

Sustainability-related disclosures required for Article 8 funds under the EU's Disclosure Regulation

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “**Disclosure Regulation**”) aims at providing more transparency to investors on sustainability risk integration, on the consideration of adverse sustainability impacts in the investment processes and on the promotion of environmental, social and/or governance factors. In particular, it requires fund managers and advisers to disclose specific ESG-related information to investors on their websites.

The Disclosure Regulation is complemented by further regulatory and technical standards (“**RTS**”), as applicable from time to time.

The disclosures set out in this page are given in compliance with the obligations of African Infrastructure Investment Fund 4 SCSp, a Luxembourg special limited partnership (the “**Partnership**”) under the Disclosure Regulation and RTS. The Partnership makes its investments in parallel with African Infrastructure Investment Fund 4 Partnership, a South African en commandite partnership (the “**SA Partnership**”, and, together with the Partnership, the “**Fund**”). Any references on this page to the “**Manager**” are references to Langham Hall Management S.à r.l, the manager of the Partnership, and African Infrastructure Investment Managers Proprietary Limited, the manager of the SA Partnership. “**AIIM**” refers to African Infrastructure Investment Managers (PTY) Ltd, the investment advisor to the manager of the Partnership, (the “**Investment Advisor**”) and the manager of the SA Partnership.

Summary

The Fund promotes environmental and social characteristics, but does not have as its objective sustainable investment. It does, however, intend to make some Sustainable Investments, in which case it will apply enhanced screening procedures to identify and assess any significant harm based on sustainability indicators. Where a potential investment is determined to have significant harm that is unlikely to be remediated, the Fund will not invest. The Manager may also invest in assets which involve significant harm initially if it considers that it can materially reduce such harm through its value creation approach.

AIIM also assesses if the Fund's investments align with the UN Guiding Principles on Business and Human Rights and requires each of their portfolio companies to operate in accordance therewith.

The Manager will ensure that the Fund invests in and operates assets that deliver energy transition, digital transformation and sustainable transport infrastructure with the aim of tackling fundamental social needs and enhancing the lives of communities in Africa alongside financial returns. It expects to do so by delivering clean, reliable power and infrastructure, creating employment opportunities, connecting communities and improving local economies.

At the same time, the Fund always attempts to reduce the carbon footprint and mitigate the environmental impact of its investments. The Fund uses the Manager's ESG-related policies and ESMS in order to actively integrate ESG considerations throughout the investment lifecycle. By doing so, the Fund aims to:

- Create positive futures
- Deliver sustainable, risk-adjusted returns

- Support the Green Economy

Every investment made by the Fund must (1) support the achievement of the UN SDGs and AIIM's positive impact strategy and (2) meet AIIM's ESG related policies and ESMS requirements. AIIM is committed to systematically consider material ESG risks and opportunities of each investment throughout the investment process.

The ESG Advisor appointed by AIIM screens potential investments and:

- ensures the portfolio company does not engage in any activities on AIIM's exclusions list
- screens investments to identify key ESG risks, impacts and opportunities and arrives at an ESG categorisation of the investment
- ensures compliance with key governance and business integrity requirements and identifies applicable standards
- sets ESG expectations with target/sponsor as early as possible
- arrives at a preliminary view of the portfolio company's commitment and ability to address ESG factors
- completes AIIM's ESDD requests for proposals, as well as plans and budgets for ESDD

AIIM maintains a continual focus on the governance aspects of investment decision-making and active stewardship of the Fund's assets.

In accordance with the investment strategy, the Fund commits to have more than 95% of investments aligned with environmental/social characteristics, and at least 20% of the investments will qualify as Sustainable Investments with an environmental objective.

AIIM actively monitors the ESG performance of the Fund's portfolio on an ongoing basis in a variety of ways (please see the "*Monitoring of environmental and social characteristics*" section below for more details).

AIIM will actively monitor sustainability indicators and ESG incidents and regularly review ESG progress in accordance with the methodologies, desired outcomes and sustainability indicators set out in the "*Methodologies*" section below. In particular, the Fund has adopted the UN SDGs as its primary impact measurement framework. To understand which metrics should be used to measure positive impact, AIIM also uses a "Theory of Change" approach. By using the information received from portfolio companies, AIIM is able to track and measure the positive impact delivered by the portfolio companies.

In order to measure attainment of environmental and social characteristics promoted by the Fund, AIIM receives a range of information from portfolio companies, which then gets assessed by the ESG Advisor and analysed on an ESG data management system.

There are a number of limitations to the abovementioned methodologies and data. Please see the "*Limitations to methodologies and data*" section for more details.

The ESG Advisor and deal teams will conduct environmental and social due diligence for every investment, following which an ESDD report (which includes an environmental and social action plan) is prepared. The ESDD report and environmental and social action plan ("**ESAP**") review will focus on the type and level of ESG risks identified on one hand and the suitability of the proposed mitigation and/or corrective actions on the other. The ESDD report and ESAP are ultimately required to be approved by the Investment Committee.

AIIM, together with the portfolio company management teams and the ESG Advisor, actively develops and drives the portfolio company ESG strategy and effectively oversees its execution. Post-investment, ongoing engagement with a portfolio company's management team regarding its ESG performance is allocated to an Asset Manager from AIIM's team.

Specific information in relation to the Partnership's promotion of environmental and social characteristics has been set out in the pre-contractual disclosures developed in accordance with Article 8 of the Disclosure Regulation and Annex 2 of the RTS and available as part of the Partnership's Placement Memorandum.

As of 1 January 2023, the annual report published in accordance with Article 11 of SFDR in relation to the Fund shall include a description on the extent to which environmental and social characteristics of the Partnership are met.

No sustainable investment objective

The Fund promotes environmental and social characteristics, but does not have as its objective sustainable investment.

The Fund does, however, intend to make a number of Sustainable Investments (as defined below) with social and/or environmental objectives. To the extent it does, the Manager (in case of the Partnership, on the recommendation of the Investment Advisor) will apply risk-based screening procedures which enable the identification and assessment of any significant harm indicators.

The relevant indicators of Annex I will be taken into account for the purpose of the "Do No Significant Harm" test.

In the event that as a result of its risk-based screening, the Manager (in case of the Partnership, on the recommendation of the Investment Advisor) considers that there is likely to be significant harm which is unlikely to be remediated by the actions of the Manager or the Investment Advisor, the Fund will abstain from investing in such an asset.

For the avoidance of doubt, the Manager, based on AIIM's ESDD process, may consider making investments that initially involve significant harm to sustainability indicators if it anticipates that such significant harm can be materially reduced through the Manager's value creation approach. Such investments will not be "Sustainable Investments".

As part of the ESDD process, AIIM assesses alignment of each prospective investment (including Sustainable Investments) with the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. AIIM also considers UN Global Compact principles but does not assess against OECD guidelines.

In addition, the Manager (in case of the Partnership, on the recommendation of the Investment Advisor) ensures that in respect of each investment, each portfolio company agrees in a legally binding agreement that it and each of its subsidiaries will undertake their operations in accordance with the UN Guiding Principles on Business and Human Rights.

A "**Sustainable Investment**" means, in accordance with article 2(17) of the Disclosure Regulation, an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that

contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Environmental and social characteristics of the financial product

The Manager (in case of the Partnership, following the recommendations of the Investment Advisor), will ensure that the Fund, directly or indirectly, invests in, owns and operates assets that deliver energy transition, digital transformation and sustainable transport infrastructure with the aim of tackling fundamental social needs and enhancing the lives of communities in Africa alongside financial returns.

When taking investment decisions, the Manager (in case of the Partnership, following the recommendations of the Investment Advisor) seeks long-term sustainable projects with a measurable environmental and social impact. The Fund will seek investments that will deliver clean, reliable power and infrastructure, create employment opportunities, connect communities and improve local economies across the African continent.

The Fund aims to achieve the above goals while attempting at all times to reduce the carbon footprint and mitigate the environmental impact of its investments by:

- understanding the Fund's material operational carbon footprint and seeking ways of reducing this footprint in line with the ambition of no more than a 1.5°C global temperature increase by 2050 as per the Paris Agreement;
- only undertaking business and investment decisions that are aligned with the Paris Agreement;
- measuring the carbon footprint and carbon intensity of the investment portfolio; and
- taking actions to reduce carbon footprint and carbon intensity of the investment portfolio.

The Fund is managed in accordance with AIIM's ESG, Modern Slavery and Climate Change Policies, as well as its Environmental and Social Management System ("**ESMS**") in order to actively integrate ESG considerations throughout the investment lifecycle.

By integrating ESG factors into the investment process, the Fund aims to:

- **Create positive futures:** The Fund aims to improve the livelihoods of people across its target jurisdictions through its Investments, specifically by improved living standards, infrastructure, education and employment opportunities, underpinned by responsible stewardship of the ecosystems in which the Fund operates. The Fund looks beyond a narrow focus on commercial/financial returns and proactively seeks investment opportunities that create value through positive, sustainable outcomes.
- **Deliver sustainable, risk-adjusted returns:** By adopting a holistic risk management approach, the Fund strives for sustainable returns – those that are achievable over the longer term – and calibrates risk-adjusted returns – those which have predicted and built in the cost of managing ESG risk and delivering improved ESG performance.

- **Support the Green Economy:** 'Green economic growth' refers to an economic growth path that is profit-driven but also socially inclusive, resource-efficient and low-carbon. The term has been adopted globally as a counter-concept to traditional industrial economic growth, which focuses on increasing gross domestic product above all other goals.

Investment strategy

Every investment made by the Fund must meet the following key ESG criteria:

- It must support achievement of the United Nations Sustainable Development Goals (“**UN SDGs**”) and AIIM’s positive impact strategy. In particular, the Fund focuses on UN SDGs related to the following: climate change (SDGs 7, 12 and 13), decent work / job quality (SDG 8), diversity (SDGs 5 and 10), governance (SDG 16) and infrastructure (SDG 9).
- It must meet AIIM’s ESG related policies and ESMS requirements, including those set out in this section and further envisaged under AIIM’s relevant policies.

AIIM is committed to systematically considering material ESG risks and opportunities throughout the investment process, which is consistently applied across all investment opportunities. A team of dedicated professionals forming part of AIIM’s internal ESG advisory team is entrusted with this task.

The Fund has implemented AIIM’s ESMS, which clearly defines its objectives, procedures, reporting requirements and responsibilities.

As part of the investment screening process, AIIM’s ESG advisor (“**ESG Advisor**”):

- ensures that the potential portfolio company does not engage in any activities on AIIM’s exclusions list, including:
 - Forced labor or child labor;
 - Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
 - Ozone depleting substances, PCB’s (Polychlorinated Biphenyl’s) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;
 - Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or
 - Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
 - Cross-border trade in waste and waste products, unless compliant to the Basel Convention and the underlying regulations;
 - Destruction of High Conservation Value areas;
 - Radioactive materials and unbounded asbestos fibres;
 - Pornography and/or prostitution;
 - Racist and/or anti-democratic media;
 - In the event that any of these following products form a substantial part of a project’s primary financed business activities:

- Alcohol beverages (except beer and wine);
 - Tobacco;
 - Weapons and munitions; or
 - Gambling, casinos and equivalent enterprises;
 - Coal prospection, exploration, mining or processing;
 - Oil exploration or production;
 - Standalone fossil gas exploration and/or production);
 - Transport and related infrastructure primarily used for coal for power generation;
 - Crude Oil Pipelines;
 - Oil Refineries;
 - Construction of new or refurbishment of any existing coal-fired power plant (including dual);
 - Construction of new or refurbishment of any existing HFO-only or diesel-only power plant producing energy for the public grid and leading to an increase of absolute CO2 emissions;
 - Any business with planned expansion of captive coal used for power and/or heat generation.
- screens investments to identify key ESG risks, impacts and opportunities and arrives at an ESG categorisation of the investment
 - ensures compliance with key governance and business integrity requirements and identifies applicable standards;
 - sets ESG expectations with target/sponsor as early as possible;
 - arrives at a preliminary view of the portfolio company's commitment and ability to address ESG factors; and
 - completes AIIM's ESDD requests for proposals, as well as plans and budgets for ESDD.

AIIM maintains a continual focus on the governance aspects, including sound management structures, employee relations, remuneration of staff and tax compliance, of investments through its decision-making and active stewardship of the Fund's assets (including through its up-front due diligence processes and through its representation on portfolio company boards and sub-committees with direct responsibility for the relevant governance functions). The Investment Advisor seeks to exercise its voting rights at portfolio company board level in order to engage with portfolio companies on governance practices.

The Fund applies best practice governance in all portfolio companies across various African jurisdictions, adhering closely to local governance-related laws and referencing the South African King IV Report on good corporate governance of 2016.

Proportion of investments

In accordance with the investment strategy, the Fund commits to have more than 95% of investments aligned with environmental and social characteristics, and at least 20% of the investments will qualify as Sustainable Investments with an environmental objective. Nevertheless, the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

The Partnership might hold derivatives (which might be used to reduce foreign currency and interest rate risks) or cash (which is used for efficient liquidity and efficient portfolio management or cost management purposes). The cash will constantly fluctuate and will not affect the ESG profile of the Fund.

Monitoring of environmental and social characteristics

AIIM actively monitors the ESG performance of the Fund's portfolio on an ongoing basis, including by:

- assisting relevant portfolio companies with establishing Incident Response Planning systems, including early warning systems, prior to or shortly after acquisition;
- maintaining a portfolio company risk register in order to allocate resources to assets based on their ESG risks;
- maintaining a portfolio company site visit monitoring schedule to assist in determining the frequency and timing of visits;
- including ESG related aspects into portfolio company management key performance indicators (KPIs), including (i) providing accurate, quality controlled ESG data as required by AIIM's ESG data system, on time, on a quarterly/biannual basis (ii) continuously implementing an IFC Performance Standard 1 compliant environmental and social management system (ESMS), as verified by AIIM or a qualified independent advisor;
- conducting periodical meetings between the ESG Advisor and the manager responsible for each portfolio company to discuss that company's ESG performance;
- undertaking job quality/decent work evaluation annually on identified priority portfolios;
- annually undertaking a climate resilience and adaptation evaluation of identified priority portfolios;
- Reviewing any Major Incident Reports produced by portfolio companies; and
- Analysing the ESG performance reports (received quarterly/biannually from portfolio companies) and ESG data (received quarterly from portfolio companies).

Methodologies

AIIM will actively monitor sustainability indicators and ESG incidents and regularly review ESG progress in accordance with the below methodologies.

The Fund has adopted the UN SDGs as its primary impact measurement framework, with ESG metrics and information mapped to UN SDGs and the specific targets of an UN SDG for each investment it makes.

To understand which metrics should be used to measure positive impact, AIIM uses a “**Theory of Change**” approach. This involves identifying the positive impact resulting from a particular investment and the indicators to be tracked to ensure the intended outcomes are met. Those are then monitored regularly over the lifetime of each investment. The sustainability indicators to be used will be selected on a case-by-case basis and will vary depending on the desired outcome.

Below is a list of desired outcomes and example sustainability indicators:

Desired outcome	Sustainability indicator
Energy generation avoiding GHG emissions	Emissions offset (tCO ₂ eq)
Job creation – increase in numbers of people employed and increasing gender parity in employment	Number and gender ratio of full-time employees
Construction of telecoms towers to provide socially inclusive data access infrastructure	Number of telecommunication towers; Total kilometres of fibre; Number of residential units linked to fibre grid; Houses passed per month for fibre; Number of active fibre connections; Data centre square meterage; Data centre power usage effectiveness

Information received by AIIM from portfolio companies allows it to develop a base line for the portfolio company at the time of investment (i.e., the level of outcome prior to engagement with AIIM), and AIIM is therefore able to track and measure the positive impact delivered by the portfolio company against the abovementioned KPIs.

Data sources and processing

AIIM receives the following information and reports from portfolio companies in order to measure attainment of environmental and social characteristics promoted by the Fund:

- Environmental and Social Performance Reports;
- ESG data; and
- Major Incidents Reports (if applicable) (together, “**ESG Data Sources**”).

Once collected, the ESG Data Sources, as well as any other information collected by AIIM (including, without limitation, publicly available sources), are assessed in terms of data quality by the ESG Advisor. Any data quality issues are reverted to the relevant portfolio company for verification and, if necessary, rectification. Once approved by the ESG Advisor, ESG Data Sources are stored and analysed in an ESG data management system.

AIIM estimates that, throughout the ESG Data Sources collection and processing, less than 5% of the data points is based on estimated by way of proxy measures.

Limitations to methodologies and data

Limitations to the methodologies and data referred to in the above sections include, but are not limited to: capacity to measure or report from the portfolio companies, human error in the provision of data, immaturity of some portfolio companies' data systems, unreliability of some of the data sources and limitations to the extent of data metrics reported on by portfolio companies. In order to manage these limitations, all data submissions are reviewed for reasonableness based on previous submissions and market benchmarks across the portfolio. Where material deviations are identified these are addressed through consultation with the portfolio company management in order to establish reliance on such data.

Due diligence

Using the BII Due Diligence Toolkit, the ESG Advisor and deal team will conduct environmental and social due diligence for every investment. Depending on the risk level of the investment, this will either be conducted internally or a suitably qualified consultant will be appointed to conduct the ESDD. The consultant prepares the draft report and, following feedback, the final ESDD report, including an ESAP suggesting how identified ESG risks may be mitigated or corrected, as benchmarked against the international standards and guidelines which AIIM commits to in its ESG Policy. The ESG Advisor's and deal team's review of the ESDD report and ESAP will focus on the type and level of ESG risks identified on one hand and the suitability of the proposed mitigation and/or corrective actions on the other. Following their review, findings are considered at an investment forum of directors and AIIM's Head of ESG. The deal team and ESG Advisor then prepare a summary of the ESDD report and ESAP, which is then considered for approval by the Manager's Investment Committee.

Engagement policies

AIIM, together with the portfolio company management teams and the ESG Advisor, actively develops and drives the portfolio company ESG strategy and effectively oversees its execution. The main way of doing so is by requiring each portfolio company to develop, implement and maintain its own asset level environmental and social management system (ESMS) consistent with the requirements of all relevant IFC Performance Standards, its ESG action plan and any other standards agreed with AIIM in order to address gaps identified during the ESDD process.

After an investment is made, one of AIIM's team members is allocated responsibility for ongoing engagement with portfolio company management teams ("**Asset Manager**"). The Asset Manager conducts periodical meetings with the ESG Advisor and the portfolio company board's ESG sub-committee to discuss that company's ESG performance and discuss most appropriate responses to any ESG incidents. This includes reviewing any Major Incident Reports produced by portfolio companies and providing feedback on appropriate corrective actions.