

Africa Go Green Fund for Renewable Energy and Energy Efficiency S.A., SICAV-RAIF, (“AGG” or “Fund”)

Sustainability-related disclosures

December 2022

(A) SUMMARY

Africa Go Green Fund for Renewable Energy and Energy Efficiency S.A., SICAV-RAIF, (“AGG” or “Fund”) is an Alternative Investment fund that aims at spurring additional greenhouse gas (“GHG”) in reductions by encouraging corporate and industrial entities, local financial institutions, and other businesses (“Partner Institutions” or “PIs”) which are developing and/or investing in eligible energy efficiency (“EE”) and renewable energy (“RE”) projects by providing medium and long-term debt financing, guarantees and specific technical assistance aimed at maximizing learning-by-doing opportunities, facilitating deals and encouraging the long-term sustainability of the EE and/or RE market in the target region.

In addition, while the Fund does not currently commit to any alignment on the Taxonomy Regulation due to the current anticipated challenges in accessing sufficient data to calculate taxonomy alignment, it is aiming to contribute significantly to the Climate Change Mitigation Environmental Objective as defined in the Taxonomy Regulation as soon as possible. It will thus continue to evaluate and determine the contribution of each potential investment to relevant environmental objectives as defined in the Taxonomy Regulation and apply best effort to calculate alignment whenever such data becomes available.

The Fund’s investment activities are expected to contribute to the long-term global warming objectives of the Paris Agreement. Given that there is no EU Climate Transition Benchmark or EU Paris-aligned Benchmark, in accordance with the Benchmark Regulation, available for the Fund, the Fund will assess energy savings and GHG reductions based on guidelines such as the Global Off-Grid Lighting Association or the World Bank. Energy savings and GHG reductions will be monitored on an ex-post basis, comparing project emissions with baseline emissions for a scenario where no mitigation intervention occurs.

In addition, while the Fund does not have a social sustainable investment objective, the Fund aims at fostering positive side effects on the local communities with its investments. Its investments are expected to be aligned with multiple social characteristics whose attainment will be measured through the Fund’s bespoke metrics such as improved climate and disaster-resilient infrastructure for vulnerable communities, job creation, capacity and skills development, cost savings due to improved energy efficiency, other and ancillary health benefits.

The Fund's pre-investment ESG due diligence framework includes an assessment of the principal adverse impact indicators (PAIs) and further, also seeks to ensure that the Fund's investments do not significantly harm ("DNSH") sustainable investment objectives by assessing each potential investee company against each of the 14 primary principal adverse impact indicators (PAIs) (climate and other environment indicators) as applicable, and at least 1 indicator from table 2 (additional climate and other environment-related indicators) and table 3 (additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters) of Annex 1 of the SFDR Delegated Regulation 2022/1288. The Fund also manages the environmental and social performance of investments throughout the life of these investments. In addition, the Fund assesses all potential investees to ascertain that the investments is in line with the minimum safeguards of SFDR, (Including international Labour Organisation Standards (ILO), International Bill of Human Rights (UN), Guiding Principles on Business and Human Rights (UN), OECD Guidelines for Multinational Enterprises).

The Fund intends to have at least 80% of its total assets in investments that qualify as sustainable. The remaining 20% of the Fund's net assets is intended to be invested in cash or cash equivalents for liquidity or derivatives for hedging purposes.

Data to assess the attainment of the E&S characteristics is self-reported by investees, based on the Fund's information requirements imposed on investees. Given the lack of/limited corporate sustainability disclosure regulations across the African markets where the Fund invests, there can be limitations to the quality and completeness of data reported by investees. However, the Fund has implemented measures to ensure its data management system remains accurate and provides valuable insights.

(B) NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

Consideration of Adverse Impact Indicators

The Fund has an ESG Policy that sets out the criteria, processes, and practices that allow the fund to incorporate environmental, social, and governance ("ESG") requirements throughout the investment process, and ensure that the Fund's investment activities do not significantly harm any other environmental or social objectives. The Funds pre-investment ESG due diligence framework includes an assessment of the Principle Adverse Sustainability Indicators (PAIs) and further, seek to ensure that the Fund's investments do not significantly harm ("DNSH") sustainable investment objectives by screening potential investments through a full ESG due diligence and managing the environmental and social performance of investments throughout the life of the investments. When conducting the full ESG due diligence, the Fund collects the data on each of the 14 primary PAIs and at least 1 indicator from table 2 (additional climate

and other environment-related indicators) and table 3 (additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters) of Annex 1 of the SFDR Delegated Regulation 2022/1288.

Alignment with Guiding Principles on Human Rights

The Fund assesses all potential investees to ascertain that the investments is in line with the minimum safeguards of SFDR and Taxonomy Regulations where relevant data is available, (Including international Labour Organisation Standards (ILO), International Bill of Human Rights (UN), Guiding Principles on Business and Human Rights (UN), OECD Guidelines for Multinational Enterprises).

With regards to investments in Financial Institutions (FIs), the Fund reviews what ESG standards and commitments are applied to review clients ESG risk management (e.g., IFC PS, WB ESS, WB EHS, ILO, National Regulation).

(C) SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The Fund aims to spur GHG reductions (environmental objective) by encouraging Partner Institutions which are developing and/or investing in eligible energy efficiency (“EE”) and renewable energy (“RE”) projects through provision of medium and long-term debt financing, guarantees and specific technical assistance aimed at maximising learning-by-doing opportunities, facilitating deals and encouraging the long-term sustainability of the EE and/or RE market in the target region (“Sustainable Investments”). The Fund intends to have at least 80% of its total assets in investments that have a sustainable objective.

In addition, while the Fund does not currently commit to any alignment on the Taxonomy Regulation due to the current anticipated challenges in accessing sufficient data to calculate taxonomy alignment, it is aiming to contribute significantly to the Climate Change Mitigation Environmental Objective as defined in the Taxonomy Regulation as soon as possible. It will thus continue to evaluate and determine the contribution of each potential investment to relevant environmental objectives as defined in the Taxonomy Regulation and apply best effort to calculate alignment whenever such data becomes available. The Fund’s investment activities are expected to contribute to the long-term global warming objectives of the Paris Agreement.

(D) INVESTMENT STRATEGY

Overview of the Fund’s Investment Strategy

To fulfil its sustainable investment objectives, the Fund pursues the following primary investment objectives:

- 1) Fostering EE and increasing RE production by extending senior and mezzanine loans dedicated to finance energy solutions predominantly via direct investments to non-financial institutions,
- 2) Catalysing local financial sector to finance private sector investments in EE and RE by demonstrating the commercial viability of green finance predominantly via credit lines as well as guarantees and guarantee-type products, with the view of contributing to the long-term global warming objectives of the Paris Agreement.

The Fund will provide financing to the following privately owned (up to 26% state owned is possible) Partner Institutions:

- (a) Non-Financial Institutions ("NFIs"), including corporate and industrial entities, independent power producers, and SMEs that are developing or implementing EE and/or RE projects within the Target Region; and
- (b) Financial Institutions ("FIs") including local commercial banks, leasing companies and other selected financial institutions that either finance or are committed to finance private sector investments in EE and RE projects.

Specifically, it includes:

- Renewable Energy (RE) (as the case may be grid connected or off-grid): (i) independent power producers or captive power using RE like hydro, solar, wind, geothermal, tidal or biomass as the main fuel source, and (ii) distribution companies selling power to the national grid, mini grids, commercial & industrial as well as SME and retail customers as long as more than 70% of the electricity sold is from RE sources;
- Energy Efficiency (EE): (i) batteries solutions; (ii) green hydrogen; (iii) green transport; (iv) green housing; (v) green appliances (including, but not limited to energy efficient lights, solar pumps, improvements in insulation leading to better energy efficiency, equipment reducing the use of combustion engines etc.); and (vi) other commercial and industrial applications that have a GHG mitigating impact (like solar power for Telecom towers, more energy efficient machinery etc.).

In addition, the Fund shall solely invest in Portfolio Investments within the Target Countries. The Target Countries include all African countries that are not Prohibited Countries, subject to the General Partner's review on a regular basis (Prohibited Countries are countries that are (i) prohibited based on the KYC Policy of the Fund (ii) not African countries.

Most of the Fund's investments will have direct exposure to the underlying investee.

While the Fund does not have a social sustainable investment objective, the Fund aims at fostering positive side effects on the local communities with its investments. Its investments are expected to be aligned with multiple social characteristics whose attainment will

be measured through the Fund's bespoke metrics such as improved climate and disaster-resilient infrastructure for vulnerable communities, job creation, capacity and skills development, cost savings due to improved energy efficiency, other and ancillary health benefits.

To manage the ESG risks of investments, the Fund has an ESG policy that is implemented across its investment cycle. At the origination phase, the Fund screens each opportunity against its ESG requirements and the exclusion list, in addition to conducting a preliminary risk assessment to identify material ESG risk factors and assign a preliminary ESG risk categorization.

These factors are taken into consideration by the Funds Investment Committee prior to issuing a no-objection to the Fund to proceed to conducting full due diligence on the investment opportunity and structuring the investment opportunity. Following the due diligence, the Fund will draft likely risk mitigation measures, if needed, and document the ESG risk categorization rationale. If ESG issues require significant mitigation, the Fund will re-evaluate the investment proposal with revised economics, taking into consideration the financial implication of the mitigation measures.

Following the final approval to proceed with the investment, the Fund ensures ESG clauses are inserted into its investment agreement, including E&S Action Plans and climate action plans (to allow for appropriate alignment to EU Taxonomy and SFDR) commensurate with the level of ESG risk identified. On an ongoing basis, the Fund monitors its portfolio companies on its ESG requirements including an annual evaluation of the PAIs, positive contribution to its impact objectives, and a review of compliance with its general ESG requirements.

Summary of the Fund's policies to assess good governance practices of its investee companies

The Fund assesses all potential investees to ascertain good governance practices prior to investing, as part of its pre-investment due diligence, in addition to requiring investees to report on the implementation of good governance practices as part of its ongoing monitoring through the life of the investment. The following factors are typically assessed during pre-investment due diligence and tracked as part of the Fund's periodic monitoring:

- Board composition and independence
- Employee relations
- Bribery, corruption and business ethics
- Governance incidents
- Accurate reporting

- Tax compliance and transparency
- Remuneration policies
- Engagement of investees and where applicable, use of TA to support investees to address limitations in good governance practices or identify remedies in case of a breach in good governance standards.

(E) PROPORTION OF INVESTMENTS

The Fund is targeting to have at least 80% of its total assets in investments which meet its sustainable investment objective of reducing carbon emissions by the end of its investment period (2035). Most of the Fund's investments will have direct exposure to the underlying investee.

The remaining 20% of its total assets will be invested in hedging instruments or cash held for ancillary liquidity purposes.

While the Fund will invest in sustainable investments as defined in the SFDR, it anticipates limitations in acquiring sufficient data to demonstrate alignment with the requirements of the Taxonomy Regulation, given the regional context of companies that the Fund invests in. The Fund will therefore target 0% alignment with the EU Taxonomy.

(F) MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE

ESG risk assessment and management is core to the Fund's investment approach and embedded within the Fund's investment due diligence and execution processes. The Fund's ESG Policy and ESMS ensure that ESG risks and opportunities are appropriately flagged, assessed and managed throughout the life of an investment.

The Fund Manager commits to monitoring all active investments for ESG performance, including using its expertise and insights from previous occurrences to identify opportunities for proactive risk mitigation and achievement of positive impacts beyond those already planned.

The AGG ESG Manager and the Portfolio Management team will work with the investee to collect data on their ESG status on a quarterly basis and will inform AGG senior management and the Advisory Committee of all investments' ESG statuses on a quarterly basis and in aggregate on an annual basis.

Information to be included in the ESG status report shall include the ESG performance, compliance to ESG Requirements, received grievances and incidents and ESG Action Plans of the Investments in a frequency adequate to the risk classification.

The extent of monitoring will correspond to an investee's risks, likely impacts, and compliance requirements, and will also be adjusted over time according to performance and feedback from investees and beneficiaries. Upon documenting and analyzing monitoring results, AGG will identify any necessary corrective or preventive measures to the investee ESAP as well as to AGG's own ESG policies and procedures to ensure continued relevance and effectiveness.

In case the Investment presents a higher impact/risk the Fund must ensure that the Investee develops adequate ESG Instruments to meet the ESG Requirements. If the risk classification of any Investment deteriorates, the Fund will inform its limited partners immediately if the higher risk classification of the Investment results in an objectively significant ESHS or reputational risk.

In addition to regular monitoring, each investment will likely be subject to several evaluations to measure ESG PAI indicators, and other progress over time: A baseline evaluation, and an annual evaluation to track progress made in achieving objectives and targets set against the baseline. All evaluations must include greenhouse gas accounting, up to and including tertiary climate impacts from the investment if they invest in high energy intensive sectors. Evaluations must be independently produced, and the costs to produce these evaluations must be borne by the investee; however, the Fund Manager may provide funding for evaluations in certain cases.

The Fund uses different indicators to measure its performance on the Sustainable Investment Objective. Tailored indicators are developed for each of the Fund's focus sector (Green Housing and Retrofit for Energy Efficiency, Green Mobility, Industrial Energy Efficiency, Green Appliances and Solutions) with a view of assessing, measuring, monitoring, and reporting on the Fund's Key Sustainability Indicators related to its key sustainable investment objective as follows:

- (a) CO2 emissions: reduction and /or elimination
 - Total Green House Gas Emissions emitted (tCO2e) (Scope 1, Scope 2, Scope 3)
- (b) Clean energy: access to and production of affordable and clean energy increased
 - Installed renewable production capacity (MW) (offgrid, ongrid, rural, urban)
 - Actual renewable energy production 202x (MWh) (offgrid, ongrid, rural, urban)
- (c) Climate finance mobilized for green finance projects contributing to the sustainable investment objective of the Fund
 - Amount of climate finance mobilised on project/investment level through AGG loans

In addition, although the Fund does not pursue a social sustainable investment objective, it has defined a number of impact indicators related to certain social characteristics, including but not limited to improved climate and disaster-resilient infrastructure for vulnerable

communities, job creation, capacity and skills development, cost savings due to improved energy efficiency, other and ancillary health benefits.

(G) METHODOLOGIES

The Fund's ESG performance is comprehensively reviewed by the Fund Manager on an annual basis, through collection of up-to-date qualitative and quantitative information that is reported in the annual ESG performance report to its investors. Monitoring is predominantly desk-based, with the information provided by the investee. For specific investments that are deemed to be of greater ESG risk, or in the event a credible grievance has been observed, the Fund Manager may consider a more comprehensive monitoring process (e.g. appointment of ESG consultant to review action plan implementation or site visit).

ESG Performance Reports to investors include information on: (i) Portfolio breakdown by sector, high-risk transactions and ESG due diligence process (e.g. E&S Risk categories); (ii) Cases of non-compliance and significant E&S incidents related to a transaction; (iii) Information on the implementation of and changes to the investee's ESMS; and (iv) Information on E&S impact indicators as agreed with the investee (sector-specific).

Where the outcomes on indicators outlined in section F above are positive, and there is attainment of good governance and demonstration of no significant harm to other environmental or social sustainability objectives, the sustainable investment objectives of the Fund will be considered as attained.

(H) DATA SOURCES AND PROCESSING

Data is obtained directly from investees who populate - on an annual basis - a pre-agreed ESG reporting template, usually included in the transaction agreements. The investee commits to providing the information on an annual basis as one of the conditions subsequent following the Fund's investment.

The Fund has a dedicated impact management team that reviews all data received and checks it for consistency, accuracy against historical trends and industry benchmark data (where available), and completeness. Following this preliminary review, the impact management team then populates the data in the Fund's in-house impact monitoring database for analysis.

To ensure data quality, the Fund relies on verifiable data from audited non-Financial Impact information on GHG emissions and emissions reduction, confirmation of renewable energy produced and capacity installed, access to renewable energy, non-GHG

development activities such access to finance, gender, based on verifiable information from loan applications, staff numbers, customer base composition, and geographic distribution,

Most data included in the Fund's reports are actual data and estimates are rarely used, except in instances where an attribution calculation is required, such as apportioning climate impact to the Fund's investment.

(I) LIMITATIONS TO METHODOLOGIES AND DATA

For the accuracy of the methodologies used by the Fund to measure how the sustainable investment objectives of the Fund are met, there needs to be a significant portion of the data on all outstanding investees received. However, in some instances, the Fund's information rights are limited as regulations on corporate disclosures in Africa are weak or non-existent in some markets, the Fund's investees can fail to submit all the information required to complete the assessment or submit information with significant gaps.

In addition, given that the data is self-reported, the Fund relies on the investees to provide accurate and representative data. However, in some instances, there is a lack of common understanding of the metrics used, resulting in the submission of wrong data. In such cases, the Fund will review the data against the investee company's historical data and/or trends observed in other peer companies and exclude incorrect data from its analysis.

(J) DUE DILIGENCE

As part of due diligence, the Fund carries out an ESG review of the prospective investment to get an overview of the institution's commitment and capacity to manage ESG risks and to screen out institutions that indicate a heightened risk of ESG non-compliance. For Non-Financial Institutions (NFIs), this will include categorisation according to ESG risk (i.e., Category A/Category B/Category C), and the Performance Standards 1-8 will be applied as relevant (noting that PS1 will apply to all, whilst PS2-8 will be applied as relevant). For Financial Institutions (FIs), this will include categorisation according to ESG risk (i.e., FI-1/ FI-2/ FI-3). Performance Standards 1-2 will be applied for FIs, plus Standard 3 for asset finance companies (e.g., home solar finance).

The ESG review shall ensure investees' compliance with the ESG Policy including the AGG ESG Requirements and the AGG Exclusion List. The specific screening methodology and techniques applied by the due diligence team and during monitoring of outstanding Fund investments should be appropriate to the nature of the institution and its businesses. Before the Fund invests in any proposed Investment (including in respect of a new investment or a follow-up investment in an existing Investment) a proper ESG due diligence will be performed, starting with information available in the public domain.

For all investees the Fund will carry out a carbon footprint review which will cover Scope 1 and 2 emissions. Note AGG will additionally conduct a Scope 1 ,2 and 3 emissions analysis at Fund level. The AGG portfolio companies will only need to report Scope 1 and 2 emissions, unless the Fund has a significant level of influence (unlikely as a debt provider) over the investee, and it is an energy intensive industry.

Based on the risk categorisation, the Fund shall involve adequately qualified internal or external experts to evaluate and monitor compliance of all proposed Investments with the ESG Requirements and carry out a gap analysis against the relevant standards such as the IFC Performance Standards, considering the following:

- In case the Fund invests in medium ESG risk activities, these shall meet the requirements of the IFC Performance Standards 1 to 8, as applicable and including ILO fundamental labour conventions. These require an environmental and social Action Plan (ESAP) or other adequate ESG Instruments to be developed proportionate to the potential risks and impacts of the financed activity.
- In case the Fund invests in low ESG risk activities (no or only minor adverse environmental and social impacts or risks) Performance Standard 1 and 2 (including ILO fundamental labour conventions) shall be applicable.
- For both medium and low ESG risk activities the Investee will need to make an assessment of its climate change adaptation, mitigation and transitional activities during the life of the investment. This means the investee has to develop an environmental and climate action plan (CAP) clearly defining how they intend to adapt or mitigate against the impacts of climate change.
- For FIs, overall ESG risk will be analysed by review of the sector breakdown in their loan portfolio, detecting high-risk industries such as mining and metal processing, and collecting summary information on the underlying portfolio as well as measures to mitigate ESG risks. This will focus in particular on large enterprises within the lending portfolio, and on the ESG strategy applied by infrastructure related companies. For this portion of their portfolio the investee may be required to develop a Scope 3 emissions inventory.

Prior to the provision of financing the Fund will assess the FI's ESMS regarding conformance to the Fund's ESG Policy, operational implementation and application of the defined ESG Requirements. In case gaps are identified an ESAP will be developed by the Fund and agreed upon with the FI to close these gaps (at least for the financing provided by the Fund, rather than the entire portfolio of the FI). The Fund will require the FI to establish and maintain an organizational capacity and competency for implementing and maintaining the ESMS with clearly defined roles and responsibilities as defined in rows above and below.

The findings of the due diligence are subsequently summarised in the Investment Committee Proposal (IC Proposal) presented to the Investment Committee (IC) of the Fund. ESG related findings during monitoring of outstanding Fund exposures are reported in regular monitoring and risk reports as appropriate.

If red flags are revealed during due diligence, the institution may either fail to be considered for investment, or be subject to recommendations to be decided on a case-by-case basis. An ESAP may be developed which defines the environmental and social aspects which need to be addressed, who should undertake this work within the organisation as well as timelines for completion. The ESAP needs to be satisfactory to the Fund, and ensure compliance with the Fund's requirements in a technically and financially feasible and cost-effective manner within a time frame acceptable to the Fund.

In cases where considerable shortcomings are identified within the ESG management and monitoring of the institution or the Fund identifies a lack of capacity within the institution to ensure compliance with the Fund's exclusion list, it may be appropriate to make the entity a recipient of grant funding from the technical assistance facility to close these gaps.

(K) ENGAGEMENT POLICIES

The Fund practices active ownership and engagement throughout our portfolio, through the following measures:

- Monitoring investee compliance with ESG requirements and ensuring implementation of identified action/management items;
- Monitoring investees' ESG performance including assessing compliance with the IFC Performance Standards and National labour legislation and reviewing ESG performance metrics on an annual basis;
- Cooperation with shareholders of our investee companies (noting the Fund is a debt investor); and
- Communication with relevant stakeholders.

(L) ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

Given that there is no EU Climate Transition Benchmark or EU Paris-aligned Benchmark, in accordance with the Benchmark Regulation, available for the Fund, the Fund will assess energy savings and GHG reductions based on guidelines such as the [Global Off-Grid Lighting Association](#) or the [World Bank](#). Energy savings and GHG reductions will be monitored on an ex-post basis, comparing project emissions with baseline emissions for a scenario where no mitigation intervention occurs. The Fund's methodologies comply with the methodological requirements set out in the minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks

(Delegated Regulation 2020/1818) as applicable. At a minimum, the Fund's methodologies incorporate the following minimum standards:

- GHG emissions reduction tracked to establish alignment with the long-term global warming target of the Paris Climate Agreement in accordance with the 1.5° c scenario
- Calculation of GHG intensity and absolute GHG emissions is based on EUR which is the Fund's reporting currency, and applied consistently across all portfolio companies
- GHG emissions and intensity are reported on an annual basis in the Principal Adverse Sustainability Impacts Statement
- Scope 3 GHG emissions data will be phased in as per the relevant sectoral guidelines
- The Fund will track the decarbonization trajectory on an annual basis to ensure alignment with the minimum level for debt securities as per the regulation 2020/1818
- The Fund's exclusion list is aligned with the Paris-aligned benchmarks exclusion list
- The Fund's data collection methodologies and basis for estimates are disclosed in the Fund's annual report
- The Fund commits to conducting independent baseline, midterm, and final evaluations (to measure ESG and other performance) for each investee; to support creation of annual independent portfolio reports that measure performance across all investees including a verification of Scope 1, 2, 3 GHG emissions