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Environmental and Social Data Sheet

Overview

Project Name: Infrastructure Climate Resilient Fund
 Project Number: 2023-0795
 Country: Regional - Africa
 Project Description: Private equity fund targeting investments primarily in climate resilient infrastructure in Africa

EIA required: Yes, it is expected that multiple investments from the fund will concern projects requiring an EIA

Project included in Carbon Footprint Exercise¹: certain assets under the project may be subject to the Carbon Footprint Exercise. (details to be confirmed during the monitoring phase of the project)

Environmental and Social Assessment

The Infrastructure Climate Resilience Fund (“ICRF” or “the Fund”) will invest primarily in the new build and/or expansion of sustainable infrastructure projects / operators / developers in the following sectors: mobility and (agri-)logistics, energy transition, economic zones, and digital. ICRF will systematically prioritise long-term sustainability by focusing on development and resilience and will only finance critical infrastructure projects and industrial assets designed to anticipate and adapt to changing climate conditions in Africa.

The Fund Manager (AFC Capital Partners, “ACP” or “the Fund Manager”), created in 2021, is a wholly owned asset management subsidiary of Africa Finance Corporation (“AFC”), a multilateral development bank founded in 2007 through a partnership between 43 sovereign African states and private sector investors to help address Africa’s infrastructure needs. AFC mandate is to provide tailored public and private financing solutions to accelerate infrastructure deployment amid the challenges of the operating environment on the continent. AFC has already invested in 36 countries and has to date approximately USD 12.3bn under management.

The Fund’s capital will be primarily deployed through co-investments alongside AFC, leveraging the investment experience and track record of the latter across Sub-Saharan Africa with the objective to implement capital expenditures programmes as well as improve their resilience and operational efficiency.

The Fund has already secured the Green Climate Fund (GCF) as an anchor investor. The Fund Investments will be then selected, invested, developed, and managed by ACP in cooperation with AFC, in compliance to AFC and GCF environmental and social policies and requirements.

This will be the first operation for the EIB with both AFC and the Fund Manager, who, in turn, has no track record as this is its first fund.

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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Environmental Assessment

The operation may allow the implementation of a broad range of projects including: port, road, bridges, airport, rail infrastructure, rolling stock, renewable energy (generation and transmission lines), telecommunications, data centres, and assets enabling the development of resilient economic zones (mainly agro-parks, but also industrial parks) and the associated supply chains.

Most of the Fund's type of investments are likely to have significant environmental and/or social impacts and risks. ICRF's investment programme will have a large footprint and may be implemented in areas with ecological sensitive, rich biodiversity and diverse socio-cultural background. As a result, some of the main impacts and risks linked to the Fund's underlying investments may materialize either during the construction and/or the operation phase and as a result, different EIB E&S standards with their relative safeguards and mitigation requirements might apply in the ICRF's investment programme.

These envisaged investments are thus categorised as high risk in accordance with the EIB Group Environmental and Social Policy (EIB E&S Policy). While the Bank assesses the levels of expected impacts and risks of the portfolio investments (at appraisal), the Bank services do not envision to conduct due diligence and monitoring of sub-projects and investments.

While deploying ICRF, the Fund Manager will conduct, as part of the due diligence process, an in-depth analysis on each investment opportunity, including its environmental and social risks and impacts. The Fund takes also climate risks (physical and transitional) into account in its analysis. ICRF environmental monitoring aims at controlling environmental risks, reducing the environmental footprint, and defining solutions with high environmental added-value.

Key environmental, climate and social issues associated with the operation derive from the ability of the Fund Manager to carry out appropriate Environment, Climate and Social (ECS) due diligence and monitoring of projects and to implement the investments in line with the EIB Group Environmental and Social Sustainability Framework (ESSF) as well as in compliance with the relevant national legislations and the applicable Environmental Impact Assessment Regulations. To that end, prior to approval for financing of any of the envisaged assets, the Fund Manager will conduct additional due diligence for all sub-projects at Fund's appraisal level in the areas where gaps between its applicable internal procedures and the EIBG ESSF are identified.

Environmental and Social Governance (ESG) Policy

The Fund Manager has a fit for purpose ESG Policy aligned to that of the Parent company which details the integration of sustainability management practices in all AFC' proposed investments. The AFC/ACP's ESG policies, which have been adopted by the Board of ACP and applies to the Fund, were further enriched to match latest international standards. The AFC's Board of Directors is responsible for the approval, review and supervision of the AFC/ACP's E&S policy, which has been disseminated within the organisation and publicly disclosed.

Main objectives of the policy include among others: i) due consideration to all environmental, safety, social and governance issues associated with potential investment opportunities; ii) continuous engagement with relevant stakeholders (both internal and external); iii) ensuring transparency and timely communication with stakeholders and disclosure on ESG matters; iv) compliance with applicable local, national, and international environmental laws, regulations, standards and best practice relevant to the Fund's activities; v) aligning with sound ethical governance practices. The ESG policy also includes a statement on climate change and the environment, which reiterates the commitment of the Fund to reducing energy and carbon impacts.



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AFC has demonstrated a strong commitment to E&S performance. AFC has also assumed an active ownership of its portfolio investments regularly reporting on ESG aspects and issues. In 2020 and 2022, AFC issued green bonds in accordance with AFC's Green Bond Framework. The framework was reviewed by an independent third party, who issued a positive second-party opinion and confirmed that the use and the management of proceeds (but also the project evaluation and selection criteria as well as reporting) based on AFC investment policy were in line with the industry best standards and the ESG due diligence (EIA, biodiversity assessment, community dialogue, grievance and compensation schemes, etc..) and the ESG performance of the underlying assets during the construction and operation phase meet the industry requirements and practices. It is worth noting that AFC has continuously improved its environment and social risk management (ESRM) framework and its development outcome tracking systems through the support and co-investments along with other IFIs (such as the African Development Bank).

Environmental and Social Management System (ESMS)

In line with the requirements of the EIB E&S Policy for this type of operation, the Bank's due diligence focuses on the Fund Manager's risk management process and its capacity to effectively implement them at the level of the investee companies and projects. Adequate management of environmental, climate and social risks of the operation will largely rely on the ability of the Fund Manager to align the E&S governance (ESG) of the acquired assets, platforms, companies, and projects with the applicable requirements.

The Fund Manager has developed its own comprehensive ESMS based on ACP's ESG Policy, aligned with AFC's E&S framework and with recognized international standards guidelines such as, but not limited to, IFC Performance Standards, World Bank Environmental and Social Framework, African Development Bank Integrated Safeguard System, the Equator Principles, International Labour Organisation (ILO) Conventions, and the Green Climate Fund GCF's Environmental and Social Policy.

ICRF's 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 Fund's ESMS consists of following key parts: the ESMS and specific frameworks to address as appropriate: Resettlement, Indigenous People Rights, Biodiversity, Stakeholders consultations, gender and social inclusion as well as Gender Based Violence and Sexual Exploitation and Abuse and Sexual Harassment (GBV/SEA/SH) considerations.

The Fund's ESMS frames the strategic integration of environmental, social and governance factors in the decision-making process of ACP throughout the entire investment cycle, from pre-investment to exit. ESMS's procedures for the identification, assessment, management and monitoring of the E&S risks and impacts in underlying projects can be outlined as follows per investment cycle phase. i) Project acquisition: screening of transactions against the Fund's Exclusion activities (which needs to be enhanced to be compatible with the EIB Exclusion List) and through an initial ESG assessment, including for compliance with the United Nations Sustainable Development Goals (SDGs) of the UN 2030 Agenda. All potential investments are categorised at this stage according to their E&S impacts. Such risk categorisation is to be enhanced to ensure alignment with best international practice; ii) early due diligence based on documentary review and confirmation of risk categorisation, which determines the procedures to be followed thereafter; iii) project due diligence through an in-depth review of E&S risks, including with the support of external consultants for high risk projects, gap analysis against the policy requirements and development of an E&S action plan to redress any gaps identified; iv) review and approval of the E&S findings by the investment committee; and v) negotiation and legal documentation, with a follow up (monitoring and reporting) on any outstanding items.



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ICRF shall take into consideration the potential environmental and social transboundary and cumulative effects of any of the proposed investments. For each portfolio company or investments, the Fund manager will be required to establish an ESMS aligned with the Fund's ESMS.

The Fund is committed to implement a Biodiversity Framework (BF) included in its ESMS that follows the World Bank ESS6 and IFC Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources). Under the BF, the ESIA's of the investments will include the impact assessment on biodiversity and if required, additional biodiversity impact assessment studies will be supplemented. In case of significant impacts on the biodiversity or use of natural resources, the projects will be required to develop a Biodiversity Action Plan. For protection and conservation of biodiversity elements, the projects will be required to develop a mitigation hierarchy to include the biodiversity offsets as last resort and follow adaptive management approach. For all projects having significant biodiversity impacts, the Fund Manager will be required to undertake an audit in line with requirements of EIB E&S Standard 4 and implement corrective measures whereas gaps are identified.

The Fund shall update the ESMS to be in line with EIB principles and requirements. As a matter of principle, the legal documentation to be concluded between the Fund and the EIB will include the obligation from the Fund to ensure that EIBG ESSF, standards requirements and policies as integrated in the ESMS are passed down from ICRF (Fund Level) to the projects financed by ICRF (investee or portfolio company level) and that all financed projects will be designed and implemented in line with national legislation, as well as with the EIB Environmental and Social Standards² (EIB E&S Standards) and other ESG frameworks subscribed to by the fund.

For investments necessitating an ESIA, the Fund Manager will be required through the relevant contractual documentation to (i) ensure that an ESIA is carried out and that public consultation is undertaken in accordance with the national legislation as applicable and the EIB Environmental and Social Standards; (ii) collect and publish the ESIA reports on the Portfolio Company's or Fund Manager's website.

Additionally, the Fund Manager will be required to include the following additional requirements in its ESMS:

- The EIB Hydropower Guidelines (only relevant for hydropower projects);
- The OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-affected areas and high risk-areas;
- The UN Guiding Principle on Business and Human Rights;
- The Voluntary Guidelines on responsible Governance of Tenure of Land, Fisheries and Forests as related to land tenure and land use.

Climate change assessment and Paris Alignment

ICRF's investment strategy incorporates climate risk both in terms of physical and transition risks, including those related to emissions and climate governance from underlying assets. The Fund will focus on investments in climate-resilient infrastructure assets, ensuring that they are planned, built, and operated in a way that anticipates, prepares for, and adapts to changing climate conditions. To that end, ACP will conduct climate risk screenings and extensive climate risk assessments for each investment, setting the basis for the appraisal and selection of the optimal adaptation solutions. The Fund will benefit from GCF grant funding to undertake due diligence and monitoring on climate resilience. The Fund is, thus, considered to be aligned with the resilience goals set out in the Climate Bank Roadmap and other relevant documents.

² [EIB Environmental and Social Standards](#)



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The preliminary potential investments presented to the Bank have been assessed for Paris alignment and part of them may not be aligned against low carbon, notably with regards to certain mobility infrastructure projects.

The Fund strategy may not be fully in line with the EIB's requirements for Paris Alignment, but the Bank will require that at least 75% of the investments made by the Fund will be compliant with the EIB Climate Bank Roadmap and its latest review. The EIB will not be investing in those projects which are not in line with its Paris Alignment requirements. In any case, if non Paris aligned projects are financed by the Fund, they will still be required to comply with EIB core E&S standards.

EIB Paris Alignment for Counterparties (PATH) Framework

The counterparty ICRF is in scope and screened out the PATH framework, as being managed by ACP, an entity fully owned by Africa Finance Corporation, a multilateral development bank.

Social Assessment

At this point in time, no material issues in relation to this aspect are identifiable in the expected pipeline. The ESMS will duly define the policies and procedures related to social aspects that will apply to the investments. ICRF seeks to be involved in operations that sustainably foster business growth and economic development, thereby helping to stimulate long-term employment. Assets requiring local employment are favoured, both in construction and operation.

The Fund's investment programme is expected to have an overall long-term positive socio-economic impact on the sub-projects areas of influence. Negative social impacts, mostly focused during pre-construction and construction phase, are expected to vary from minor to moderate/major depending on the type of investments. The Bank will require the Fund Manager to assess the significance of social impacts for each investment and to provide social management plans to mitigate/enhance the impacts identified, as needed. This will be further assessed during ICRF's due diligence stage of sub-projects or assets.

The Fund's ESMS enunciates the ICRF's approach to the Resettlement Framework (RF) that has been developed in line with the World Bank E&S Standard 5 and the IFC Performance Standard 5. Under the RF, all potential investments will be screened to identify past, present, and future involuntary resettlement impacts and risks, triggering the preparation of Resettlement Action Plans as required. For all projects requiring land acquisition and resettlement, the Fund Manager will be required to undertake an audit in line with requirements of EIB E&S Standard 6 and implement corrective measures whereas gaps are identified.

ICRF will also be required to guarantee that the rights and interests of all vulnerable groups are respected. The ESMS incorporates the ICRF's approach to the Indigenous People Framework (IPF) that has been developed following guidelines from international standards such as the IFC Performance Standard 7. Under the IPF, all potential investments will screen presence of indigenous people in the project area of influence and determine levels of expected impacts. As a general ESMS requirement, ICRF will not support projects where there is a risk of significant impact on IP communities such that an FPIC process will be triggered and will apply a robust mitigation hierarchy for all cases where minor to moderate impacts have been screened.

The ICRF's ESMS also incorporates the Fund's approach to risk assessment and management on sexual exploitation, sexual abuse and sexual harassment (SEA/SH) as part of the E&S due diligence for the proposed programme and sub-programme and/or projects. SEA/SH assessment informs the scope of all relevant aspects of the due diligence process, including among others E&S screening, labour and working conditions, community health and safety, involuntary resettlement or grievance mechanism.



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Other potential social impacts might indeed be arising due to poor application of relevant labour standards related to employee working conditions during construction and operation. Labour and OHS impacts will be assessed during the ESIA phase, where applicable, and addressed primarily through the potential inclusion of contractual obligations for the first-tier suppliers and contractors at allocation stage, where relevant.

The EIB will ensure that the Fund has an ESMS which includes a Human Rights Policy and a Code of Ethics in place, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the underlined solar PV projects, in compliance with the applicable provisions of the relevant E&S standards of the Bank (including Standard 8 - Labour - of EIB E&S Standards), the national laws and the principles and standards of ILO conventions.

The Fund will be required to undertake reasonable efforts to assess and address the risks of forced labour in the supply chain. This will include, on a reasonable effort basis, enhanced due diligence, commensurate with the capacity and leverage of the developers regarding labour issues in the supply chain (supply chain mapping and/or declarations from the supplier, per project) ensuring that appropriate contractual provisions are cascaded to contractors/suppliers of the sub projects.

Given the importance of these risks in potentially several of the envisaged portfolio assets, the EIB will require the Fund Manager to implement this guidance of these actions and to be included in the ESMS before signature.

The Promoter will also be required to assess, where applicable, the positive social impact of the project and the measures taken by the project to enhance those impacts, particularly in the areas of gender equality, social inclusion, and resilience building.

The project is expected to have positive impacts on gender equality, in relation to new employment to be created by the project. Within their current strategy, ICRF will seek to achieve realistic targets/ambitions in relation to female employment which include measurable and year-specific targets in relation to the employment of women at all staff levels across its portfolio assets.

Public Consultation and Stakeholder Engagement

Under the stakeholder engagement provisions in the ESMS, a full stakeholder analysis will be conducted for each project. ICRF will be required to conduct meaningful public consultation processes for all projects be it in relation to the ESIA procedures or the impact of the investments on the populations in the project areas. The ESIAs being developed or to be developed will have to take into consideration the applicable requirements of the Bank's ESSF in terms of public consultation and stakeholder engagement prior to investment decision.

The Fund's ESMS delineates the main principles governing information disclosure and consultation, including in respect of the need for free, prior and informed consent (FPIC) whenever indigenous peoples are concerned by the underlying projects.

Active stakeholder engagement is required throughout the project cycle. The Bank will require ACP to prepare a Stakeholder Engagement Plan (SEP) for the identification and analysis of project stakeholders for each Fund's portfolio company or investments, proportionate to the nature and scale of the investments, to be regularly updated as needed during project implementation. The SEP will outline the functioning of a project Grievance Redress Mechanism in line with the IFC Performance Standards, the EIB's ESSF and other internationally recognized ESG frameworks and will further specify provisions for more detailed plans commensurate to the E&S risks of their sub-projects.



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As part of the requirements for EIB funding, the Fund ESMS already includes a mechanism for external communication at Fund level to be maintained and further enhanced to receive, record, process & assess and address external inquiries and complaints from the public and other stakeholders regarding its operations (including all its employees and contractors).

Other Environmental and Social Aspects

The ESMS is implemented by the Investment and Portfolio management teams who have the primary responsibility for the delivery of the E&S identification, assessment, and monitoring. 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.

The Fund manager has established an in-house ESG team including a dedicated E&S risk officer, which is responsible for E&S risk management and training across the organisation. Under the tailored co-investment strategy alongside AFC, the team will work together with professionals employed by AFC to screen, develop, conduct due diligence, and monitor transactions. The ESG team will also maintain a list of external consultants with appropriate infrastructure subsector expertise in Africa to perform due diligence and monitoring of for high-risk projects.

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.

In order to enhance the positive impacts of its investment and promoter gender equality, the Fund Manager confirmed that the Fund will seek to qualify as 2X Challenge investment and will use reasonable efforts to maintain or increase at least one of the 2X Challenge criteria. Once the criteria are identified, the Fund Manager will report progress on implementation to the EIB on an annual basis.

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

Throughout the due diligence process, it was verified that the Fund Manager has understood the EIB Group E&S requirements throughout the investment cycle, including due diligence, monitoring and reporting processes and procedures and is willing and capable to fully implement them at Fund and portfolio company levels. AFC/ACP teams have deployed several types of projects with no material E&S issues arising to date.

The assessment conducted by the Bank's Services demonstrates that although the Promoter's capacity to manage ECS impacts seems adequate, the characteristics of the actionable



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investments pipeline and the potential need to implement several projects in parallel without prior investment experience on the implementation of EIB financed projects may constitute a project risk. In addition, these investments are expected to entail various degrees of ECS impacts depending on their characteristics.

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

- i) Develop and maintain adequate organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities;
- ii) Incorporate the EIB's ESSF into its legal documentation, and enhance its ESMS, to the satisfaction of the Bank, to include reference to the EIB's environmental and Social standards, including the ESG Policy, to be in line with the EIB List of Excluded Activities and with the EIB Environmental and Social Standards;
- iii) Implement ICRF investments in accordance with the agreed ESMS and any additional required E&S management plans. The Fund Manager would have conducted a gap analysis against EIB Standards for high and medium risk sub-projects/investments;
- iv) Whenever required, the Fund Manager will (i) ensure that an ESIA is carried out and that public consultation is undertaken in accordance with the national legislation as applicable and the EIB Environmental and Social Standards; (ii) collect and publish the ESIA report(s);
- v) Establish a limited partner 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) For the Fund's high-risk investments, carry out an independent audit on the implementation and effectiveness of the ESMS provisions at the level of the underlying investments and portfolio companies and adjust and update accordingly the ESMS to effectively address the gaps;
- vii) Carry out an independent audit for all projects requiring land acquisition and resettlement in order to ensure compliance with EIB E&S 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;
- viii) Include a Human Rights Policy and a Code of Ethics in place, rejecting the use of any form of forced or compulsory labour, and include a requirement to undertake reasonable efforts to assess and address the risks of forced labour in the supply chain, including, on a reasonable effort basis, enhanced due diligence, commensurate with the capacity and leverage of the developers regarding labour issues in the supply chain (supply chain mapping and/or declarations from the supplier, per project) ensuring that appropriate contractual provisions are cascaded to contractors/suppliers of the sub projects;
- ix) Establish and implement a mechanism for external communication at Fund and at portfolio company level allowing for receiving, addressing and responding to inquiries, requests and complaints from the public or concerned stakeholders on environmental, climate and social issues;
- x) Disclose its revised ESG Policy and Summary ESMS on its website including its Category high-risk sub-projects;
- xi) Prepare and submit regular reporting to the EIB on the implementation of the Fund's ESMS, including the ECS performance of the Fund and its portfolio investments and on any additional required E&S management plans as well as on agreed environment, climate and social impact indicators as part of the projects monitoring requirements;
- xii) Submit an adequate ECS training plan for internal staff and portfolio companies. The annual training plan would need to include a list of training topics and targeted staff;
- xiii) Ensure GBVH, forced and child labour risks assessment for its construction sites and implement mitigation measures and report on where risks are identified;
- xiv) Agreed on at least one 2X challenge criteria applicable to the Fund and report implementation progress to the EIB on an annual basis.



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With the above contractual conditions in place, the operation is acceptable for EIB financing in environmental and social terms.