



Draft Environmental, Social & Governance Policy

AFC Capital Partners

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1. INTRODUCTION

Africa Finance Corporation Capital Partners (ACP) is committed to identifying, managing and monitoring on an on-going basis Environmental, Social and Governance (ESG) risk¹ in all areas of its business activities. ACP considers material ESG matters during its due diligence and management of portfolio investments as much as reasonably practical.

Examples of ESG matters include:

- **Environmental:** energy use and efficiency, carbon emissions, pollution and wastewater and management
- **Social:** human rights, diversity equity and inclusion (DEI), health and safety, community impacts
- **Governance:** management and board structure, anti-money laundering and conflicts of interest

In practice, this means adhering to international standards and best practice in the assessment and management of ESG risks, by incorporating standards developed by other international institutions into ACP's decision-making process.

ACP recognizes that the failure to identify and manage ESG risks can represent a serious threat to ACP's reputation and its business. Thus, adherence to the Corporation's ESG Risk Management Policy represents a fundamental objective for ACP, to minimize the risk of damage to the Corporation's business and reputational risk. Adherence also provides significant benefits to the Corporation, its clients and all stakeholders.

2. OBJECTIVES

ACP seeks to:

- A. Put into consideration all environmental, safety, social and governance issues associated with potential investment opportunities.
- B. Engage continuously with relevant stakeholders (both internal and external) to communicate on ESG matters and priorities.
- C. Build relationships with partners, portfolio management companies, contractors and stakeholders to improve and advance ESG initiatives at ACP and its portfolio investments
- D. Ensure transparency and timeliness in communication with stakeholders on ACP's

¹ This includes consideration of health, safety and security.

partners on ESG matters

- E. Follow strict guidelines on anti-money laundering laws and regulations globally

3. OUR ESG COMMITMENT

a) ACP shall strive to build sustainable, equitable, and diverse communities through a combination of modern business practices and standard environmental, social and governance (ESG) performance. This commitment will be mainstreamed in every aspect of our business, from new project design, building, exit, operation of our company, collaborating with stakeholders and reporting progress.

b) This ESG Policy sets out our approach to sustainability matters. At the heart of the Policy is a corporate culture that has sustainability at the core of all our business practices.

c) Compliance We are committed to complying with applicable local, national, and international environmental laws, regulations, and standards relevant to our industry

d) Provide safe and healthy workplaces: We are committed to ensuring the health and safety of our employees is paramount. We will maintain safe and healthy workplaces by identifying and mitigating environmental risks, addressing workplace hazards (both actual and potential), and complying with relevant occupational health and safety regulations.

e) Employee engagement and training We are committed to promoting environmental awareness among our employees, providing them with the necessary training and resources to contribute to our environmental objectives. We will foster a culture of environmental responsibility and encourage employee involvement in sustainable practices

f) Communication and reporting. We are committed to transparent communication regarding our environmental performance, initiatives, and progress. We will regularly report on our environmental efforts and encourage feedback from stakeholders to drive continuous improvement.

3.1 Our Statement on Climate Change and the environment

a) We support the recommendations of the Taskforce on Climate-related Disclosure (TCFD) and engage with our stakeholders and encourage enhanced disclosure on climate change, biodiversity, and the SDGs, including efforts to advance the underlying goals, such as those of the Paris Agreement.

- b) ACP is committed to reducing our energy and carbon impacts, as we believe that climate change is one of the greatest risks to our world. Through our sustainability programs, we are committed to environmentally sustainable initiatives that deliver efficiency within a short period of time, value, and health for our business, our people, and the wider community.

ACP shall seek to comply with current environmental legislation and work to minimize the impact of our activities on the environment.

3.2 Our Statement on Social responsibility

- a) ACP is committed to providing a challenging, dynamic, inclusive, and diverse work environment that supports the professional development of her employees. Furthermore, promoting a good work-life balance with health and wellness as priorities.
- b) Deepen relationships with our key stakeholders by investing in our employees and partnering with our customers, communities, investors, and suppliers.
- c) We will preserve and promote the protection of human rights and welfare within our own business activities, as well as those of our supply chain, in accordance with our Human Rights Policy, Diversity Policy, and the Gender Policy

3.3 Our Statement on ethical governance

- a) Promote strong oversight, transparency, and risk management at all levels of our organisation, ensuring resilience and long-term preservation of value for our business.
- b) ACP will maintain robust corporate governance procedures through exemplary board stewardship, management accountability, and proactive risk management.
 - i. We will mitigate risk exposure and build the resilience of our business to climate change, floods, and other catastrophic events through the use of technology for smart design and sighting.
 - ii. We cultivate strong stakeholder relationships through transparency, open communications, and stakeholder engagement and timely reporting our of activities.

- c) We establish clear and effective governance for ESG, set goals and establish accountability. This is written through our ESG committee and reported to our board.

4 APPLICABLE STANDARDS AND SCOPE

ACP's E&S Risk Management Policy and System is based on the following best practice standards:

1. The Equator Principles.
2. International Finance Corporation Performance Standards.
3. World Bank Group's Environmental, Health, and Safety Guidelines.
4. International Labour Organization (ILO) Conventions
5. African Development Bank Integrated Safeguards System.

The above standards will together be applied as a benchmark for all eligible transactions. Thus, by adhering to these standards ACP is committed to promoting E&S sustainability in all its transactions, including the financial advisory, Product solutions, Financial institutions and trade, Treasury client solution, Syndications, Project Finance (debt and equity investments) as well as its Project development in infrastructural projects and project development financing.

5 APPROACH

ACP's commitment to managing ESG risks implies the following:

- When national standards in countries where ACP invests are below international standards, ACP will collaborate with its clients to attain International standards (or if appropriate Equator Principles standard over time).
- ACP will not invest in activities that are listed on the ACP Exclusion list.
- ESG Risk assessment is integrated into the entire Investment process, from pre-investment to exit.
- If appropriate, ACP will engage with stakeholders directly, but usually through representatives of companies in which we have invested.
- ACP's investments will have appropriate structures that provide appropriate oversight in the areas of audit, risk management and potential conflicts of interest. ACP has a zero tolerance to bribery and other improper payments to public officials in accordance to the U.S. Foreign Corrupt Practices Act, the Organization for Economic Cooperation and

Development (OECD) Anti – Bribery Convention and similar laws in other countries.

- ACP will encourage entities in which ACP has invested to educate their supply chain in managing their ESG risks in accordance with global best practice.
- To ensure resources for managing ESG risks are used efficiently and effectively, investments are rated / categorised for E&S risks. The basis for categorisation into “A” High Risk, “B” Medium Risk and “C” Low Risk categories is dependent on the adverse impacts and whether these impacts are site specific, diverse or unprecedented.

6 IMPLEMENTATION OF THE POLICY

ACP will leverage on AFC’s E&S Risk Manual that details how, who will implement and tools for implementing this policy. This Policy will be implemented by the ESG Manager and Transaction Teams, under the guidance of AFC’s Chief Risk Officer.

7 ESG WHEN MAKING AN INVESTMENT

During the investment evaluation process, ACP will:

- a) Assess the potential ESG implications of an investment, consider the investment's type, location, and level of control. Seek external expertise to gather and compile formal reports for the ACPs investment team. These reports should detail the investment's potential benefits and outline any potential risks, along with mitigation strategies. The investment team must then present these findings to the Fund's investment committee for final consideration.
- b) Exclude companies from investment portfolios that engage in child labor, forced labor, or discriminatory practices.
- c) Identify mechanisms for mitigating potential ESG risks and capitalize on opportunities to add value post-investments.

8 5 CAPACITY BUILDING

As part of our commitment to on-going assessment and management of ESG risks, ACP will provide periodic training on ESG risks to management and staff of the organisation.

9 ON-GOING MONITORING

Beyond compliance at the point of investment, periodic investment monitoring reports will include updates on ESG risks.

10 COMMUNICATION AND REPORTING

We are committed to transparent communication regarding our environmental performance, initiatives, and progress. We will regularly report on our environmental efforts and encourage feedback from both internal and external stakeholders to drive continuous improvement.

11 AUTHORITY

The Board of Directors has approved the provisions of this policy. This Policy shall be reviewed and updated, as applicable, on an annual basis. If changes or updates to the policy are considered significant, approval is required prior to implementation.