iii) the integration of the UN Sustainable Development Goals (SDGs) into the Group's ESG framework.

Environmental and Social Management System (ESMS)

The Fund Manager has demonstrated a strong commitment to ESG performance. The Fund Manager has also assumed an active ownership of its portfolio companies requiring them to regularly report on ESG aspects and issues.

The Fund Manager has developed and implemented a comprehensive ESMS, regularly reviewed and aligned with recognized international standards guidelines such as, but not limited to, IFC Performance Standards; the UN Principles for Responsible Investment, the Task Force on Climate-related Financial Disclosure (TCFD); SASB Materiality; 2X Challenge and the ILPA diversity framework. The ESMS defines, amongst others, the policies and procedures that will apply to the investments, the organisational arrangements that will ensure their effective implementation, including monitoring and reporting, external communication mechanism, and the implementation of a grievance mechanism. The ESMS was reviewed based on the EIB Environmental and Social Standards and was found acceptable conditional to the incorporation of some adjustments detailed in the following section.

The ESMS describes the process of ESG management throughout the entire investment cycle, namely: i) screening; ii) due diligence; iii) transition management and iv) realisation process. The Environmental and Social Due Diligence (ESDD) reports are part of the technical DD and are duly considered during the entire investment cycle and the decision making process.

The ESDD includes an initial screening against the list of excluded activities, the identification of E&S red flags and an initial E&S risk categorisation for the proposed investments. The results of this preliminary E&S risk assessment is prepared by a group level ESG committee and presented to the investment committee for approval. If deemed admissible, each investments will go through a detailed ESDD prepared by external dependent consultants where risk categorisation is verified and adjusted. Any gaps with the Fund's ECS standards identified at this stage are captured in an Environmental and Social Action Plan (ESAP) linked to a specific implementation schedule. For each portfolio company, the Fund manager requests to establish an ESMS aligned with the Fund's ESMS and to establish an ESG sub-committee to assist the Board in fulfilling responsibilities related to the ESAP implementation. The ESG sub-committees also provide ESG monitoring data and reporting to the Fund manager on a quarterly basis.

ESDD findings and aspects of the deal are presented and considered by Investment Committee. In case of approval, the Fund Manager negotiate and agree with potential portfolio companies and contractors the ESG provisions and conditions to be included in the investment agreements.

The Fund Manager has a dedicated staff of three full time ESG resources (two in South Africa and one in Cote d'Ivoire) in charge of the ECS management of the portfolio. Due to the increased portfolio size through the deployment of AIIF4, a fourth resource is being recruited to the team. The ESG team also maintains a list of external consultant with appropriate infrastructure subsector expertise in Africa to perform due diligence and monitoring of for high-risk projects. Due diligence and monitoring of the same portfolio company are conducted by different independent consultants.

The Fund manager provides ECS-related trainings for internal staff covering topics such as ESMS processes, Modern Slavery and TCFD implementation. Trainings are delivered in a



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workshop-like or online module in a need basis. The Fund Manager will be required to prepare a formalized training plan and schedule for staff and portfolio companies.

At the time of appraisal, the EIB noted that the Fund Manager was developing specific guidance and monitoring requirements for the assessment and management of gender based violence and harassment (GBVH) and labour related risks in the supply chain to be included in the ESMS. Due to the sensitivity of those risks in the proposed portfolio companies, the EIB will require the Fund Manager to implement this guidance of these actions before signature.

The environmental and social impact of most of the investments – if appropriately designed and operated - is expected to be limited, site-specific, and largely reversible with no significant negative residual effects after the implementation of mitigation measures. This might not be the case for (but not limited to) certain greenfield mobility infrastructure projects, with potential significant high E&S risks in relations to impacts on biodiversity, involuntary resettlement, community health and safety and engagement with local communities. As such, an ongoing supervision from international lenders would be required to ensure that appropriate mitigation measures are in place in these projects in line with latest standards.

If a project is likely to affect a nature conservation zone or other sensitive areas as defined in national or international environmental legislation, the fund manager shall obtain confirmation from the competent authority – following a biodiversity assessment in line with EIB requirements – that the scheme does not have significant negative impacts on any site of nature conservation importance.

In the legal documentation with the EIB, The Fund Manager shall include an obligation for all investee to comply with the EIB excluded and restricted list of activities, the EIB Environmental and Social (E&S) standards and core requirements as well as the E&S national laws and regulations. The mitigation of key risks and impacts derives from the Fund's capacity to identify and manage potential environmental and social risks and impacts associated with the projects in the pipeline and to maintain and operate an appropriate Environmental and Social Management System (ESMS).

Other Environmental and Social Aspects

E&S aspects are well integrated in the Fund's investment process, whereby these aspects are reviewed in tandem with other investment documents at the Investment Committee. Additionally, given the potential risks attached with certain investments, the Fund Manager will organize regular E&S subcommittee meetings where the Fund Manager will bring to the Limited Partner's attention E&S aspects for discussion.

In order to enhance the positive impacts of its investment and promoter gender equality, the Fund Manager confirmed that in July 2022 the Fund was recognised to qualify as a '2x investment' under the [2X challenge criteria](#). In agreeing to qualify as 2X Challenge investment, the Fund Manager will use reasonable efforts to maintain or increase at least one of the following 2X Challenge criteria:

- 30% of the portfolio companies meeting a threshold in terms of entrepreneurship, employment, leadership or consumption opportunities for women;
- 40% women within the workforce and the continued implementation of initiatives to support women and advance within the workforce.

Once the criteria are identified, the Fund Manager will report progress on implementation to the EIB on an annual basis.



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Key Positive Impacts

The investments to be realised by the Fund are expected to enhance inclusive growth and sustainable economic development in Africa, and in particular in the sub-Saharan countries. Supporting key enabling mobility infrastructure projects in Africa, will contribute to improving the efficiency of the transport, logistics and trade corridors, fostering regional integration and improving accessibility to remote regions. Access to an affordable and reliable supply of renewable electricity is also critical to the reduction of poverty and inequality. Digital infrastructure projects will improve the relatively low broadband penetration in the Region, as well as capacity expansion and integration and contribute to unlocking connectivity in the Region supporting positives impacts and changes across all economic sectors.

EIB Carbon Footprint Exercise

The project is not included in the EIB carbon footprint exercise.

As usual in funds, the net emission savings cannot be reliably estimated at this stage, as the expected portfolio of the Fund's Investments is still under development and there is not sufficient data. However, during the investment period the Fund will monitor and report CO₂ savings when reliable data becomes available.

Conclusions and Recommendations

During appraisal, it was verified that the Fund Manager understood the Bank's environmental and social requirements and is willing and capable to fully implement them at Fund level but also at portfolio company level.

To complement its ESMS and to improve the management and monitoring of ECS performance in high-risk projects, the Fund Manager will be required to:

- i) Incorporate the EIB's environmental and Social requirements into its legal documentation to the satisfaction of the Bank, and will enhance its ESMS to include reference to the EIB's environmental and Social standards;
- ii) Carry out an independent audit for all projects requiring land acquisition and resettlement to ensure compliance with EIB Standard 6 requirements and a biodiversity audit in line with Standard 4 requirements, where applicable. The Fund Manager will implement corrective measures should gaps be identified;
- iii) Through the implementation of its ESMS, the Fund manager shall ensure that investees comply with the EIB environmental and social standards.
- iv) Develop a climate change risk assessment and action plan for the assets over the lifetime of the investments and ensure that strategy and governance on climate resilience and adaptation is being implemented effectively.
- v) Ensure EIB participation in the E&S sub-committee to advise the Fund on ECS matters, including on ECS risks and impacts in high-risk investments as well as any amendments to the ESMS as required;
- vi) Submit regular reporting to the EIB on the implementation of the Fund's ESMS, including the E&S performance of its portfolio investments and on agreed environment, climate and social impact indicators;



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- vii) Submit an adequate ECS training plan for internal staff and portfolio companies. The training plan would need to include a list of training topics and targeted staff;
- viii) Include GBVH, forced and child labour risks assessment for its construction sites and implement mitigation measures and report on where risks are identified;
- ix) Provide regular annual updates on the Environmental and social performance of its investments;
- x) Agreed on at least one 2X challenge criteria applicable to the Fund and report implementation progress to the EIB on an annual basis